

ANNUAL REPORT 2016

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COMPANY INFORMATION

CHIEF EXECUTIVE

Sardar Mahmood Sadiq

DIRECTORS

Mr. Shahid Aziz (NIT Nominee)

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. Mona Mehmood

Mr. Iftikhar Ahmed Khan

Mrs. Reema Ayaz

BANKERS

Allied Bank Limited

Askari Bank Limited

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

The 27th Annual General Meeting of the shareholders of SARDAR CHEMICAL INDUSTRIES LIMITED will be held at Plot No. 29-B, Road No. 1, Gadoon Amazai Industrial Estate, Topi, Ganduf Road, District Swabi K.P.K. on Saturday 29th October 2016, at 03:30 P.M. to transact the following business:-

1. To confirm the minutes of last Annual General Meeting held on 30th October 2015.
2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2016, together with the Directors' and Auditors', report thereon.
3. To approve payment of cash dividend @5% as recommended by the Board of Directors of the Company.
4. To appoint Auditors for the year ended June 30, 2016, and fix their remunerations.
5. To transact any other ordinary business with the permission of the Chair.

Lahore. October 2016

By Order of the Board
Company Secretary

Notes:

1. The Shares Transfer Books of the Company will remain closed from 23-10-2016 to 29-10-2016 (both days inclusive).
2. The members are requested to notify immediately the change in their address if any.
3. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote instead of him/her.
4. The instrument appointing proxy and the power of attorney or other authority under which it is signed or a notarized attested copy of power of attorney must be deposited at the Registered Office of Company at least 45 hours before the time of meeting.
5. Members who have deposited their shares into CDC will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.
6. Shareholders who have not yet submitted attested photocopy of their Computerized National Identity Card to the Company are requested to send the same at their earliest.
7. In compliance with the SECP Notification No. 634(1)/2014 Dated 10-07-2014, the financial statements and reports of the Company for the year ended June 30, 2016 have been placed on the Company web site www.sardarchem.com.
8. According to section 150 of the income tax ordinance, 2001 the following rates of withholding income tax rates are applicable:
 - a. For filers of income tax returns: 12.5%
 - b. For non-filers of income tax returns: 20.00%The members are requested to promptly notify their (ATL) status for appropriate deduction of WHT from their dividend.
9. In pursuance to the directions given by the SECP member may authorize the Company to directly credit in their bank account the amount of cash dividend declared by the Company. You are hereby encouraged to provide a duly filled and signed dividend mandate for e-dividend facility.

A. For Attending the Meeting

- a. In case of Individuals, the account holder and for sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his her original CNIC, or, original passport at the time of attending the Meeting.
- b. In case of corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies

- a. In case of individuals, the account holder and for sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
- b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
- c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- d. The proxy shall produce his original CNIC or original passport at the time of Meeting.
- e. In case of corporate entity the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

C. Consent for Video Conference Facility

- a. As allowed by the SECP vide Circular No. 10 of 2014 Dated May 21, 2014 members can avail video conference facility to participate in this Annual General Meeting provided that the Company receive consent from the members holding in aggregate 10% or more shareholding at least 10 days prior to the date of meeting subject to availability of such facility in that city.

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 Shareholders(s),

The Directors of the Company are pleased to submit the 27th Annual financial results of the Company for the year ended June 30, 2016 along with Auditors' report thereon.

AN OVERVIEW OF THE CURRENT YEAR:

There is a decrease of Rs. 06.622 (M) in the net Sales as compared to last year. This decrease in sales was due to decrease in export of Textile and Leather products of the country. Due to this decrease our sales suffer adversely as our dyes are mainly used by the export oriented industries of the country. The other elements were the reduction in prices of raw materials which we have shifted to our valued customers while our used stocks of raw materials were purchased at high rates.

OPERATIONAL AND OF FINANCIAL HIGHLIGHTS:

Financial results of the Company as at June 30, 2016 and result of the operations for the year are summarized as under:

	<u>2016</u> (Rs. 000's)	<u>2015</u> (Rs. 000's)
Turnover	195,557	202,179
	=====	=====
Profit/(Loss) before taxation	4,462	5,985
Provision for taxation and WPPF	(692)	(2,342)
Profit/(Loss) after taxation	<u>3,769</u>	<u>3,643</u>

However, the management constantly keeps emphasis on quality products to increase further profitability.

EARNING PER SHARE

Due to fluctuations in the prices of our raw materials our sales reduced but the earnings per share as compared to last year has increased by 0.02 per share.

DIVIDEND

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

BOARD OF DIRECTORS

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

During the year under review four Board meetings were held, to discuss, adopt and approve the accounts and other matters of the Company. There was 92% attendance of the directors in the Board Meetings.

AUDIT COMMITTEE

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

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 issue relating to accounts and audit were discussed. The external auditors as required under the Code of Corporate Governance.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Company has constituted a human resources and remuneration (HR & R) committee in accordance with the code of corporate governance. This committee helps the Board in discharging their responsibilities as envisaged by the Code of Corporate Governance which include:-

1. Recommending human resources management policies to the Board.
2. Recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning.
3. Recommending to the Board the selection evaluation, condensation (including retirement benefits) of C.F.O., Company Secretary and Head of Internal Audit.
4. Consideration and approval on recommendations of Board of Directors on matters relating to the management position.

Human resource and remuneration committee (HR & RC) include the following Directors:-

- | | |
|----------------------------|---------------|
| a. Mrs. Mona Mahmood | (Chairperson) |
| b. Mr. Iftikhar Ahmed Khan | (Member) |
| c. Mr. Reema Ayaz | (Member) |

DIRECTORS' TRAINING PROGRAMMES

The existing Board of Directors fully complied with the exemption from training program criteria as four directors of the Company have 22 years experience of being Directors of public Company and two directors have 17 years experience.

TRANSFER PRICING

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

FUTURE OUTLOOK

The economy of the country is improving at a slow pace, remains challenging. The energy crises continue to deeply affect the industrial sector, and are causing both production losses and increases in the cost of production.

The management of the Company keeps trying to increase the sales to increase the profitability of the Company by strict control over costs.

POST BALANCE SHEET EVENTS

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

KEY OPERATING AND FINANCIAL DATA

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

VALUE OF INVESTMENTS OF PROVIDENT FUND

The balance of investment in provident fund account was Rs. 20,217,338 on 30th June, 2016.

AUDITORS

Upon recommendations of the audit committee for the appointment of M/S Aslam Malik & Co., Chartered Accountants as auditors of the Company have been finalized for the year ending June 30, 2016.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company as on 30-06-2016 is annexed. The directors, Company Secretary and their spouse and minor children have made no transactions in Company's share during the year.

PRODUCTION

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

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 expresses their deep appreciation for devotion and dedication of Company's Employees in taking the Company forward.

On behalf of the Board



SARDAR MAHMOOD SADIQ
Chief Executive

Date: October 03, 2016.
Place: Lahore

KEY OPERATING & FINANCE DATA FOR LAST SIX YEARS

PARTICULARS	2016	2015	2014	2013	2012	2011
Net Sales	195,556,597	202,178,685	206,708,018	174,378,050	158,707,975	146,759,521
Gross Profit	37,553,497	38,471,252	39,117,422	37,955,188	33,893,740	28,800,522
Operating Profit/(Loss)	7,486,947	10,972,754	12,095,392	10,861,964	9,719,089	4,302,660
Profit/(Loss) before tax	4,461,762	5,984,867	6,163,921	4,991,925	6,379,342	4,001,474
Profit/(Loss) after tax	3,769,472	3,643,443	4,174,927	3,582,524	5,303,790	1,125,078
Paid - up Capital	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
Net Worth	114,394,035	110,624,563	106,981,120	102,806,193	99,223,669	94,919,879
FINANCIAL POSITION						
Fixed assets net	21,659,493	21,205,852	24,765,664	28,881,068	25,041,033	24,995,722
Total assets	157,543,991	158,907,410	156,564,855	154,931,985	161,691,123	158,636,610
Long term liabilities	5,228,862	4,279,036	6,465,487	7,957,757	3,247,023	2,565,933
RATIOS						
Gross Profit	19.20%	19.03%	18.92%	21.77%	21.36%	19.62%
Profit/(Loss) before tax	2.28%	2.96%	2.98%	2.86%	4.02%	2.73%
Profit/(Loss) after tax	1.93%	1.80%	2.02%	2.05%	3.34%	0.77%
RETURN TO SHAREHOLDER						
ROCE before Tax	3.90%	5.41%	5.76%	5.00%	6.43%	4.22%
ROCE after Tax	3.30%	3.29%	3.90%	3.48%	5.35%	1.19%
Earning per share	0.63	0.61	0.70	0.59	0.88	0.19
LIQUIDITY/LEVERAGE						
Current Ratio	3.51	3.11	3.03	2.82	2.28	2.19
Break up Value Per Share	14.07	13.44	12.83	12.13	11.54	10.82
Total Liabilities to Equity (times)	0.38	0.44	0.46	0.51	0.63	0.67
ACTIVITY						
Sales to total assets	1.24	1.27	1.32	1.12	0.98	0.93
Sales to fixed assets	9.03	9.53	8.35	6.04	6.34	5.87

**STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE**

Name of company Sardar Chemical Industries Limited
Year ended June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19 of Listing Regulations of Pakistan Stock Exchange Limited, 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	Mr. Aitzaz Ahmad Tarar
Executive Directors	Sardar Mahmood Sadiq (Chief Executive)
	Mrs. Mona Mahmood
Non Executive Directors	Mr. Fayaz Ahmed Khan
	Mr. Iftikhar Ahmed Khan
	Sardar Ayaz Sadiq
	Mrs. Reema Ayaz

* Currently the board does not have any independent Director. The company will adhere with this clause within four months. 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. During the year no new appointment of CFO, Company Secretary and Head of Internal Audit was approved by the Board. However, remuneration of the above officers was ratified as per company policy approved by the Board.
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 of 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 also 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 been 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 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 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(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with except for the compliance with Access to Inside Information Regulations, 2016 toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.



SARDAR MAHMOOD SADIQ
Chief Executive

Dated: October 3, 2016.
Place: Lahore.

**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 (“the Code”) for the year ended June 30, 2016 prepared by the Board of Directors of **Sardar Chemical Industries Limited** (“the Company”) to comply with the Code contained in the Regulations of Pakistan 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 and report if it does not and to highlight any non-compliance with the requirements of the code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, except for the departure disclosed in note 1 nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

Place: Lahore
Date: October 03, 2016

**(Aslam Malik & Co.)
Chartered Accountants
Mohammad Aslam Malik**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **M/S SARDAR CHEMICAL INDUSTRIES LIMITED** as at June 30, 2016 and the related Profit and Loss Account, 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 amount 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, except for the matter as described in paragraph (a), 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 the 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 the accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of 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 & Loss Account, 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, 2016 and of the Profit, its cash flow and changes in equity for the year then ended; and
- d) In our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Place: Lahore
Date: October 03, 2016

(Aslam Malik & Co.)
Chartered Accountants
Mohammad Aslam Malik

SARDAR CHEMICAL INDUSTRIES LIMITED
BALANCE SHEET
AS AT JUNE 30, 2016

		Note	JUNE 30, 2016	JUNE 30, 2015			Note	JUNE 30, 2016	JUNE 30, 2015
			Rupees					Rupees	
<u>CAPITAL AND LIABILITIES</u>					<u>ASSETS</u>				
<u>SHARE CAPITAL AND RESERVES</u>					<u>NON-CURRENT ASSETS</u>				
<u>Authorised Capital:</u>					<u>Property, Plant and Equipment</u>				
10,000,000 (2014:10,000,000)									
ordinary shares of Rs. 10/- each									
			100,000,000	100,000,000					
<u>Issued, subscribed and Paid up:</u>					<u>Long term deposits</u>				
6,000,000 (2014: 6,000,000) ordinary shares									
of Rs. 10/- each fully paid in cash									
			60,000,000	60,000,000			11	21,659,493	21,205,852
			30,000,000	30,000,000					
			24,394,035	20,624,563			12	2,624,300	1,740,700
			114,394,035	110,624,563				24,283,793	22,946,552
<u>NON CURRENT LIABILITIES</u>					<u>CURRENT ASSETS</u>				
		4	5,228,862	4,279,036			13	711,021	706,003
		5	-	274,219			14	21,977,129	32,669,998
<u>CURRENT LIABILITIES</u>					<u>Stores, spares and loose tools</u>				
		6	2,756,730	1,449,405			15	66,539,890	68,599,930
		7	24,909,997	31,126,859			16	698,261	926,732
		8	9,742,249	10,412,142			17	32,332,157	26,512,175
		9	512,118	741,186			18	11,001,739	6,546,020
			37,921,095	43,729,592				133,260,197	135,960,858
<u>CONTINGENCIES & COMMITMENTS</u>					<u>Cash and bank balances</u>				
		10	-	-				157,543,991	158,907,410
			157,543,991	158,907,410					

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



Chief Executive



Director

SARDAR CHEMICAL INDUSTRIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30,2016

		JUNE 30, 2016	JUNE 30, 2015
		Rupees	
Sales - Net	19	195,556,597	202,178,685
Cost of sales	20	(158,003,100)	(163,707,433)
Gross profit		37,553,497	38,471,252
Administrative Expenses	21	(19,959,383)	(18,246,149)
Selling & distribution Costs	22	(10,107,167)	(9,252,349)
		(30,066,550)	(27,498,498)
Operating profit for the year		7,486,947	10,972,754
Other Operating Income	23	938,228	918,698
Other Operating Expenses	24	(401,288)	(1,555,118)
Finance Cost	25	(3,562,124)	(4,351,467)
Profit for the year before tax		4,461,762	5,984,867
Taxation	26	(692,290)	(2,341,424)
Profit / (Loss) for the year after tax		3,769,472	3,643,443
Earning per Share (Rs. / Share)	31	0.63	0.61

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



Chief Executive



Director

SARDAR CHEMICAL INDUSTRIES LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	JUNE 30, 2016	JUNE 30, 2015
	Rupees	
Profit for the year after tax	3,769,472	3,643,443
Other Comprehensive Income	-	-
Total Comprehensive Income	3,769,472	3,643,443

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



Chief Executive



Director

SARDAR CHEMICAL INDUSTRIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

PARTICULARS	Share Capital	RESERVES			Total Shareholders Equity
		CAPITAL	REVENUE	TOTAL	
		Share Premium	Accumulated Profit		
Rupees					
Balance as at June 30, 2014	60,000,000	30,000,000	16,981,120	46,981,120	106,981,120
Total Comprehensive income for the year ended June 30, 2015	-	-	3,643,443	3,643,443	3,643,443
Balance as at June 30, 2015	60,000,000	30,000,000	20,624,563	50,624,563	110,624,563
Balance as at June 30, 2015	60,000,000	30,000,000	20,624,563	50,624,563	110,624,563
Total Comprehensive income for the year ended June 30, 2016	-	-	3,769,472	3,769,472	3,769,472
Balance as at June 30, 2016	60,000,000	30,000,000	24,394,035	54,394,035	114,394,035

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

SARDAR CHEMICAL INDUSTRIES LIMITED
CASHFLOW STATEMENT
FOR THE YEAR ENDED JUNE 30,2016

	JUNE 30, 2016	JUNE 30, 2015
	Rupees	
Cash flow from operating activities		
Profit/(loss) before Taxation.	4,461,762	5,984,867
<u>Adjustments for non- cash items:</u>		
Depreciation	3,247,257	3,336,848
Financial Changes	3,562,124	4,351,467
Profit on sale of fixed assets	(852,898)	(677,035)
Provision for doubtful debts	-	1,031,525
Workers profit participation fund	239,622	322,604
Workers welfare fund	91,056	144,615
	6,287,161	8,510,023
Profit before Working Capital Changes	10,748,923	14,494,891
<u>Effect of working capital changes:</u>		
(Increase)/Decrease in store, spares & loose tools	(5,018)	(191,800)
(Increase)/Decrease in stock in trade	10,692,869	(8,670,309)
(Increase)/Decrease in trade debts	2,060,040	8,279,293
(Increase)/Decrease in advances, deposits & prepayment	228,471	(155,363)
Increase/(Decrease) in creditors accrued & other liabilities	(662,325)	(6,547,030)
	12,314,037	(7,285,209)
Financial charges paid	(3,791,192)	(4,314,646)
Workers profit participation fund paid	(319,200)	(308,196)
Tax paid	(6,805,537)	(8,380,184)
	(10,915,929)	(13,003,026)
Net cash used in operating activities	A 12,147,031	(5,793,345)
Cash flow from investing activities		
Long term deposits	(883,600)	741,600
Sale proceeds of fixed assets	1,570,000	900,000
Net cash generated from investing activities	B 686,400	1,641,600
Cash flow from financing activities		
Repayment of lease obligation	(2,160,850)	(2,229,419)
Proceeds from short term finances	(6,216,862)	7,163,673
Net cash generated from financing activities	C (8,377,712)	4,934,254
Net increase/(decrease) in cash & cash equivalents	A+B+C 4,455,719	782,509
Cash & cash equivalents at beginning of the year	6,546,020	5,763,511
Cash & cash equivalents at end of year	11,001,739	6,546,020



Chief Executive



Director

SARDAR CHEMICAL INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1 The Company and its operation

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 manufacture and sale of dyestuffs, chemicals for the leather, textile and paper industries. The Company is listed on Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange

2 Basis Of Preparation

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. 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.

2.2 Adoption of New And Revised Standards And Interpretations

Standards, amendments & interpretations which have been issued but are not yet effective for the current financial year and have not been early adopted by the Company:

Description		Effective date (annual reporting periods beginning on or after)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	July 01, 2016
IFRS 7	Financial Instruments: Disclosures (Amendments)	July 01, 2016
IFRS 11	Joint Arrangements (Amendments)	January 01, 2017
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2018
IFRS 16	Leases	January 01, 2019
IAS 1	Presentation of Financial Statements (Amendments)	January 01, 2016
IAS 7	Statement of Cash Flows (Amendments)	January 01, 2017
IAS 12	Income Taxes (Amendments)	January 01, 2017
IAS 16	Property, Plant and Equipment (Amendments)	January 01, 2016
IAS 19	Employee Benefits (Amendments)	January 01, 2016
IAS 27	Separate Financial Statements (Amendments)	January 01, 2016
IAS 28	Investment in Associates and Joint Ventures (Amendments)	January 01, 2016
IAS 34	Interim Financial Reporting (Amendments)	January 01, 2016
IAS 38	Intangible Assets (Amendments)	January 01, 2016
IAS 41	Agriculture (Amendments)	January 01, 2016

The management anticipates that adoption of above standards, amendments and interpretations in future periods will have no material impact on the Company's financial statements other than in presentation / disclosures.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 9 Financial Instruments: Classification and Measurement

The following interpretations issued by the IASB have been waived off by SECP:

IFRIC 4 Determining whether an arrangement contains lease
IFRIC 12 Service concession arrangements

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.

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 except for recognition of certain financial instruments that have been accounted for on the basis of their fair values as referred to in note # 3.17.

3.2 Tangible Fixed Assets and Depreciation:

(a) Owned Assets

Operating fixed assets are stated at cost less accumulated depreciation and 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 land.

Borrowing costs during the erection period are capitalized as part of historical cost of the related assets.

Depreciation is charged on operating fixed assets applying reducing balance method to write off the cost over remaining useful life of assets. Rates of depreciation are stated in Note No. 11.

Depreciation is charged from the month in which an asset is acquired or capitalized while no depreciation is charged from the month in which an asset is disposed off.

Gains / (Losses) on disposal of operating assets are included in income currently. Normal maintenance and repairs are charged to income as and when incurred. Major renewals and replacements are capitalized.

(b) Lease hold Assets

The company is lessee,

Leases where the company has substantially all the risks and rewards of ownership are classified as finance lease. At inception

finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. The related rental obligations, net of finance charges, are included in obligation under finance lease as referred to in note # 4. The liability are classified as current and long term depending upon the timing of the payment. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

3.3 Stock in Trade:

Basis of valuation are as follows:

Particulars	Mode of Valuation
Raw Materials	At lower of annual average cost and net realizable value
Work in Process	At lower of annual average cost or net realizable value plus manufacturing overheads with reference to degree of completion.
Finished Goods	At lower of annual average cost or net realizable value of material plus manufacturing overhead or ne

Cost in relation to work in process and finished goods represents the annual average manufacturing cost which consists of prime cost and appropriate manufacturing overheads.

Net realizable value signifies the selling price in the ordinary course of business less cost necessary to be incurred to effect such sale.

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 carried at invoices value, which approximates fair value less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Debts, considered irrecoverable, are written off, as and when identified.

3.6 Cash & Cash Equivalents

Cash & cash equivalents are carried in the Balance Sheet at cost. For the purpose of statement of cash flow, cash and cash equivalents comprise of cheques in hand, cash and bank 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

3.11 Taxation

- 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.

- Deferred

Deferred tax is provided in full using the balance sheet 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 liabilities are recognized for all taxable temporary differences and 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., as required by IAS 12 Income Taxes.

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 Related Party Transactions

All transactions with related parties are made at arm's length prices determined in accordance with comparable uncontrolled price method.

3.13 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.

3.14 Foreign Currency Translations.

Translations in foreign Currencies are accounted for in Pak Rupees at the exchange rate prevailing at the date of translations. Assets & Liabilities denominated in Foreign Currencies are translated into Pak Rupees at the exchange rates prevailing on the Balance Sheet except for those covered by forward contracts if any.

Net gain and loss arising on retranslation is included in profit and loss account.

3.15 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.

3.16 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.

3.17 Financial Instruments

3.17.1 Financial Assets

The company classifies its financial assets in the following categories; at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

Loans and receivables Loans and receivables are non-derivation financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities for greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as trade debts, loans and advances, deposits, other receivables and profit receivable from banks in the Balance Sheet.

Changes in fair value of securities classified as available-for-sale are recognised in equity.

3.17.2 Financial Liabilities

All financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instruments.

All the financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognised in the profit & loss account.

3.17.3 Off-setting of financial assets and financial liabilities.

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the company has legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.18 Financial Expenses

Financial expenses are recognised using the effective interest rate method and comprise foreign currency losses and interest

	JUNE 30, 2016	JUNE 30, 2015
	Rupees	
4 OBLIGATION UNDER FINANCE LEASE		
2015-2016	-	1,857,138
2016-2017	3,241,578	1,857,138
2017-2018	4,053,709	2,669,269
2018-2019	1,345,080	-
	8,640,367	6,383,545
Less: Financial charges pertaining to future period	(654,776)	(655,104)
Present value of minimum lease payments	7,985,591	5,728,441
Less: Current maturity of long term obligation	(2,756,730)	(1,449,405)
	5,228,862	4,279,036

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

	JUNE 30, 2016		JUNE 30, 2015	
	MLP	PV of MLP	MLP	PV of MLP
Due not later than 1 year	3,241,578	2,756,730	1,857,138	1,449,405
Due later than 1 year but not later then 5 years	5,398,789	5,228,862	4,526,407	4,279,036
	8,640,367	7,985,591	6,383,545	5,728,441

GENERAL TERMS AND CONDITIONS OF LEASE

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

	FAYSAL BANK LIMITED	ORIX LEASING PAKISTAN LTD.
Repayment:		
Vehicles	60 equal monthly installments.	36 equal monthly installments.
Lease terms:-		
Vehicles	5 Years latest by December, 2017.	3 Years latest by December, 2019.
Implicit interest rate:	Twelve months KIBOR+2.5%	Six months KIBOR+4.9%
Residual value:	Rs. 1,740,700/-	Rs. 883,600/-
Purchase option:	At the end of lease term on residual value.	At the end of lease term on residual value.
Additional charge on	0.1% to 0.2% per day in case of default.	0.1% to 0.2% per day in case of default.

5 DEFERRED LIABILITY

Deferred Tax Liability

5.1 Deferred Taxation comprises the following

Deferred Tax Liabilities on Accelerated Depreciation

Deferred Tax Asset on Leased assets

Deferred Tax Asset on provisions

5.1.1 Deferred Taxation reconciliation

Opening Balance

Charge for the year

Closing Balance

-	274,219
696,460	1,530,494
(68,311)	(266,660)
(929,638)	(989,615)
(301,489)	274,219
274,219	415,834
(274,219)	(141,615)
-	274,219

JUNE 30, 2016 **JUNE 30, 2015****Rupees**

5.1.2 Deferred tax asset amount to Rs. 575,707 out of which Rs. 274,219 has been adjusted with previous year deferred tax liability and remaining Rs.301,489 has not been recognized in the current year as the attributable temporary differences are not expected to reverse in the foreseeable future.

6 **CURRENT MATURITY**

Current maturity	6.1	2,756,730	1,449,405
		2,756,730	1,449,405

6.1 These amounts represent that portion of long term liabilities which are repayable within one year.

7 **SHORT TERM FINANCE**

Allied Bank Limited	7.1	11,090,089	14,510,089
Askari Commercial Bank Limited	7.2	13,819,908	16,616,770
		24,909,997	31,126,859

7.1 **Allied Bank Limited**

Short term finances obtained from Allied Bank of Pakistan Limited forms part of total sanctioned credit facility of Rs. 24.225 million (2015: Rs. 24.225 million) and carried a markup @ Three months Average Ask Side KIBOR+ 400 Basis Points p.a

The facility is secured against the following:

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

7.2 **Askari Commercial Bank Limited**

- o Short terms finances obtained from Askari Bank Limited forms part of the total sanctioned credit facility of Rs. 20 million (2015: Rs. 20 million) and carried a markup @ Three months KIBOR+ 3.5%.
- o The facility is secured against the following;
- 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**

Creditors for goods		1,874,393	2,871,347
Creditors for expenses		455,668	415,977
Accrued expenses		3,965,481	3,763,381
Tax deducted at source		602,515	621,561
Provident Fund Account		283,807	182,211
Workers profit participation fund	8.1	243,026	322,604
Workers welfare fund	8.2	962,562	871,506
Unclaimed dividend	8.3	1,321,584	1,325,340
Sales Tax Payable		33,213	38,215
		9,742,249	10,412,142

8.1 **WORKERS PROFIT PARTICIPATION FUND**

Opening balance		322,604	264,475
Paid during the year		(319,200)	(264,475)
Contribution for the year		239,622	322,604
		243,026	322,604

JUNE 30, 2016 JUNE 30, 2015
Rupees

8.2 <u>WORKERS WELFARE FUND</u>			
Opening balance		871,506	726,891
Paid during the year		-	-
Contribution for the year		91,056	144,615
		962,562	871,506
8.3 <u>UNCLAIMED DIVIDEND</u>			
Opening balance		1,325,340	1,325,340
Final Dividend declared		-	-
Paid during the year		(3,756)	-
		1,321,584	1,325,340
9 <u>ACCRUED MARKUP</u>			
Allied Bank of Pakistan		292,300	419,060
Askari Bank Limited		219,818	322,126
		512,118	741,186
10 <u>CONTINGENCIES & COMMITMENTS</u>			
10.1 <u>CONTINGENCIES</u>			

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

	<u>Name of Party</u>	<u>Claimed Amount</u>	<u>Since</u>
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 claims

10.2 COMMITMENTS

The Company has no commitments against letters of credit issued in the normal course of business in the current year (2015: Rs. 305,000) in favor of foreign suppliers for raw material.

OPERATING FIXED ASSETS**June 30, 2015**

PARTICULARS	COST				DEPRECIATION					W.D.V.
	AS AT 01-07-2014	ADDITION/ (DELETION)	TRANSFER/ ADJUSTMENT	AS AT 30-06-2015	RATE %	AS AT 01-07-2014	ADJUSTMENT	FOR THE YEAR	AS AT 30-06-2015	AS AT 30-06-2015
Lease hold land	1,222,152			1,222,152	-	-		-	-	1,222,152
Factory Building - Leasehold	27,208,559			27,208,559	10	24,100,246		310,831	24,411,077	2,797,482
Plant & machinery	63,919,466			63,919,466	10	54,575,205		934,426	55,509,631	8,409,835
Electric installation	1,388,455			1,388,455	10	1,201,184		18,727	1,219,911	168,544
Furniture & fixture	1,233,875			1,233,875	10	1,071,348		16,253	1,087,601	146,274
Tools & equipment	2,682,849			2,682,849	10	2,211,316		47,153	2,258,469	424,380
Vehicles	10,660,390		3,822,000	12,977,890	20	8,697,225	1,783,600	755,720	9,955,010	3,022,880
		(1,504,500)					(1,281,535)			
Electric & gas appliances	268,350			268,350	10	230,018		3,833	233,851	34,499
Laboratory equipment	2,368,869			2,368,869	25	2,289,633		19,809	2,309,442	59,427
	110,952,965	-	3,822,000	113,270,465		94,376,175	1,783,600	2,106,753	96,984,993	16,285,472
		(1,504,500)					(1,281,535)			
Leased assets										
Vehicles	12,525,500		(3,822,000)	8,703,500	20	4,336,626		1,230,095	3,783,121	4,920,379
							(1,783,600)			
	12,525,500	-	(3,822,000)	8,703,500	20	4,336,626	(1,783,600)	1,230,095	3,783,121	4,920,379
June 30, 2015	123,478,465	-	3,822,000	121,973,965		98,712,801	1,783,600	3,336,848	100,768,114	21,205,852

The charge of depreciation has been allocated as under:-

	JUNE 30, 2015	JUNE 30, 2014
	Rupees	
Cost of sales	1,265,066	1,410,031
Administrative expenses	2,071,781	2,633,528
	3,336,848	4,043,559

Disposal of fixed assets:-

Particulars	Cost	Acc. Depreciation	Book Value	Sale Proceeds	Profit/ (Loss)	Mode of disposal	Buyer's name and address
	Rs.	Rs.	Rs.	Rs.	Rs.		
Honda Civic LEC-07-122	1,504,500	1,281,535	222,965	900,000	677,035	Negotiation	Mr. Arshad Latif H.No.44, Mohalla Nasir Building Railway Road, Lahore
Total	1,504,500	1,281,535	222,965	900,000	677,035		

	JUNE 30, 2016	JUNE 30, 2015
	Rupees	
12 <u>LONG TERM DEPOSITS</u>		
Faysal bank	1,740,700	1,740,700
Orix Leasing Pakistan Limited	883,600	-
	2,624,300	1,740,700
13 <u>STORES, SPARES & LOOSE TOOLS</u>		
Stores	395,798	167,910
Spares	158,102	255,525
Loose tools	157,121	282,568
	711,021	706,003
14 <u>STOCK IN TRADE</u>		
Raw material	10,056,980	14,769,747
Work in process	840,360	2,492,120
Finished goods	11,079,789	15,408,131
	21,977,129	32,669,998
15 <u>TRADE DEBTORS-UNSECURED</u>		
Debtors	69,538,722	71,598,762
Less: Provision for doubtful debts	15.1 2,998,832	2,998,832
	66,539,890	68,599,930
15.1 <u>Movement of Provision for doubtful debts</u>		
Opening Balance	2,998,832	1,971,497
Provision for the year	-	1,031,525
	2,998,832	3,003,022
Less: Written off during the Year	-	4,190
	2,998,832	2,998,832
16 <u>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</u>		
Advances against material (Considered good)	149,371	241,648
Advances against expenses (Considered good)	171,706	151,706
Advances to employees (Considered good)	52,630	16,499
Deposits & prepayments	25,000	25,000
Deposits against letters of credit/guarantees	220,500	412,825
Other receivables (Considered good)	79,054	79,054
	698,261	926,732
17 <u>TAXATION-Net</u>		
<u>Income Tax</u>		
Advance Tax	22,327,845	19,342,925
Provision for taxation	(1,427,761)	(2,483,039)
	20,900,084	16,859,886
<u>Sales Tax</u>		
Sales Tax receivable	11,432,073	9,652,289
	32,332,157	26,512,175
18 <u>CASH AND BANK BALANCES</u>		
Cash in hand	19,381	18,742
<u>Cash at banks:</u>		
Current accounts	10,982,358	6,527,278
	11,001,739	6,546,020
19 <u>SALES - Net</u>		
Sales - Local	199,177,741	206,304,949
Sales - Export	2,532,000	2,436,000
	201,709,741	208,740,949

	JUNE 30, 2016	JUNE 30, 2015
	Rupees	
Sales tax	5,843,470	6,259,946
Expenses on exports	309,674	302,318
	6,153,144	6,562,264
	195,556,597	202,178,685
20 <u>COST OF SALES</u>		
Raw material consumed	20.1 114,087,857	134,605,457
Packing drums	3,602,341	3,126,647
Salaries and wages	13,992,441	12,143,973
Insurance	181,790	156,790
Carriage inward	3,099,524	3,684,133
Stores, spares and loose tools consumed	20.2 67,629	727,046
Fuel and power	20.3 13,882,169	11,745,670
Repair and maintenance	1,918,821	1,701,527
Other production expenses	54,838	11,596
Depreciation	11.2 1,135,588	1,265,066
	152,022,998	169,167,905
<u>Work in process</u>		
Opening Stock	2,492,120	2,013,454
Closing Stock	(840,360)	(2,492,120)
	1,651,760	(478,666)
	153,674,758	168,689,239
<u>Finished goods</u>		
Opening Stock	15,408,131	10,426,325
Closing Stock	(11,079,789)	(15,408,131)
	4,328,342	(4,981,806)
	158,003,100	163,707,433
20.1 <u>Raw material consumed:</u>		
Opening stock	14,769,747	11,559,910
Purchases during the period	114,051,979	142,249,678
Less: Sales Tax	(4,676,889)	(4,434,384)
	109,375,090	137,815,294
Closing stock	124,144,837	149,375,204
	(10,056,980)	(14,769,747)
	114,087,857	134,605,457
20.2 Stores, spares & loose tools consumed:		
Opening stock	706,003	514,203
Purchases during the period	72,647	918,846
	778,650	1,433,049
Closing stock	(711,021)	(706,003)
	67,629	727,046
20.3 Fuel & Power consumed:	16,407,516	13,810,590
Less: Sales Tax	(2,525,347)	(2,064,920)
	13,882,169	11,745,670
21 <u>ADMINISTRATIVE EXPENSES</u>		
Salaries, wages & benefits	7,346,458	6,679,802
Directors remuneration	1,672,650	1,557,678
Electricity, gas & water	819,318	633,643
Travelling & conveyance	1,166,829	1,169,585

	JUNE 30, 2016	JUNE 30, 2015
	Rupees	
Repair & maintenance	1,080,164	879,336
Telephone, telex & postage	791,134	905,852
Rent, rates & taxes	2,251,909	1,915,645
Legal & professional charges	200,177	192,268
Auditor's remuneration - Audit fee	250,000	250,000
Printing & stationery	469,179	396,831
Advertisement	43,400	127,930
Entertainment	503,636	469,436
Insurance	503,165	438,031
Medical	-	30,000
Subscription	481,616	227,999
News papers & periodicals	41,730	24,815
Donation	-	10,430
Depreciation	11.2 2,111,668	2,071,781
Miscellaneous	226,350	265,087
	19,959,383	18,246,149
22 <u>SELLING & DISTRIBUTION COSTS</u>		
Staff salaries & benefits	6,188,944	5,523,058
Electricity, gas & water	141,506	186,321
Travelling & conveyance	1,066,155	1,004,204
Repair & maintenance	356,756	325,520
Rent, rates & taxes	765,610	761,100
Entertainment	2,985	3,260
Laboratory/testing expenses	23,235	56,533
Telephone, telex & postage	88,965	96,302
Carriage and cartage	1,473,011	1,296,051
	10,107,167	9,252,349
23 <u>OTHER OPERATING INCOME</u>		
Profit on Sale of fixed assets	852,898	677,035
Sale of scrap	50,914	49,584
Rent received	34,416	192,079
	938,228	918,698
24 <u>OTHER OPERATING EXPENSES</u>		
Provision for doubtful debts	-	1,031,525
Workers Profit Participation Fund	239,622	322,604
Workers Welfare Fund	91,056	144,615
Loss on Exchange rate	70,610	56,374
	401,288	1,555,118
25 <u>FINANCE COST</u>		
Bank charges	169,954	116,195
Mark-up on loans	2,723,744	3,658,094
Leasing charges	668,427	577,178
	3,562,124	4,351,467

JUNE 30, 2016 **JUNE 30, 2015****Rupees****26 TAXATION**

Current year

For the year
prior year

1,427,764	2,483,039
(461,255)	-
966,509	2,483,039
(274,219)	(141,615)
692,290	2,341,424

Deferred

Deferred Tax (Income) / Expense

27 STAFF RETIRMENT BENEFITS**27.1 Provident Fund**

(i) Size of fund

32,061,995 26,834,049

(ii) Cost of investments

20,217,338 18,102,265

(iii) Percentage of investments made

63.1% 67.5%

(iv) Fair value of investments

27.1.2 **32,221,403** **27,177,340****27.1.2 Break up of investments of provident fund**

Break up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	June 30, 2016		June 30, 2015	
	Unaudited		Unaudited	
	Investments	% of investment as size of the fund	Investments	% of investment as size of the fund
Special account in schedule bank	10,678,838	33.31%	8,563,765	31.91%
Defence Saving Certificates	21,542,565	67.19%	18,613,575	69.37%
	32,221,403	100.5%	27,177,340	101.3%

28 REMUNERATION OF DIRECTORS AND CHIEF EXECUTIVES

	2016		2015	
	Chief Executive	Director	Chief Executive	Director
	RUPEES			
Managerial remuneration	611,032	468,097	569,028	435,924
Allowances:				
- House rent	274,965	210,644	256,068	196,164
- Utilities	61,103	46,810	56,904	43,590
	947,100	725,550	882,000	675,678
Number of directors	1	1	1	1

29 TRANSACTIONS WITH RELATED PARTIES

There are no related party transactions except directors remuneration which is shown in note 28 to the notes to the financial s

30 CAPACITY AND PRODUCTION

Production in manufacturing units:

Rated Capacity (M.Tons) on 360 days basis

660 660

Actual production (M. Tons)

363 358

Percentage of production

55% 54%

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 EARNING PER SHARE

Net profit/(Loss) for the year	3,769,472	3,643,443
Number of ordinary shares issued	6,000,000	6,000,000
Earnings per share	0.63	0.61

32 NUMBER OF EMPLOYEES

Total number of employees	115	121
Average number of employees	118	119

33 Financial assets and liabilities

	INTEREST BEARING						NON INTEREST BEARING						Total		
	Effective interest rates(%)	Maturity upto one year		Maturity after one year		Sub total		Maturity upto one year		Maturity after one year		Sub total			
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Financial assets:															
Long term deposits									2,624,300	1,740,700	2,624,300	1,740,700	2,624,300	1,740,700	
Trade debts								66,539,890	68,599,930			66,539,890	68,599,930	66,539,890	68,599,930
Advances, deposits, prepayments & other receivable								156,684	120,553	541,577	806,179	698,261	926,732	698,261	926,732
Cash & banks								11,001,739	6,546,020			11,001,739	6,546,020	11,001,739	6,546,020
								77,698,313	75,266,503	3,165,877	2,546,879	80,864,190	77,813,382	80,864,190	77,813,382
Financial liabilities:															
Obligation under finance lease KIBOR+2.5%	2,756,730	1,449,405	5,228,862	4,279,036	7,985,591	5,728,441								7,985,591	5,728,441
Short term finance See Note No.7.1 and 7.2	24,909,997	31,126,859			24,909,997	31,126,859								24,909,997	31,126,859
Creditors,accrued & other liabilities	512,118	741,186			512,118	741,186	7,934,146	8,596,471			7,934,146	8,596,471	8,446,264	9,337,657	
Commitments	-	305,336			-	305,336							-	305,336	
	28,178,845	33,622,786	5,228,862	4,279,036	33,407,707	37,901,822	7,934,146	8,596,471	-	-	7,934,146	8,596,471	41,341,853	46,498,293	

Financial instruments and risk management

Overall, 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 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	66,539,890
Advances, deposits, prepayments and other receivables.	698,261
Bank Balances	11,001,739
	78,239,890

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.

34 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on October 03, 2016 has proposed a final cash dividend of 5% in respect of the year ended June 30, 2016 (2015: No Cash Dividend). The Directors, in the best interest of the Company, have opted to forgo the dividend on their personal shareholdings. The proposal will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations, which will be accounted

35 DATE OF AUTHORIZATION

These financial statements were authorize for issue on October 03, 2016 by the board of directors of the Company.

36 GENERAL

- Figures have been rounded off to the nearest rupee.



Chief Executive



Director

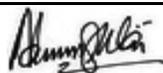
FORM 34

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 **30-06-2016**

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
72	1	100	4,923
1611	101	500	787,227
86	501	1000	84,400
158	1001	5000	463,050
19	5001	10000	158,900
12	10001	15000	158,600
10	15001	20000	185,100
2	20001	25000	46,900
1	25001	30000	26,500
5	30001	35000	161,000
2	35001	40000	76,600
2	40001	45000	88,000
1	45001	50000	50,000
1	50001	55000	50,800
1	60001	65000	62,000
1	80001	85000	82,000
1	120001	125000	123,600
3	140001	145000	424,050
1	320001	325000	322,600
1	330001	335000	333,300
1	400001	405000	404,200
1	495001	500000	500,000
1	655001	660000	656,250
1	745001	750000	750,000
1994			6,000,000

<u>5. Categories of shareholders</u>	<u>Share held</u>	<u>Percentage</u>
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	67,800	1.1300%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	2,887	0.0481%
5.5 Insurance Companies	0	0.0000%
5.6 Modarabas and Mutual Funds	166,700	2.7783%
5.7 Share holders holding 10% or more	1,406,250	23.4375%
5.8 General Public		
a. Local	3,491,220	58.1870%
b. Foreign	292	0.0049%
5.9 Others (to be specified)		
Joint Stock Companies	171,601	2.8600%

6. Signature of Company Secretary	
7. Name of Signatory	Niaz Ahmed Chughtai
8. Designation	Company Secretary
9. NIC Number	37405-039294-7
10. Date	30 06 2016

SARDAR CHEMICAL INDUSTRIES LIMITED
Categories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2016

Sr. No.	Name	No. of Shares Held	Percentage
---------	------	--------------------	------------

Associated Companies, Undertakings and Related Parties (Name Wise Detail):

- -

Mutual Funds (Name Wise Detail)

1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	142,800	2.3800%
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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	62,000	1.0333%
5	MR. FAYYAZ AHMED KHAN	404,200	6.7367%
6	MR. IFTIKHAR AHMED 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:

26,787 0.4465%

Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)

S. No.	NAME	HOLDING	%AGE
1	SARDAR AYAZ SADIQ	750,000	12.5000%
2	MR. AITZAZ MUNAWAR	656,250	10.9375%
3	SARDAR MAHMOOD SADIQ	500,000	8.3333%
4	MR. FAYYAZ AHMED KHAN	404,200	6.7367%
5	MR. IFTIKHAR AHMED KHAN	333,300	5.5550%
6	MR. ASHRAF (CDC)	322,600	5.3767%

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 27th Annual General Meeting of the Company to be held on 29th October, 2016 and at any adjournment thereof.

Date

Signatures