



ANNUAL REPORT 2014



ITTEHAD CHEMICALS LIMITED



Contents

Corporate Information	2
Vision & Mission Statement	3
Notice of Annual General Meeting	4
Directors' Report	6
Operating & Financial Highlights	13
Statement of Value Added	14
Statement of Compliance with the Code of Corporate Governance	15
Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance	18
Auditors' Report to the Members	20
Balance Sheet	21
Profit and Loss Account	22
Statement of Comprehensive Income	23
Cash Flow Statement	24
Statement of Changes in Equity	25
Notes to the Financial Statements	26
Pattern of Shareholding	65
Form of Proxy	69



Corporate Information

Board of Directors	<p>Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Mr. Abdul Ghafoor Khatri Ms. Farhana Abdul Sattar Khatri Mr. Waqas Siddiq Khatri Mr. Ahmed Mustafa Mr. Pervaiz Ahmad Khan</p>	<p>Chairman Director / CEO Director Director Director Director Director</p>	<p>Non-Executive Director Executive Director Non-Executive Director Non-Executive Director Executive Director Non-Executive Director Independent Director</p>
Audit Committee	<p>Mr. Ahmed Mustafa Mr. Abdul Ghafoor Khatri Mr. Pervaiz Ahmad Khan</p>	<p>Chairman Member Member</p>	
HR & Remuneration Committee	<p>Mr. Abdul Ghafoor Khatri Mr. Ahmed Mustafa Mr. Waqas Siddiq Khatri</p>	<p>Chairman Member Member</p>	
Chief Financial Officer	<p>Mr. Javed Iqbal</p>		
Company Secretary	<p>Mr. Abdul Mansoor Khan</p>		
Registered Office/Head Office	<p>39-Empress Road, P.O. Box 1414, Lahore-54000 Tel: 042 - 36306586 - 88, Fax: 042 - 36365697 Website: www.ittehadchemicals.com, E-mail: info@ittehadchemicals.com</p>		
Plant	<p>G.T. Road, Kala Shah Kaku, District Sheikhupura Ph: 042 - 37950222 - 25, Fax: 042 - 37950206</p>		
Shares Registrar	<p>M/s. Corplink (Pvt.) Limited Corporate and Financial Consultants Wings Arcade, 1-K Commercial, Model Town, Lahore Ph : 042 - 35839182, Fax : 042 - 35869037</p>		
Bankers	<p>Askari Bank Limited Allied Bank Limited Al-Baraka Bank (Pakistan) Limited Burj Bank Limited Dubai Islamic Bank Faysal Bank Limited Habib Metro Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan NIB Bank Limited Pak Libya Holding Co. (Pvt.) Limited Pakistan Kuwait Investment Co. (Pvt.) Limited Pak Brunei Investment Co. (Pvt.) Limited Standard Chartered Bank (Pakistan) Limited The Bank Of Punjab United Bank Limited</p>		
Auditors	<p>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</p>		
Legal Advisors	<p>Cornelius, Lane & Mufti Advocates & Solicitors Nawa-e-Waqt House 4 - Shahr-e-Fatima Jinnah, Lahore-54000</p>		



ICL VISION

An “ITTEHAD” of PAKISTAN’S best TALENT & TECHNOLOGY that serves as a catalyst to deliver SUSTAINABLE CHEMICAL products to its CUSTOMERS thus optimizing returns for INVESTORS.

ICL MISSION

Key ingredients of ICL Mission are:

- ▶ Create an environment to attract and retain the best talent
- ▶ Optimize cost and securitize energy through latest technology
- ▶ Serving the Customers to their satisfaction levels
- ▶ Ensuring that we are environment friendly & Zero injury company
- ▶ CSR is our forte

ICL VALUES

▶ Integrity

Integrity is regarded as the honesty and truthfulness or accuracy of one’s actions.

▶ Respect

Respect is a positive feeling of esteem or deference for a person and also specific actions and conduct representative of that esteem.

▶ Teamwork

Teamwork is work done by several associates with each doing a part but all subordinating personal prominence to the efficiency of the whole.

▶ Accountability

The principles of ethical accountability aim to improve both the internal standard of individual and group conduct as well as external factors, such as sustainable economic and ecologic strategies.



Notice of Annual General Meeting

NOTICE is hereby given that the 23rd Annual General Meeting of the shareholders of **Ittehad Chemicals Limited** will be held on Friday, October 31, 2014, at 11:30 a.m. at the Registered Office at 39 - Empress Road, Lahore to transact the following business:

Ordinary Business:

1. To confirm the Minutes of Extraordinary General Meeting held on March 28, 2014.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the Financial Year ended June 30, 2014 together with the Directors' and Auditors' Reports thereon.
3. To approve Final Cash Dividend of Rs. 1 per share i.e. 10% as recommended by the Board of Directors.
4. To appoint Auditors for the year 2014-15 and to fix their remuneration. M/s BDO Ebrahim & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment.
5. Any other business with the permission of the Chair.

By Order of the Board

Lahore
September 08, 2014

Abdul Mansoor Khan
Company Secretary

Notes:-

- i. The Share Transfer Books of the Company will remain closed from October 25, 2014 to October 31, 2014 (both days inclusive). Transfers received in order by our Shares Registrar, M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore by the close of business on October 24, 2014 will be considered in time for the purpose of payment of cash dividend to the transferees.
- ii. A member of the Company entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The proxy, in order to be effective, must be received at the registered office of the Company duly signed and stamped not less than 48 hours before the time of meeting.
- iii. The CDC Account holders/sub-account holders are requested to bring with them their original CNICs or Passports along with the Participant(s) ID Number(s) and CDC account number(s) at the time of attending the Annual General Meeting for identification purpose.
- iv. In case of Corporate entity, the Board of directors' resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting. The nominee shall produce his original CNIC at the time of attending the meeting for identification purpose.

- v. Members are requested to notify the change of address immediately, if any, to our Shares Registrar.
- vi. Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 787(I) / 2014 has facilitated the Companies to circulate Audited Financial Statements through e-mail after obtaining prior written consent of its members. The members who intend to receive the Audited Accounts through email are therefore, requested to kindly send their written consent along with e-mail address(es).
- vii. Members of the Company are hereby informed that pursuant to the provisions of Finance Act 2014, the rates of deduction of Income Tax under section 150 of the Income Tax Ordinance, 2001 from dividend payment have been revised w.e.f. July 01, 2014 as follows:

1	Rate of tax deduction for filer of income tax returns	10%
2	Rate of tax deduction for non filer of Income Tax returns	15%

On the first day of commencement of Book Closure for dividend entitlement calculation, the Shares Registrar would check each shareholder's status on the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR) and if the shareholder's name doesn't appear on the ATL, the increased rate of withholding tax at 15% would be applied, in accordance with the law. Members are therefore advised to immediately check their status on ATL and take necessary action for inclusion of their name in the ATL, if so required.

- viii. As already communicated, SECP has directed vide its S.R.O. 831(I) / 2012 that the dividend warrants should bear the CNICs of the registered members or the authorized person except in the case of minor(s) and corporate members. CNIC numbers are, hence, mandatory for the issuance of dividend warrants and in the absence of such information, payment of dividend may be withheld. Therefore, the members who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) to our Shares Registrar.
- ix. In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged by SECP where shareholders can get amount of the dividend credited into their respective bank accounts electronically. In this way, dividend may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc. The SECP through Notice No. 8(4) SM/CDC 2008 dated April 05, 2013 has advised all listed companies to adopt e-dividend mechanism due to the benefits it entails for their members. In view of the above, you are hereby encouraged to provide a dividend mandate in favour of e-dividend by providing dividend mandate form duly filled in and signed.
- x. The Company has ensured that the Annual Report for the Financial Year ended June 30, 2014 be placed on Company's website www.ittehadchemicals.com at least twenty one (21) days before the AGM as required vide SRO 634 (I)/2014 of SECP along with interim and Financial Reports of prior period.

Directors' Report to Shareholders



The Directors of the company take pleasure to present the Annual Report along with Audited Financial Statements for the Financial Year ended June 30, 2014 and Auditors' Report thereon.

PAKISTAN'S ECONOMY

Pakistan's growth performance is coping with difficult times. The Financial Year 2013 -14 was another tough and testing one for the industry. On one hand deteriorated security environment, power cut and gas load shedding had their impact and on the other hand, inflated raw material prices, exaggerated energy rates, tough competition and decelerated business volumes adversely impacted business generally.

FINANCIAL PERFORMANCE

The management of your company took the best possible measures and the performance can be termed quite satisfactory in view of adverse economic indicators coupled with stiff market competition, acute power shortages, immense increase in electricity and gas tariff and the flood during the first quarter of financial year under review which has adversely impacted the production as well as profitability of the Company.

Company posted net sales revenue of Rs. 4.104 Billion for the Financial Year under review (2013: Rupees 4.278 Billion). The cost of sales stood at Rupees 3.291 Billion (2013: Rupees 3.413 Billion) bringing gross profit to Rupees 813 Million (2013: Rupees 865 Million). After making provision for taxation, profit for the year is Rupees 200 Million (2013: Rupees 295 Million). Earning(s) per share is Rupees 4.01 per share (2013: Rupees 5.89 per share).

During the year under review, the company issued Bonus shares amounting to Rs. 140m; hence EPS for FY 2013 has been restated accordingly.

FINANCIAL RESULTS

The comparative financial results for the year ended June 30, 2014 are hereunder:

	Financial Year ended June 30	
	2014	2013
	Rupees in "000"	
Net Sales	4,103,853	4,278,107
Gross Profit	813,027	865,335
Operating Profit	405,372	452,514
Profit before Tax	281,150	333,315
Profit after Tax	200,376	294,623
Earnings Per Share (Rupees)	4.01	Restated * 5.89

Note: During the year, the company issued Bonus shares; hence EPS for FY 2013 has been restated accordingly.

PROFIT AND APPROPRIATIONS DURING THE YEAR

	Financial Year ended June 30	
	2014	2013
	Rupees in '000'	
Profit after tax for the year	200,376	294,623
Add: - Un-appropriated profit brought forward	1,016,226	793,603
Profit available for appropriation	1,216,602	1,088,226
Appropriations:		
- Final cash dividend paid @ 10 % for the financial year 2012-13 (2011-2012: 15 %)	(36,000)	(54,000)
- Bonus Shares issued during the year	(140,000)	
- Interim cash dividend paid @ NIL for the financial year 2013-14 (2012-2013: 5%)	-	(18,000)
Profit available for appropriation	1,040,602	1,016,226

CASH DIVIDEND

The Board of Directors is pleased to propose a final cash dividend of Rs. 1 per share i.e. 10% for the financial year ended June 30, 2014. The final dividend is subject to the approval of shareholders in their meeting scheduled to be held on October 31, 2014.

BALANCING, MODERNIZATION AND REPLACEMENT (BMR)

As described in earlier reports, the company is replacing its high power consuming DSA Caustic Soda Plant with state of the art power efficient Plant Ion Exchange Membrane (IEM plant). The Plant is in erection phase and is expected to commence its operations in January 2015. The new IEM Plant is cost efficient and shall improve the Company's profitability.

Company has signed an agreement with Wärtsilä Finland Oy for conversion of electrical frequency of the generators from 60 Hz to 50 Hz. This will not only improve the uninterrupted electricity generation but also reduce the gas consumption.

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) with stable outlook.

BOARD AND ITS COMMITTEES' MEETINGS AND ATTENDANCE

During the year, nine (09) Board meetings, four (04) Audit Committee meetings and two (02) HR & Remuneration Committee Meetings were held. The attendance of Board and its Committees' members is hereunder:

Name of Director	Number of Meetings attended		
	Board of Directors	Audit Committee	HR & R Committee
Mr. Muhammad Siddique Khatri	9	N/A	1
Mr. Abdul Sattar Khatri	9	3	N/A
Mr. Abdul Ghafoor Khatri	9	4	2
Mr. Waqas Siddiq Khatri	9	N/A	1
Mr. Ahmed Mustafa*	5	1	1
Ms. Farhana Abdul Sattar Khatri	9	N/A	N/A
Ms. Rushda Mustafa *	1	N/A	N/A
Mr. Pervaiz Ahmad Khan**	3	1	N/A
Mr. Fowad Yousaf Khatri **	3	3	1

Note: Leave of absence was granted to the Directors / Members who could not attend the Board and its Committees' meetings.

*Ms. Rushda Mustafa resigned on November 12, 2013 and Ahmed Mustafa was appointed in her place.

**Mr. Fawad Yousaf Khatri retired on March 28, 2014 and Mr. Pervaiz Ahmad Khan elected.

CHANGES IN THE BOARD OF DIRECTORS

In the Extra Ordinary General Meeting held on March 28, 2014 the reelection of Directors took place. The following Directors who retired and offered themselves for reelection were reelected:

- | | |
|---------------------------------|------------------------------------|
| 1. Mr. Muhammad Siddique Khatri | 4. Ms. Farhana Abdul Sattar Khatri |
| 2. Mr. Abdul Sattar Khatri | 5. Mr. Waqas Siddiq Khatri |
| 3. Mr. Abdul Ghafoor Khatri | 6. Mr. Ahmed Mustafa |

Mr. Fowad Yousaf Khatri retired but did not offer himself for reelection. In his place Mr. Pervaiz Ahmed Khan was elected as an Independent Director as required by the Code of Corporate Governance.

Consequent upon reelection of Directors, the office of the Chairman and CEO has been separated and:-

- Mr. Muhammad Siddique Khatri has been appointed Chairman of the Board of Directors with effect from April 10, 2014.
- Mr. Abdul Sattar Khatri has been appointed as CEO for a term of 3 years commencing from March 28, 2014 on a monthly remuneration of Rs. 500,000 as recommended by HR & R Committee. He would also be entitled to all other allowances, benefits, perquisite and terminal benefits as are admissible to Senior Executives of the Company according to the rules of the Company.
- Mr. Waqas Siddiq Khatri has been reappointed as an Executive Director of the Company w.e.f. March 28, 2014 on a monthly remuneration of Rs. 400,000. He would also be entitled to all other allowances, benefits, perquisite and terminal benefits as are admissible to Senior Executives of the Company according to the rules of the Company.

AUDIT COMMITTEE

Consequent upon the reelection of the Directors, the Board has reconstituted the Audit Committee in its meeting held on April 10, 2014. The new Audit Committee comprises of the following members:

1. Mr. Ahmed Mustafa	Chairman	Non-Executive Director
2. Mr. Abdul Ghafoor Khatri	Member	Non-Executive Director
3. Mr. Pervaiz Ahmad Khan	Member	Independent Director

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Consequent upon the reelection of the Directors, the Board has reconstituted the Human Resources and Remuneration Committee in its meeting held on April 10, 2014. The new HR & R Committee comprises of the following members:

1. Mr. Abdul Ghafoor Khatri	Chairman	Non-Executive Director
2. Mr. Ahmed Mustafa	Member	Non-Executive Director
3. Mr. Waqas Siddiq Khatri	Member	Executive Director

DIRECTORS' TRAINING PROGRAMS

The Directors are aware of their fiduciary responsibilities. During the year, the Board arranged certification offered by Institute of Chartered Accountants of Pakistan (ICAP) for Mr. Muhammad Siddique Khatri, Director of the Company. He has successfully completed this Certification.

CODE OF CONDUCT

Behavior reflecting high ethical, moral and legal conducts is expected from all employees of the company regardless of their title or location which is an individual responsibility; however, company has defined certain standards and obligations. The Code of Conduct has been disseminated to all its employees throughout the Company and placed on the website of the Company.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The compliance with the best practices of Code of Corporate Governance is always ensured by the Board. A statement to this effect is annexed.

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 the Company's state of affairs fairly, 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, 2014 was Rs.3.385 million.
- x. All material information, as described in the Code is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in a timely fashion.

- xi. The company has complied with requirements as stipulated in Code relating to related party transactions.
- xii. The trading (if any) made by directors, CEO, CFO, Company Secretary and their spouses and minor children in the company's shares during the year and the number of shares, if any, held by them are annexed.



HEALTH, SAFETY AND ENVIRONMENT

We are committed to provide a safe and healthy work environment to our employees. The Company meets applicable laws and government regulations as well as Company's own standards. 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.

CORPORATE SOCIAL RESPONSIBILITY

Our main CSR focuses are Health Care, Education and community development. ICL continued to provide financial support to various organizations operating in the fields of Education, Health and Social uplift. During the year under review, company contributed Rupees 8,241,910 to various charitable organizations. Company also signed MOU with Akhuwat (an organization with the objective of providing interest free microfinance to the poor in order to enhance their standard of living) and provided Rupees One Million in credit pool of Akhuwat for opening a branch. We actively seek opportunities to contribute to the communities.

EXTERNAL AUDITORS

The present auditors M/s. BDO Ebrahim & Co., Chartered Accountants, retire and being eligible offered themselves for re-appointment for the year 2014-15. 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

The pattern of shareholding under section 236(d) and information under clause XVI(J) of the Code of Corporate Governance as on June 30, 2014 are annexed.

FUTURE OUTLOOK

The Management of your company is taking all suitable measures to plan and manage the challenges it is foreseeing in the future. All cost effective and operational excellence measures including price rationalization, product and process optimization, reduction of operating cost, efficient working capital management and modernization of Plant have been/being taken by the Management. Your company is also looking for viable alternate energy sources to overcome energy crises to ensure supply of uninterrupted electricity to enhance production and control energy cost. The management is keenly pursuing to IEM Plant coming on stream at the earliest which would be cost efficient.



The Management is in agreement with AI Technique Corporation of Pakistan (ATCOP), a subsidiary company of Pakistan Atomic Energy Commission (PAEC), regarding Technology Transfer and commercialization of an indigenously researched bacterial fertilizer, by the name of Biopower.

The fertilizer, a flora of bacteria is highly beneficial for crops, was developed by National Institute of Biotechnology and Genetic Engineering (NIBGE), a lab of PAEC. The project is aimed towards tremendous cost savings for farmer as it eases the dependency on chemical fertilizers as well as increases yield. This will improve the profitability and is in line with the Company's commitment to enhance shareholders' value.



ACKNOWLEDGEMENT

Board is thankful to the valuable Shareholders, Customers, Banks and Government departments for their trust, confidence, persistent support and patronage and would like to place on record its gratitude to all the Employees of the company for their contribution, dedication and hard work.

On behalf of the Board



Muhammad Siddique Khatri
Chairman

Lahore
September 08, 2014

Operating and Financial Highlights

	Unit	2009	2010	2011	2012	2013	2014
PROFIT AND LOSS							
Sales	Rs. in mln	3,633	3,258	3,310	4,004	4,278	4,104
Gross Profit	Rs. in mln	841	706	688	802	865	813
Operating Profit	Rs. in mln	505	364	335	430	453	405
Profit before tax	Rs. in mln	262	151	109	228	333	281
Profit after tax	Rs. in mln	155	157	105	160	295	200
EBITDA	Rs. in mln	718	571	532	626	637	592
Earning per share - restated	Rs.	3.10	3.14	2.10	3.20	5.89	4.01
BALANCE SHEET							
Operating Fixed assets (NBV)	Rs. in mln	2,598	2,471	2,499	2,515	2,496	2,485
Current Assets	Rs. in mln	1,212	1,261	1,347	1,346	1,619	1,704
Current Liabilities	Rs. in mln	994	1,023	1,334	1,459	1,722	1,491
Long Term Liabilities	Rs. in mln	1,341	1,163	942	646	411	909
Share capital	Rs. in mln	360	360	360	360	360	500
Shareholders' Equity	Rs. in mln	843	946	1,011	1,154	1,376	1,541
INVESTOR INFORMATION							
Gross Profit Margin	%	23.15	21.67	20.79	20.03	20.23	19.81
Net Profit Margin	%	4.27	4.82	3.17	4.00	6.89	4.88
Return On Equity	%	19.53	17.55	10.73	14.78	23.29	13.74
Price Earning Ratio - restated		12.26	10.45	14.01	7.32	7.38	8.06
Net Asset per share	Rs.	23.42	26.28	28.08	32.06	38.23	30.81
Long -Term Debt to Equity Ratio		1.53	1.25	1.00	0.56	0.21	0.43
Current Ratio		1.22	1.23	1.01	0.92	0.94	1.14
Quick Ratio		0.74	0.60	0.53	0.54	0.52	0.60
Interest Coverage Ratio		2.01	1.68	1.46	2.09	3.71	3.04
Debtor Turnover	No. of Times	7.09	7.50	8.39	8.50	8.09	7.85
Inventory Turnover	No. of Times	5.91	3.96	4.07	5.69	4.74	4.06
Dividend Payout	%	35.13	11.85	35.34	33.78	18.33	24.94
Bonus Shares	%	-	-	-	-	38.89	-
Dividend per share	Rs.	1.50	0.50	1.00	1.50	1.50	1.00

Note: Previous year figures have been rearranged and /or reclassified, wherever, necessary for the purpose of comparison.





Statement of Value Added

Year ended June 30,
2014 2013
(Rs. In Million)

Wealth Generated:

Total revenue net of discount and allowances
Bought-in-material and services

4,796 4,946
3,132 3,335

1,664 1,611

Wealth Distributed:

To Employees

Salaries, benefits and other costs

430 382

To Government

Income tax, sales tax, special excise duty & WWF

722 631

To Providers of capital

To shareholders (Dividend & Bonus Shares)

176 18

To Financial Institutes (Mark up/interest on borrowed funds)

133 122

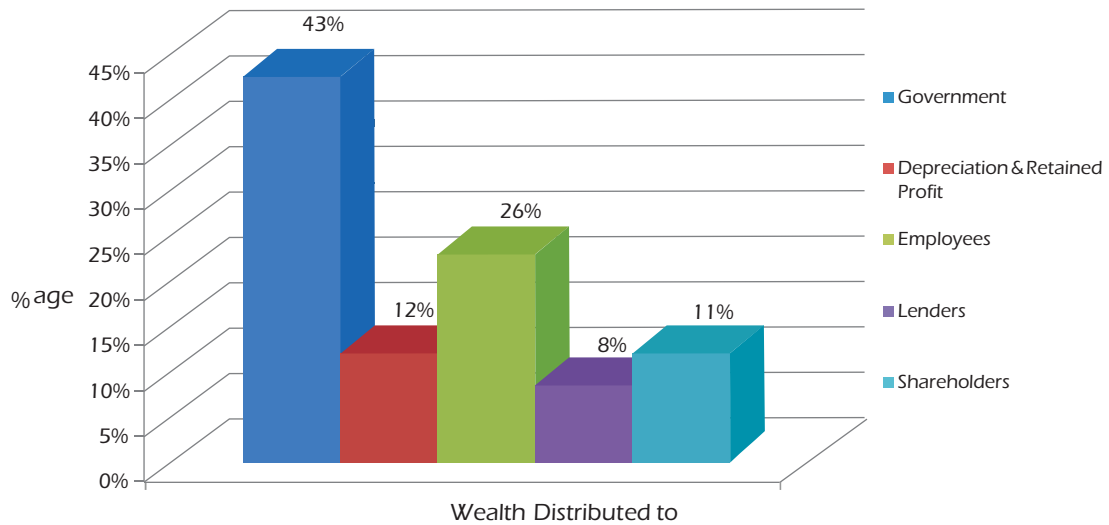
Retained for Reinvestment and Growth

Depreciation and retained profits

202 458

1,664 1,611

Wealth Distribution



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) set out 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
Independent Director	Mr. Pervaiz Ahmad Khan
Executive Directors	Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri
Non-Executive Directors	Mr. Muhammad Siddique Khatri Mr. Abdul Ghafoor Khatri Ms. Farhana Abdul Sattar Khatri Mr. Ahmed Mustafa

The independent director meets the criteria of independence under clause I (b) of the CCG.

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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the board on November 12, 2013 was filled up by the directors on the same day.
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 arranged certification offered by Institute of Chartered Accountants of Pakistan (one of the approved Institute for Directors' Training Program) for Mr. Muhammad Siddique Khatri, Director of the Company. He has successfully attained this certification.
10. During the year, there was no change in the position of Chief Financial Officer (CFO) and Head of Internal Audit, however, the Board has approved the appointment of Company Secretary including his remuneration and terms and conditions of his employment.
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 (03) members, of whom one is independent and two are non-executive directors. The chairman of the committee is a Non-Executive Director.
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 (03) 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 suitably qualified and experienced for the purpose and is 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.

Lahore
September 08, 2014

A handwritten signature in black ink, appearing to read 'Muhammad Siddique Khatri'.

Muhammad Siddique Khatri
Chairman



Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of ITTEHAD CHEMICALS LIMITED ("the Company") for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended June 30, 2014.

Karachi
Dated: September 08, 2014

BDO Ebrahim & Co
Chartered Accountants
Engagement Partner: Qasim E Causer

Financial Statements

For the year ended June 30, 2014





Auditors' Report to the Members

We have audited the annexed balance sheet of **ITTEHAD CHEMICALS LIMITED** ("the Company") as at June 30, 2014 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, 2014 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.

Karachi
Dated: September 08, 2014

BDO Ebrahim & Co
Chartered Accountants
Engagement Partner: Qasim E Causer



Balance Sheet

as at June 30, 2014

	Note	2014 Rupees in thousand	2013
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	2,484,852	2,495,976
Capital work in progress	6	371,876	19,833
		2,856,728	2,515,809
Intangible assets	7	16,904	22,133
Investment property	8	82,800	73,800
Long term investments	9	-	-
Long term deposits	10	40,558	39,260
		2,996,990	2,651,002
CURRENT ASSETS			
Stores, spares and loose tools	11	527,608	446,420
Stock in trade	12	283,871	273,876
Trade debts	13	609,505	608,526
Loan and advances	14	73,751	51,336
Trade deposits and short term prepayments	15	7,219	7,107
Other receivables	16	-	10,414
Tax refunds due from the Government	17	31,145	19,221
Taxation - net	18	26,211	21,085
Cash and bank balances	19	145,024	180,671
		1,704,334	1,618,656
TOTAL ASSETS		4,701,324	4,269,658
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	20.1	1,000,000	750,000
Issued, subscribed and paid up capital	20.2	500,000	360,000
Unappropriated profit		1,040,602	1,016,226
		1,540,602	1,376,226
SURPLUS ON REVALUATION OF FIXED ASSETS	21	760,819	760,819
NON CURRENT LIABILITIES			
Long term financing	22	208,361	76,390
Long term diminishing musharaka	23	365,586	-
Long term murabaha	24	-	-
Deferred liabilities	25	335,306	334,697
		909,253	411,087
CURRENT LIABILITIES			
Trade and other payables	26	436,909	831,447
Mark-up accrued	27	33,281	23,644
Short term borrowings	28	930,622	649,959
Current portion of long term liabilities	29	89,838	216,476
		1,490,650	1,721,526
CONTINGENCIES AND COMMITMENTS	30	-	-
TOTAL EQUITY AND LIABILITIES		4,701,324	4,269,658

The annexed notes from 1 to 50 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Profit and Loss Account

for the year ended June 30, 2014

		2014	2013
	Note	Rupees in thousand	
Sales	31	4,103,853	4,278,107
Cost of sales	32	(3,290,826)	(3,412,772)
Gross profit		813,027	865,335
Selling and distribution expenses	33	(231,679)	(272,886)
General and administrative expenses	34	(163,506)	(138,039)
Other operating expenses	35	(22,770)	(23,196)
Other income	36	10,300	21,300
		(407,655)	(412,821)
Operating profit		405,372	452,514
Financial charges	37	(133,222)	(121,899)
Fair value gain on investment property	8.1	9,000	2,700
Profit before taxation		281,150	333,315
Taxation	38	(80,774)	(38,692)
Profit after taxation		200,376	294,623
			Restated
Earnings per share - Basic and diluted (Rupees)	41	4.01	5.89

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

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



Statement of Comprehensive Income

for the year ended June 30, 2014

	2014	2013
	Rupees in thousand	
Profit after taxation for the year	200,376	294,623
Other comprehensive income	-	-
Total comprehensive income for the year	<u>200,376</u>	<u>294,623</u>

The annexed notes from 1 to 50 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Cash Flow Statement

for the year ended June 30, 2014

Note	2014	2013
	Rupees in thousand	
Cash flows from operating activities		
	281,150	333,315
Profit before tax		
Adjustments for items not involving movement of funds:		
Depreciation	5.3 181,808	183,695
Amortization of intangible assets	34 5,229	623
Provision for staff retirement gratuity	25.3 11,835	13,075
Gain on sale of fixed assets	36 (1,762)	(9,517)
Gain on revaluation of investment property	8.1 (9,000)	(2,700)
Foreign exchange loss / (gain)	35 1,088	(2,982)
Provision for doubtful debts	13 3,481	3,623
Bad debts written off	34 1,524	931
Financial charges	37 133,222	121,899
Net cash flow before working capital changes	608,575	641,962
Increase in current assets		
Stores, Spares and loose tools	(81,188)	(55,687)
Stock in trade	(9,995)	(102,247)
Trade debts	(7,072)	(64,735)
Loan and advances	(22,523)	(22,660)
Trade deposits and short term prepayments	(112)	(1,018)
Other receivables	10,414	(59)
Tax refunds due from the Government	(6,375)	(14,445)
	(116,851)	(260,851)
(Decrease) / increase in current liabilities		
Trade and other payables	(400,708)	215,956
Cash generated from operations	91,016	597,067
Taxes paid	(92,087)	(35,559)
Gratuity paid	(3,807)	(2,696)
Financial charges paid	(132,446)	(136,166)
Net cash (outflow) / inflow from operating activities	(137,324)	422,646
Cash flows from investing activities		
Additions to operating fixed assets	(66,359)	(43,779)
Additions to intangible assets	-	(190)
Additions to capital work in progress	(448,159)	(155,212)
Proceeds from sale of operating fixed assets	2,414	50,721
Long term deposits	(1,190)	(1,638)
Net cash (outflow) / inflow from investing activities	(513,294)	(150,098)
Cash flows from financing activities		
Proceeds from long term financing	217,000	-
Repayments of long term financing	(89,445)	(112,502)
Proceeds from long term diminishing musharaka	365,586	-
Repayments of long term diminishing musharaka	(83,333)	(166,667)
Repayment of long term murabaha	(38,889)	(77,778)
Dividend paid	(36,611)	(69,537)
Short term borrowings	280,663	204,201
Net cash inflow / (outflow) from financing activities	614,971	(222,283)
Net (decrease) / increase in cash and cash equivalents	(35,647)	50,265
Cash and cash equivalents at the beginning of the year	180,671	130,406
Cash and cash equivalents at the end of the year	19 145,024	180,671

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

Statement of Changes in Equity

for the year ended June 30, 2014

	Issued, subscribed and paid-up capital	Unappropriated profits	Total
	Rupees in thousand		
Balance as at July 01, 2012	360,000	793,603	1,153,603
Transaction with owners:			
Final cash dividend 2012: Rs. 1.5 per share	-	(54,000)	(54,000)
Interim cash dividend 2013: Re. 0.5 per share	-	(18,000)	(18,000)
	-	(72,000)	(72,000)
Comprehensive income for the year	-	294,623	294,623
Balance as at June 30, 2013	360,000	1,016,226	1,376,226
Transaction with owners:			
Final cash dividend 2013: Re. 1 per share	-	(36,000)	(36,000)
Bonus shares issued during the year	140,000	(140,000)	-
	140,000	(176,000)	(36,000)
Comprehensive income for the year	-	200,376	200,376
Balance as at June 30, 2014	500,000	1,040,602	1,540,602

The annexed notes from 1 to 50 form an integral part of these financial statements.


 CHIEF EXECUTIVE


 DIRECTOR



Notes to the Financial Statements

for the year ended June 30, 2014

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.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except as modified for fair value adjustment in freehold land, investment property, investments and exchange differences as referred to in notes 4.1, 4.4, 4.5, and 4.19 respectively.

The preparation of financial statements in conformity with approved financial reporting 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 Rupees, which is the functional and presentation currency for the Company.

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

3.1 Standards or interpretations that are effective in current year but not relevant to the Company

The Company has adopted the following accounting standards and interpretations which became effective during the year:

		Effective date (annual periods beginning on or after)
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

3.2 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:

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	January 01, 2013
IFRS 10	Consolidated Financial Statements - Amendments to transitional guidance	January 01, 2013
IFRS 11	Joint Arrangements - Amendments to transitional guidance	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities - Amendments to transitional guidance	January 01, 2013
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 01, 2013
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 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

3.3 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:

IFRS 2	Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 7	Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	January 01, 2018
IFRS 8	Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	January 01, 2018
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2018

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 16	Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32	Financial Instruments - Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 36	Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014

		Effective date (annual periods beginning on or after)
IAS 38	Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 38	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 40	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014
IAS 41	Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

3.4 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 9	Financial Instruments	January 01, 2018
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2017
IFRIC 21	Levies	January 01, 2014

The Company expects that the adoption of the above amendments and interpretations of the standards will not have any material impact and therefore 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.

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 lives.

4.3 Goodwill

On acquisition of an entity, excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired is initially recognized as goodwill and thereafter tested for impairment annually. Subsequent to initial recognition goodwill is recognized at cost less impairment if any.

4.4 Investment property

Investment property is property which is 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 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.

4.5 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.

4.6 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.

4.7 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 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.

4.13 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/ljarah.

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 company has adopted the above said standard.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 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 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, 2013 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, who had not opted Voluntarily Separation Scheme / Golden Hand Shake Scheme announced at the time of privatization of the Company in 1995. The Company and the employees make equal contributions to the fund.

4.21 Compensated absences

The 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 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.

4.24 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 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company has only one reportable segment.

5 OPERATING FIXED ASSETS

The following is the statement of property, plant and equipment:

Description	(Rupees in thousand)										Grand total	
	Freehold land	Buildings on freehold land	Railway sidings	Plant and machinery	Other equipments	Furniture and fixtures	Office and other equipments	Vehicles				
Net carrying value basis year ended June 30, 2014												
Opening net book value (NBV)	802,007	74,126	3,016	1,549,013	18,462	3,349	22,420	23,583				2,495,976
Additions (at cost)	30	5,451	-	150,127	4,688	1,207	2,513	7,320				171,336
Disposals (NBV held for sale (NBV)	-	-	-	-	-	-	-	(652)				(652)
Depreciation charge	-	(7,665)	(302)	(159,717)	(3,110)	(417)	(5,168)	(5,429)				(181,808)
Closing net book value	802,037	71,912	2,714	1,539,423	20,040	4,139	19,765	24,822				2,484,852
Gross carrying value basis year ended June 30, 2014												
Cost	802,037	172,768	7,273	3,261,080	80,611	8,639	51,084	55,521				4,439,013
Accumulated depreciation	-	(100,856)	(4,559)	(1,721,657)	(60,571)	(4,500)	(31,319)	(30,699)				(1,954,161)
Net book value	802,037	71,912	2,714	1,539,423	20,040	4,139	19,765	24,822				2,484,852
Net carrying value basis year ended June 30, 2013												
Opening net book value (NBV)	794,782	71,704	3,352	1,593,200	13,116	2,920	14,010	21,690				2,514,774
Additions (at cost)	7,225	9,728	-	156,760	5,135	771	13,433	13,049				206,101
Disposals / transfers (NBV)	-	-	-	(37,672)	-	-	(88)	(3,444)				(41,204)
Transfers (NBV)	-	-	-	-	3,279	-	-	(3,279)				-
Depreciation charge	-	(7,306)	(336)	(163,275)	(3,068)	(342)	(4,935)	(4,433)				(183,695)
Closing net book value	802,007	74,126	3,016	1,549,013	18,462	3,349	22,420	23,583				2,495,976
Gross carrying value basis year ended June 30, 2013												
Cost	802,007	167,317	7,273	3,110,953	75,923	7,432	48,571	51,329				4,270,805
Accumulated depreciation	-	(93,191)	(4,257)	(1,561,940)	(57,461)	(4,083)	(26,151)	(27,746)				(1,774,829)
Net book value	802,007	74,126	3,016	1,549,013	18,462	3,349	22,420	23,583				2,495,976
Depreciation rate % per annum	-	10	10	10	15	10	15 to 30	20				

5.1 Free hold land has been 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. 760.819 million (2013: Rs. 760.819 million).

5.2 Borrowing cost capitalised during the year amounted to Rs. 2.558 million (2013: Rs. Nil) at an average rate of 12.68% (2013: Nil) per annum.

	Note	2014 Rupees in thousand	2013
5.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	32	175,474	177,619
Selling and distribution expenses	33	1,027	719
General and administrative expenses	34	5,307	5,357
		181,808	183,695

5.4 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)					
Suzuki Cultus LZV-6134	603	506	97	540	Negotiated	Nadeem Ahmed Bhutta
Honda City LZS-2605	922	792	130	270	Negotiated	Muhammad Abrar
Suzuki Alto LEC-08-5763	531	390	141	531	Negotiated	Sheikh Khurshheed
Suzuki Alto LEC-08-5784	526	38	139	526	Negotiated	Mehmood Butt
Suzuki Alto LEC-08-7525	547	402	145	547	Negotiated	Imtiaz Hussain
Total - 2014	3,129	2,477	652	2,414		
Total - 2013	113,171	71,967	41,204	50,721		

	2014	2013
Note	Rupees in thousand	
6 CAPITAL WORK IN PROGRESS		
This comprises of:		
Building	2,255	858
Plant and machinery	369,621	18,975
	371,876	19,833

6.1 An amount of Rs. 102.419 million (2013: Rs. 178.321 million) has been transferred to operating fixed assets during the year.

6.2 Borrowing cost capitalised during the year amounted to Rs. 6.303 million (2013: Rs. Nil) at an average rate of 12.68% (2013: Nil) per annum.

7 INTANGIBLE ASSETS

Computer software and licences	7.1	10,459	15,688
Goodwill	7.2	6,445	6,445
		16,904	22,133

7.1 Computer software and licences

Net carrying value as at 1 July

Opening balance as on July 01,		15,688	121
Additions during the year		-	16,190
Amortization charge	34	(5,229)	(623)

Net book value as at June 30,		10,459	15,688
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Gross carrying value as at 30 June

Cost		22,542	22,542
Accumulated amortization		(12,083)	(6,854)
Net book value		10,459	15,688

Amortization % per annum		33.33%	33.33%
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The amortization charge for the year has been allocated as follows:

Administrative expenses	34	5,229	623
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7.2 Goodwill

This represents excess of the amount paid over fair value of net assets of subsidiary company on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36. The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 5 % p.a. and terminal value determined based on long term earning multiples. The cash flows are discounted using applicable discount rate. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		2014	2013
	Note	Rupees in thousand	
8 INVESTMENT PROPERTY			
Freehold land	8.1	82,800	73,800
		<u>82,800</u>	<u>73,800</u>
8.1 The movement in this account is as follows:			
Opening balance		73,800	71,100
Fair value gain on revaluation shown in "income statement"		9,000	2,700
		<u>82,800</u>	<u>73,800</u>

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, 2014 as determined by approved independent valuer M/s Asif Associates (Private) Limited. Fair value was determined having regard to recent market transactions for similar properties in the same location and condition.

9 LONG TERM INVESTMENTS

Available for sale

Investment in related party - unquoted Chemi Visco Fiber Limited 5,625,000 (2013: 5,625,000) fully paid ordinary shares		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% (2013: 7.91%) (Chief Executive : Mr. Abdul Hai Khatri)		-	-

- 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 significant uncertainty regarding future earnings and related cash flows. Further, the financial statements of the entity indicate that the fair value of the net assets is negative.

10 LONG TERM DEPOSITS

Long term deposits		<u>40,558</u>	<u>39,260</u>
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		2014	2013
	Note	Rupees in thousand	
11 STORES, SPARES AND LOOSE TOOLS			
Stores in hand	11.1	156,713	158,180
Spares:			
in hand	11.1	319,787	276,101
in transit		59,882	28,813
		<u>379,669</u>	<u>304,914</u>
Less: Provision for obsolete stores and spares	11.2	536,382 8,774	463,094 16,674
		<u>527,608</u>	<u>446,420</u>

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 stores and spares is as follows:

Opening balance		16,674	16,674
Adjustment on account of write off during the year		(7,900)	-
		<u>8,774</u>	<u>16,674</u>

12 STOCK IN TRADE

Raw materials:			
in hand	32	51,536	65,656
in transit		10,495	9,815
		<u>62,031</u>	<u>75,471</u>
Packing materials		12,648	16,957
Work in process	32	29,490	25,250
Finished goods	12.1 & 32	179,702	156,198
		<u>283,871</u>	<u>273,876</u>

12.1 These include provision for write down of finished goods inventory to net realisable value amounting to Rs. Nil (2013: 6.801 million).



	Note	2014 Rupees in thousand	2013
13 TRADE DEBTS			
Secured			
Considered good		127,380	102,628
Unsecured			
Considered good		482,125	505,898
Considered doubtful		26,468	23,357
		508,593	529,255
		635,973	631,883
Less: Provision for doubtful debts	13.1	26,468	23,357
		609,505	608,526
13.1 Movement of provision for doubtful debts is as follows:			
Opening balance		23,357	19,964
Adjustment on account of:			
Doubtful debts written off		(200)	(46)
Recovery of doubtful debts		(170)	(184)
Provision made for doubtful debts		3,481	3,623
Net adjustment		3,111	3,393
Closing balance		26,468	23,357
14 LOANS AND ADVANCES			
Advances - (considered good)			
Against purchase of land		1,639	1,639
To employees		15,123	9,275
For supplies and services		56,576	40,361
Against import		413	61
		73,751	51,336
15 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits - (Considered good)		4,195	4,498
Prepayments		3,024	2,609
		7,219	7,107

	2014	2013
Note	Rupees in thousand	
16 OTHER RECEIVABLES		
(Considered good)		
Against land	-	10,355
Others	-	59
	-	10,414
17 TAX REFUNDS DUE FROM GOVERNMENT		
(Considered good)		
Income tax	10,325	4,776
Sales tax	20,820	14,445
	31,145	19,221
18 TAXATION - NET		
Advance income tax	114,609	88,666
Less: Provision for taxation	88,398	67,581
	26,211	21,085
19 CASH AND BANK BALANCES		
Cash in hand	684	416
Cheques in hand	138,669	166,091
Cash at banks		
Current accounts	5,471	14,119
Saving accounts	200	45
	5,671	14,164
	145,024	180,671

The balance in saving accounts carries mark up which ranges from 5% to 6% per annum (2013: 5% to 6% per annum).

			2014	2013
			Rupees in thousand	
			Note	
20 SHARE CAPITAL				
20.1 Authorized share capital				
2014	2013			
Number of ordinary shares of Rs. 10/- each				
75,000,000	50,000,000	Ordinary shares of Rs. 10/- each	750,000	500,000
25,000,000	25,000,000	Preference shares of Rs. 10/- each	250,000	250,000
<u>100,000,000</u>	<u>75,000,000</u>		<u>1,000,000</u>	<u>750,000</u>
20.2 Issued, subscribed and paid up capital				
2014	2013			
Number of ordinary shares of Rs. 10/- each				
100,000	100,000	Fully paid in cash	1,000	1,000
24,900,000	24,900,000	Issued for consideration other than cash	249,000	249,000
25,000,000	11,000,000	Fully paid bonus shares	250,000	110,000
<u>50,000,000</u>	<u>36,000,000</u>		<u>500,000</u>	<u>360,000</u>
21 SURPLUS ON REVALUATION OF FIXED ASSETS				
		Surplus on revaluation of fixed assets	21.1	<u>760,819</u>
				<u>760,819</u>

21.1 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	2014 Rupees in thousand	2013
22 LONG TERM FINANCING			
Secured:			
Banking Companies			
The Bank of Punjab	22.1	18,750	43,750
United Bank Limited		-	7,500
		18,750	51,250
Other Financial Institutions			
Pakistan Kuwait Investment Co. (Pvt.) Ltd.	22.2	5,556	27,778
Pak Brunei Investment Co. Limited	22.3	18,750	31,250
Saudi Pak Industrial & Agri. Inv. Co. Limited	22.4	33,333	55,556
Pakistan Kuwait Investment Co. (Pvt.) Ltd.	22.5	117,000	-
Pak Libya Holding Company (Pvt.) Ltd.	22.6	100,000	-
		274,639	114,584
Unsecured:			
Ittehad developers - related party	22.7	660	660
Others	22.7	4,150	4,150
		4,810	4,810
		298,199	170,644
Less: Current portion shown under current liabilities	29	89,838	94,254
		208,361	76,390

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 plus 2.50%. This loan was disbursed in June 2010 and is repayable in sixteen quarterly equal instalments commencing from June 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 plus 3% per annum. This loan was disbursed in September 2009 and is repayable in eighteen semi annually equal instalments 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 plus 3% per annum. This loan was disbursed in September 2010 and is repayable in eighteen semi annually 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 plus 3% per annum. This loan was disbursed in December 2010 and is repayable in eighteen quarterly equal instalments commencing from September 2011.

22.5 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 KIBOR plus 2.5% per annum. This loan was disbursed in October 2013 and is repayable in eighteen quarterly equal instalments commencing from January 2014 with a Principal grace period of six months.

22.6 This finance is secured against ranking charge on all present and future moveable and immovable fixed assets of the Company with 25% margin convertible to first pari passu and carries mark up at six months KIBOR plus 2.5% per annum. This loan was disbursed in March 2014 and is repayable in seven semi annual equal instalments commencing from 24th month from the date of disbursement with a principal grace period of one and half year.

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

23 LONG TERM DIMINISHING MUSHARAKA

	Note	2014 Rupees in thousand	2013
Secured			
Banking Companies			
Al-Baraka Bank (Pakistan) Limited	23.1	155,630	-
Burj Bank Limited	23.1	209,956	-
Standard Chartered Bank (Pakistan) Limited	23.2	-	8,333
Askari Bank Limited	23.2	-	16,667
Burj Bank Limited	23.2	-	5,555
United Bank Limited - Ameen	23.2	-	27,777
Summit Bank Limited	23.2	-	5,556
		365,586	63,888
Financial Institutions			
Pak Libya Holding Company (Private) Limited	23.2	-	16,667
UBL Fund Managers	23.2	-	2,778
		-	19,445
		365,586	83,333
Less: Current portion shown under current liabilities	29	-	83,333
		365,586	-

23.1 The above finances are secured against first pari passu charge on specific present and future fixed assets of the Company and carries mark up at six months average KIBOR plus 250 bps. These finances were disbursed on June 06, 2014 and June 26, 2014 and are repayable in eight semi annual equal instalments commencing from 18th months from the draw down date.

23.2 The above finances were secured against first pari passu charge on fixed assets of the Company and carried mark up at six months average KIBOR rate plus 200 bps. These finances were disbursed from August 22, 2007 to September 01, 2007 and were repayable in nine semi annual equal instalments commencing from August 22, 2009 being the 24th month from the facility date. These facilities were fully repaid during the year.

24 LONG TERM MURABAHA

Secured			
Banking Companies			
Faysal Bank Limited		-	38,889
Less: Current portion shown under current liabilities	29	-	38,889
		-	-

		2014	2013
		Rupees in thousand	
25 DEFERRED LIABILITIES			
Provision for recoating of DSA anodes	25.1	-	6,781
Deferred taxation	25.2	292,277	292,915
Provision for gratuity	25.3	43,029	35,001
		<u>335,306</u>	<u>334,697</u>
25.1 Provision for Dimensionally Stable Anodes (DSAs)			
Balance brought forward		12,476	12,452
Payments made against recoating of anodes		-	(14)
Provision (utilized) / made for recoating		(10,446)	38
		<u>2,030</u>	<u>12,476</u>
Less: Current portion included in accrued liabilities		(2,030)	(5,695)
		<u>-</u>	<u>6,781</u>
25.2 Deferred taxation			
Deferred tax liability comprises as follows:			
Taxable temporary differences			
Tax depreciation allowances		314,474	311,510
Deductible temporary differences			
Provision for gratuity		(13,198)	(10,420)
Provision for doubtful debts		(8,999)	(8,175)
		<u>292,277</u>	<u>292,915</u>

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 M/S Nauman Associates as at June 30, 2013 using the Projected Unit Credit method.

b. Significant actuarial assumptions

Following are significant actuarial assumptions used in the valuation:

Discount rate	10.5% per annum
Expected rate of increase in salary	9.5% per annum

	2014	2013
	Rupees in thousand	
c. Reconciliation of payable to defined benefit plan		
Present value of obligation	43,029	35,001
Liability recognized in balance sheet	43,029	35,001
d. Movement of liability recognized in the balance sheet		
Present value of obligation at the start of the year	35,001	24,622
Current service cost	11,835	3,441
Past service cost	-	4,722
Interest cost	-	3,201
Actuarial (gains) / losses	-	1,711
Contribution paid to outgoing employees	(3,807)	(2,696)
Closing net liability	43,029	35,001
e. Charge for the year		
Current service cost	11,835	3,441
Past service cost		4,722
Interest cost		3,201
Actuarial (gains) / losses		1,711
Charge for the year	11,835	13,075

2014 2013 2012 2011 2010
 — Rupees in thousand —

f. Historical information of Staff Gratuity Fund.

a) Present value of defined Benefit obligations and fair Value of plan assets

Present value of defined benefit obligation	43,029	35,001	24,622	14,961	10,214
Fair value of plan assets	-	-	-	-	-
(Deficit) Surplus	(43,029)	(35,001)	(24,622)	(14,961)	(10,214)

b) Experience adjustments

Experience gain/(loss) on obligation	-	(1,711)	(2,426)	-	(1,205)
Experience gain/(loss) on plan assets	-	-	-	-	-

g. The expected charge for year ended June 30, 2015 is not available.

		2014	2013
	Note	Rupees in thousand	
26 TRADE AND OTHER PAYABLES			
Trade creditors		64,447	85,736
Accrued liabilities	26.1	300,518	693,838
Advances from customers		48,282	26,689
Retention money		1,332	876
Income tax deducted at source		499	261
Workers' Profit Participation Fund	26.2	15,402	18,405
Workers welfare fund		6,193	4,795
Other liabilities		236	847
		436,909	831,447

26.1 These include a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 0.464 million (2013: Rs. 6.344 million).

26.2 Workers' profit participation fund balances comprises as

Balance as at July 01,		18,405	12,795
Less: Amount paid to fund		17,653	12,043
		752	752
Current year's allocation at 5%	35	14,650	17,653
		15,402	18,405

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

27 MARK UP ACCRUED

Secured			
Long term financing		7,593	2,994
Long term diminishing musharaka		3,107	3,355
Long term murabaha		-	1,566
Short term borrowings		22,581	15,729
		33,281	23,644

	Note	2014 Rupees in thousand	2013
28 SHORT TERM BORROWINGS			
Secured			
Banking companies			
Running finances			
MCB Bank Limited	28.1	78,310	75,169
Askari Bank Limited	28.1	221,547	204,114
The Bank of Punjab Limited	28.1	94,822	147,022
KASB Bank Limited	28.1	9,861	28,869
NIB Bank Limited	28.1	294,604	-
		699,144	455,174
Export refinance			
KASB Bank Limited (ERF)	28.2	9,253	56,984
Term finance			
The Bank of Punjab Limited (FATR)	28.3	26,272	20,789
Faysal Bank Limited (STF)	28.3	40,000	40,000
Askari Bank Limited (FAFB)	28.3	-	22,000
Al-Baraka Bank (Pakistan) Limited (STMF)	28.3	32,453	55,012
Burj Bank Limited (STMF)	28.3	100,000	-
		207,978	194,785
Unsecured			
Jehlum Silk Mills - Related Party	28.4	23,500	-
		930,622	649,959

28.1 Short term running finance facilities from various banks aggregated to Rs. 820 million (2013: Rs. 495 million) and carries mark-up ranging from three months KIBOR plus 1.5% to 2.75% per annum (2013: three months KIBOR plus 1.9% to 2.75% per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Company and hypothecation charge over stores, spares and stocks of chemicals.

28.2 The Company has export refinance facility up to Rs. 75 million (2013: 75 million) and carries mark-up at the rate of SBP rate plus 1% (2013: SBP rate plus 1%). The said 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.

28.3 Term finance facilities from various banks aggregated to Rs. 265 million (2013: Rs. 190 million) and carry mark-up ranging from KIBOR plus 2% to 2.5% per annum (2013: KIBOR plus 2.25% to 2.5% per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Company.

28.4 This is interest free loan obtained from associated undertaking for working capital purposes

	Note	2014 Rupees in thousand	2013
29 CURRENT PORTION OF LONG TERM LIABILITIES			
Long term financing	22	89,838	94,254
Long term diminishing musharaka	23	-	83,333
Long term murabaha	24	-	38,889
		<u>89,838</u>	<u>216,476</u>

30 CONTINGENCIES AND COMMITMENTS

30.1 Contingent liabilities

- The Company has 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, 2013: 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 had filed an appeal before Appellate Tribunal Inland Revenue. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) remanded the case back to the Commissioner (Appeals) Zone-1 to pass a speaking order. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 12.069 million.
- The taxation authorities have amended the deemed assessment for tax year 2006 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001. The Company challenged the same before Commissioner Inland Revenue (Appeals) who partially set aside and partially decided against the Company. The Company has filed an appeal before Appellate Tribunal Inland Revenue against the said order. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 18.737 million.
- Additional Commissioner has passed an order u/s 122(5A) of the Income Tax Ordinance, 2001 adding back tax credit u/s 65B of the Income Tax Ordinance, 2001 on Balancing, Modernization, and Replacement and tax credit on donations for tax year 2012. Tax amounting to Rs. 12.570 million has been assessed. The Company has challenged the case before Commissioner Inland Revenue (Appeals) who has decided it against us. The Company has filed appeal before Appellate Tribunal Inland Revenue. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 12.570 million.
- The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision, the Company would be required to pay an amount of Rs. 4.219 million (2013: Rs. 4.422 million) against these claims.
- Letters of guarantee outstanding as at June 30, 2014 were Rs. 213.007 million (2013: Rs. 215.786 million).

30.2 Commitments

Commitments as on June 30, 2014 were as follows:

- Against letters of credit amounting to Rs. 133.680 million (2013: Rs. 27.943 million).
- Against purchase of land amounting to Rs. 1.838 million (2013: Rs. 1.838 million).
- 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:

	2014 Rupees in thousand	2013
Not later than one year	34,901	45,873
Later than one year and not later than five year	14,528	49,359
	<u>49,429</u>	<u>95,232</u>



	Note	2014 Rupees in thousand	2013
31 SALES			
Sales			
Manufacturing	31.1	4,736,749	4,901,717
Trading		48,715	23,384
		4,785,464	4,925,101
Less: Sales tax		635,029	587,536
Commission to selling agents		46,582	59,458
		681,611	646,994
		4,103,853	4,278,107

31.1 This amount includes export sales amounting to Rs. 401.735 million (2013: Rs. 639.212 million).

32 COST OF SALES

Raw materials consumed			
Opening stock		65,656	57,777
Purchases		343,086	413,260
		408,742	471,037
Closing stock	12	(51,536)	(65,656)
		357,206	405,381
Stores, spares and consumables		353,026	268,145
Packing materials consumed		39,880	36,304
Salaries, wages and other benefits	32.1	320,252	276,212
Fuel and power		1,922,043	2,219,453
Repair and maintenance		32,668	25,758
Rent, rates and taxes	32.2	46,469	36,837
Insurance		11,397	10,910
Depreciation	5.3	175,474	177,619
Vehicle running expenses		20,911	17,593
Telephone, telex and postage		741	525
Printing and stationery		222	181
Other expenses		2,353	864
		2,925,436	3,070,401
Work in process			
Opening		25,250	12,712
Closing	12	(29,490)	(25,250)
		(4,240)	(12,538)
Cost of goods manufactured		3,278,402	3,463,244
Cost of stock traded		35,928	12,743
Finished goods			
Opening		156,198	92,983
Closing	12	(179,702)	(156,198)
		(23,504)	(63,215)
		3,290,826	3,412,772

32.1 This amount includes Rs. 12.642 million (2013: Rs. 19.585 million) in respect of employees' retirement benefits.

32.2 This amount includes Rs. 45.909 million (2013: Rs. 36.584 million) in respect of operating lease rentals.

		2014	2013
	Note	Rupees in thousand	
33 SELLING AND DISTRIBUTION EXPENSES			
Salaries and other benefits	33.1	26,347	23,971
Travelling and conveyance		1,858	688
Vehicle running expenses		1,290	2,057
Advertisement		1,070	801
Telephone, telex and postage		1,139	1,025
Marketing service charges		29,664	36,406
Freight		161,436	200,518
Rent, rates and taxes		2,445	2,866
Printing and stationery		290	301
Fee and subscription		661	231
Fuel and power		2,726	2,537
Repair and maintenance		1,257	517
Insurance		469	249
Depreciation	5.3	1,027	719
		231,679	272,886

33.1 This amount includes Rs. 0.832 million (2013: Rs. 2.118 million) in respect of employees' retirement benefits.

34 GENERAL AND ADMINISTRATIVE EXPENSES

Salaries and other benefits	34.1	83,428	81,992
Traveling and conveyance		13,895	12,659
Vehicle running expenses		5,442	5,010
Telephone, telex and postage		1,659	1,421
Rent, rates and taxes		5,365	2,999
Printing and stationery		1,008	937
Fee and subscription		3,311	1,733
Legal and professional charges		9,826	3,244
Fuel and power		4,124	2,801
Provision for doubtful debts		3,481	3,623
Repair and maintenance		9,520	8,392
Depreciation	5.3	5,307	5,357
Amortization of intangible assets	7	5,229	623
Bad debts written off		1,524	931
Donations	34.2	8,242	5,493
Others		2,145	824
		163,506	138,039

34.1 This amount includes Rs. 2.528 million (2013: Rs. 3.310 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. 1.775 million (2013: Rs. 1.575 million) paid to Kiran Ibtadai School. Ms. Sabina Khatri w/o Mr. Muhammad Siddique Khatri, Chairman 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.



	Note	2014 Rupees in thousand	2013
35 OTHER OPERATING EXPENSES			
Auditors' remuneration			
Audit fee		600	600
Half yearly review fee		175	125
Tax and certification charges		50	15
Out of pocket expenses		14	8
		839	748
Workers' profit participation fund	26.2	14,650	17,653
Workers' welfare fund		6,193	4,795
Loss on foreign exchange		1,088	-
		22,770	23,196
36 OTHER INCOME			
Income from financial assets			
Return on saving accounts		53	16
Gain on foreign exchange		-	2,982
		53	2,998
Income from non- financial assets			
Gain on sale of fixed assets		1,762	9,517
Sale of scrap		7,807	6,171
Recovery of doubtful debts		678	2,614
		10,247	18,302
		10,300	21,300
37 FINANCIAL CHARGES			
Mark-up/interest on:			
Long term financing		22,889	29,042
Long term diminishing musharaka		1,389	18,986
Long term murabaha		648	8,860
Short term borrowings		97,176	58,383
		122,102	115,271
Bank charges and commission		11,120	6,628
		133,222	121,899

	2014	2013
Note	Rupees in thousand	
38 TAXATION		
Current	91,929	73,251
Prior year	(10,517)	(652)
Deferred	(638)	(33,907)
	80,774	38,692
38.1 Relationship between tax expense and accounting profit:		
Profit before taxation	281,150	333,315
Tax at the applicable rate of 34% (2013: 35%)	95,591	116,660
Tax effect of inadmissible expenses / losses	72,045	88,887
Tax effect of admissible expenses	(59,585)	(78,857)
Income taxed at different rates	1,243	4,066
Prior year adjustment	(10,517)	(652)
Tax effect of losses & other allowances	(17,365)	(57,505)
Effect of temporary differences	(638)	(33,907)
	80,774	38,692

38.2 The rate of tax has been changed by the taxation authorities from 35% to 34% for the tax years 2014.

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 4.9 to these financial statements.

Defined benefit plan

Certain actuarial assumptions have been adopted by external professional valuer (as disclosed in note 25.3) 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 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 DEFINED CONTRIBUTION PLAN

The Company has contributory provident fund scheme for benefit of all its permanent employees, who had not opted Voluntarily Separation Scheme / Golden Hand Shake Scheme announced at the time of privatization of the Company in 1995, under the title of "Ittehad Chemicals Limited - Employees Contributory Provident Fund". The Fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Company.

The Trustees have intimated that the size of the Fund at year end was Rs. 4.050 million (2013: Rs. 3.345 million).

The cost / fair value of the investments was Rs. 3.385 million at that date. The category wise break up of investment as per section 277 of the Companies Ordinance, 1984 is given below:

	Rupees in thousand	Percentage
Deposit in Scheduled banks	1,485	44
Investment in PIB	1,900	56
	3,385	100
	2014	2013
	_____ Rupees in thousand _____	

41 EARNINGS PER SHARE - BASIC AND DILUTED

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

Profit after taxation - (Rupees in thousand)	200,376	294,623
		Restated
Weighted average number of ordinary shares - (in thousand)	50,000	50,000
Earnings per share - (Rupees)	4.01	5.89

There is no dilutive effect on the basic earnings per share of the Company. Number of shares and earnings per share for the corresponding year have been restated taking the effect of bonus shares at the rate of 38.8888% issued during the current financial period.

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:

Relation with the Company	Nature of transaction		
Other related party	Marketing service charges	29,664	36,402
Associated companies	Sale of goods	-	45
Associated companies	Loan received	50,000	-
Staff retirement fund	Contribution to staff retirement	296	275
Directors and employees	Remuneration to directors and key management personnel	78,005	68,020
Key Management Personnel	Sale of vehicle	1,603	949

43 FINANCIAL INSTRUMENTS

Financial risk management

The Company 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 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:

	2014	2013
	Rupees in thousand	
Long term deposits	40,558	39,260
Trade debts - Net of provision	609,505	608,526
Loans and advances - Net of provision	15,123	9,275
Trade deposits	4,195	4,498
Other receivables	-	10,414
Bank Balances	144,340	180,255

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:

Export	132,495	102,628
Domestic	477,010	505,898
	<u>609,505</u>	<u>608,526</u>

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

	2014	2013
	Rupees in thousand	
Dealers	171,486	217,714
End-user customers	438,019	390,812
	<u>609,505</u>	<u>608,526</u>
The aging of trade receivable at the reporting date is:		
Not past due	297,870	332,636
Past due 1-30 days	128,492	140,449
Past due 30-150 days	96,351	79,279
Past due more than 150 days	86,792	56,162
	<u>609,505</u>	<u>608,526</u>

The company's most significant customers, are dealers from whom the receivable was Rs. 161.226 million (2013: Rs. 190.609 million) and foreign debtors amounting to Rs. 132.495 million (2013: Rs. 102.628 million) of the total carrying amount as at 30 June 2014.

On the basis of specific identification an amount of Rs. 3.481 million (2013: Rs. 3.623 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:

	Rating Agency	Ratings	
		Short Term	Long Term
National Bank of Pakistan	JCR-VIS	A-1+	AAA
The Bank of Punjab	PACRA	A1+	AA-
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	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+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+
Al-Baraka Bank (Pakistan) Limited	PACRA	A1	A
Burj Bank Limited	JCR-VIS	A-1	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)					
2014						
Financial liabilities						
Long term financing	298,199	384,283	70,727	51,202	81,971	180,383
Long term diminishing musharaka	365,586	516,006	23,141	23,141	134,787	334,937
Trade and other payables	366,533	366,533	366,533	-	-	-
Mark-up accrued	33,281	33,281	33,281	-	-	-
Short term borrowing	930,622	957,701	957,701	-	-	-
	1,994,221	2,257,804	1,451,383	74,343	216,758	515,320

2013

Financial liabilities

Long term financing	170,644	195,140	60,230	50,222	65,390	19,298
Long term diminishing musharaka	83,333	88,115	88,115			
Long term murabaha	38,889	41,121	41,121			
Trade and other payables	781,297	781,297	781,297	-	-	-
Mark-up accrued	23,644	23,644	23,644	-	-	-
Short term borrowing	649,959	668,557	668,557	-	-	-
	1,747,766	1,797,874	1,662,964	50,222	65,390	19,298

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.

43.4 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:

	2014	2013
	_____ Rupees in thousand _____	
Trade debts	132,495	102,628
Gross balance sheet exposure	132,495	102,628
Outstanding letters of credit	(133,680)	(27,943)
Net exposure	<u>(1,185)</u>	<u>74,685</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2014	2013	2014	2013
USD to PKR	98.78	94.83	98.75	98.80

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.

Effect on profit or loss		
Loss	<u>(13,250)</u>	<u>(10,263)</u>

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

43.5 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:



	2014	2013
	Carrying amount	
	Rupees in thousand	
Financial liabilities		
Variable rate instruments:		
Long term loans	298,199	170,644
Long term diminishing musharaka	365,586	83,333
Long term murabaha	-	38,889
Short term borrowings	930,622	649,959
	<u>1,594,407</u>	<u>942,825</u>

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 2013.

	Profit and loss	
	100 bp increase	100 bp decrease
As at June 30, 2014		
Cash flow sensitivity - Variable rate financial liabilities	(15,944)	15,944
As at June 30, 2013		
Cash flow sensitivity - Variable rate financial liabilities	(9,428)	9,428

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

**43.6 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.

2014 **2013**
 _____ **Rupees in thousand** _____

43.7 Financial instruments by category**Financial assets****Loans and receivables at cost / amortised cost**

Long-term deposits	40,558	39,260
Trade debts	609,505	608,526
Loans and advances	15,123	9,275
Trade deposits	4,195	4,498
Other receivables	-	10,414
Cash and bank balances	145,024	180,671
	814,405	852,644

Financial liabilities**Financial liabilities at amortised cost**

Long term financing	298,199	170,644
Long term diminishing musharaka	365,586	83,333
Long term murabaha	-	38,889
Trade and other payables	366,533	781,297
Mark-up accrued	33,281	23,644
Short-term borrowings	930,622	649,959
	1,994,221	1,747,766

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	
	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)					
Managerial remuneration	3,121	2,600	4,659	4,867	66,951	50,957
House rent allowance	1,270	1,170	1,849	2,190	30,128	22,931
Medical expenses	141	130	205	243	3,347	2,547
	4,532	3,900	6,713	7,300	100,426	76,435
Number of persons	1	1	2	3	56	52

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 Tonnes		Actual capacity Tonnes		Reason for shortfall
	2014	2013	2014	2013	
Caustic soda Liquid	125,550	125,550	59,673	68,746	Cautious production strategy based on actual demands.
Caustic soda Flakes	10,000	10,000	4,367	2,851	
Liquid Chlorine	13,200	13,200	7,997	8,566	
Hydrochloric acid	150,000	150,000	123,328	135,280	
Sodium hypochlorite	49,500	49,500	19,490	16,799	
Bleaching earth	3,300	3,300	107	744	
Zinc sulphate	600	600	57	30	
Chlorinated parafin wax	3,000	3,000	-	-	
Silphuric acid	3,300	3,300	290	358	
Calcium Chloride Prills	20,000	20,000	14,046	16,530	
Humic Acid	120	120	62	9	



	2014	2013
46 NUMBER OF EMPLOYEES		
Number of employees at June 30,		
Permanent	469	410
Contractual	213	296
Average number of employees during the year		
Permanent	440	357
Contractual	255	352

47 CAPITAL RISK 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.

48 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Board of Directors of the Company in their meeting held on September 08, 2014 has recommended final cash dividend for the year ended June 30, 2014 at 10% i.e. Re. 1 per share.

49 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on September 08, 2014 by the Board of Directors of the Company.

50 GENERAL

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

50.2 Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison, the effect of which is not material.

CHIEF EXECUTIVE

DIRECTOR



Pattern of Shareholding

as at June 30, 2014

No. of Shareholders	Shareholding		Total Shares held
	From	To	
97	1	100	1,640
60	101	500	24,110
81	501	1,000	73,729
95	1,001	5,000	255,726
33	5,001	10,000	279,218
14	10,001	15,000	184,977
6	15,001	20,000	108,874
3	20,001	25,000	75,000
4	25,001	30,000	108,439
1	30,001	35,000	31,000
1	35,001	40,000	35,551
5	40,001	45,000	212,886
2	45,001	50,000	100,000
2	50,001	55,000	102,335
1	55,001	60,000	60,000
1	60,001	65,000	61,111
2	65,001	70,000	138,194
1	70,001	75,000	72,000
2	75,001	80,000	156,638
1	90,001	95,000	90,500
1	95,001	100,000	100,000
1	105,001	110,000	108,333
1	110,001	115,000	114,000
1	125,001	130,000	130,000
1	135,001	140,000	138,888
1	140,001	145,000	145,000
2	145,001	150,000	298,110
1	185,001	190,000	187,977
2	195,001	200,000	400,000
2	200,001	205,000	408,000
1	275,001	280,000	277,777
1	290,001	295,000	295,000
1	295,001	300,000	299,500
1	340,001	345,000	340,277
2	345,001	350,000	695,944
1	360,001	365,000	362,500
1	390,001	395,000	394,000
1	395,001	400,000	399,611
1	405,001	410,000	410,000
1	410,001	415,000	410,206
1	445,001	450,000	446,711
1	480,001	485,000	484,493
3	485,001	490,000	1,464,439
1	490,001	495,000	494,000
1	520,001	525,000	521,320
1	545,001	550,000	548,555
1	550,001	555,000	552,333
1	580,001	585,000	584,000
1	635,001	640,000	640,000
1	670,001	675,000	671,777
1	730,001	735,000	730,111
1	770,001	775,000	770,388
1	780,001	785,000	783,611
1	805,001	810,000	805,555
2	840,001	845,000	1,687,786
1	1,040,001	1,045,000	1,041,666
1	1,175,001	1,180,000	1,175,930
1	1,185,001	1,190,000	1,188,938
1	1,400,001	1,405,000	1,402,777
1	1,865,001	1,870,000	1,869,277
1	1,900,001	1,905,000	1,900,666
1	2,390,001	2,395,000	2,394,000
1	2,745,001	2,750,000	2,748,000
1	2,990,001	2,995,000	2,994,000
1	3,355,001	3,360,000	3,359,272
1	4,045,001	4,050,000	4,049,344
1	6,600,001	6,605,000	6,604,000
466			50,000,000



Pattern of Shareholding

as at June 30, 2014

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	9	13,785,498	27.5710%
Associated Companies, undertakings and related parties.	-	-	0.0000%
NIT and ICP	-	-	0.0000%
Banks Development Financial Institutions, Non Banking Financial Institutions.	-	-	0.0000%
Insurance Companies	1	100,000	0.2000%
Modarabas and Mutual Funds	-	-	0.0000%
General Public			
a. Local	448	30,882,739	61.7655%
b. Foreign	-	-	0.0000%
Others (to be specified)			
Joint Stock Companies	8	5,231,763	10.4635%
	466	50,000,000	100.0000%
Shareholders holding 10% or more	1	6,742,888	13.4858%

Pattern of Shareholding

as at June 30, 2014

Additional Information

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

Shareholders' Categories	Number 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):		
1. MR. ABDUL GHAFOR	640,000	1.2800%
2. MR. ABDUL SATTAR KHATRI	2,994,000	5.9880%
3. MR. WAQAS SIDDIQ KHATRI	61,111	0.1222%
4. MS. FARHANA ABDUL SATTAR KHATRI	552,333	1.1047%
5. MR. MUHAMMAD SIDDIQUE KHATRI	6,742,888	13.4858%
6. MR. AHMED MUSTAFA	1,900,666	3.8013%
7. MR. PERVAIZ AHMAD KHAN	500	0.0010%
8. MRS. SABINA W/O MUHAMMAD SIDDIQ	500,000	1.0000%
9. MRS. FAREEDA W/O ABDUL GHAFOR	394,000	0.7880%
Executives	44,666	0.0893%
Public Sector Companies and Corporations:	-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:	100,000	0.2000%
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)		
1. MR. MUHAMMAD SIDDIQUE KHATRI	6,742,888	13.4858%
2. MR. SHAHZAD YOUSUF	4,074,895	8.1498%
3. MR. ABDUL SATTAR KHATRI	2,994,000	5.9880%
4. CHEMITEX INDUSTRIES LIMITED	2,748,000	5.4960%
5. MR. ABDUL SATTAR	2,906,678	5.8134%
6. ABDUL AZIZ KHATRI	2,992,998	5.9860%
7. MR. YOUSUF KHATRI	3,805,983	7.6120%



Pattern of Shareholding

as at June 30, 2014

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children are as follows:

Sr. No.	Name	Sale	Purchase	Bonus
1.	MR. ABDUL GHAFOOR	-	-	179,200
2.	MR. ABDUL SATTAR KHATRI	-	-	838,320
3.	MR. WAQAS SIDDIQ KHATRI	-	-	17,111
4.	MS. FARHANA ABDUL SATTAR KHATRI	-	-	154,653
5.	MR. MUHAMMAD SIDDIQUE KHATRI	-	-	38,888
6.	MR. MUHAMMAD SIDDIQUE KHATRI	-	-	1,849,120
7.	MR. AHMED MUSTAFA	-	-	532,186
8.	MR. PERVAIZ AHMAD KHAN	-	500	-
9.	MRS. SABINA W/O MUHAMMAD SIDDIQ	-	-	137,200
10.	MRS. SABINA MEHTAB W/O MUHAMMAD SIDDIQ	-	-	2,800
11.	MRS. FAREEDA W/O ABDUL GHAFOOR	-	-	110,320
12.	MR. USMAN GHANI	-	-	12,506



Form of Proxy

I/We _____ of _____ being member of ITTEHAD CHEMICALS LIMITED and holder of _____ Ordinary Shares as per Registered Folio / CDC Participant I.D. No. & CDC Account No. _____ hereby appoint Mr./Mrs./Miss. _____ of _____ or failing him/her Mr./Mrs./Miss. _____ of _____ who is also a member of the ITTEHAD CHEMICALS LIMITED vide Registered Folio / CDC Participant I.D. No. & CDC Account No. _____ as my proxy to vote for me and on my behalf at the 23rd Annual General Meeting of the Company to be held on Friday, October 31, 2014 at 11.30 a.m. at the Registered Office and at any adjournment thereof.

Signed this _____ day of _____ 2014.

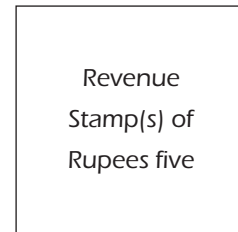
WITNESSES: _____

1. Signature : _____

Name : _____

Address : _____

CNIC or
Passport No. : _____



Signature
(As registered with the company)

2. Signature : _____

Name : _____

Address : _____

CNIC or
Passport No. : _____

Note: This proxy form, duly completed and signed, must be received at the Registered Office of the company not less than 48 hours before the time of holding the Meeting.

No person shall act as Proxy unless he/she himself / herself is a Shareholder of the Company except that a company may appoint a person as its representative who is not a shareholder.



ITTEHAD
GROUP

www.ittehadchemicals.com

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