

ANNUAL REPORT 2013

CONTENTS	PAGE NO.
Company Information	2
Notice of Annual General Meeting.....	4
Mission Statement and Statement of Ethics and Business Practices	5
Directors' Report to the Shareholders	6
Statement of Compliance with the code of Corporate Governance.....	8
Key operating and finance	11
Review Report to the Members on the Statement of Compliance with the Best Practices of Corporate Governance.....	12
Auditors' report to the Members	13
Balance Sheet	14
Profit and Loss Account	16
Statement of Comprehensive Income.....	17
Cash Flow Statement.....	18
Statement of Changes in Equity.....	19
Notes to the Financial Statements.....	20
Pattern of Share Holdings	41
Categories of Share Holders.....	43
Form of Proxy.....	44

COMPANY INFORMATION

CHIEF EXECUTIVE

Sardar Mahmood Sadiq

DIRECTORS

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

Audit Committee

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

COMPANY SECRETARY

Mr. Niaz Ahmed Chughtai

AUDITORS

Aslam Malik & Co.
Chartered Accountants

HR & REMUNERATION

Mrs. Moona Mehmood
Mr. Hameed ud din Mirza
Mrs. Reema Ayaz

BANKERS

Allied Bank of Pakistan Ltd.
Askari Bank Ltd.

LEGAL ADVISORS

Mr. Javaid Iqbal Malik, Advocate

HEAD OFFICE/SHARE DEPARTMENT

H # 127/II, Block C, Model Town
Lahore.

Ph: (042) 35851865-67

Fax: (042) 35856489

E-Mail: sarchem@brain.net.pk

Web: www.sardarchem.com

REGISTERED OFFICE/ FACTORY

Plot. NO. 29-B, Road No. 01

Gadoon Amazai, industrial Estate,

Topi, Ganduf Road, Swabi (NWFP)

Ph: (0938) 270792, 270439, 270539

Fax: (0938) 270791

REGISTRAR/TRANSFER AGENT

CorpLink (PVT) Ltd., Wings Arcade,

1-K, Commercial, Model Town, Lahore

Ph: 042-35839182, 35887262

Fax: 042-35869037

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting of the shareholders of SARDAR CHEMICAL INDUSTRIES LIMITED will be held at Company's Registered Office Plot No. 29-B, Road No. R-1, Gadoon Amazai Industrial Estate, Gandaf Road, Topi District SWABI KPK on Wednesday 30th October 2013 at 3:30 P.M. to transact the following business:-

1. To confirm the minutes of 23rd Annual General Meeting held on 31st October 2012.
2. To receive, consider and adopt the Audited Accounts for the year ended on June 30, 2013, together with Directors' and Auditors' report thereon.
3. To appoint Auditors for the year ended June 30, 2014 and fix their remunerations.
4. To transact any other business with the permission of the Chair.

Lahore
Dated 8th October, 2013.

By Order of the Board
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from October 24, 2013 to October 30, 2013 (both days inclusive).
 2. Any individual Beneficial Owner of CDC entitled to attend and vote at this meeting, must bring his/her CNIC or Passport to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC or passport. Representative of corporate members should bring usual documents required for such purposes.
 3. The members are requested to notify immediately the change in their address if any.
-

MISSION STATEMENT
OF
SARDAR CHEMICAL INDUSTRIES LIMITED

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

VISION

Dynamic, quality conscious and ever progressive.

CORPORATE STRATEGY

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

STATEMENT OF ETHICS
AND
BUSINESS PRACTICES

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholder(s),

The Board of Directors presents the 24th annual report along with the audited financial statements of the company for the year ended June 30, 2013.

OVERVIEW OF THE CURRENT YEAR

There is an increase of about Rs. 15.670 (M) in the net sales as compared to the last year. The management focused on aggressive sales growth despite the challenging business environments of the country i.e. considerable increase in transportation costs, energy crisis, bad law and order situation and increase in the imported raw materials due to increase in the price of Dollar. Due to these elements the prices were instable and chemical sector suffered slowdown.

FINANCIAL HIGH LIGHTS

The financial and operational results of the Company as at June 30, 2013 are summarized as under:

	<u>2013</u> (Rs. 000's)	<u>2012</u> (Rs. 000's)
Turnover	174,378 =====	158,708 =====
Profit/(Loss) before taxation	4,991	6,379
Provision for taxation and Deferred	(1,409)	(1,075)
Profit/(Loss) after taxation	3,582	5,303

EARNING PER SHARE

The earnings per share as compared to last year has been gone down to 0.59 from 0.88 due to reduction in the profits of the company.

DIVIDEND

The Board of Directors of the company has decided not to declare dividend to maintain the comfortable level of liquidity of the company.

BOARD OF DIRECTORS

The Board of Directors of the company comprises of seven directors including one nominee director of NIT.

During the year under review four Board meetings were held, to discuss, adopt and approve accounts and other matter of the Company. There was 89% attendance of the directors was witnessed in the Board Meetings.

AUDIT COMMITTEE

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

TRANSFER PRICING

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

FUTURE OUT LOOK

The management of the Company keeps emphasizes to increase the sales to meet the increase in cost of production.

POST BALANCE SHEET EVENT

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

KEY OPERATING AND FINANCIAL DATA

The key operating and financial data of the last eight year in annexed with this annual report.

VALUE OF INVESTMENT OF PROVIDENT FUND

The balance of investment in provident fund account was Rs. 13,785,744 as on 30th June, 2013.

AUDITORS

The present Auditors M/S Aslam Malik & Co. Chartered Accountants retire and offer themselves for re-appointment. Upon recommendations of the Audit Committee of the Company for the re-appointment of M/S Aslam Malik & Co., Chartered Accountants as auditors of the Company have been finalized for the year ending June 30, 2014 at mutually agreed fee.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company as on 30-06-2013 is annexed. The Directors, Company Secretary and their spouse and minor children have made no transaction in Company's shares during the year.

PRODUCTION

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

CODE OF CONDUCT

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

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

ACKNOWLEDGEMENT

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

On behalf of the Board



SARDAR MAHMOOD SADIQ
Chief Executive

October 8, 2013.
Place: Lahore.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of Company	SARDARCHEMICAL INDUSTRIES LIMITED
Year Ended	June 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Karachi and Lahore 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 CCG in the following manner:

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

Category	Name
Independent Directors	*
Executive Directors	Mr. Sardar Mahmood Sadiq (Chief Executive)
	Mr. Sardar Ayaz Sadiq
	Mr. Iftikhar Ahmed Khan
Non Executive Directors	Mr. Fayaz Ahmed Khan
	Mrs. Mona Mahmood
	Mrs. Reema Ayaz

* Currently the board does not have any independent Director. The company will Adhere with this clause at the time of next election of directors due on October 31,2014 Moreover, there is no representation of minority shareholders on the Board.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayer and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the board during the year under review.
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 board in accordance with the Articles of Association of the Company.
 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 majority of the directors are exempt from the director's training program in accordance with the provisions of the revised code of corporate governance. Further the board has arranged in house training program of Corporate Governance Leadership Skills (CGLS) for its directors.
 10. The Board approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
 11. The Director's 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 all three 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 of three members, of whom two are non- Executive directors and the chairman of Committee is a non executive director.
-

18. The Board has set-up an effective internal audit function which is considered suitably 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 given a satisfactory rating under the quality control review program of the 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 ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other service except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidance 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 the company’s securities was determined and intimated to directors, employees and stock exchanges.
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.



Dated: October 8, 2013.
Place: Lahore.

SARDAR MAHMOOD SADIQ
Chief Executive

KEY OPERATING & FINANCE DATA FOR LAST EIGHT YEARS

PARTICULARS	2013	2012	2011	2010	2009	2008	2007	2006
Net Sales	174,378,050	158,707,975	146,759,521	139,730,095	127,708,255	124,676,651	116,995,165	106,365,608
Gross Profit	37,955,188	33,893,740	28,800,522	32,023,717	32,849,009	30,090,465	33,581,440	26,781,662
Operating Profit / (Loss)	10,861,964	9,719,089	4,302,660	2,861,496	2,504,210	2,382,500	4,998,372	949,284
Profit / (Loss) before tax	4,991,925	6,379,342	4,001,474	2,854,132	2,567,727	2,316,160	4,957,337	949,048
Profit / (Loss) after tax	3,582,524	5,303,790	1,125,078	1,754,886	1,921,483	1,389,396	3,499,656	1,223,323
Paid-up Capital	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
Net Worth	12,806,193	99,223,669	94,919,879	93,794,801	92,039,918	90,753,432	90,187,582	88,187,926
FINANCIAL POSITION								
Fixed assets net	28,881,068	25,041,033	24,995,722	28,414,752	31,446,784	33,006,804	37,617,686	35,623,357
Total assets	154,931,985	161,691,123	158,636,610	163,017,947	161,993,345	164,751,244	163,163,074	154,366,300
Long term liabilities	7,957,757	3,247,023	2,565,933	3,118,598	4,189,894	2,380,962	4,333,138	1,649,855
RATIOS								
Gross Profit	21.77%	21.36%	19.62%	22.92%	25.72%	24.13%	28.70%	25.18%
Profit / (loss) before Tax	2.86%	4.02%	2.73%	2.04%	2.01%	1.86%	4.24%	0.89%
Profit / (loss) after Tax	2.05%	3.34%	0.77%	1.26%	1.50%	1.11%	2.99%	1.15%
RETURN TO SHAREHOLDER								
ROE before Tax	38.98%	6.43%	4.22%	3.04%	2.79%	2.55%	5.50%	1.06%
ROE after Tax	27.97%	5.35%	1.19%	1.87%	2.09%	1.53%	3.88%	1.39%
Earning per share	0.59	0.88	0.19	0.29	0.32	0.23	0.58	0.20
LIQUIDITY/LEVERAGE								
Current Ratio	2.82	2.28	2.19	2.00	1.93	1.82	1.80	1.79
Break up Value Per Share	12.13	11.54	10.82	10.63	10.34	10.13	10.03	9.70
Total Liabilities to Equity (times)	0.51	0.63	0.67	0.74	0.76	0.82	0.81	0.75
ACTIVITY								
Sales to total assets	1.12	0.98	0.93	0.86	0.79	0.76	0.72	0.69
Sales to fixed assets	6.04	6.34	5.87	4.93	4.06	3.78	3.11	2.99

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

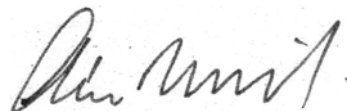
We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (Code) for the year ended June 30, 2013 prepared by the Board of Directors of **Sardar Chemical Industries Limited** (the Company) to comply with the Listing Regulations No.35 of the Karachi and Lahore Stock Exchanges respectively where the Company is listed.

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

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

Further, Listing Regulation of the Karachi Stock Exchange Limited and Lahore 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 procedure to determine whether the related party transactions were undertaken at arm's length price or not.

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



Dated: October 08, 2013
Place: Lahore

ASLAM MALIK & CO
CHARTERED ACCOUNTANTS
Mohammad Aslam Malik

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Sardar Chemical Industries Limited** (the Company) as at **June 30, 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 purpose of our audit.

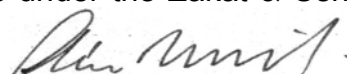
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion;
 - i) the balance sheet and profit and loss account together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat & Ushr Ordinance, 1980 (XVIII of 1980).

Dated: October 8, 2013

Place: Lahore.



ASLAM MALIK & CO

CHARTERED ACCOUNTANTS

Mohammad Aslam Malik

BALANCE SHEET

	NOTE	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized:			
10,000,000 (2012:10,000,000) Ordinary Shares of Rs. 10/- each.		<u>100,000,000</u>	<u>100,000,000</u>
Issued, Subscribed and Paid-up:			
6,000,000 (2012:6,000,000) Ordinary shares of Rs.10/-each fully paid in cash		60,000,000	60,000,000
Share premium		30,000,000	30,000,000
Un-appropriated Profit / (Loss)		12,806,193	9,223,669
		<u>102,806,193</u>	<u>99,223,669</u>
NON- CURRENT LIABILITIES			
Obligation under Finance Lease	4	7,957,757	3,247,023
Deferred Taxation	5	314,721	255,061
CURRENT LIABILITIES			
Current maturity of long term obligation	6	2,267,214	988,119
Short term finance	7	30,537,749	37,326,134
Creditors, accrued and other liabilities	8	8,759,295	9,227,172
Provision for taxation	9	1,349,741	10,415,694
Markup Accrued	10	939,314	1,008,251
		<u>43,853,313</u>	<u>58,965,370</u>
CONTINGENCIES & COMMITMENTS	11		
		<u>154,931,985</u>	<u>161,691,123</u>

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



SARDAR MAHMOOD SADIQ
Chief Executive

AS AT JUNE 30, 2013

	NOTE	2013 Rupees	2012 Rupees
ASSETS			
NON- CURRENT ASSETS			
Property, Plant and Equipment	12	28,881,068	25,041,033
Long Term Deposits	13	<u>2,482,300</u> 31,363,368	<u>1,823,400</u> 26,864,433
CURRENT ASSETS			
Stores, spares & loose tools	14	467,382	711,212
Stock in trade	15	28,513,411	32,128,882
Trade debts	16	71,086,397	73,617,485
Advances, deposits, prepayments & other receivables	17	2,468,599	2,159,341
Advance Tax	18	15,943,025	21,275,319
Cash & bank balances	19	5,089,803	4,934,451
		<u>123,568,617</u>	<u>134,826,690</u>
		<u>154,931,985</u>	<u>161,691,123</u>



FAYYAZ AHMED KHAN
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013**

	NOTE	2013 Rupees	2012 Rupees
SALES- NET	20	174,378,050	158,707,975
COST OF SALES	21	<u>136,422,862</u>	<u>124,814,235</u>
GROSS PROFIT		37,955,188	33,893,740
Administrative	22	<u>17,325,672</u>	<u>15,744,177</u>
Selling and distribution	23	<u>9,713,530</u>	<u>8,232,189</u>
Other Operating Expenses	24	<u>1,311,144</u>	<u>1,299,935</u>
Other Operating Income	25	<u>1,257,122</u>	<u>1,101,650</u>
		<u>27,093,224</u>	<u>24,174,651</u>
Operating Profit/ (Loss) For the Year		10,861,964	9,719,089
Finance Costs	26	<u>5,870,039</u>	<u>3,339,747</u>
Profit/ (Loss) before Taxation		4,991,925	6,379,342
Taxation	27		
Current		<u>(1,349,741)</u>	<u>(2,051,506)</u>
Deferred		<u>(59,660)</u>	<u>975,954</u>
		(1,409,401)	(1,075,552)
Profit / (loss) for the year		<u>3,582,524</u>	<u>5,303,790</u>
Basic Earning / (loss) per share	31	0.59	0.88

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



SARDAR MAHMOOD SADIQ
Chief Executive



FAYYAZ AHMED KHAN
Director

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013**

	2013 Rupees	2012 Rupees
Profit for the year after tax	3,582,524	5,303,790
Other comprehensive income – net of taxation		
Total comprehensive income for the year – net of tax	<u>3,582,524</u>	<u>5,303,790</u>

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



SARDAR MAHMOOD SADIQ
Chief Executive



FAYYAZ AHMED KHAN
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013**

		2013 Rupees	2012 Rupees
Cash flow from operating activities:			
Cash generated from operation	28	19,526,475	6,753,130
Financial charges paid		(5,938,976)	(3,818,518)
Workers profit participation fund paid		(342,550)	(215,280)
Tax paid		(5,048,690)	(2,114,551)
		<u>(11,330,216)</u>	<u>(6,148,349)</u>
Net cash inflow/ (outflow) from operating activities		8,196,259	604,781
Cash flow from investing activities:			
Fixed Capital Expenditure		(67,000)	--
Long term deposits		(658,900)	691,800
Sale proceeds of assets disposed off		2,187,047	1,304,000
Net Cash inflow/ (outflow) from investing activities		<u>1,461,147</u>	<u>1,995,800</u>
		9,657,406	2,600,581
Cash flow from financing activities			
(Repayment)/proceeds of lease obligation		(2,713,669)	(2,704,885)
(Repayment)/proceeds of short term finances		(6,788,385)	(4,244,778)
Net cash (out flow)/inflow from financing activities		<u>(9,502,054)</u>	<u>(6,949,663)</u>
Net increase/ (Decrease) In cash and cash equivalents		155,352	(4,349,082)
Cash and cash equivalents at beginning of the year		4,934,451	9,283,533
Cash and cash equivalents at end of the year		<u>5,089,803</u>	<u>4,934,451</u>

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



SARDAR MAHMOOD SADIQ
Chief Executive



FAYYAZ AHMED KHAN
Director

SARDAR CHEMICAL INDUSTRIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Share Capital	Share Premium	Un-appropriated Profit/ (Accumulated Loss)	Rupees
Balance at 30 th June, 2010.	60,000,000	30,000,000	3,794,801	93,794,801
Profit/ (Loss) for The year.	--	--	<u>1,125,078</u>	<u>1,125,078</u>
Balance at 30 th June, 2011.	60,000,000	30,000,000	4,919,879	94,919,879
Profit/ (Loss) for the year.	--	--	<u>4,303,790</u>	<u>4,303,790</u>
Balance at 30 th June, 2012.	60,000,000	30,000,000	9,223,669	99,223,669
Profit/ (Loss) for the year.	--	--	<u>3,582,524</u>	<u>3,582,524</u>
Balance at 30 th June, 2013.	<u>60,000,000</u>	<u>30,000,000</u>	<u>12,806,193</u>	<u>102,806,193</u>

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



SARDAR MAHMOOD SADIQ
Chief Executive



FAYYAZ AHMED KHAN
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

1. STATUS AND OPERATIONS

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

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

2 STATEMENT OF COMPLIANCE

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

2.1 Standards, amendments to publish approved accounting standards and interpretations becoming effective in the year ended June 30, 2013

The following standards, interpretations and amendments to existing standards have been published that are mandatory and relevant for the company's accounting period beginning on July 1, 2012.

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

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

2.2 Amendments to published approved standards that are effective in current period and are relevant

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2011:

International Accounting Standard (IAS) 1 (Amendment), 'Presentation of Financial Statements', now requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The company has preferred to present this analysis in the statement of changes in equity.

IFRS 7 (Amendments), 'Financial Instruments', emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

IAS 24 (Revised), 'Related Party Disclosures', issued in November 2009. It supersedes IAS 24, 'Related Party Disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

2.2.1 Interpretations and amendments to published approved standards that are effective in current period but not relevant

There are other new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2011 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2.2 Standards and amendments to published approved standards that are not yet effective but relevant

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). IFRS 9 is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. It requires that all equity investments are to be measured at fair value while eliminating the cost model for unquoted equity investments. Certain categories of financial instruments available under IAS 39 will be eliminated. Moreover, it also amends certain disclosure requirements relating to financial instruments under IFRS 7 'Financial Instruments: Disclosures'. The management of the Company is in the process of evaluating impacts of the aforesaid standard on the Company's financial statements.

IFRS 13, 'Fair value measurement'. This standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements 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 standard is not applicable until 01 July 2013 but is available for early adoption.

IAS 1, 'Financial statement presentation' (Amendment). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. The company will apply these amendments from 01 July 2013.

IAS 12, 'Income Taxes' (Amendments). These are applicable on accounting periods beginning on or after January 01, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment Property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The company will apply these amendments from 01 July 2012.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

2.2.3 Interpretations and amendments to published approved standards that are effective in current year but not relevant to the company

There are other new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2011 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2.4 Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2012 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements is in conformity with the approved accounting standards and requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on conditions existing at balance sheet date.

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for doubtful debts

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

Provision for Taxation

Assumptions and estimates used in the recognition of taxation.

Contingencies and Commitments

Assumption and estimates used in the recognition of contingencies.

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

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

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

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

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

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

ii) Assets Subject to Finance Lease

Assets acquired under finance leases are capitalized and are stated at lower of present value of minimum lease payments under the lease agreements and the fair

value of the assets. The related obligations of the leases are accounted for as current and non-current liabilities. Leasing payments are sub-recognized as interest and repayment of liability.

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

3.3 Stocks

Basis of valuation are as under:-

i) Raw Material

At lower of annual average cost or net realizable value.

ii) Work in process

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

iii) Finished Goods

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

3.4 Stores & Spares

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

3.5 Trade Debts and Other Receivables

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

3.6 Cash and Cash Equivalents

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

3.7 Short Term Borrowings

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

3.8 Creditors and Other Liabilities

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

3.9 Staff Retirement Benefits

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

3.10 Provisions

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

3.11 Taxation**i) Current**

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

ii) Deferred

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

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

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

3.12 Revenue Recognition

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

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

3.13 Foreign Currency Translation

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

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

3.14 Impairment of Assets

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

3.15 Borrowing Cost

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

3.16 Financial Assets and Liabilities

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

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

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

3.17 Offsetting

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

3.18 Dividend and Appropriation to Reserves

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

3.19 Functional and Presentation Currency

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

3.20 Financial Assets and Financial Instruments

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. OBLIGATION UNDER FINANCE LEASE	2013	2012
Total commitments outstanding:-	Rupees	Rupees
2012 – 2013	--	2,405,442
2013 – 2014	3,076,110	1,273,572
2014 – 2015	2,801,900	1,059,993
2015 – 2016	1,857,138	--
	1,857,138	
	2,669,269	
	<u>12,261,555</u>	<u>4,739,007</u>
Less: Financial charges pertaining to the future periods	(2,036,584)	(503,865)
Present Value of minimum lease payments	10,224,971	4,235,142
Less: Current maturity of long term obligation	(2,267,214)	(988,119)
	<u>7,957,757</u>	<u>3,247,023</u>

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

	2013		2012	
	MLP	PV of MLP	MLP	PV of MLP
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Due not later than 1 year	3,076,110	2,267,214	2,405,442	988,119
Due later than 1 year but Not later then 3 years	<u>9,185,445</u>	<u>7,957,757</u>	<u>2,333,565</u>	<u>3,247,023</u>
	<u>12,261,555</u>	<u>10,224,971</u>	<u>4,739,007</u>	<u>4,235,142</u>

GENERAL TERMS AND CONDITIONS OF LEASE

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

Repayment:

Vehicles 60 equal monthly installments.

Lease terms:-

Vehicles 4 Years latest by December, 2017.

Implicit interest rate: Twelve months KIBOR+2.5%

Residual value: Rs. 2,482,300/-

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2013 Rupees	2012 Rupees
5. DEFERRED TAXATION			
Opening deferred tax assets		255,061	1,231,015
Deferred tax for the year		59,660	(975,954)
	5.1	<u>314,721</u>	<u>255,061</u>
5.1 Deferred Taxation Comprises the following			
Deferred tax on Lease		(694,053)	(108,782)
Accelerated tax depreciation		668,472	399,639
Deferred tax on provision for doubtful debts		340,303	(35,796)
		<u>314,721</u>	<u>255,061</u>
6. CURRENT MATURITY OF LONG TERM OBLIGATION			
This amount represents the principal portion of the obligation under finance lease, which is repayable in the next twelve months.			
Current maturity		<u>2,267,214</u>	<u>988,119</u>
7. SHORT TERM FINANCE			
Allied Bank of Pakistan Limited	7.1	15,804,749	22,558,843
Askari Bank Limited	7.2	14,733,000	14,767,291
		<u>30,537,749</u>	<u>37,326,134</u>

7.1 Allied Bank of Pakistan Limited

Short term finances obtained from Allied Bank of Pakistan Limited forms part of total sanctioned credit facility of Rs. 39.225 million (2012: Rs. 39.225 million) and carried a markup @ Three months Average Ask Side KIBOR+ 450 Basis Points p.a.

The facility is secured against the following:

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

7.2 Askari Bank Limited

Short terms finances obtained from Askari Bank Limited forms part of the total sanctioned credit facility of Rs. 30 million (2012: Rs. 30 million) and carried a markup @ Three months KIBOR+ 4%, Floor 14% p.a.

The facility is secured against the following;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

	2013 Rupees	2012 Rupees
Creditors for goods	2,792,920	2,716,760
Creditors for expenses	529,548	691,893
Accrued expenses	2,922,634	2,444,625
Advances from Customers	11,900	11,900
Other payable	101,608	101,608
Tax deducted at source	135,590	100,880
Provident Fund Trust	71,667	21,649
Workers profit participation fund	8.1 264,475	338,642
Workers Welfare Fund	8.2 603,613	496,260
Unclaimed dividend	8.3 1,325,340	2,302,954
	8,759,295	9,227,172

8.1 WORKER'S PROFIT PARTICIPATION FUND

Opening balance	338,642	210,947
Paid during the year	(342,550)	(215,280)
	(3,908)	(4,333)
Contribution for the year	268,383	342,975
	264,475	338,642

8.2 WORKER'S WELFARE FUND

Opening balance	496,260	359,070
Paid during the year	--	--
	496,260	359,070
Contribution for the year	107,353	137,190
	603,613	496,260

8.3 DIVIDEND

Opening balance	2,302,954	1,303,404
Final dividend declared	--	1,000,000
	2,302,954	2,303,404
Paid during the year	(977,614)	(450)
	1,325,340	2,302,954

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2013 Rupees	2012 Rupees
9. PROVISION FOR TAXATION		
Opening balance	--	8,364,188
Provision made for the current year	1,349,741	2,051,506
	1,349,741	10,415,694
Less: Paid/ adjusted during the year	--	--
	1,349,741	10,415,694

10. ACCRUED MARKUP

	939,314	1,008,251
--	---------	-----------

This represents markup accrued on leases and short term finances.

11. CONTINGENCIES & COMMITMENTS

11.1 CONTINGENCIES

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

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

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

11.2 COMMITMENTS

The Company has commitments against letters of credit issued in the normal course of business amounting to Rs. 3.64 million (2012: Rs. 7.45 million) in favor of foreign suppliers for raw material.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. OPERATING FIXED ASSETS JUNE 2013

Owned Assets	C O S T				D E P R E C I A T I O N					Written down values as at 30 th June 2013 Rs.
	As at Ist. July 2012 Rs.	Addition/ (Deletion) Rs.	Transfer/ Adjustment Rs.	As at 30 th June 2013 Rs.	Rate %	As at 1 st July 2012 Rs.	Transfer/ Adjust-ment Rs.	For the Year Rs.	As at 30 th June 2013 Rs.	
Lease hold land	1,222,152	--	--	1,222,152	--	--	--	--	--	1,222,152
Factory building										
(Lease hold land)	27,208,559	--	--	27,208,559	10	23,371,136	--	383,742	23,754,878	3,453,681
Plant & machinery	63,919,466	--	--	63,919,466	10	52,383,342	--	1,153,612	53,536,954	10,382,512
Electric installation	1,388,455	--	--	1,388,455	10	1,157,256	--	23,120	1,180,376	208,079
Furniture & fixture	1,233,875	--	--	1,233,875	10	1,033,224	--	20,065	1,053,289	180,586
Tools & equipment	2,682,849	--	--	2,682,849	10	2,100,709	--	58,214	2,158,923	523,926
Vehicles	13,992,790	67,000	1,803,000	11,760,890	20	10,858,147	879,487	623,076	9,235,088	2,525,802
		(4,101,900))					(3,125,622)			
Electric & gas appliances	268,350	--	--	268,350	10	221,027	--	4,732	225,759	42,591
Laboratory equipment	2,368,869	--	--	2,368,869	25	2,228,005	--	35,216	2,263,221	105,648
	114,285,365	67,000	1,803,000	112,053,465		93,352,846	879,487	2,301,778	93,408,489	18,644,976
		(4,101,900))					(3,125,622)			
Leased assets										
Vehicles	5,625,000	8,703,500	(1,803,000)	12,525,500	20	1,516,487	(879,487)	1,652,408	2,289,408	10,236,092
June 30, 2013	119,910,365	8,770,500	1,803,000	124,578,965		94,869,333	879,487	3,954,186	95,697,897	28,881,068
		(4,101,900)	(1,803,000)				(4,005,109)			

12.1	The charge of depreciation has been allocated as under:	2013	2012
		Rupees	Rupees
	Cost of Sales	1,572,571	1,755,127
	Administrative expenses	2,381,615	1,769,464
		<u>3,954,186</u>	<u>3,524,591</u>

12.2 CHARGE ON FIXED ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Disposal of fixed assets:-

Particulars	Cost Rs.	Accumulated Depreciation Rs.	Book value Rs.	Sale proceeds Rs.	Profit/ (Loss) Rs.	Mode of disposal	Buyer's name and address
Honda Civic LXF 6298	765,900	734,127	26,773	550,000	523,227	Negotiation	Mr. Masood Shah, Mohalla Ghari Mian Ban, Musazai, Tehsil & Distt Peshawar
M.Bike Honda LXZ 5193	68,500	63,204	5,296	21,500	16,204	Negotiation	Mr. Atta Muhammad Madina Masjid, Dargah Road, Chishtian, Distt Bahawal Nagar
Related Party :							
Honda Civic LEB-07-550	1504,500	1,175,838	328,662	1,000,000	671,338	Employee	Hameed-ud-din Mirza H.No.326, st.18, Block-G, Phase V, DHA Lahore
Honda Civic LEB-09-1022	1768,000	1,152,453	615,547	615,547	--	Company Director	Sardar Ayaz Sadiq R/o 17 Justice Sardar Iqbal Road Gulberg V, Lahore
Total	4,101,900	3,125,622	976,278	2,187,047	1,210,769		

OPERATING FIXED ASSETS JUNE 2012

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2013 Rupees	2012 Rupees
13. LONG TERM DEPOSITS		
Orix Leasing Pakistan Ltd.	--	1,081,800
Faysal Bank Limited	2,482,300	741,600
	<u>2,482,300</u>	<u>1,823,400</u>
14. STORES, SPARES & LOOSE TOOLS		
Stores	271,144	460,140
Spares	158,534	150,160
Loose tools	37,704	100,912
	<u>467,382</u>	<u>711,212</u>
15. STOCK IN TRADE		
Raw material	15,716,352	20,168,402
Work in process	1,787,871	766,613
Finished goods	11,009,188	11,193,867
	<u>28,513,411</u>	<u>32,128,882</u>
16. TRADE DEBTORS-UNSECURED		
Debtors	72,058,690	73,719,758
Less: Provision for doubtful debts (NOTE:16.1)	972,293	102,273
	<u>71,086,397</u>	<u>73,617,485</u>
16.1 MOVEMENT OF PROVISION FOR DOUBTFUL DEBTS		
Opening Balance	102,273	274,882
Provision for the year	870,020	783,891
	<u>972,293</u>	<u>1,058,773</u>
Written off during the year	--	(956,500)
	<u>972,293</u>	<u>102,273</u>
17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advances against material – Considered good	1,505	1,505
Advances against expenses - Considered good	976,504	446,590
Advances to employees	49,902	78,902
Deposits & prepayments (NOTE: 17.1)	285,084	285,084
Deposits against letters of credit/guarantees	613,799	805,455
Other receivables-considered good	541,805	541,805
	<u>2,468,599</u>	<u>2,159,341</u>
17.1 These are classified as:		
Security deposits	23,260	23,260
Deposits with statutory authorities	261,824	261,824
	<u>285,084</u>	<u>285,084</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2013 Rupees	2012 Rupees
18. ADVANCE TAXATION			
Advance tax		--	1,858,812
Tax deducted at source		9,845,475	15,115,006
Sales tax receivables		6,097,550	4,301,501
		<u>15,943,025</u>	<u>21,275,319</u>
19. CASH AND BANK BALANCES			
		46,661	35,153
Cash in hand			
Cash at bank:			
Current accounts		5,043,142	4,899,298
		<u>5,089,803</u>	<u>4,934,451</u>
20. SALES			
Local Sales		174,003,995	156,778,189
Export Sales		1,980,300	2,503,050
GROSS SALES		175,984,295	159,281,239
Sales Tax		1,244,992	340,032
Expenses on exports		361,253	233,232
		1,606,245	573,264
		<u>174,378,050</u>	<u>158,707,975</u>
21. COST OF SALES			
Raw material consumed	(21.1)	104,577,581	90,144,936
Packing material		3,634,862	3,129,288
Salaries and wages		8,648,539	7,874,671
Insurance		191,890	191,890
Carriage inward		3,565,410	2,982,152
Stores and spares consumed	(21.2)	661,870	134,002
Fuel and power consumed	(21.3)	11,950,287	10,784,731
Repair and maintenance		2,387,259	1,803,502
Other production expenses		69,172	29,613
Depreciation	(12.1)	1,572,571	1,755,127
		<u>137,259,441</u>	<u>118,829,912</u>
Work in process			
Opening		766,613	5,847,006
Closing		(1,787,871)	(766,613)
		<u>(1,021,258)</u>	<u>5,080,393</u>
		136,098,183	123,910,305
Finished goods			
Opening		11,193,867	12,097,797
Closing		(11,009,188)	(11,193,867)
		184,679	903,930
		<u>136,422,862</u>	<u>124,814,235</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2013	2012
		Rupees	Rupees
21.1 Raw Material Consumed			
Opening stock		20,168,402	18,077,707
Purchases during the year		106,878,481	95,356,225
Sales tax		(6,752,950)	(3,120,594)
		<u>100,125,531</u>	<u>92,235,631</u>
		120,293,933	110,313,338
Closing stock		(15,716,352)	(20,168,402)
		<u>104,577,581</u>	<u>90,144,936</u>
21.2 Stores, Spares & Loose Tools Consumed			
Opening stock		711,212	445,165
Purchases during the year		418,040	400,049
		<u>1,129,252</u>	<u>845,214</u>
Closing stock		(467,382)	(711,212)
		<u>661,870</u>	<u>134,002</u>
21.3 Fuel and Power Consumed			
Fuel and power		12,010,125	10,784,731
Less: Sales Tax		(59,838)	--
		<u>11,950,287</u>	<u>10,784,731</u>
22. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	(22.1)	5,652,912	5,056,791
Director's remuneration	(28)	1,496,750	1,260,000
Electricity, Gas & Water		477,750	405,166
Traveling & Conveyance		1,423,089	1,297,457
Repair and maintenance		507,855	1,123,934
Telephone, telex & postage		941,020	885,599
Rent, rates and taxes		1,696,002	1,690,124
Legal and professional charges		109,189	137,951
Auditor's remuneration		250,000	200,000
Printing & stationery		423,790	458,305
Advertisement		32,840	48,670
Entertainment		483,563	446,008
Insurance		740,825	440,570
Medical		6,743	1,812
Fee & Subscription		275,395	254,895
Donation	(22.2)	56,273	48,036
News papers & periodicals		29,852	61,065
Flood Surcharge			--
Depreciation	(12.1)	2,381,615	1,769,464
Miscellaneous		340,894	158,330
		<u>17,325,672</u>	<u>15,744,177</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2013 Rupees	2012 Rupees
23. SELLING & DISTRIBUTION		
Staff salaries and benefits	5,370,077	4,553,831
Electricity, gas, water	49,055	35,271
Traveling & conveyance	1,018,813	989,900
Repair & maintenance	333,698	355,123
Rent, rates & taxes	734,000	716,500
Printing & stationery	-	1,250
Gift And Prizes	-	7,500
Entertainment	3,730	11,478
Laboratory testing expenses	5,959	11,166
Telephone, telex & postage	104,644	119,325
Carriage & cartage	2,093,554	1,430,845
	<u>9,713,530</u>	<u>8,232,189</u>
24. OTHER OPERATING EXPENSES		
Provision for doubtful debts	870,020	783,891
Workers profit participation fund	268,383	342,975
Workers welfare fund	107,353	137,190
Loss on Exchange rate	65,388	26,730
Loss on Assets Disposed off	--	9,149
	<u>1,311,144</u>	<u>1,299,935</u>
25. OTHER OPERATING INCOME		
Sale of Scrap	44,080	40,600
Profit sale of fixed assets	1,210,769	1,061,050
Gain on exchange rate	2,273	--
	<u>1,257,122</u>	<u>1,101,650</u>
26. FINANCE COST		
Bank charges	280,553	212,925
Markup on loans	4,901,485	2,785,903
Leasing charges	688,001	340,919
	<u>5,870,039</u>	<u>3,339,747</u>
27. TAXATION		
Current for the Year	(1,349,741)	(2,051,506)
Deferred for the Year	(59,660)	975,954
	<u>(1,409,401)</u>	<u>(1,075,552)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2013 Rupees	2012 Rupees
28. CASH GENERATED FROM OPERATION		
Profit/(Loss) before taxation	4,991,925	6,379,342
Add/(Less) adjustment of non-Cash items.		
Depreciation	3,954,186	3,524,590
Financial Charges	5,870,039	3,339,747
(Profit)/ Loss on sale of fixed assets	(1,210,769)	(1,051,901)
Provision for doubtful debts	870,020	783,891
Workers profit participation fund	268,383	342,975
Workers welfare fund	107,353	137,190
	9,859,212	7,076,492
Profit before working capital changes	14,851,137	13,455,834
Effect of cash flow due to working capital changes		
(Increase) /Decrease in store, spare and loose tools	243,830	(266,047)
(Increase) /Decrease in stock in trade	3,615,471	3,893,628
(Increase) /Decrease in trade debts	1,661,068	(8,624,677)
(Increase)/ Decrease in advances, deposit and prepayments	(309,258)	(1,780,154)
Increase/(Decrease) in creditors accrued and other liabilities	(535,773)	74,846
	4,675,338	(6,702,704)
	19,526,475	6,753,130

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. REMUNERATION OF DIRECTORS AND CHIEF EXECUTIVE

	2013 (Rupees)		2012 (Rupees)	
	Directors	Chief Executive	Directors	Chief Executive
Managerial remuneration	432,657	532,982	503,220	309,672
Allowances:				
House Rent	194,700	239,840	226,452	139,356
Utilities	43,268	53,303	50,328	30,972
	<u>670,625</u>	<u>826,125</u>	<u>780,000</u>	<u>480,000</u>
Number of directors	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>

	2013 Rupees	2012 Rupees
30. CAPACITY AND PRODUCTION		
Production in manufacturing units:		
- Rated capacity (M. Tons) on 360 days basis	660	660
- Actual production (M. Tons)	427	395
Percentage of production	65%	60%

30.1 PRODUCTION

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

31. Basic Earnings per share

Net profit/ (Loss) for the year	3,582,524	5,303,790
Number of ordinary shares issued	6,000,000	6,000,000
Earnings/ (loss) per share	0.59	0.88

There is no dilutive effect on the basic earnings per share of the Company for the year ended June 30, 2013 and June 30, 2012.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. Financial assets and liabilities

	Effective interest rates(%)	INTEREST BEARING				NON INTEREST BEARING				Total				
		Maturity upto one year		Maturity after one year		Maturity upto one year		Maturity after one year		Sub total				
		2013	2012	2013	2012	2013	2012	2013	2012	2013	2012			
Financial assets:														
Long term deposits														
Trade debts														
Advances deposits, prepayments & other receivable														
Cash & banks														
Financial liabilities:														
Obligation under finance lease		2,267,214	998,119	7,957,757	3,247,023	10,224,971	4,245,142					10,224,971	4,245,142	
Short term finance		30,537,749	37,326,134			30,537,749	37,326,134					30,537,749	37,326,134	
Creditors, accrued & other liabilities		939,314	1,008,251			939,314	1,008,251					939,314	1,008,251	
Commitments		3,650,000	7,450,000			3,650,000	7,450,000					3,650,000	7,450,000	
		37,394,277	46,782,504	7,957,757	3,247,023	45,352,034	50,029,527	7,755,617	8,291,390	0	0	8,291,390	45,352,034	58,320,917

Financial instruments and risk management

Over-the-counter risks arising from the company's financial instruments are limited

a Interest rate risk Management:-

Interest rate risk represents the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. Borrowings obtained at variable rates expose the company to cash flow interest rate risk. The company borrow funds usually at fixed interest rates, the risk arising is minimal.

b Credit risk:-

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its trade debts, its short term investments in open ended mutual funds and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	(RUPEES)
Trade debts	71,086,397
Advances, deposits, prepayments and other receivables	2,468,599
Bank Balances	5,089,803
	78,644,799

The credit risk on liquid funds is limited because the counter parties are banks with reasonable high credit ranking. The company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and trade debts are subject to specific credit ceilings

c Fair value of financial assets:-

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

33. NUMBER OF EMPLOYEES

Total number of employees as on June 30, 2013 were 121 (2012: 120)

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on October 8, 2013 by the Board of Directors of the company.

35. SUBSEQUENT EVENT

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

36. GENERAL

- Figures have been rounded off to the nearest rupee.



SARDAR MAHMOOD SADIQ
Chief Executive



FAYYAZ AHMED KHAN
Director

FORM 34

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

1. Incorporation
Number

0020311

2. Name of the Company

**SARDAR CHEMICAL INDUSTRIES
LIMITED**

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

30-06-2013

-----Shareholding-----

4. No. of Shareholders	From	To	Total Shares Held
61	1	100	5,605
1704	101	500	833,688
66	501	1000	64,900
149	1001	5000	449,107
23	5001	10000	182,100
3	10001	15000	40,500
9	15001	20000	164,600
3	25001	30000	83,500
3	30001	35000	96,000
1	35001	40000	40,000
1	40001	45000	41,000
2	45001	50000	96,000
2	50001	55000	101,700
1	60001	65000	62,000
1	80001	85000	82,000
1	90001	95000	92,500
1	125001	130000	127,400
2	140001	145000	281,250
1	145001	150000	147,800
1	330001	335000	333,300
1	360001	365000	364,600
1	400001	405000	404,200
1	495001	500000	500,000
1	655001	660000	656,250
1	745001	750000	750,000
2040			6,000,000

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	2,099,500	34.9917%
5.2 Associated Companies, undertakings and related parties.	0	0.0000%
5.3 NIT and ICP	291,800	4.8633%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	34,800	0.5800%
5.5 Insurance Companies	500	0.0083%
5.6 Modarabas and Mutual Funds	25,500	0.4250%
5.7 Share holders holding 10%	1,406,250	23.4375%
5.8 General Public		
a. Local	3,349,000	55.8167%
b. Foreign	0	0.0000%
5.9 Others (to be specified)		
Joint Stock Companies	198,900	3.3150%

6. Signature of Company Secretary



7. Name of Signatory

NIAZ AHMED CHUGHTAI

8. Designation

Company Secretary

9. NIC Number

3740503929747

10 Date

30

06

2013

SARDAR CHEMICAL INDUSTRIES LIMITED

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

As on June 30, 2013

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):		-	-
Mutual Funds (Name Wise Detail)		-	-
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	SARDAR MAHMOOD SADIQ	500,000	8.3333%
2	SARDAR AYAZ SADIQ	750,000	12.5000%
3	MRS. MONA MAHMOOD	50,000	0.8333%
4	MRS. REEMA AYAZ MR. FAYYAZ AHMED	62,000	1.0333%
5	KHAN MR. IFTIKHAR AHMED	404,200	6.7367%
6	KHAN	333,300	5.5550%
7	MR. SHAHID AZIZ	NIT NOMINEE	0.0000%
Executives:		10,000	0.1667%
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		60,800	1.0133%
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)			
SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL		-	0.0000
1	SARDAR AYAZ SADIQ	750,000	12.5000%
2	MR. AITZAZ MUNAWAR SARDAR MAHMOOD SADIQ	656,250	10.9375%
3	MR. FAYYAZ AHMED KHAN	500,000	8.3333%
4	MR. IFTIKHAR AHMED KHAN	404,200	6.7367%
5	KHAN	333,300	5.5550%
6	MR. ASHRAF	364,600	6.0767%

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

Sr. No.	Name	Sale	Purchase
		NIL	

**FORM OF PROXY
SARDAR CHEMICAL INDUSTRIES LIMITED**

Register Folio

No. _____

FORM OF PROXY

IMPORTANT

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

I/We of

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

..... of as a

proxy to vote on my/our behalf at the 24th Annual General Meeting of the Company to be

held on 30th October, 2013 And at any

adjournment thereof.

Date

Signatures