

Annual Report 2013



ITTEHAD CHEMICALS LIMITED



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Corporate Information



BOARD OF DIRECTORS	Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Mr. Abdul Ghafoor Khatri Ms. Farhana Abdul Sattar Khatri Mr. Fowad Yousaf Khatri Ms. Rushda Mustafa Mr. Waqas Siddiq Khatri	Chairman & Chief Executive Director Director Director Director Director Director
AUDIT COMMITTEE	Mr. Abdul Ghafoor Khatri Mr. Abdul Sattar Khatri Mr. Fowad Yousaf Khatri	Chairman Member Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mr. Fowad Yousaf Khatri Mr. Abdul Ghafoor Khatri Mr. Muhammad Siddique Khatri	Chairman Member Member
CHIEF FINANCIAL OFFICER	Mr. Javed Iqbal	
COMPANY SECRETARY	Mr. Waheed Ashraf	
REGISTERED OFFICE/HEAD OFFICE	39-Empress Road, P.O. Box 1414, Lahore-54000. Tel : 042 - 36306586 - 88, Fax: 042 - 36365697 www.ittehadchemicals.com E-mail: info@ittehadchemicals.com	
PLANT	G.T. Road, Kala Shah Kaku, District Sheikhpura. Ph : 042 - 37950222-25, Fax : 042 - 37950206	
SHARE REGISTRARS	M/s. Corplink (Pvt.) Limited Corporate and Financial Consultants Wings Arcade, 1-K Commercial, Model Town, Lahore. Ph: 042 - 35839182, Fax: 042 - 35869037	
BANKERS TO THE COMPANY	Askari Bank Limited Allied Bank Limited Al-Barka Bank (Pakistan) Limited Burj Bank Limited Faysal Bank Limited Habib Metro Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan Pak Libya Holding Co. (Pvt.) Limited Pakistan Kuwait Investment Co. (Pvt.) Limited Pak Brunei Investment Co. (Pvt.) Limited Standard Chartered Bank (Pakistan) Limited Summit Bank Limited The Bank of Punjab United Bank Limited	
AUDITORS	M/s. BDO Ebrahim & Co., Chartered Accountants, 2nd Floor, Block-C, Lakson Square Building No.1, Sarwar Shaheed Road, Karachi. Ph: 021-35683189-35683498 Fax: 021-35684239	
LEGAL ADVISORS	M/s. Tahir Ali Tayebi & Co. C-23/I, Block-4, Clifton, Karachi. Ph : 021-35370458 Fax : 021-35370459	



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 22nd Annual General Meeting of Ittehad Chemicals Limited will be held at the Registered Office of the Company, 39-Empress Road, Lahore on Monday, October 21, 2013 at 11:30 a.m. to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Annual General Meeting held on October 10, 2012.
2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2013.
3. To approve the final cash dividend of Re. 1 per share i.e. 10% as recommended by the Board of Directors in addition to the interim cash dividend of Re. 0.50 per share i.e. 5% already paid to the shareholders of the Company making a total cash dividend of Rs. 1.50 per share i.e. 15% for the financial year 2012-13.
4. To appoint Auditors for the year 2013-14 and to fix their remuneration. (Messrs. BDO Ebrahim & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment).

Special Business:

5. To consider, and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

Resolved that the Authorized Capital of the Company be increased from Rs. 750,000,000 to Rs. 1,000,000,000 and for that purpose;

- (a) Clause V of the Memorandum of Association of the Company be and is hereby amended by deleting

"Rs. 750,000,000 (Rupees Seven Hundred Fifty Million only) divided into 75,000,000 (Seventy Five Million)"

and substituting the following in its place:

"Rs. 1,000,000,000 (Rupees One Billion only) divided into 100,000,000 (One Hundred Million)".

- (b) Article 5 of the Articles of Association of the Company be and is hereby amended by deleting

"Rs. 750,000,000 (Rupees Seven Hundred Fifty Million only) divided into 75,000,000 (Seventy Five Million)"

and substituting the following in its place:

"Rs. 1,000,000,000 (Rupees One Billion only) divided into 100,000,000 (One Hundred Million)".

6. To approve, as recommended by the Directors, issue of bonus shares in proportion of 38.88889 Ordinary shares for every 100 Ordinary shares held by the Members (i.e. 38.88889%).
7. To consider and if thought fit to pass the following resolutions with or without modification as a special resolution.

Resolved that the Agreement executed on 1st of July 2007 between the Company and Chemi Multifabrics Limited (CMFL) for acquiring the services of CMFL for Sales, Marketing and Technical Assistance for the Company be and is hereby confirmed and all actions taken by the Company under it are also hereby ratified.

Further resolved that the following proposed amendments in the aforesaid Agreement, to take effect with effect from October 01, 2013 be and are hereby approved.



Existing Clause 3.1 of the agreement dated July 01, 2007	Proposed amendment
In consideration of the service to be provided by CMFL, as provided in Clause 2 hereinabove, ICL hereby agrees to pay to CMFL service charge to be calculated @ one percent (1%) of the invoice value of total sales, net of all taxes, duties and freight, if any, of all products specified in the schedule. This charge may be varies as may be mutually agreed between the partiers hereto from time to time.	In consideration of the service to be provided by CMFL, as provided in Clause 2 hereinabove, ICL hereby agrees to pay to CMFL service charge to be calculated @ zero point seven five (0.75%) of the invoice value of local sales, net of all taxes, duties and freight, if any, of all products specified in the schedule. This charge may be varies as may be mutually agreed between the partiers hereto from time to time.

Further resolved that Mr. Muhammad Siddique Khatri, Chief Executive of the Company or Mr. Abdul Sattar Khatri, Director of the Company, be and are hereby authorized to do or cause to be done, on behalf of the Company, all acts, deeds and things that may be considered necessary to give effect to the above resolution.

8. To consider alterations /amendments in the Articles of Associations of the Company and to approve with or without modification, the following resolution as special resolution:

(a) Resolved that in Article 34 of the Articles of Association of the Company after the words "Articles", the number "34" be corrected to "33".

(b) Resolved that Article 88 of the Articles of Association be substituted by the following:

88. The meeting fee of the Directors including their expenses for attending the meeting of the Board or of any Committees shall be determined by the Board from time to time.

In replacement of;

88. The remuneration to be paid to any Director for attending meetings of the Board or any Committee thereof shall, from time to time, be determined by the Board of Directors. It shall not exceed Rs.500 per meeting. The Directors shall be paid in such travelling expenses as may be fixed by the Directors from time to time or in or about the performance of their duties as Directors or if a Director has to come to attend the Board meeting from outstation.

A Statement under Section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special Businesses referred to above is annexed to this notice of Meeting.

By Order of the Board

Lahore
September 28, 2013

WAHEED ASHRAF
COMPANY SECRETARY

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 12, 2013 to October 21, 2013 (both days inclusive). Transfers received in order by our Share Registrars, M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K commercial, Model Town, Lahore by the close of business on Friday, October 11, 2013 will be considered in time for the purpose of payment of cash dividend and issue of bonus shares to the transferees.
2. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint another member as his/ her proxy to attend and vote in place of him/her at the meeting. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the time of meeting.



3. Shareholders, who have deposited their shares into Central Depository Company of Pakistan, must bring their participant's ID numbers and account / sub account numbers along with original Computerized National Identity Cards or original Passports at the time of attending the meeting in order to facilitate identification of respective shareholders.
4. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of meeting.
5. Members are advised to immediately notify the change in their addresses, if any to our Share Registrars M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K commercial, Model Town, Lahore (Ph: 042-35916714, 042-35839182, Fax: 042-35869037).
6. SECP has directed vide SRO No. 831(I) 2012 dated July 05, 2012 to issue dividend warrant(s) only crossed as "A/c Payee only" in the name of registered member or in the name of authorized person and should bear the Computerized National Identity Card Number (CNIC) of the registered member or the authorized person, except in the case of minor(s) and corporate members. Members, who have not yet submitted photocopy of their valid CNIC/NTN (in case of corporate entities) are requested to send the same at the earliest directly to the Company's Share Registrars M/s. Corplink (Pvt.) Limited.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984, CONCERNING THE SPECIAL BUSINESS:

This statement sets out the material facts concerning the Special Business to be transacted at the 22nd Annual General Meeting of the Company to be held on October 21, 2013.

Item No. 5 of the Agenda - Increase in Authorized Capital of the Company

The Board of Directors at its meeting held on September 09, 2013 decided to increase the Authorized Capital of the Company for the growth of the Company's business and increase in profitability and return to shareholders.

The Directors have no personal interest in this proposal except as shareholders of the Company.

If approved the following resolution may be passed as a Special Resolution;

Resolved that the Authorized Capital of the Company be increased from Rs. 750,000,000 to Rs. 1,000,000,000 and for that purpose;

- (a) Clause V of the Memorandum of Association of the Company be and is hereby amended by deleting

"Rs. 750,000,000 (Rupees Seven Hundred Fifty Million only) divided into 75,000,000 (Seventy Five Million)"

and substituting the following in its place:

"Rs. 1,000,000,000 (Rupees One Billion only) divided into 100,000,000 (One Hundred Million)".

- (b) Article 5 of the Articles of Association of the Company be and is hereby amended by deleting

"Rs. 750,000,000 (Rupees Seven Hundred Fifty Million only) divided into 75,000,000 (Seventy Five Million)"

and substituting the following in its place:

"Rs. 1,000,000,000 (Rupees One Billion only) divided into 100,000,000 (One Hundred Million)".



Item No. 6 of the Agenda - Issue of Bonus Shares to Members

The Directors in their meeting held on 9th of September 2013 decided that it was necessary to increase the issued capital of the Company to meet the need for liquidity and decided that a sum of Rs. 140 Million be appropriated from the free reserves for issue of 14 Million Bonus Shares to Members' at the rate of 38.88889 Ordinary Shares for 100 Ordinary Shares held by each Member whose name appears on the Members' Register at the close of business on 11th October 2013.

If this is approved the following resolution may be passed as a Special Resolution:

"Resolved that

- (i) A sum of Rs. 140,000,000 out of the free reserves of the Company be capitalized and applied towards issue of 14,000,000 Ordinary shares of Rs. 10 each as bonus shares in the proportion of 38.88889 Ordinary shares for every 100 Ordinary shares held by every Member whose name appears on the Members' Register at the close of business on 11th of October, 2013.
- (ii) These bonus shares shall rank pari passu in all respects with the existing shares but shall not be eligible for the final cash dividend declared for the year ended June 30, 2013.
- (iii) Members entitled to fractions of shares shall be given the sale proceeds of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange.
- (iv) The Chief Executive Officer or any Director or Company Secretary be and are hereby authorized to give effect to this Resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of the said bonus shares, sale of fractions and payment of their sale proceeds to Members entitled to the same."

Directors of the Company are interested in this matter only to the extent of their respective Share holding in the Company.

Item No. 7 of the Agenda - Agreement with Chemi Multifabrics Limited (CMFL)

In order to streamline the marketing of Company's products and increase its sales, it was found necessary that the Company acquire outside technical assistance and services. For this purpose offers from various concerns were considered and finally a deal was negotiated with CMFL and an agreement was entered into between the Company and CMFL on 1st of July 2007. Unfortunately, owing to a misunderstanding about the requirement of the law in this respect, approval of Shareholders in a General Meeting was not obtained. This has been pointed out by SECP and accordingly that Agreement is now placed before the Shareholders for retrospective approval and ratification. Under that Agreement a fee of 1% was payable to CMFL which has now been renegotiated and reduced to 0.75%. It is proposed that the Shareholders approved this reduction also.

The Copy of the said agreement dated 1st July 2007 is available with the Company Secretary for inspection by the members.

The Directors, directly or indirectly, do not have any interest in this matter.

If approved the following resolution may be passed as a Special Resolution:

Resolved that the Agreement executed on 1st of July 2007 between the Company and Chemi Multifabrics Limited (CMFL) for acquiring the services of CMFL for Sales, Marketing and Technical Assistance for the Company be and is hereby confirmed and all actions taken by the Company under it are also hereby ratified.

Further resolved that the following proposed amendments in the aforesaid Agreement, to take effect with effect from October 01, 2013 be and are hereby approved.



Existing Clause 3.1 of the agreement dated July 01, 2007	Proposed amendment
In consideration of the service to be provided by CMFL, as provided in Clause 2 hereinabove, ICL hereby agrees to pay to CMFL service charge to be calculated @ one percent (1%) of the invoice value of total sales, net of all taxes, duties and freight, if any, of all products specified in the schedule. This charge may be varies as may be mutually agreed between the partiers hereto from time to time.	In consideration of the service to be provided by CMFL, as provided in Clause 2 hereinabove, ICL hereby agrees to pay to CMFL service charge to be calculated @ zero point seven five (0.75%) of the invoice value of local sales, net of all taxes, duties and freight, if any, of all products specified in the schedule. This charge may be varies as may be mutually agreed between the partiers hereto from time to time.

Further resolved that Mr. Muhammad Siddique Khatri, Chief Executive of the Company or Mr. Abdul Sattar Khatri, Director of the Company, be and are hereby authorized to do or cause to be done, on behalf of the Company, all acts, deeds and things that may be considered necessary to give effect to the above resolution.

Item No. 8 of the Agenda - Amendments in the Articles of Association of the Company

- (a) An error has crept in Article 34 of the Articles of Association, and reference is wrongly made to Article 34 instead of 33. This needs to be corrected.

No Director has any personal interest in this matter.

If approved the following resolution may be passed as a Special Resolution:

Resolved that in Article 34 of the Articles of Association of the Company after the words "Articles", the number "34" be corrected to "33".

- (b) Under the existing Article 88 of the Articles of Association, the power delegates to Directors to fix the remuneration payable to Directors is limited to a maximum of Rs. 500 per meeting. Now, in view of the operations of the Company having increased manifold, the Directors have to spend much more time in discharge of their responsibilities and the fee of Rs. 500 per meeting is totally inadequate. An increase is, therefore, necessary in comparison with the industry's practice and norms. It is, therefore, proposed to remove the maximum limit of Rs. 500 per meeting and leave it to the Directors to fix the amount from time to time.

All the Directors have an interest in this matter to the extent of fee receivable by them

If approved the following resolution may be passed as a Special Resolution:

Resolved that Article 88 of the Articles of Association be substituted by the following:

88. The meeting fee of the Directors including their expenses for attending the meeting of the Board or of any Committees shall be determined by the Board from time to time.

In replacement of;

88. The remuneration to be paid to any Director for attending meetings of the Board or any Committee thereof shall, from time to time, be determined by the Board of Directors. It shall not exceed Rs. 500 per meeting. The Directors shall be paid in such travelling expenses as may be fixed by the Directors from time to time or in or about the performance of their duties as Directors or if a Director has to come to attend the Board meeting from outstation.

Directors' Report to Shareholders



The Directors of the Company are pleased to present the Annual Report along with audited financial statements for the year ended June 30, 2013.

Pakistan's Economy

The economy continued to suffer from acute energy and natural gas shortages thus adversely impacting the power generation. The ongoing war on terror also had its ramifications on the economy and public debts. All these factors exerted significant pressure on the economy and hampered the economic activities in the country which adversely impacted the progress of the business.

Financial Performance

By the grace of Almighty Allah, your Company registered 7% growth in sales over the last year, recording an all time high sales figure of Rs. 4,278.107 million. The export sales have increased to Rs. 639.212 million from Rs. 399.828 million of the previous year. Gross margin as percentage of sales slightly improved to 20.23% from 20.03%. This positive performance was mainly attributable to cost cutting and other improvement measures.

The Company registered highest ever profit before tax of Rs. 333.315 million as compared to Rs. 227.820 million for the previous year, reflecting an increase of 46%. Profit after tax increased to Rs. 294.623 million as compared to Rs. 159.861 million for the last year denoting an increase of 84% over last year. This translates into Earnings per Share (EPS) of Rs. 8.18 against Rs. 4.44 of last year.

Financial Results

The comparative financial results for the year ended June 30, 2013 as compared to last year are as follows:

	Year ended June 30		Increase %age
	2013	Restated 2012	
	_____ Rupees in Million _____		
Net Sales	4,278.107	4,003.771	7%
Gross Profit	865.335	802.099	8%
Operating Profit	452.514	429.972	5%
Profit before Tax	333.315	227.820	46%
Profit after Tax	294.623	159.861	84%
Earning Per Share (Rupees)	8.18	4.44	84%



Profit and Appropriations during the year

	Year ended June 30, 2013	Restated Year ended June 30, 2012
	Rupees in thousand	
Profit after tax for the year	294,623	159,861
Add: Transfer from Surplus on revaluation of fixed assets on account of disposal of freehold land	-	642
Un-appropriated profit brought forward	793,603	651,100
Profit available for appropriation	1,088,226	811,603
Appropriations:		
- Final cash dividend paid @ 15% for the financial year 2011-12 (2010-2011: 5%)	(54,000)	(18,000)
- Interim cash dividend paid @ 5% for the financial year 2012-13 (2010-2011: Nil)	(18,000)	-
Profit available for appropriation	1,016,226	793,603

Dividend

Based on the performance of the Company, the Board of Directors is pleased to recommend a final cash dividend of Re. 1 per share and issue of bonus shares @ 38.88889% (i.e. 38.88889 bonus shares for every 100 shares held) in respect of the financial year ended June 30, 2013. The final dividend and bonus shares are subject to the approval of shareholders in their meeting scheduled to be held on October 21, 2013. The foregoing recommended entitlements are in addition to an interim cash dividend of Re. 0.50 per share which has already been paid during the year.

Merger of Chemi Chloride Industries Limited (a wholly owned subsidiary Company)

The Board of Directors of ICL and its wholly owned subsidiary Company Chemi Chloride Industries Limited (CCIL) in their meetings held on September 14, 2011 approved the merger of CCIL with and into ICL. Subsequently, the Annual General Meetings of both the Companies were held on October 31, 2011 to consider and approve the Scheme of Merger. The members of both the Companies approved the Scheme of Merger which was subject to sanction by the Honorable Lahore High Court. On October 03, 2012, the Honorable Lahore High Court approved the Scheme of Merger with effect from October 03, 2012. Consequently, CCIL has been merged with ICL and the financial statements for the year ended June 30, 2013 have been prepared accordingly.

Successful implementation of SAP Tier One ERP System (SAP-All-in-one)

By the grace of Almighty Allah, the Company has successfully implemented the world's best ERP solution – SAP ERP ECC 6.0. ICL went live on SAP on March 01, 2013. The project has been completed within short span of 8 months, which provides data of high quality within the budgeted resources. The project was executed with the help of highly experienced cross functional team supported by the onsite and International consulting partners, Siemens Pakistan. Entire Company is leveraging this state-of-the-art ERP System for productivity enhancement and business growth in future. The implementation of SAP will help to enhance the Company's ability to address day to day business challenges in a more efficient and effective manner.

Ion Exchange Membrane (IEM) Plant Phase I

Your Company has two caustic soda plants, one is DSA Caustic Soda Plant and other is Ion Exchange Membrane (IEM) plant. The cost of production of caustic soda produced by DSA Plant is significantly higher as compared to that produced by IEM Plant because higher consumption of power. Therefore, the company has decided to replace its high power consuming DSA Caustic Soda Plant with new power efficient Ion Exchange Membrane (IEM) Plant having capacity of 50,000 M.T per annum, to be executed in two phases each of 25,000 M.T per annum. The total investment in the project would now be to the tune of Rs. 712 million for IEM Plant Phase I.



For the first phase, L/c has been established, the IEM Plant shall arrive at site by the end of March 2014 and the commissioning shall be completed by the end of September 2014. The new IEM Plant is cost efficient and shall improve the Company's profitability.

Coal-fired Hot Air Furnace for Calcium Chloride Plant

Due to gas load-shedding in winter season, the Calcium Chloride Plant remains shutdown for 2 to 3 months. The management has decided to install a coal-fired hot air furnace for its Calcium Chloride Plant, so that the Calcium Chloride Plant may remain operative throughout the year. The installation of coal-fired hot air furnace will increase the production, which will increase our export sales by 50% from 16,000 M.T to 24,000 M.T per year and will eventually improve the profitability of the Company. The estimated cost of the project is Rs. 75 million.

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 Audit Committee Meetings and Attendance

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

Name of Director	No. of Board Meetings attended	No. of Audit Committee Meetings attended
Mr. Muhammad Siddique Khatri	5	N/A
Mr. Abdul Sattar Khatri	5	4
Mr. Abdul Ghafoor Khatri	4	4
Mr. Fowad Yousaf Khatri	5	4
Mr. Waqas Siddiq Khatri	5	N/A
Ms. Farhana Abdul Sattar Khatri	5	N/A
Ms. Rushda Mustafa	3	N/A

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

Audit Committee

The Board of Directors re-constituted the Audit Committee in its meeting held on February 13, 2012 comprising of the following members:

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

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

Directors' Training Programs

As per requirements of the regulatory framework, each member of the Board shall be subject to the orientation and training for enhancing their management skills. During the year, the Board has arranged for certification offered by the Pakistan Institute of Corporate Governance (PICG) for Mr. Abdul Sattar Khatri, Director of the Company. He has successfully completed this Corporate Governance Leadership Skills (CGLS) Director Certification program of PICG.



Code of Conduct

ICL adheres to the best ethical standards in the conduct of business. Accordingly, 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 requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in their listing Regulations have been adopted by the Company and have been duly complied with. A statement to this effect is annexed to the report.

Corporate and Financial Reporting Framework

Following are the statements on Corporate and Financial Reporting Framework:

- i. The financial statements together with notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These statements present 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, 2013 was Rs. 2.938 million.

Health, Safety and Environment

ICL is committed to maintain the standards of Health, Safety and Environment at the highest level. The Company is committed for maintaining a safe workplace by following safety and health rules and practices, and endeavor to make a safe and incident free workplace. We actively strive for eliminating all possible causes of accidents, preventing environmental pollution, minimizing waste, energy conservation, safety awareness, training, emergency preparedness and managing environmental impact that can affect the surrounding communities and the environment at large. The Company has been certified for ISO 9001:2008 - Quality Management System and ISO 14001:2004 - Environmental Management System by Moody International Certification Limited.



Corporate Social Responsibility

ICL has a strong CSR commitment and participates in community development projects. Our CSR philosophy is targeted towards programmes that focus primarily on health and education. ICL continued to provide financial support to various organizations operating in the fields of Education, Health and Social uplift. As a responsible corporate citizen, ICL took initiative and donated generously in the flood affected areas.

Subsequent Events

Subsequent to the balance sheet date, on account of accumulation of rain/flood water in the areas adjoining the factory, the Company had to shut down its plant for a week. An initial survey was conducted which confirm that there is no significant damage to the assets of the Company. By the grace of Almighty Allah the plant has resumed its operation and production, and is now fully operational.

No other significant change has occurred that warrants reporting to the shareholders.

Auditors

The present auditors M/s. BDO Ebrahim & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment for the year 2013-14. As suggested by the Audit Committee, the Board of Directors has recommended their re-appointment as Auditors of the Company for the ensuing year subject to approval of the members in the forthcoming Annual General Meeting. The external auditors have been given a satisfactory rating under the Quality Control Review by the Institute of Chartered Accountants of Pakistan.

Pattern of Shareholding

A statement of the pattern of shareholding of the Company as at 30 June, 2013 of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, Executives (CEO, CFO, Head of Internal Audit, Company Secretary and any other employee of the Company who is of the cadre of Head of Department or above, as threshold set by



the Board of Directors) and their spouses and minor children during the year is shown on page 67 & 68 of the Annual Report.

Future Outlook

During the first quarter of current financial year, the Company suffered from acute power shortages, hefty increase in electricity tariff by LESCO and the recent floods, which would adversely impact the production and profitability of the Company for the quarter.

Despite the energy crisis, law and order issues and macroeconomic challenges, the Company continues to maintain a strong positive outlook on the country. In this challenging environment, the Company would endeavor to exhibit strong performance. The operational excellence and management skills have already positioned the Company to achieve sustained and qualitative growth over the long term. The ICL management is looking forward to complete various expansion projects as the management envisaged the importance of Company's growth through business expansion projects. The installation of a coal-fired hot air furnace for Calcium Chloride Plant and the replacement of high power consuming DSA Caustic Soda Plant with new power efficient Ion Exchange Membrane (IEM) Plant shall be completed by the end of 2013 & 2014, respectively. These projects shall ultimately improve the Company's profitability and is in line with the Company's focus on creating sustainable value for our shareholders.

The management of your Company is planning to install a Caustic Soda Flaker having capacity of 100 Tons per day, to convert the caustic soda liquid into the caustic soda flakes, to meet the local and export demand. This will increase the sales revenue of the Company and will eventually improve the profitability of the Company. The estimated cost of the project is Rs. 500 million.

Looking forward, we believe that your Company has positioned itself to meet the competitive environment. The management's focus on plant modernization and best practices will provide additional improvement in the cost structure and systematic improvement in efficiency and process optimization.

Acknowledgement

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

Lahore
September 09, 2013

For and on behalf of the Board

Muhammad Siddique Khatri
Chairman and Chief Executive

Operating and Financial Highlights

	Unit	2006	2007	2008	2009	2010	2011	2012	2013
PROFIT AND LOSS									
Sales	Rs. in mln	2,158	2,534	2,685	3,568	3,081	3,144	3,752	4,278
Gross Profit	Rs. in mln	465	622	548	820	611	630	670	865
Operating Profit	Rs. in mln	309	438	342	508	333	331	380	453
Profit before tax	Rs. in mln	167	235	129	277	132	121	192	333
Profit after tax	Rs. in mln	120	137	66	169	141	119	129	295
EBITDA	Rs. in mln	460	633	525	698	522	511	559	637
Number of outstanding shares at year end	No. in mln	30	36	36	36	36	36	36	36
Earning per share - Basic and Diluted	Rs.	3.98	3.81	1.82	4.70	3.91	3.30	3.57	8.18
BALANCE SHEET									
Operating Fixed assets (NBV)	Rs. in mln	2,510	2,360	2,316	2,423	2,299	2,342	2,371	2,496
Current Assets	Rs. in mln	1,008	962	918	1,169	1,208	1,330	1,336	1,619
Current Liabilities	Rs. in mln	1,041	1,076	627	934	928	1,237	1,391	1,722
Long Term Liabilities	Rs. in mln	1,254	1,049	1,445	1,232	1,100	910	638	411
Share capital	Rs. in mln	300	360	360	360	360	360	360	360
Shareholders' Equity	Rs. in mln	627	764	776	891	977	1,060	1,171	1,376
INVESTOR INFORMATION									
Gross Profit Margin	%	21.55	24.55	20.40	22.99	19.84	20.05	17.85	20.23
Net Profit Margin	%	5.54	5.41	2.44	4.74	4.57	3.78	3.43	6.89
Return On Equity	%	21.08	19.69	8.52	20.31	15.08	11.66	11.52	23.29
Price Earning Ratio		8.41	8.28	19.21	8.09	8.39	8.92	6.55	5.32
Net Asset per share	Rs.	20.89	21.24	21.55	24.74	27.14	29.44	32.53	38.23
Long-Term Debt to Equity Ratio		2.30	1.56	1.55	1.29	1.09	0.88	0.52	0.21
Current Ratio		0.97	0.89	1.47	1.25	1.30	1.08	0.96	0.94
Quick Ratio		0.54	0.53	0.73	0.77	0.66	0.58	0.59	0.52
Interest Coverage Ratio		2.18	2.11	1.61	2.12	1.63	1.54	1.97	3.71
Debtor Turnover	No. of Times	12.51	6.65	10.61	7.32	7.56	8.02	7.75	8.09
Inventory Turnover	No. of Times	3.82	4.87	4.65	6.14	4.12	4.12	5.94	4.74
Dividend Payout	%	-	39.42	82.31	31.92	12.78	30.31	41.98	18.33
Bonus Shares	%	20	-	-	-	-	-	-	38.88889
Dividend per share	Rs.	-	1.50	1.50	1.50	0.50	1.00	1.50	1.50





Statement of Value Added

Year ended June 30,
2013 2012
(Rs. In Million)

Wealth Generated:

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

4,946 4,651
3,335 3,112

1,611 1,539

Wealth Distributed:

To Employees
Salries, benefits and other costs

382 329

To Government
Income tax, sales tax, special excise duty & WWF

631 654

To Providers of capital
Dividend to shareholders
Mark up/interest expenses on borrowed funds

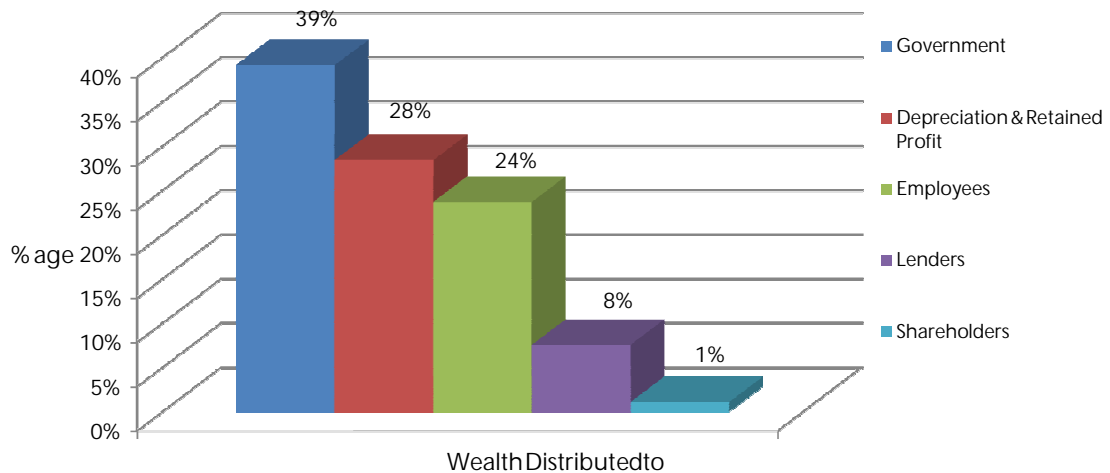
18 18
122 205

Retained for Reinvestment and Growth
Depreciation and retained profits

458 333

1,611 1,539

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors of the Company during the year.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision & mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has been provided with detailed in-house briefings and information package to apprise them of their duties and responsibilities. Further, the Board has arranged for certification offered by the Pakistan Institute of Corporate Governance for Mr. Abdul Sattar Khatri, Director of the Company. He has successfully attained this certification.
10. There was no change in the position of Chief Financial Officer (CFO) and Company Secretary. The Board has approved the appointment of Head of Internal Audit with effect from September 10, 2012, 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 members, of whom two are non-executive directors including the chairman of the committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.
18. The Board has set up an effective internal audit function. The staff is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

Lahore
September 09, 2013

Muhammad Siddique Khatri
Chairman and Chief Executive



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

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

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

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

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

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

Karachi
Dated: September 09, 2013


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

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Financial Statements

For the year ended June 30, 2013





Auditors' Report to the Members

We have audited the annexed balance sheet of ITTEHAD CHEMICALS LIMITED ("the Company") as at June 30, 2013 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, 2013 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 09, 2013


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



Balance Sheet

as at June 30, 2013

	Note	2013	Restated 2012	Restated 2011
Rupees in thousand				
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment				
Operating fixed assets	6	2,495,976	2,514,774	2,498,639
Capital work in progress	7	19,833	42,942	83,634
		2,515,809	2,557,716	2,582,273
Intangible assets	8	22,133	6,566	6,698
Investment property	9	73,800	71,100	67,800
Long term investments	10	-	-	-
Long term deposits	11	39,260	37,622	32,144
		2,651,002	2,673,004	2,688,915
CURRENT ASSETS				
Stores, spares and loose tools	12	446,420	390,733	424,770
Stock in trade	13	273,876	171,629	219,946
Trade debts	14	608,526	545,363	459,683
Loan and advances	15	51,336	28,676	40,536
Trade deposits and short term prepayments	16	7,107	6,089	10,701
Other receivables	17	10,414	10,355	-
Tax refunds due from the Government	18	19,221	50,125	7,521
Taxation - net	19	21,085	12,776	66,212
Cash and bank balances	20	180,671	130,406	117,434
		1,618,656	1,346,152	1,346,803
TOTAL ASSETS		4,269,658	4,019,156	4,035,718
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital	21.1	750,000	750,000	750,000
Issued, subscribed and paid up capital	21.2	360,000	360,000	360,000
Unappropriated profit		1,016,226	793,603	651,100
		1,376,226	1,153,603	1,011,100
SURPLUS ON REVALUATION OF FIXED ASSETS	22	760,819	760,819	748,559
NON CURRENT LIABILITIES				
Long term financing	23	76,390	165,835	266,082
Long term diminishing musharaka	24	-	83,333	250,000
Long term murabaha	25	-	38,889	116,666
Deferred liabilities	26	334,697	357,819	309,327
		411,087	645,876	942,075
CURRENT LIABILITIES				
Trade and other payables	27	831,447	613,433	342,812
Mark-up accrued	28	23,644	37,911	58,780
Short term borrowings	29	649,959	445,758	558,018
Current portion of long term liabilities	30	216,476	361,756	374,374
		1,721,526	1,458,858	1,333,984
CONTINGENCIES AND COMMITMENTS	31	-	-	-
TOTAL EQUITY AND LIABILITIES		4,269,658	4,019,156	4,035,718

The annexed notes from 1 to 52 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Profit and Loss Account for the year ended June 30, 2013

	Note	2013 Rupees in thousand	Restated 2012
Sales - net	32	4,278,107	4,003,771
Cost of sales	33	(3,412,772)	(3,201,672)
Gross profit		865,335	802,099
Selling and distribution expenses	34	(272,886)	(238,752)
General and administrative expenses	35	(138,039)	(127,007)
Other operating expenses	36	(23,196)	(19,555)
Other income	37	21,300	13,187
		(412,821)	(372,127)
Operating profit		452,514	429,972
Financial charges	38	(121,899)	(205,452)
Fair value gain on investment property	9	2,700	3,300
Profit before taxation		333,315	227,820
Taxation	39	(38,692)	(67,959)
Profit after taxation		294,623	159,861
Earning per share - Basic and diluted (Rupees)	42	8.18	4.44

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

The annexed notes from 1 to 52 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Statement of Comprehensive Income for the year ended June 30, 2013

Rupees in thousand

	2013	Restated 2012
Note	_____ Rupees in thousand _____	_____
Profit after taxation for the year	294,623	159,861
Other comprehensive income	-	-
Total comprehensive income for the year	<u>294,623</u>	<u>159,861</u>

The annexed notes from 1 to 52 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



Cash Flow Statement for the year ended June 30, 2013

		2013	Restated 2012
	Note	_____ Rupees in thousand _____	
Cash flows from operating activities			
Profit before tax		333,315	227,820
Adjustments for items not involving movement of funds:			
Depreciation	6.4	183,695	194,550
Amortization of intangible assets	35	623	132
Provision for staff retirement gratuity	26.3	13,075	11,089
(Gain) / loss on sale of fixed assets	37	(9,517)	3,067
Gain on revaluation of investment property		(2,700)	(3,300)
Gain on foreign exchange	37	(2,982)	(3,731)
Provision for doubtful debts		3,623	6,584
Bad debts written off	35	931	2,926
Financial charges	38	121,899	205,452
Net cash flow before working capital changes		641,962	644,589
(Increase) / decrease in current assets			
Stores, Spares and loose tools		(55,687)	34,037
Stock in trade		(102,247)	48,317
Trade debts		(64,735)	(91,459)
Loan and advances		(22,660)	11,860
Trade deposits and short term prepayments		(1,018)	4,612
Other receivables		(59)	(10,355)
Tax refunds due from the Government		(14,445)	6,763
		(260,851)	3,775
(Decrease) / increase in current liabilities			
Trade and other payables		215,956	271,373
Cash generated from operations		597,067	919,737
Taxes paid		(35,559)	(25,809)
Gratuity paid		(2,696)	(1,428)
Financial charges paid		(136,166)	(227,725)
Net cash inflow from operating activities		422,646	664,775
Cash flows from investing activities			
Additions to operating fixed assets		(43,779)	(17,892)
Additions to intangible assets		(190)	-
Additions to capital work in progress		(155,212)	(193,741)
Proceeds from sale of operating fixed assets		50,721	52,881
Long term deposits		(1,638)	(5,478)
Net cash outflow from investing activities		(150,098)	(164,230)
Cash flows from financing activities			
Repayments of long term financing		(112,502)	(112,865)
Repayments of long term diminishing musharaka		(166,667)	(166,667)
Repayment of long term murabaha		(77,778)	(77,777)
Dividend paid		(69,537)	(18,004)
Short term borrowings		204,201	(112,260)
Net cash outflow from financing activities		(222,283)	(487,573)
Net increase in cash and cash equivalents		50,265	12,972
Cash and cash equivalents at the beginning of the year		130,406	117,434
Cash and cash equivalents at the end of the year	20	180,671	130,406

The annexed notes from 1 to 52 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Statement of Changes in Equity for the year ended June 30, 2013

	Issued, subscribed and paid-up capital	Unappropriated profits	Total
	Rupees in thousand		
Balance as at July 01, 2011 - restated	360,000	651,100	1,011,100
Comprehensive income for the year	-	159,861	159,861
Transfer from surplus on revaluation of fixed assets on account of disposal of freehold land (note 22)	-	642	642
Final dividend for the year ended June 30, 2011 @ Re. 0.50 per share	-	(18,000)	(18,000)
Balance as at June 30, 2012 - restated	360,000	793,603	1,153,603
Final dividend for the year ended June 30, 2012 @ Rs. 1.5 per share	-	(54,000)	(54,000)
Interim dividend for the year ended June 30, 2013 @ Re. 0.5 per share	-	(18,000)	(18,000)
Comprehensive income for the year	-	294,623	294,623
Balance as at June 30, 2013	360,000	1,016,226	1,376,226

The annexed notes from 1 to 52 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Notes to the Financial Statements for the year ended June 30, 2013

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 MERGER OF WHOLLY OWNED SUBSIDIARY

The Honorable Lahore High Court approved the Scheme of Arrangement for merger / amalgamation of Chemi Chloride Industries Limited (CCIL) wholly owned subsidiary, with the Company effective from October 03, 2012. Consequently, CCIL has been merged with the Company and these financial statements have been prepared in accordance with the said merger scheme.

As a result of merger of CCIL with the Company on the above mentioned effective date, the result of both entities have been combined for the purpose of preparation of these financial statements. Since the merger is between two companies under common control, International Financial Reporting Standard IFRS 3 - Business Combinations is not applicable. The financial statement items of the Company and CCIL for all periods presented are included in these financial statements as if they had been combined from the beginning of the earliest period presented. Accordingly, comparatives are restated and have been extracted from Company's audited financial statements for the year ended June 30, 2012.

3 BASIS OF PREPARATION

3.1 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.

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.

3.2 Accounting convention

These financial statements have been prepared under the historical cost convention except as modified for fair value adjustment in investment property, freehold land, investments and exchange differences as referred to in notes 5.4, 5.1, 5.5, and 5.19 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 40.

3.3 Functional and presentation currency

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

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

4.1 The following financial reporting standards, amendments and interpretations of approved financial reporting standards became effective during the year, however, these financial reporting standards are either not relevant or do not have a significant impact on the Company's financial statements:

IAS 1	Presentation of Financial Statements
IAS 12	Income Taxes

4.2 The following financial reporting standards, amendments and interpretations of approved financial reporting standards are not yet effective but relevant and have not been early adopted by the Company.

IAS 19 "Employee benefits" (amended 2011) (is effective for the periods beginning on or after January 1, 2013). This amendment eliminates the corridor approach and requires all actuarial gains and losses to be recognized in other comprehensive income as they occur immediately, and it replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / assets.

IAS 16 "Property, Plant and Equipment" (is effective for the period beginning on or after January 01, 2013). This IAS is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of Property, Plant and Equipment is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, than they are accounted for using IAS 2 'Inventories'. The amendments have no impact on financial statements of the Company.

IFRS 9 "Financial Instruments - classification and measurement" (is effective for the period beginning on or after January 01, 2015). This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.



The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. The amendments have no impact on financial statements of the Company.

IFRS 13 - "Fair value measurement" (is effective for the period beginning on or after January 01, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The amendments have no significant impact on financial statements of the Company.

- 4.3 The following amendments and interpretations with respect to the approved financial reporting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation. However, these are not relevant to the Company.

		Effective date (annual periods beginning on or after)
IAS 27	Separate Financial Statements	January 01, 2013
IAS 28	Investments in Associates and Joint Ventures	January 01, 2013
IAS 32	Financial Instruments: Presentation	January 01, 2014
IAS 34	Interim Financial Reporting	January 01, 2013
IFRS 1	First time Adoption of International Financial Reporting Standards	January 01, 2013
IFRS 7	Financial Instruments Disclosures	January 01, 2013
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interest in Other Entities	January 01, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013
IFRIC 21	Levies	January 01, 2014

5 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.

5.1 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 6. 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 6. 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.

5.2 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.

5.3 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.

5.4 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 5.22.

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.

5.5 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.

5.6 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.

5.7 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.

5.8 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.

5.9 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.

5.10 Borrowings

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

5.11 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.

5.12 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.

5.13 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 / Ijarah.

5.14 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.



5.15 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.

5.16 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.

5.17 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.

5.18 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.

5.19 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.

5.20 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.

5.21 Compensated absences

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



5.22 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.

5.23 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.

5.24 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.

5.25 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.

5.26 Recoating expenses of DSA Plant

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



6 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, 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 (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	
Net carrying value basis-restated year ended June 30, 2012												
Opening net book value (NBV)	793,880	78,910	3,724	1,577,341	7,962	3,007	11,482	22,333			2,498,639	
Additions (at cost)	12,902	690	-	235,942	6,805	220	5,393	4,681			266,633	
Disposals/transfers (NBV)	(12,000)	-	-	(43,329)	-	-	-	(619)			(55,948)	
Depreciation charge	-	(7,896)	(372)	(176,754)	(1,651)	(307)	(2,865)	(4,705)			(194,550)	
Closing net book value	794,782	71,704	3,352	1,593,200	13,116	2,920	14,010	21,690			2,514,774	
Gross carrying value basis-restated year ended June 30, 2012												
Cost	794,782	157,589	7,274	3,057,463	48,262	6,661	35,646	70,202			4,177,879	
Accumulated depreciation	-	(85,885)	(3,922)	(1,464,263)	(35,146)	(3,741)	(21,636)	(48,512)			(1,663,105)	
Net book value	794,782	71,704	3,352	1,593,200	13,116	2,920	14,010	21,690			2,514,774	
Depreciation rate % per annum												
	-	10	10	10	15	10	15 to 30	20				

6.1 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 (2012: Rs. 760.819 million).

6.2 Borrowing cost capitalised during the year amounted to Rs. Nil (2012: Rs. 1.404 million) at an average rate of Nil (2012: 15.73% per annum).

6.3 The carrying value of idle assets amounted to Rs. Nil (2012:Rs. 13.106 million) as at the balance sheet date.



	Note	2013 Rupees in thousand	Restated 2012
6.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	33	177,619	190,421
Selling and distribution expenses	34	719	635
General and administrative expenses	35	5,357	3,494
		<u>183,695</u>	<u>194,550</u>

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

Description	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Mode of disposal	Particulars of buyers
	(Rupees in thousand)					
Telephone Exchange	385	336	49	600	Insurance Claim	Insurance Claim - EFU
Vehicle # LEC-4045	1,289	64	1,225	1,289	Negotiated	Mr. Mubasher Ahmad
Vehicle # LEF-08-3419	707	415	292	699	Negotiated	Mr. Wajid Ullah Jan
Vehicle # LRO-3115	1,494	1,299	195	585	Negotiated	M/S New Rajpoot Motors
Vehicle # LED-07-4660	417	292	125	300	Negotiated	M/S New Rajpoot Motors
Steam Turbine	30,500	16,398	14,102	11,200	Negotiated	M/S Industrial Boiler
Honda Civic LRB-5571	1,268	1,168	100	250	Negotiated	Mr. Shahbaz Ali
Corolla GLI LE-2088	1,605	277	1,328	1,422	Insurance Claim	Insurance Claim - EFU
Copper Plates	13,804	10,859	2,945	10,703	Negotiated	Brothers Metal Works (Pvt) Ltd.
NCR Plant	45,074	35,630	9,444	9,704	Negotiated	Mr. Malik Shafaqat
Gas Generator	4,591	2,710	1,881	3,403	Negotiated	M/S Ghosia Electric Services
Suzuki Cultus LWG-8251	609	478	131	445	Negotiated	Mr. Muhammad Naem
Photocopier	122	83	39	20	Negotiated	M/S Ctech International
Sentro Club LRL-7444	546	498	48	470	Negotiated	Mr. Muhammad Bilal Aslam
Pajero AB-5513	1,460	1,460	-	331	Negotiated	Mr. Abdul Shakoor
Boiler - Coal Gasifier	9,300	-	9,300	9,300	Negotiated	United Bank Limited
Total - 2013	113,171	71,967	41,204	50,721		
Total - 2012 - Restated	57,387	1,439	55,948	52,881		



	Note	2013 Rupees in thousand	Restated 2012
7 CAPITAL WORK IN PROGRESS			
This comprises of:			
Plant and machinery		18,975	39,442
Building		858	-
Intangible Assets		-	3,500
		<u>19,833</u>	<u>42,942</u>

7.1 An amount of Rs. 178.321 million (2012: Rs. 236.148 million) has been transferred to operating fixed assets during the year.

8 INTANGIBLE ASSETS			
Computer software and licences	8.1	15,688	121
Goodwill	8.2	6,445	6,445
		<u>22,133</u>	<u>6,566</u>
8.1 Software and licences			
Net carrying value as at 1 July			
Opening balance as on July 01,		121	253
Additions during the year		16,190	-
Amortization charge		(623)	(132)
Net book value as at June 30,		<u>15,688</u>	<u>121</u>
Gross carrying value as at 30 June			
Cost		22,542	6,352
Accumulated amortization		(6,854)	(6,231)
Net book value		<u>15,688</u>	<u>121</u>
Amortization % per annum		33.33%	33.33%
The amortization charge for the year has been allocated as follows:			
Administrative expenses	35	<u>623</u>	<u>132</u>

8.2 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.



	Note	2013 Rupees in thousand	Restated 2012
9 INVESTMENT PROPERTY			
Free hold land	9.1	73,800	71,100
9.1 Opening balance		71,100	67,800
Fair value gain on revaluation shown in "income statement"		2,700	3,300
		73,800	71,100

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, 2013 as determined by approved independent valuer M/s Empire Enterprises (Private) Limited. Fair value was determined having regard to recent market transactions for similar properties in the same location and condition

10 LONG TERM INVESTMENTS

Available for sale

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

10.1 This provision was made in earlier years as a matter of prudence since the project of the investee company is not operating and there is some uncertainty regarding future earnings and related cash flows. Further, the financial statements of the entity indicate that the fair value of the net assets is negative.

11 LONG TERM DEPOSITS

Long term deposits		39,260	37,622
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	Note	2013 Rupees in thousand	Restated 2012
12 STORES, SPARES AND LOOSE TOOLS			
Stores:			
in hand	12.1	158,180	151,865
in transit		-	1,269
		158,180	153,134
Spares:			
in hand	12.1	276,101	240,476
in transit		28,813	9,082
		304,914	249,558
Loose tools		-	4,715
Less: Provision for obsolete stores and spares	12.2	463,094 16,674	407,407 16,674
		<u>446,420</u>	<u>390,733</u>

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

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

Opening balance		16,674	17,244
Adjustment on account of write off during the year		-	(570)
		<u>16,674</u>	<u>16,674</u>
13 STOCK IN TRADE			
Raw materials:			
in hand	33	65,656	57,777
in transit		9,815	1,490
		75,471	59,267
Packing materials		16,957	6,668
Work in process	33	25,250	12,711
Finished goods	13.1 & 33	156,198	92,983
		<u>273,876</u>	<u>171,629</u>

13.1 These include provision for write down of finished goods inventory to net realisable value amounting to Rs. 6.801 million (2012: 4.254 million).



	Note	2013 Rupees in thousand	Restated 2012
14 TRADE DEBTS			
Secured			
Considered good		102,628	35,186
Unsecured			
Considered good	14.1	505,898	510,177
Considered doubtful		23,357	19,964
		529,255	530,141
		631,883	565,327
Less: Provision for doubtful debts	14.4	23,357	19,964
		<u>608,526</u>	<u>545,363</u>
14.1	This include a balance due from Chemi Dyestuff Industries (Private) Limited, related party, amounting to Rs. Nil (2012: Rs.0.042 million).		
14.2	The aging of related party balances at the balance sheet date is as follows:		
Not later than one year		-	42
Later than one year and not later than five year		-	-
		-	<u>42</u>
14.3	The maximum amount due from related parties at the end of any month during the year was Rs. 0.087 million (2012: Rs. 0.102 million).		
14.4	Movement of provision for doubtful debts is as follows:		
Opening balance		19,964	13,796
Adjustment on account of:			
Doubtful debts written off		(46)	-
Recovery of doubtful debts		(184)	(416)
Provision made for doubtful debts		3,623	6,584
Net adjustment		3,393	6,168
Closing balance		<u>23,357</u>	<u>19,964</u>
15 LOANS AND ADVANCES			
Advances - (considered good)			
Against purchase of land		1,639	1,639
To employees		9,275	3,739
For supplies and services		40,361	22,957
Against import		61	341
		<u>51,336</u>	<u>28,676</u>



	Note	2013 Rupees in thousand	Restated 2012
16 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits - (Considered good)		4,498	4,859
Prepayments		2,609	1,230
		<u>7,107</u>	<u>6,089</u>
17 OTHER RECEIVABLES			
(Considered good)			
Against land	17.1	10,355	10,355
Others		59	-
		<u>10,414</u>	<u>10,355</u>
17.1	During the year, the Company has written a letter to Punjab Industrial Estates, requesting to refund the amount pertaining to cancelled plot, which was earlier allotted to the Company in Sundar Industrial Estate. Earlier, the Company had been in correspondence for reinstatement of the plot, however, in their correspondence dated May 29, 2012, PIE has informed the Company that the request for reinstatement cannot be acceded to and that the refund is ready for collection. Consequently, the amounts have been presented as "Other receivable" as at the balance sheet date.		
18 TAX REFUNDS DUE FROM GOVERNMENT			
(Considered good)			
Income tax		4,776	50,125
Sales tax		14,445	-
		<u>19,221</u>	<u>50,125</u>
19 TAXATION - NET			
Advance income tax		88,666	56,922
Less: Provision for taxation		67,581	44,146
		<u>21,085</u>	<u>12,776</u>
20 CASH AND BANK BALANCES			
Cash in hand		416	938
Cheques in hand		166,091	76,734
Cash at banks			
Current accounts		14,119	8,681
Saving accounts		45	44,053
		<u>14,164</u>	<u>52,734</u>
		<u>180,671</u>	<u>130,406</u>

The balance in saving accounts carries mark up which ranges from 5% to 6% per annum (2012: 5.86% to 6.11% per annum).



			2013	Restated 2012
			_____ Rupees in thousand _____	
21	SHARE CAPITAL			
	21.1 Authorized share capital			
	2013	2012		
	Number of ordinary shares of Rs. 10/- each			
	50,000,000	50,000,000	Ordinary shares of Rs. 10/- each	500,000
	25,000,000	25,000,000	Preference shares of Rs. 10/- each	250,000
	<u>75,000,000</u>	<u>75,000,000</u>		<u>750,000</u>
	21.2 Issued, subscribed and paid up capital			
	2013	2012		
	Number of ordinary shares of Rs. 10/- each			
	100,000	100,000	Fully paid in cash	1,000
	24,900,000	24,900,000	Issued for consideration other than cash	249,000
	11,000,000	11,000,000	Fully paid bonus shares	110,000
	<u>36,000,000</u>	<u>36,000,000</u>		<u>360,000</u>
22	SURPLUS ON REVALUATION OF FIXED ASSETS			
			22.1	
		Balance as at July 01,	760,819	748,559
		Revaluation surplus arising during the year	-	12,902
		Transferred to unappropriated profit in respect of disposal of freehold land during the year	-	(642)
			<u>760,819</u>	<u>760,819</u>

22.1 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	2013 Rupees in thousand	Restated 2012
23 LONG TERM FINANCING			
Secured:			
Banking Companies			
The Bank of Punjab - BMR	23.1	43,750	68,750
United Bank Limited (LTF)	23.2	7,500	17,500
		51,250	86,250
Other Financial Institutions			
Pakistan Kuwait Investment Company (Private) Limited - BMR	23.3	27,778	50,000
Pak Brunei Investment Co. Limited - BMR	23.4	31,250	43,750
Saudi Pak Industrial & Agri. Inv. Co. Limited - BMR	23.5	55,556	77,778
Saudi Pak Industrial & Agri. Inv. Co. Limited - LTF		-	12,391
Saudi Pak Industrial & Agri. Inv. Co. Limited - TF		-	2,167
		114,584	186,086
Unsecured:			
Ittehad developers - related party	23.6	660	6,660
Others	23.6	4,150	4,150
		4,810	10,810
		170,644	283,146
Less: Current portion shown under current liabilities	30	94,254	117,311
		76,390	165,835

23.1 This finance is secured against first pari passu charge on all present and future fixed assets of the Company with 25% margin and carries mark up at six months average KIBOR Ask rate plus 2.50% spread with floor of 11% per annum. This loan was disbursed in June 2010 and is repayable in sixteen quarterly equal instalments commencing from June 2011.

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

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

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

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

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



	Note	2013 Rupees in thousand	Restated 2012
24 LONG TERM DIMINISHING MUSHARAKA			
Secured			
Banking Companies			
Standard Chartered Bank (Pakistan) Limited	24.1	8,333	25,000
Askari Bank Limited	24.1	16,667	50,000
Burj Bank Limited	24.1	5,555	16,667
United Bank Limited - Islamic Banking	24.1	27,777	83,333
Summit Bank Limited	24.1	5,556	16,667
		63,888	191,667
Financial Institutions			
Pak Libya Holding Company (Private) Limited	24.1	16,667	50,000
UBL Fund Managers	24.1	2,778	8,333
		19,445	58,333
		83,333	250,000
Less: Current portion shown under current liabilities	30	83,333	166,667
		-	83,333

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

25 LONG TERM MURABAHA

Secured			
Banking Companies			
Faysal Bank Limited	25.1	38,889	116,667
Less: Current portion shown under current liabilities	30	38,889	77,778
		-	38,889

25.1 This finance is secured against first pari passu charge on fixed assets of the Company and carries mark up at six months average KIBOR Ask rate plus 200 bps. This loan was disbursed in August 31, 2007 and is repayable in nine semi annual equal instalments commencing from August 22, 2009.

26 DEFERRED LIABILITIES

Provision for recoating of DSA anodes	26.1	6,781	6,375
Deferred taxation	26.2	292,915	326,822
Provision for gratuity	26.3	35,001	24,622
		334,697	357,819



	2013	Restated 2012
	_____ Rupees in thousand _____	
26.1 Provision for Dimensionally Stable Anodes (DSAs)		
Balance brought forward	12,452	12,286
Payments made against recoating of anodes	(14)	(609)
Provision made for recoating	38	775
	12,476	12,452
Less: Current portion included in accrued liabilities	(5,695)	(6,077)
	6,781	6,375
26.2 Deferred taxation		
Deferred tax liability comprises as follows:		
Taxable temporary differences		
Tax depreciation allowances	311,510	342,134
Deductible temporary differences		
Provision for gratuity	(10,420)	(8,557)
Provision for doubtful debts	(8,175)	(6,755)
Minimum tax adjustment	-	-
	292,915	326,822

26.3 Defined benefit plan

a. General description

The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme. The defined benefit payable to each employee at the end of his 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

c. Reconciliation of payable to defined benefit plan

Present value of obligation	35,001	24,622
Liability recognized in balance sheet	35,001	24,622



	2013	Restated 2012
	_____ Rupees in thousand _____	
d. Movement of liability recognized in the balance sheet		
Present value of obligation at the start of the year	24,622	14,961
Current service cost	3,441	6,718
Past service cost	4,722	-
Interest cost	3,201	1,945
Actuarial (gains) / losses	1,711	2,426
Contribution paid to outgoing employees	(2,696)	(1,428)
Closing net liability	35,001	24,622
e. Charge for the year		
Current service cost	3,441	6,718
Past service cost	4,722	-
Interest cost	3,201	1,945
Actuarial (gains) / losses	1,711	2,426
Charge for the year	13,075	11,089

2013 2012 2011 2010 2009
_____ 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	35,001	24,622	14,961	10,214	1,962
Fair value of plan assets	-	-	-	-	-
(Deficit)	(35,001)	(24,622)	(14,961)	(10,214)	(1,962)

b) Experience adjustments

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

As per actuarial estimates, the charge in respect of defined benefit plan for the year ending June 30, 2014 would be Rs. 11.098 million.



	Note	2013 Rupees in thousand	Restated 2012
27 TRADE AND OTHER PAYABLES			
Trade creditors		85,736	46,121
Accrued liabilities	27.1	693,838	507,653
Advances from customers		26,689	25,865
Retention money		876	1,199
Sales tax payable		-	15,272
Income tax deducted at source		261	623
Workers' Profit Participation Fund	27.2	18,405	12,795
Workers welfare fund		4,795	3,724
Other liabilities		847	181
		<u>831,447</u>	<u>613,433</u>

27.1 These include a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 6.344 million (2012: Rs. 14.256 million).

27.2 Workers' profit participation fund balances comprises as follows:

Balance as at July 01,		12,795	7,013
Less: Amount paid to fund		12,043	6,231
		<u>752</u>	<u>782</u>
Current year's allocation at 5%	36	17,653	12,013
		<u>18,405</u>	<u>12,795</u>

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

28 MARK UP ACCRUED

Secured			
Long term financing		2,994	5,392
Long term diminishing musharaka		3,355	12,308
Long term murabaha		1,566	5,744
Short term borrowings		15,729	14,467
		<u>23,644</u>	<u>37,911</u>



	Note	2013 Rupees in thousand	Restated 2012
29 SHORT TERM BORROWINGS			
Secured			
Banking companies			
Running finances			
MCB Bank Limited	29.1	75,169	56,562
Askari Bank Limited	29.2	204,114	95,143
The Bank of Punjab Limited	29.3	147,022	862
KASB Bank Limited	29.4	28,869	49,201
Term finance			
KASB Bank Limited - ERF	29.5	56,984	24,828
KASB Bank Limited - ERF II		-	13,199
The Bank of Punjab Limited - FATR	29.6	20,789	14,473
Faysal Bank Limited	29.7	40,000	40,000
Askari Bank Limited - (FAFB)	29.8	22,000	-
Murabaha finance			
Burj Bank Limited		-	100,000
Al-Baraka Bank (Pakistan) Limited	29.9	55,012	51,490
		649,959	445,758

29.1 This facility is secured against first pari passu charge over present and future current assets of the Company and hypothecation of stock of chemicals. The facility carries mark-up at three months average KIBOR Ask rate plus 1.9% spread per annum (2012: three months average KIBOR Ask rate plus 1.9% spread per annum). The limit of finance is Rs. 90 million (2012: Rs. 90 million).

29.2 This facility is secured against first pari passu charge over all present and future current assets of the Company and carries mark-up at three months average KIBOR Ask rate plus 1.9% per annum (2012: three months average KIBOR Ask rate plus 1.9% per annum). The limit of finance is Rs. 225 million (2012: Rs. 250 million).

29.3 This facility is secured against first pari passu charge on all present and future current assets of the Company and carries mark-up at three months average KIBOR Ask rate plus 2.5 % per annum with floor of 11% per annum (2012: Three months average KIBOR Ask rate plus 2.5% per annum with floor of 11% per annum). The limit of finance is Rs. 150 million (2012: Rs. 150 million).

29.4 This facility is secured against first pari passu charge over all present and future current assets of the Company and carries mark-up at three months average KIBOR Ask rate plus 2.75% per annum (2012: Three months average KIBOR Ask rate plus 2.75 % per annum). The limit of finance is Rs. 30 million (2012: Rs. 50 million).

29.5 This export refinance facility is secured against first pari passu charge over all present and future current assets of the company and lien over export LCs / contract / export bills. It carries mark-up @ SBP rate plus 1 % (2012: SBP rate plus 1 %). The limit of finance is Rs. 75 million (2012: Rs. 50 million).

29.6 This facility is secured against first pari passu charge on all present and future current assets of the Company and carries mark-up at six months average KIBOR Ask rate plus 2.5 % per annum with floor of 11 % per annum (2012: Six months average KIBOR Ask rate plus 2.5% per annum with floor of 11 % per annum). The limit of finance is Rs. 50 million (2012: Rs. 50 million).

29.7 This facility is secured against first pari passu charge over present and future current assets of the Company and carries mark-up at six months average KIBOR Ask rate plus 2.25% per annum (2012: Six months average KIBOR Ask rate plus 2.25 % per annum). The limit of finance is Rs. 40 million (2012: Rs. 40 million).

29.8 This facility is secured against first pari passu charge over present and future current assets of the Company and carries mark-up at three months average KIBOR Ask rate plus 1.9% per annum (2012: Nil). The limit of finance is Rs. 25 million (2012: Nil).

29.9 This facility is secured against first pari passu charge over present and future current assets including but not limited to book debts and receivables of the Company and carries mark-up at matching KIBOR Ask rate plus 2.5% per annum (2012: matching KIBOR Ask rate plus 2.5% per annum). The limit of finance is Rs. 75 million (2012: Rs. 75 million).



	Note	2013 Rupees in thousand	Restated 2012
30 CURRENT PORTION OF LONG TERM LIABILITIES			
Long term financing	23	94,254	117,311
Long term diminishing musharaka	24	83,333	166,667
Long term murabaha	25	38,889	77,778
		<u>216,476</u>	<u>361,756</u>

31 CONTINGENCIES AND COMMITMENTS

31.1 Contingent liabilities

- a) 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, 2012: Rs. 12.069 million). The Company challenged it before Commissioner of Inland Revenue (Appeals) Zone-1 who decided the case in favour of the Company. The department has filed an appeal before Appellate Tribunal Inland Revenue. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) has remanded the case back to the taxation officer for fresh proceedings. 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.
- b) 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 has 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. 19.964 million to the national exchequer.
- c) 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). The Company expect 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.
- d) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision, the Company would be required to pay an amount of Rs. 4.422 million (2012: Rs. 2.882 million) against these claims.
- e) Letters of guarantee outstanding as at June 30, 2013 were Rs. 215.786 million (2012: Rs. 208.920 million).

31.2 Commitments

Commitments as on June 30, 2013 were as follows:

- a) Against letters of credit amounting to Rs. 27.943 million (2012: Rs. 38.241 million).
- b) Against purchase of land amounting to Rs. 1.838 million (2012: Rs. 1.838 million).
- c) The Company has entered into Ijarah arrangement with Burj Bank Limited and United Bank Limited - Ameen for Plant and Machinery. Commitment of Ijarah rentals under this agreement are as follows:

	2013 Rupees in thousand	2012
Not later than one year	45,873	38,014
Later than one year and not later than five year	49,359	95,848
	<u>95,232</u>	<u>133,862</u>



	Note	2013 Rupees in thousand	Restated 2012
32 SALES			
Sales			
Manufacturing	32.1	4,901,717	4,621,658
Trading		23,384	16,647
		<u>4,925,101</u>	<u>4,638,305</u>
Less: Sales tax		587,536	582,074
Commission to selling agents		59,458	52,460
		<u>646,994</u>	<u>634,534</u>
		<u>4,278,107</u>	<u>4,003,771</u>

32.1 This amount includes export sales amounting to Rs. 639.212 million (2012: Rs. 399.828 million).

33 COST OF SALES

Raw materials consumed			
Opening stock		57,777	53,541
Purchases		413,260	317,862
		<u>471,037</u>	<u>371,403</u>
Closing stock	13	(65,656)	(57,777)
		<u>405,381</u>	<u>313,626</u>
Stores, spares and consumables		268,145	170,034
Packing materials consumed		36,304	30,774
Salaries, wages and other benefits	33.1	276,212	227,760
Fuel and power		2,219,453	2,130,648
Repair and maintenance		25,758	20,235
Rent, rates and taxes	33.2	36,837	29,760
Insurance		10,910	10,240
Depreciation	6.4	177,619	190,421
Vehicle running expenses		17,593	14,896
Postage, printing and stationery		706	658
Other expenses		864	1,276
		<u>3,070,401</u>	<u>2,826,702</u>
Work in process			
Opening		12,712	11,449
Closing	13	(25,250)	(12,711)
		<u>(12,538)</u>	<u>(1,262)</u>
Cost of goods manufactured		<u>3,463,244</u>	<u>3,139,066</u>
Cost of stock traded		12,743	27,094
Finished goods			
Opening		92,983	128,495
Closing	13	(156,198)	(92,983)
		<u>(63,215)</u>	<u>35,512</u>
		<u>3,412,772</u>	<u>3,201,672</u>

33.1 This amount includes Rs. 19.585 million (2012: Rs. 13.229 million) in respect of employees' retirement benefits.

33.2 This amount includes Rs. 36.584 million (2012: Rs. 29.494 million) in respect of operating lease rentals.



	Note	2013 Rupees in thousand	Restated 2012
34 SELLING AND DISTRIBUTION EXPENSES			
Salaries and other benefits	34.1	23,971	24,125
Travelling and conveyance		688	970
Vehicle running expenses		2,057	1,679
Advertisement and export expenses		801	622
Telephone, telex and postage		1,025	993
Marketing service charges		36,406	37,431
Freight		200,518	166,028
Rent, rates and taxes		2,866	3,758
Printing and stationery		532	276
Fuel and power		2,537	1,661
Repair and maintenance		517	451
Insurance		249	123
Depreciation	6.4	719	635
		<u>272,886</u>	<u>238,752</u>

34.1 This amount includes Rs. 2.118 million (2012: Rs. 2.155 million) in respect of employees' retirement benefits.

35 GENERAL AND ADMINISTRATIVE EXPENSES

Salaries and other benefits	35.1	81,992	77,142
Traveling and conveyance		12,659	10,583
Vehicle running expenses		5,010	4,272
Telephone, telex and postage		1,421	1,592
Rent, rates and taxes		2,999	2,549
Printing and stationery		937	930
Fee and subscription		1,733	1,725
Legal and professional charges		3,244	3,848
Fuel and power		2,801	1,880
Provision for doubtful debts		3,623	6,584
Repair and maintenance		8,392	4,339
Depreciation	6.4	5,357	3,494
Amortization of intangible assets	8.1	623	132
Bad debts written off		931	2,926
Donations	35.2	5,493	4,625
Others		824	386
		<u>138,039</u>	<u>127,007</u>

35.1 This amount includes Rs. 3.31 million (2012: Rs. 3.333 million) in respect of employees' retirement benefits.

35.2 Donations

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

Donation amounting to Rs. 1.575 million (2012: Rs. 1.9 million) paid to Kiran Ibtadai School. Ms. Sabina Khatri w/o Mr. Muhammad Siddique Khatri, Chairman and Chief Executive of the Company is the patron of the school.

35.2.2 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	2013 Rupees in thousand	Restated 2012
36 OTHER OPERATING EXPENSES			
Auditors' remuneration			
Audit fee		600	600
Half yearly review fee		125	125
Tax and certification charges		15	25
Out of pocket expenses		8	1
		748	751
Workers' profit participation fund	27.2	17,653	12,013
Workers' welfare fund		4,795	3,724
Loss on sale of fixed assets		-	3,067
		23,196	19,555
37 OTHER INCOME			
Income from financial assets			
Return on saving accounts		16	87
Gain on foreign exchange		2,982	3,731
		2,998	3,818
Income from non- financial assets			
Gain on sale of fixed assets		9,517	-
Sale of scrap		6,171	8,063
Recovery of doubtful debts		2,614	1,306
		18,302	9,369
		21,300	13,187
38 FINANCIAL CHARGES			
Mark-up/interest on:			
Long term financing		29,042	47,820
Long term diminishing musharaka		18,986	47,648
Long term murabaha		8,860	22,236
Short term borrowings		58,383	81,988
		115,271	199,692
Bank charges and commission		6,628	5,760
		121,899	205,452



	Note	2013 Rupees in thousand	Restated 2012
39 TAXATION			
Current		73,251	47,621
Prior year		(652)	(17,743)
Deferred		(33,907)	38,081
		<u>38,692</u>	<u>67,959</u>
39.1 Relationship between tax expense and accounting profit:			
Profit before taxation		<u>333,315</u>	<u>227,820</u>
Tax at the applicable rate of 35%		116,660	79,737
Tax effect of inadmissible expenses / losses		88,887	73,648
Tax effect of admissible expenses		(78,857)	(76,397)
Income taxed at different rates		4,066	194
Prior year adjustment		(652)	(17,753)
Tax effect of losses & other allowances		(57,505)	(29,550)
Effect of temporary differences		(33,907)	38,080
		<u>38,692</u>	<u>67,959</u>

40 ACCOUNTING ESTIMATES AND JUDGMENTS

The Company's main accounting policies affecting its result of operations and financial conditions are set out in note 5. 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 5.9 to these financial statements.

Defined benefit plan

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

Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the 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 22 to these financial statements, the Company has revalued its free hold land as on June 30, 2012.



41 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. 3.645 million (2012: Rs. 3.124 million).

The cost / fair value of the investments was Rs. 2.938 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	2,938	100
	2013	Restated 2012
	_____ Rupees in thousand _____	

42 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)	294,623	159,861
Weighted average number of ordinary shares - (in thousand)	36,000	36,000
Earnings per share - (Rupees)	8.18	4.44

43 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	36,402	37,431
Associated companies	Sale of goods	45	178
Staff retirement fund	Contribution to staff retirement	275	244
Directors and employees	Remuneration to directors and key management personnel	68,020	62,753
Key Management Personnel	Sale of vehicle	949	-



44 FINANCIAL ASSETS AND LIABILITIES

	Total	2013 Interest / mark up bearing			Not interest / mark up bearing	
		Maturity upto one year	Maturity after one year	Sub total		
Note _____ (Rupees in thousand)						
Financial assets						
Long-term deposits	39,260	-	-	-	39,260	
Trade debts	608,526	-	-	-	608,526	
Trade deposits	4,498	-	-	-	4,498	
Other receivables	10,414	-	-	-	10,414	
Cash and bank balances	180,671	-	-	-	180,671	
	<u>843,369</u>	-	-	-	<u>843,369</u>	
Financial liabilities						
Long term financing	170,644	94,254	76,390	170,644	-	
Long term diminishing musharaka	83,333	83,333	-	83,333	-	
Long term murabaha	38,889	38,889	-	38,889	-	
Trade and other payables	831,447	-	-	-	831,447	
Short-term borrowings	649,959	649,959	-	649,959	-	
	<u>(1,774,272)</u>	<u>(866,435)</u>	<u>(76,390)</u>	<u>(942,825)</u>	<u>(831,447)</u>	
On balance sheet gap	<u>(930,903)</u>	<u>(866,435)</u>	<u>(76,390)</u>	<u>(942,825)</u>	<u>11,922</u>	
Off Balance sheet Items						
Financial commitments:						
Letter of credits	31.2	27,943	-	-	27,943	
Against land	31.2	1,838	-	-	1,838	
Against Ijarah	31.2	95,232	-	-	95,232	
		<u>(125,013)</u>	-	-	<u>(125,013)</u>	
Total Gap		<u>(1,055,916)</u>	<u>(866,435)</u>	<u>(76,390)</u>	<u>(942,825)</u>	<u>(113,091)</u>
2012 - Restated						
	Total	Interest / mark up bearing			Not interest / mark up bearing	
		Maturity upto one year	Maturity after one year	Sub total		
Note _____ (Rupees in thousand)						
Financial assets						
Long-term deposits	37,622	-	-	-	37,622	
Trade debts	545,363	-	-	-	545,363	
Trade deposits	6,089	-	-	-	6,089	
Other receivables	10,355	-	-	-	10,355	
Cash and bank balances	130,406	-	-	-	130,406	
	<u>729,835</u>	-	-	-	<u>729,835</u>	
Financial liabilities						
Long term financing	283,146	117,311	165,835	283,146	-	
Long term diminishing musharaka	250,000	166,667	83,333	250,000	-	
Long term murabaha	116,667	77,778	38,889	116,667	-	
Trade and other payables	613,433	-	-	-	613,433	
Short-term borrowings	445,758	445,758	-	445,758	-	
	<u>(1,709,004)</u>	<u>(807,514)</u>	<u>(288,057)</u>	<u>(1,095,571)</u>	<u>(613,433)</u>	
On balance sheet gap	<u>(979,169)</u>	<u>(807,514)</u>	<u>(288,057)</u>	<u>(1,095,571)</u>	<u>116,402</u>	
Off Balance sheet Items						
Financial commitments:						
Letter of credits	31.2	38,241	-	-	38,241	
Against land	31.2	1,838	-	-	1,838	
Against Ijarah	31.2	133,862	-	-	133,862	
		<u>(173,941)</u>	-	-	<u>(173,941)</u>	
Total Gap		<u>(1,153,110)</u>	<u>(807,514)</u>	<u>(288,057)</u>	<u>(1,095,571)</u>	<u>(57,539)</u>



45 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.

45.1 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:

	2013	Restated 2012
	_____ Rupees in thousand _____	
Long term deposits	39,260	37,622
Trade debts - Net of provision	608,526	545,363
Loans and advances - Net of provision	51,336	28,676
Trade deposits - Net of provision	4,498	4,859
Other receivables	10,414	10,355
Bank Balances	180,255	129,468

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	102,628	27,042
Domestic	505,898	518,321
	<u>608,526</u>	<u>545,363</u>



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

	2013	Restated 2012
	_____ Rupees in thousand _____	
Dealers	217,714	249,625
End-user customers	390,812	295,738
	<u>608,526</u>	<u>545,363</u>
The aging of trade receivable at the reporting date is:		
Not past due	332,636	307,295
Past due 1-30 days	140,449	145,348
Past due 30-150 days	79,279	67,574
Past due more than 150 days	56,162	25,146
	<u>608,526</u>	<u>545,363</u>

The company's most significant customers, are dealers from whom the receivable was Rs. 190.609 million (2012: Rs. 219.573 million) and foreign debtors amounting to Rs. 102.628 million (2012: Rs. 24.277 million) of the total carrying amount as at 30 June 2013.

On the basis of specific identification, an amount of Rs. 3.623 million (2012: Rs. 6.584 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	Short Term	Rating 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
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



45.2 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)					
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	831,447	831,447	831,447	-	-	-
Mark-up accrued	23,644	23,644	23,644	-	-	-
Short term borrowing	649,959	668,557	668,557	-	-	-
	<u>1,797,916</u>	<u>1,848,024</u>	<u>1,713,114</u>	<u>50,222</u>	<u>65,390</u>	<u>19,298</u>
2012 - Restated						
Financial liabilities						
Long term financing	283,146	345,757	82,595	63,699	106,572	92,891
Long term diminishing musharaka	250,000	293,630	101,871	96,358	95,401	-
Long term murabaha	116,667	134,902	48,007	44,967	41,928	-
Trade and other payables	613,433	613,433	613,433	-	-	-
Mark-up accrued	37,911	37,911	37,911	-	-	-
Short term borrowing	445,758	479,763	479,763	-	-	-
	<u>1,746,915</u>	<u>1,905,396</u>	<u>1,363,580</u>	<u>205,024</u>	<u>243,901</u>	<u>92,891</u>

45.3 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.



45.4 Currency risk

The Company is exposed to currency risk on trade debts, import of raw materials, 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:

	2013	Restated 2012
	_____ Rupees in thousand _____	
Trade debts	102,628	27,042
Gross balance sheet exposure	102,628	27,042
Outstanding letters of credit	(27,943)	(38,241)
Net exposure	<u>74,685</u>	<u>(11,199)</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2013	2012	2013	2012
USD to PKR	94.83	88.45	98.80	90.85

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>(10,263)</u> <u>(2,704)</u>

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

45.5 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:



	2013	Restated 2012
	Carrying amount	
	Rupees in thousand	
Financial liabilities		
Variable rate instruments:		
Long term loans	170,644	283,146
Long term diminishing musharaka	83,333	250,000
Long term murabaha	38,889	116,667
Short term borrowings	649,959	445,758
	<u>942,825</u>	<u>1,095,571</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 2012.

	Profit and loss	
	100 bp increase	100 bp decrease
As at June 30, 2013		
Cash flow sensitivity - Variable rate financial liabilities	<u>(9,428)</u>	<u>9,428</u>
	Profit and loss	
	100 bp increase	100 bp decrease
As at June 30, 2012 - Restated		
Cash flow sensitivity - Variable rate financial liabilities	<u>(10,956)</u>	<u>10,956</u>

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



45.6 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.

46 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in thousand)					
Managerial remuneration	2,600	2,400	4,867	4,267	50,957	54,589
House rent allowance	1,170	1,080	2,190	1,920	22,931	24,565
Medical expenses	130	120	243	213	2,547	2,729
	3,900	3,600	7,300	6,400	76,435	81,883
Number of persons	1	1	2	3	52	72

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

47 CAPACITY AND PRODUCTION

	Installed capacity Tons		Actual capacity Tons		Reason for shortfall
	2013	2012	2013	2012	
Caustic soda	125,550	125,550	68,746	67,002	
Liquid Chlorine	13,200	13,200	8,566	8,450	Cautious
Hydrochloric acid	150,000	150,000	135,280	136,556	production
Sodium hypochlorite	49,500	49,500	16,799	19,952	strategy
Bleaching earth	3,300	3,300	744	1,278	based on
Zinc sulphate	600	600	30	67	actual
Chlorinated parafin wax	3,000	3,000	-	-	demands.
Silphuric acid	3,300	3,300	358	497	
Calcium Chloride Prills	20,000	20,000	16,530	15,055	
Humic Acid	120	-	9	-	



	2013	2012
48 NUMBER OF EMPLOYEES		
Number of employees at June 30,		
Permanent	410	303
Contractual	296	407
Average number of employees during the year		
Permanent	357	268
Contractual	352	444

49 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.

50 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on September 09, 2013 by the Board of Directors of the Company.

51 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

- a) Subsequent to the balance sheet date, the Board of Directors of the Company in their meeting held on September 09, 2013 has recommended final cash dividend for the year ended June 30, 2013 @ 10% i.e. Re. 1 per share which is in addition to interim dividend already paid @ 5% i.e. Re. 0.50 per share.
- b) Subsequent to the balance sheet date, the Board of Directors of the Company in their meeting held on September 09, 2013 has recommended to issue bonus shares @ 38.88889% i.e. in the proportion of 38.88889 bonus shares for every 100 shares held for the year ended June 30, 2013.

52 GENERAL

- 52.1 Figures have been rounded off to the nearest rupees in thousand unless stated otherwise.
- 52.2 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, 2013

No. of Shareholders	Shareholding		Total Shares held
	From	To	
70	1	100	1,000
17	101	500	6,305
60	501	1,000	45,040
118	1,001	5,000	410,742
154	5,001	10,000	1,103,840
3	10,001	15,000	36,276
4	15,001	20,000	74,659
2	25,001	30,000	55,597
1	30,001	35,000	32,160
2	35,001	40,000	72,500
1	40,001	45,000	44,000
2	45,001	50,000	99,500
1	55,001	60,000	57,200
1	75,001	80,000	78,000
1	90,001	95,000	92,000
1	95,001	100,000	100,000
1	135,001	140,000	135,344
2	140,001	145,000	288,000
1	155,001	160,000	157,680
1	175,001	180,000	176,000
1	190,001	195,000	194,400
1	205,001	210,000	207,000
1	235,001	240,000	237,000
1	240,001	245,000	241,080
1	245,001	250,000	250,000
1	260,001	265,000	261,000
1	280,001	285,000	283,680
1	320,001	325,000	324,000
2	345,001	350,000	698,432
4	350,001	355,000	1,410,400
1	355,001	360,000	355,680
1	390,001	395,000	394,960
1	395,001	400,000	397,680
1	400,001	405,000	400,010
3	405,001	410,000	1,222,360
1	420,001	425,000	420,480
1	460,001	465,000	460,800
1	480,001	485,000	483,680
1	525,001	530,000	525,680
1	550,001	555,000	554,680
1	560,001	565,000	564,200
1	575,001	580,000	580,000
1	645,001	650,000	650,000
1	735,001	740,000	737,322
1	745,001	750,000	750,000
1	845,001	850,000	846,670
1	995,001	1,000,000	1,000,000
1	1,005,001	1,010,000	1,010,000
1	1,605,001	1,610,000	1,608,327
1	1,685,001	1,690,000	1,686,240
1	1,975,001	1,980,000	1,978,560
1	2,155,001	2,160,000	2,155,680
1	2,415,001	2,420,000	2,418,676
1	2,870,001	2,875,000	2,870,600
1	4,750,001	4,755,000	4,754,880
484			36,000,000



Pattern of Shareholding as at June 30, 2013

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Directors, CEO and their spouses and minor children	10	9,099,017	25.2751
Associated Companies, undertakings and related parties	-	-	-
NIT and ICP	-	-	-
Banks, Development Financial Institutions, Non Banking Financial Institutions	-	-	-
Insurance Companies	-	-	-
Modarabas and Mutual Funds	-	-	-
General Public	468	23,183,433	64.3984
Others:			
Joint Stock Companies	6	3,717,550	10.3265
	<u>484</u>	<u>36,000,000</u>	<u>100.0000</u>
Shareholders Holding 10% or more	1	4,854,880	13.4858



Pattern of Shareholding

as at June 30, 2013

Additional Information

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

Shareholders' Category	Number of Shareholders	Number of Shares held
Associated Companies, undertakings and related parties	-	-
Mutual Funds	-	-
Directors and their spouses and minor children		
Mr. Muhammad Siddique Khatri	1	4,854,880
Mr. Abdul Sattar Khatri	1	2,155,680
Mr. Abdul Ghafoor Khatri	1	460,800
Mr. Fowad Yousaf Khatri	1	434,997
Mr. Waqas Siddiq Khatri	1	44,000
Ms. Farhana Abdul Sattar Khatri	1	397,680
Ms. Rushda Mustafa	1	36,500
Mrs. Sabina (Spouse of Mr. Muhammad Siddique Khatri)	1	352,800
Mrs. Fareeda (Spouse of Mr. Abdul Ghafoor Khatri)	1	283,680
Mrs. Saima Fowad (Spouse of Mr. Fowad Yousaf Khatri)	1	78,000
Executives	1	32,160
Public Sector Companies and Corporations	-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	-	-
Shareholders holding 5% or more voting rights		
Mr. Muhammad Siddique Khatri		4,854,880
Mr. Shahzad Yousuf		2,888,997
Mr. Abdul Sattar		2,510,529
Mr. Abdul Sattar Khatri		2,155,680
Mr. Abdul Aziz Khatri		2,154,960
Mr. Yousuf Khatri		2,625,676
M/s Chemitex Industries Limited		1,978,560



Pattern of Shareholding

as at June 30, 2013

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

Name	Purchase	Sale
Ms. Rushda Mustafa	36,000	-
Mrs. Farhana Abdul Sattar Khatri	78,000	-
Mr. Fowad Yousaf Khatri	35,000	-
Mrs. Saima Fowad (Spouse of Mr. Fowad Yousaf Khatri)	78,000	-

Mr. Abdul Hai gifted 413,280 shares of the Company to his sister Mrs. Yasmeen Aziz Khatri on January 04, 2013.

Mr. Usman Ghani gifted 235,000 shares of the Company to his daughter Mrs. Farzana Patel on January 03, 2013.

Mr. Usman Ghani gifted 211,400 shares of the Company to his daughter Mrs. Fakhra Abbasi on January 03, 2013.

Mr. Ghulam Mustafa gifted 241,080 shares of the Company to his son Mr. Ahmed Mustafa on January 02, 2013.

Mr. Ghulam Mustafa gifted 237,000 shares of the Company to his son Mr. Abdullah Mustafa on January 02, 2013.



Form of Proxy

I/We _____

of _____ being a member of ITTEHAD CHEMICALS LIMITED

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

Shares Register Folio No. _____ and / or CDC

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

hereby appoint _____ of _____ or failing him / her

_____ of _____ as my proxy to
vote for me and on my behalf at the 22nd Annual General Meeting of the Company to be held on
Monday, October 21, 2013 at 11:30 a.m. at the Registered Office at 39 - Empress Road, Lahore
and at any adjournment thereof.

Signed this _____ day of _____ 2013

WITNESSES:

1. Signature : _____

Name : _____

Address : _____

CNIC or
Passport No. : _____

Signature

Please affix
Rupees five
revenue stamp

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

2. Signature : _____

Name : _____

Address : _____

CNIC or
Passport No. : _____

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

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



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GROUP

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