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OUR VISION

We aim to be the global leading Company for specialty chemicals and to stand out by above-average value creation for all of our stakeholders.

OUR MISSION

We build leading positions in the businesses we are active in, and we adopt functional excellence as part of our culture. We create value through appreciating the needs of

- Our customers – by providing competitive and innovative solutions
- Our employees – by adhering to our corporate values
- Our shareholders – by achieving above-average returns
- Our environment – by acting sustainably

Company Information

Chairman / Chief Executive Officer	<ul style="list-style-type: none"> • Mujtaba Rahim 	
Directors	<ul style="list-style-type: none"> • Alfred Christian Munch • Arnaud Frete • Dr S Mubarik Ali • Khawaja Mustafa Zulqarnain Majid • M Veqar Arif • Stephan Lynen 	(Alternate: Atba Waheed Farooqui)
Company Secretary/ Chief Financial Officer	<ul style="list-style-type: none"> • M Veqar Arif 	
Management Committee	<ul style="list-style-type: none"> • Mujtaba Rahim • Ali Gul Haji • Atba Waheed Farooqui • Ashraf Bajwa 	<ul style="list-style-type: none"> • M Veqar Arif • Naveed Kamil • Zafir Hussain
Audit Committee	<ul style="list-style-type: none"> • Dr S Mubarik Ali • Alfred Christian Munch • Khawaja Mustafa Zulqarnain Majid • M Irfan Lakhani 	<ul style="list-style-type: none"> - Chairman (Alternate: Atba Waheed Farooqui) - Secretary
Human Resources and Remuneration Committee	<ul style="list-style-type: none"> • Dr S Mubarik Ali • Mujtaba Rahim • M Veqar Arif • Naveed Kamil 	<ul style="list-style-type: none"> - Chairman - Secretary
Bankers	<ul style="list-style-type: none"> • Citibank N A • Faysal Bank Limited • Habib Bank Limited • HSBC Bank Middle East Limited • Meezan Bank Limited • National Bank of Pakistan • Standard Chartered Bank (Pakistan) Limited 	
Auditors	<ul style="list-style-type: none"> • A F Ferguson & Co., Chartered Accountants 	
Legal Advisors	<ul style="list-style-type: none"> • RIAALAW 	
Share Registrars	<ul style="list-style-type: none"> • FAMCO Associates (Pvt) Ltd. State Life Building No. 1-A, First Floor, I I Chundrigar Road, Karachi. 	
Registered Office	<ul style="list-style-type: none"> • 1-A/1, Sector 20, Korangi Industrial Area, Korangi, Karachi. 	
Factories	<ul style="list-style-type: none"> • Petaro Road, Jamshoro • Korangi Industrial Area, Karachi • Katarband Road, Thokar Niaz Baig, Lahore. 	
Website	<ul style="list-style-type: none"> • www.clariant.com.pk 	

Annual Sales Convention - 2012

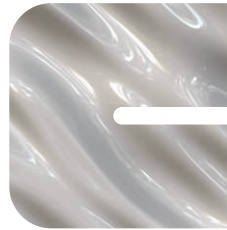


Business Units



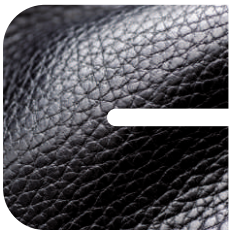
TEXTILE CHEMICALS

From fiber to finish, Clariant's chemical technology plays a key role throughout the entire textile supply chain.



MASTERBATCHES

Local focus, global standards – our Masterbatches business is a global leader in color, additive concentrates, and innovative performance solutions for plastics.



LEATHER SERVICES

We are a leading provider of chemicals, technical services, and solutions over the entire value chain of leather productions.



EMULSIONS, DETERGENTS & INTERMEDIATES

Our Emulsions Detergents & Intermediates business is a leading supplier of key raw materials for laundry detergents and household cleaning products.



PAPER SPECIALTIES

Our products improve the optical and functional properties of all kinds of paper and board via tailored solutions.



PIGMENTS

Based on extensive experiences of expertise in colour, our Pigments business helps to colour the world.



ADDITIVES

Our Additives create value by improving efficiency, safety, protection, durability, and appearance of products such as plastics, coatings, and printing links.



INDUSTRIAL & CONSUMER SPECIALTIES

The innovative products of our industrial & consumer specialties business are used in skin and hair care, household goods, to protect seeds, or deice airplanes.



OIL & MINING SERVICES

Solving local challenges with global capabilities and a deep reservoir of resources.



FUNCTIONAL MATERIALS

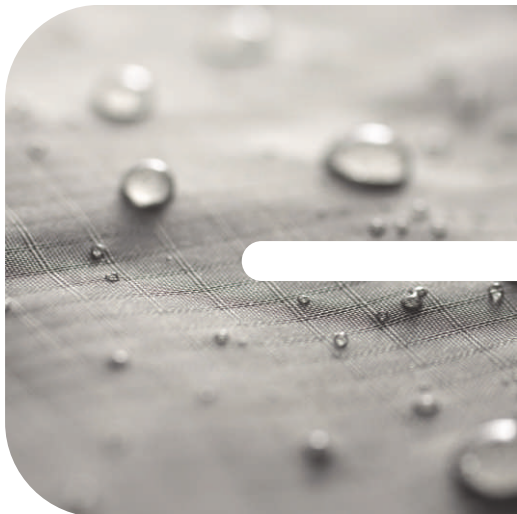
Based on our bentonite products we offer environmentally compatible solutions in order to improve products and processes in various industrial including the consumer goods, packaging, and foundry industries, as well as water treatment.



CATALYSIS & ENERGY

Catalysis & Energy is a highly innovative provider of catalysts for the chemical, fuel, and automotive industries and produces materials for electric vehicles and energy storage systems.

Textile Chemicals

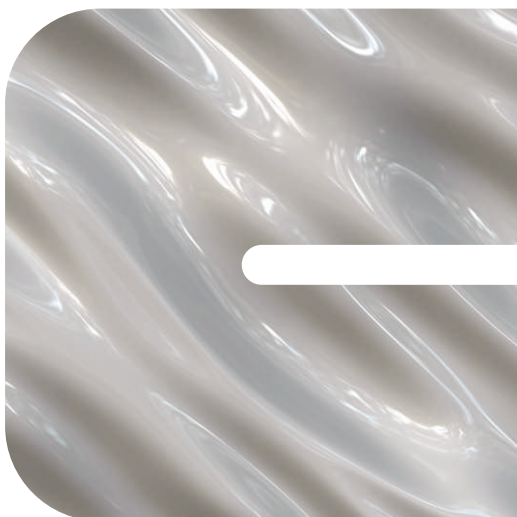


From fiber to finish, Clariant's chemical technology plays a key role throughout the entire textile supply chain.

As a leading producer of dyes and chemicals for the textile industry, brands and mills in apparel and fashion, automotive and home textiles, and technical textiles, turn to us to meet their sector's constantly changing specifications.

Our color trends analysis and color matching technology, combined with processing efficiency, help our customers to get their products to market faster. While nanotech effects, environmentally friendlier solutions, and unique concepts add to their ability to stay one step ahead of the competition.

Masterbatches



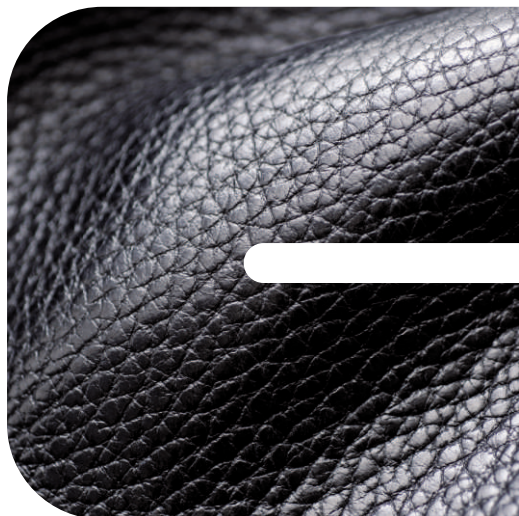
Local focus, global standards – our Masterbatches business is a global leader in color, additive concentrates, and innovative performance solutions for plastics.

A worldwide presence and local support make Masterbatches a preferred supplier for thermoplastic processors, brand owners, and fiber manufacturers globally.

Our customers span a broad range of markets, including packaging, consumer goods, medical, textile, and automotive. With our leading technology enhancing plastic everywhere – from medical devices to drinks bottles made from recycled materials and innovative car components.

Our dedicated network of ColorWorks™ design centers help customers to increase their speed to market and differentiate brands.

Leather Services



We are a leading provider of chemicals, technical services, and solutions over the entire value chain of leather production.

From beamhouse to finishing, we provide high-quality leather processing chemicals and services with less impact on the environment, and a world class knowledge of leather upgrading and chrome free tanning solutions.

Our customers in the shoe, automotive, furniture, and garment segments benefit from customized technical solutions, and our expertise in areas such as performance leathers and more environmentally compatible solutions.

We help our customers to achieve consistently brilliant colors and natural tones, combined with performance every time

Emulsions, Detergents & Intermediates



Our Emulsions, Detergents and Intermediates business is a leading supplier of key raw materials for laundry detergents and household cleaning products.

We work in close cooperation with multinational consumer brands through to specialized producers of laundry and cleaning products, to research, develop, and supply solutions for optimum wash performance and cost-efficiency – and lower impact on the environment.

In addition, we are a major supplier of chemical intermediates, especially for the manufacture of agrochemicals and pharmaceuticals. Clariant is a global leader for the production of glyoxal and glyoxylic acid and their derivatives, with over 40 years of experience of these complex molecules. We also deliver synthetic latexes/polymer dispersions for paints, coatings, adhesives, sealants, and for the textile, leather, and paper industries.

Paper Specialties



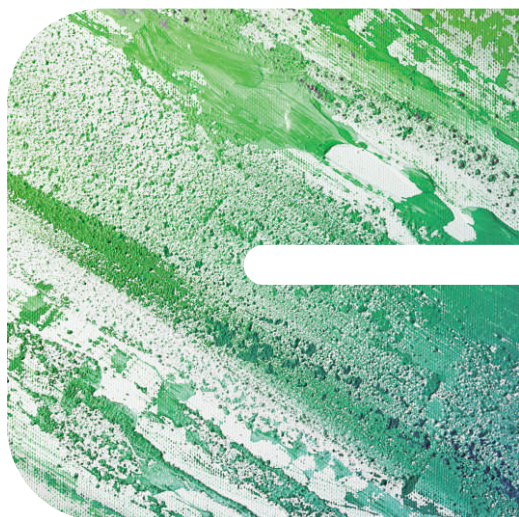
Our products improve the optical and functional properties of all kinds of paper and board via tailored solutions.

Clariant aims to provide first-class knowledge and expertise in the management of whiteness, coloration, special coatings, and strength for all kinds of paper, offering the most cost-effective product choices and solutions to its customers.

Our innovative technologies deliver leading-edge, environmentally friendly, and sustainable solutions for the papermakers around the world.

Our key markets are printing and writing copy papers, coated paper and board, recycled papers, newsprint, packaging, and specialized applications.

Pigments



Based on extensive experience and expertise in color, our Pigments business helps to color the world.

Clariant helps customers get the best from color.

We are a leading global provider of organic pigments, pigment preparations, and dyes used in coatings, paints, printing, plastics, and other specialty applications.

Our pigments make a difference to a whole host of products that touch everyday life. Automotive and home decoration paints, household detergents, packaging labels, colorants used in ink jet and laser printers.

All with a firm focus on the challenges and efficiency requirements of these varied sectors.

Additives



Our Additives create value by improving efficiency, safety, protection, durability, and appearance of products such as plastics, coatings, and printing inks.

Clariant Additives is a leading provider of flame retardants, waxes and polymer additives that enhance and protect. We serve customers across a wide range of applications and sectors, including electronics, construction, and automotive.

Decades of experience, with support through our global technical centers, make many of our products the industry standard in technical performance and quality.

Our leading technologies contribute to sustainable development; supporting more environmentally compatible protection and taking our customers a step closer towards more efficient processing.

Industrial & Consumer Specialties



The innovative products of our Industrial & Consumer Specialties business are used in skin and hair care, household goods, to protect seeds, or deice airplanes.

We combine high-quality products with formulation expertise to deliver solutions with compelling cost / performance ratios and environmental benefits to customers.

Our core competencies include being a partner of choice in industrial lubrication, construction, and paints and coatings, and helping customers to gain a competitive edge in the laundry and cleaning segments.

We have a strong focus on ecologically sustainable solutions. These range from skin care formulations based on raw materials from renewable resources to aviation deicing recycling systems.

Oil & Mining Services



Solving local challenges with global capabilities and a deep reservoir of resources.

In today's oil and mining industries, providing the right chemicals is simply not enough. Customers demand the best chemical technologies available, as well as services that are second-to-none. Likewise, local infrastructure and manufacturing with global support is now a key requirement.

Our growing network of service and research centers within all major oil, refinery, and mining markets, has access to resources on a scale unsurpassed in these industries.

This allows us to deliver innovation and enhanced value through improved supply chain, cost reduction, and the ability to custom-design both operational and technological solutions. All with the highest regard for health, safety, and the environment; whether deepwater, refinery or at the mine site. By dividing our business into three segments – Clariant Oil Services, Clariant Refinery Services and Clariant Mining Solutions – we ensure that our industry leading experts can focus on delivering maximum value for the specialist needs of each area.

Functional Materials



Based on our bentonite products we offer environmentally compatible solutions in order to improve products and processes in various industries including the consumer goods, packaging, and foundry industries, as well as water treatment.

We are the leading provider of specialty products and solutions to enhance products and processes.

In the adsorbents area, for example, our bleaching earths for the purification of vegetable oils are the world leader in a worldwide growing market.

With our water treatment and water management solutions, we are a niche supplier in attractive markets in both developed and emerging economies.

Our performance packaging line provides functional protective packaging solutions for pharmaceuticals and high-grade desiccants for logistics and consumer products.

Catalysis & Energy



Catalysis & Energy is a highly innovative provider of catalysts for the chemical, fuel, and automotive industries, and produces materials for electric vehicles and energy storage systems.

Our catalysts contribute significantly to value creation in our customers' operations, ensuring that finite raw materials and energy are used efficiently in the production of industrial chemicals, plastics, and fuels.

Our products enable the use of alternative raw materials such as natural gas, coal, and biomass – as chemical and energy feedstocks, and are used to treat emissions from industrial processes to limit their impact on the environment.

Our high-performance cathode battery material and catalysts for fuel cell applications set the benchmark for their applications and are increasingly important to our society and global markets.

Notice of Meeting

NOTICE is hereby given that the Seventeenth Annual General Meeting of Clariant Pakistan Limited will be held at the Company's Registered Office at 1-A/1, Sector 20, Korangi Industrial Area, Korangi, Karachi on Friday, 29 March 2013 at 9:00 a.m. for the purpose of transacting the following business:

Ordinary Business

1. To receive and approve the Audited Financial Statements for the year ended 31 December 2012 alongwith the Directors' Report thereon.
2. To approve 200% final cash dividend (Rs: 20.00 per share) as recommended by the Directors.
3. To appoint auditors for the year ending 31 December 2013 and to fix their remuneration. The Audit Committee has recommended the name of Messrs A F Ferguson & Co., Chartered Accountants, the retiring auditors, who have also offered themselves for re-appointment.
4. To transact any other ordinary business with the permission of the Chair.

By Order of the Board



M Veqar Arif

Director / Company Secretary

Karachi: 7 March 2013

Notes:

1. The share transfer books of the Company will remain closed from 22 March to 29 March 2013 (both days inclusive). Transfers received in order by the Company's Share Registrars, FAMCO Associates (Pvt) Ltd., at First Floor, State Life Building No. 1-A, I I Chundrigar Road, Karachi by 21 March 2013 will be in time to entitle the transferees for the dividend and to attend and vote at the Annual General Meeting.
2. A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. Proxies, in order to be valid must be received at the Registered Office of the Company not later than 48 hours before the Meeting.
3. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Original National Identity Card and account number in CDC for verification.

Report of the Board of Directors

The Directors of your Company present their Seventeenth Annual Report and the Audited Financial Statements for the operating year ended 31 December 2012.

Board of Directors

Mr Arnaud Frete opted as nominee director of Clariant International Ltd. in place of Mr Peter Shiessl with effect from 30 January 2012. Later during the year the shareholders at Annual General Meeting held on 30 March 2012 elected seven Directors Messrs Mujtaba Rahim, Alfred Christian Munch, Arnaud Frete, Dr S Mubarak Ali, Khawaja Mustafa Zulqarnain Majid, M Veqar Arif and Stephan Lynen for a term of three years commencing from 1 April 2012. The Board of Directors passed a resolution on 3rd April 2012 reappointing Mr. Mujtaba Rahim as Chief Executive Officer of the Company with effect from 1 April 2012.

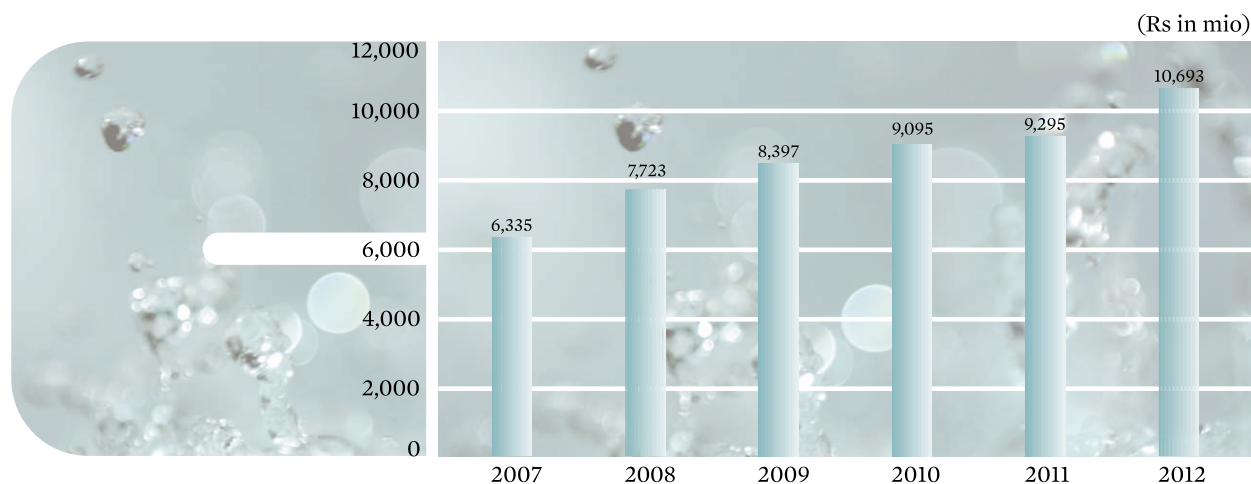
Business Overview

The Board takes pleasure in reporting that your Company continue to maintain positive growth momentum despite of sluggish economic activity mainly on account of worsening energy crisis, geo political situation and global economic condition. The company has been successfully able to counter these challenges through Clariant Excellence Programs following lean sigma methodology and embedding the culture of continuous improvement in our organization. Through Operational Excellence, we continue lowering costs and improving the efficiency of our operations in order to increase our competitiveness and profitability. Through Commercial Excellence, we further improved our ability to create value by focusing on portfolio and customer management. Through People Excellence, we inculcated our new Corporate Values to life and establishing a high performance culture by translating these Corporate Values into day to day behavior across the organization. Company following the strategy of sustainable profitable growth, capitalizing the right opportunities by offering high-quality service and solutions to create value innovation for our customers.

Your Company has made a great achievement by crossing the glorious milestone of Rs 10 Billion sales during the year under review. Clariant Pakistan continued with same zeal and maintained track record of excellent performance of generating cash, minimizing business risks, reducing cost leading to positive impact on the operating result and fulfilling the prime objective of satisfying all the stakeholders of our Company.

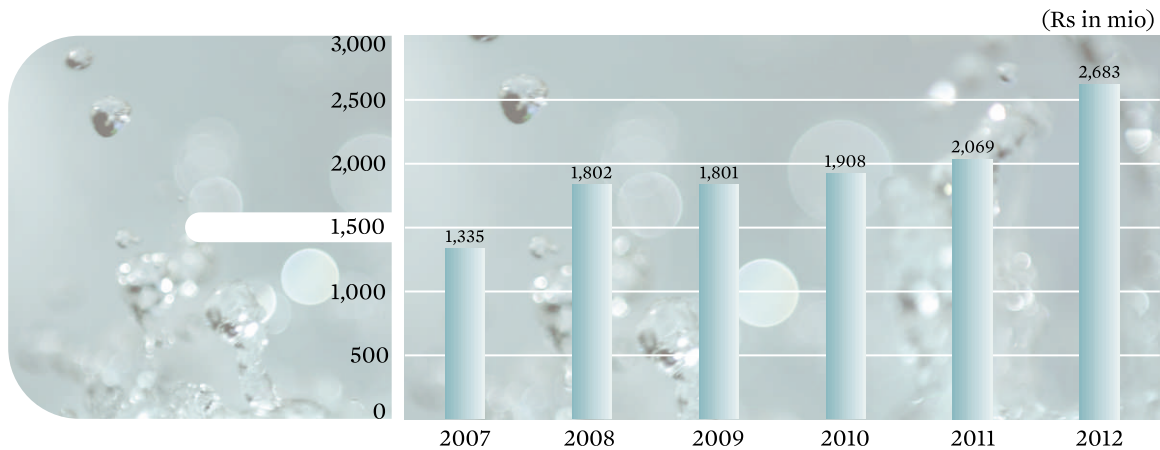
Gross Sales

Despite of challenges mentioned above, the Company's gross sales posted an impressive growth of 15%. It is pertinent to mention that in addition to growth in the domestic market the Company has also enhanced export sales by 79% over the previous year breaking all previous records with export sales volume and turnover reaching unprecedented levels.

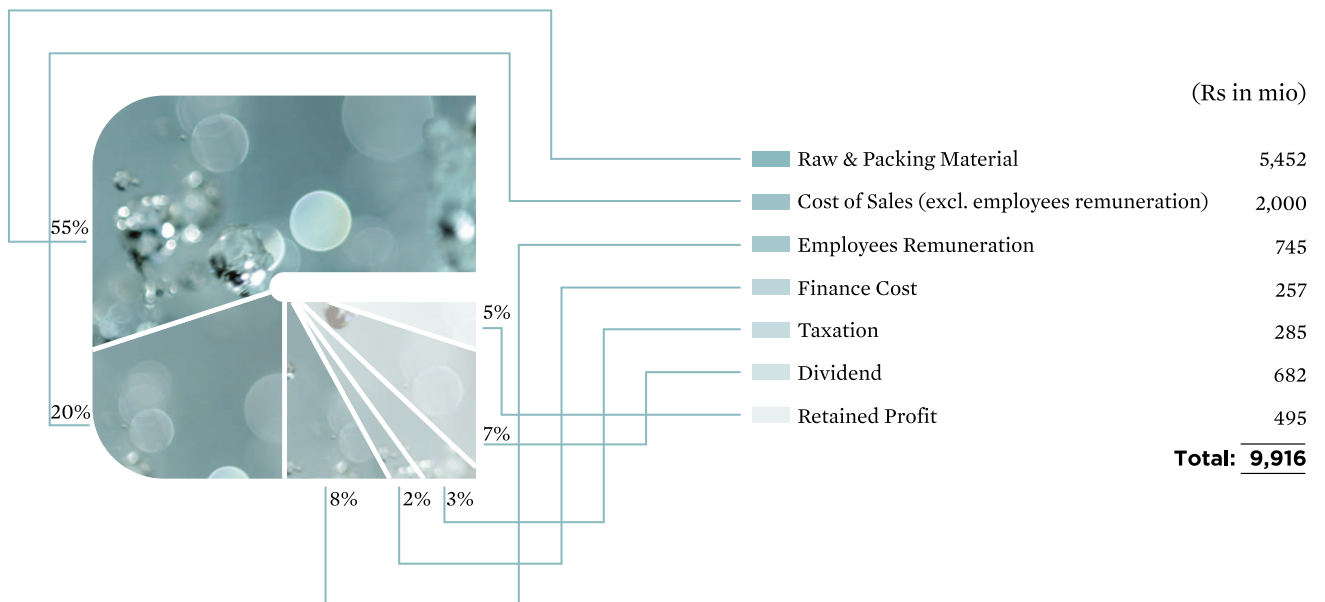


Gross Profit

Despite severe cost pressures, the Company was able to control its cost and fetch a healthy gross profit margin of 27 % as against 25 % in FY 11. High-performance culture and continuous value creation was witnessed throughout all Business Units. The Company's gross profit for the year 2012 stood at Rs. 2.7 billion as compared to Rs.2.1 billion in the comparative period.



Distribution of Revenue - 2012



Earning Per share

Profit after tax also propped up to 1.1 billion which translated into an EPS of Rs 34.47 as against Rs 22.81 in the comparative year 2011.

Appropriation of Profit

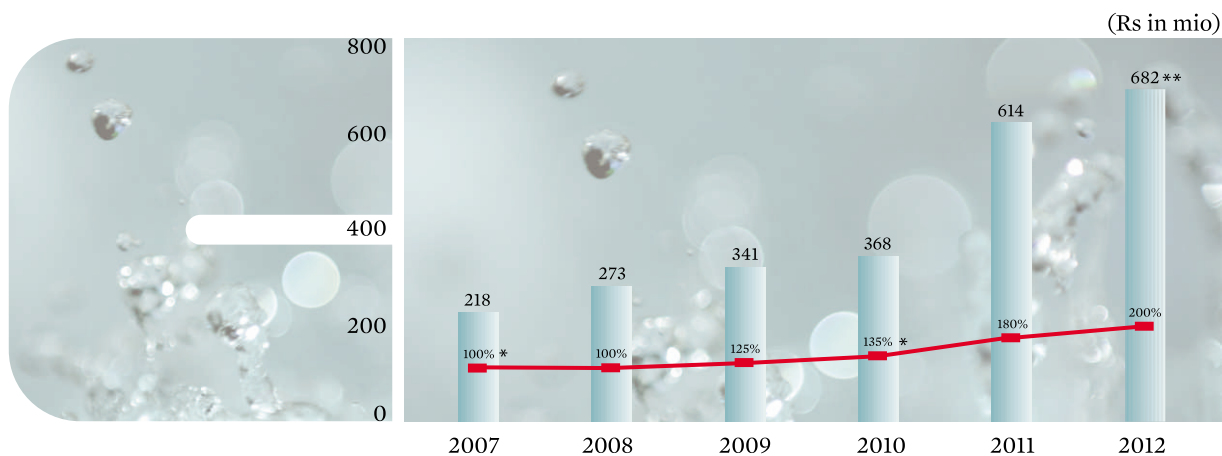
The proposed appropriation of profit of the company is as under:

	(Rupees in mio)
Profit for the year after taxation	1,176
Unappropriated profit brought forward	<u>3</u>
Profit available for appropriation	1,179
Appropriation:	
Proposed 200% final cash dividend to be paid after approval in the Annual General Meeting	682
Transferred to Revenue Reserves	<u>495</u>
Un appropriated profit carried forward	<u><u>2</u></u>

Dividend

Clariant Pakistan Ltd has rewarded its shareholders with dividends in all the years since 1996. Healthy growth in profitability and margins in the period under review have elicited positive comments and the Board of Directors maintaining fair return on earning of the Company to its shareholders has recommended final cash dividend 200% (Rupees 20.00 per share).

Despite the changing business environment CPL has maintained a steady stream of payouts in the form of dividends.



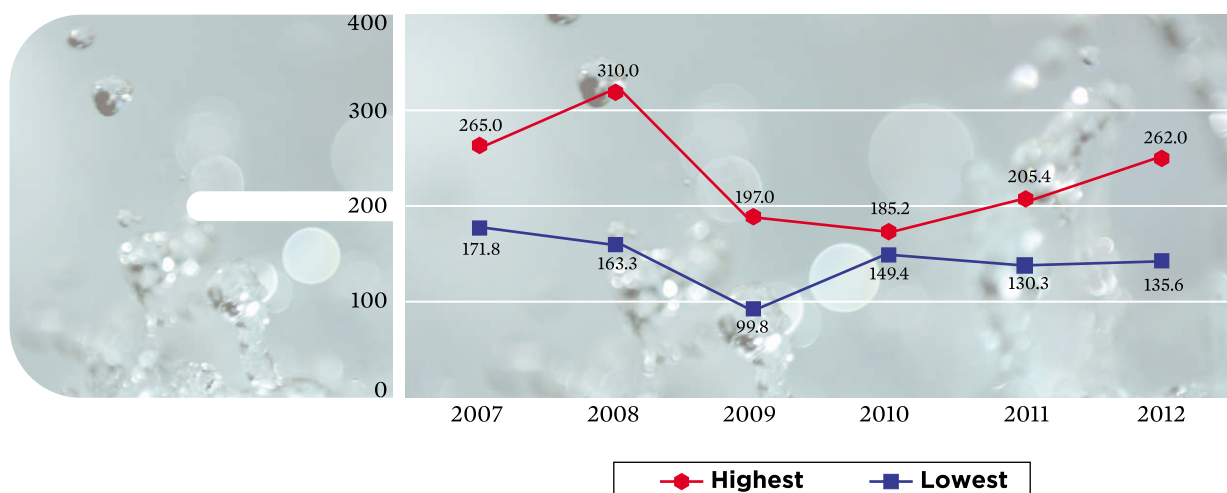
■ Dividend payout - Rs in mio —■ Dividend payout - Percentage

* In addition to cash dividend, bonus issued @25%, 25% respectively

** Subject to approval of shareholders in Annual General Meeting

Share Price

Company's share during the year was quoted at its highest of Rs 262.00 and lowest at Rs 135.56 on the Karachi stock Exchange Ready Board quotations.



Capital Expenditure

To run wheel of economic activities moving with greater pace and momentum Clariant continues to opt the investment opportunities to cater for future production and infrastructure needs with regards to utilities, ecology & safety. During the period under review Company has incurred capital expenditure of Rs. 417 mio (2011 Rs. 317 mio)

The year 2012 has witnessed among others the proudful achievement of Clariant expertise engineering knowledge, the successful completion of mega Sustainable Effluent Treatment (SET) at Jamshoro, uniquely designed towards "Zero Liquid Discharge". The project will bring positive environmental impact and lead to big reduction of water intake.

Future Outlook

Adverse macroeconomic influences will keep on challenging the market and business. We believe that what truly matters is how well we are equipped to face stormy weathers.

Looking forward to the year 2013 the global economy is slowly coming out of woods with US taking the lead. However, we still see some potential pitfalls along the roads mainly due to Europe and political tension in parts of Middle East. The local economy which continues to play the dominant role in our businesses is expected to remain in the grip of multifarious challenges of uncertain business conditions, energy outages and geo political situation. We will continue to adopt proactive and cautious approach to address imponderables and have to establish and maintain a high performance culture based on a disciplinary approach. A focus will be to keep vigilant control on net working capital and cost management.

Through our continuous improvement programs, we are confident to maintain our winning performance by overcoming the challenges.

Corporate Social Responsibility

Commitment & Clariant Excellence

Clariant commits itself to ethical and sustainable operation and development in all business activities according to Responsible Care® and Clariant's own Code of Conduct. Clariant strives for a business culture of continuous improvement as well as for sustainable competitiveness and top performance in consideration of Clariant's ethical standards.

Responsibility

Clariant bears an ethical responsibility for sustainable, economic and ecological, as well as fair, business practices. Corporate Social Responsibility is therefore an integral component of our Company's philosophy. All Clariant employees are educated and trained to assume responsibility in line with their function, level of authority and qualification.

Clariant's Management System

Clariant's certified Management System adheres to all internal and external standards to which Clariant subscribes and forms the Company's documented structural framework as the basis for objectives and programs. The system complies with ISO 9001, ISO 14001, OHSAS 18001 and Responsible Care®. Achieving and maintaining a high level of quality across all aspects of our businesses, our ESH related activities, Social Responsibility and Responsible Care®, is our understanding of Corporate Sustainability.

Compliance

Compliance with laws, international standards, internal regulations, and Clariant's Code of Conduct is a basic requirement for all our activities. Clariant appreciates voluntary initiatives and provides adequate support to develop effective and efficient safety, health and environmental regulations.

Safety and Environment

One of Clariant's most important objectives is the safety of its worldwide activities and the protection of people and environment. We set protection goals which are valid throughout the entire group and monitor and evaluate all aspects of our activities.



Risk and Emergency Management

Comprehensive assessment of risks related to our operations and products are prerequisite to our business processes. Local and global emergency organization is in place to ensure comprehensive emergency management and response.

Innovation and Product Stewardship

We are convinced that it will be essential to understand our customers' needs. Innovation and customer focus is the key to our business. We permanently develop better and new products and services to add value to our customers and to our environment. Concurrently, we secure that our products can be used over their entire life cycle in a safe manner for employees, customers, the public and the environment.

Sustainable Operation and Processes

We take initiatives to reduce environmental, safety and health risks in production, storage, distribution and usage of our products and the disposal of waste. This includes the efficient use of energy and resources and the continuous improvement of our processes to minimize the impact of our activities on the environment.

Third Party Management

Our aim is to establish mutually beneficial relationships with our third party suppliers and contractors in order to support our services on the basis of our internal ESHQ standards, which include Corporate Social Responsibility and Responsible Care®. We encourage our suppliers and service providers to adopt standards comparable to Clariant's policies.

Communication

Clariant fosters a culture of proactive and transparent communication as key to trusting and reliable relationships. All stakeholders are regularly informed about our activities, our targets and our ESHQ performance. We identify the concerns and expectations of our stakeholders systematically.

Monitoring and Review

We monitor and review all business aspects and processes including Responsible Care® issues at regular intervals. Observing our quality and performance is an integral component of our business processes, our top priorities and our strategic planning.

Social Contribution

Being an environmentally-responsible Clariant Pakistan Limited (CPL) is dedicated to reducing the environmental impact of its operations to sustainable levels and Company went beyond legal requirements.

Clariant puts a lot of time and engagement in developing solutions that help us to use less resources and in particular the most precious of all: water. The year 2012 has witnessed the prideful achievement of the successful completion of mega Sustainable Effluent Treatment at Jamshoro, uniquely designed towards "Zero Liquids Discharge". The project took investment outlay of Rs. 372 million. It provides opportunity of recycling of waste water and after treatment is used in cooling towers, boilers, washing and gardening as well as preserving every drop of water.



Continuing its commitment to the efficient use of all available resources, CPL implemented possible measures for energy conservation. Electric bulbs and tubes were replaced with energy savers and LED's.

CPL remains committed to its efforts to design and implement health & safety policies which place emphasis on prevention rather than treatment. Furthermore, management systems and processes are systematically evaluated to ensure benchmarking and alignment with industry best practices. Systems are checked and verified through internal and external audits.

Our manufacturing site at Jamshoro is well known for providing free of cost high quality drinking water to the surrounding population.

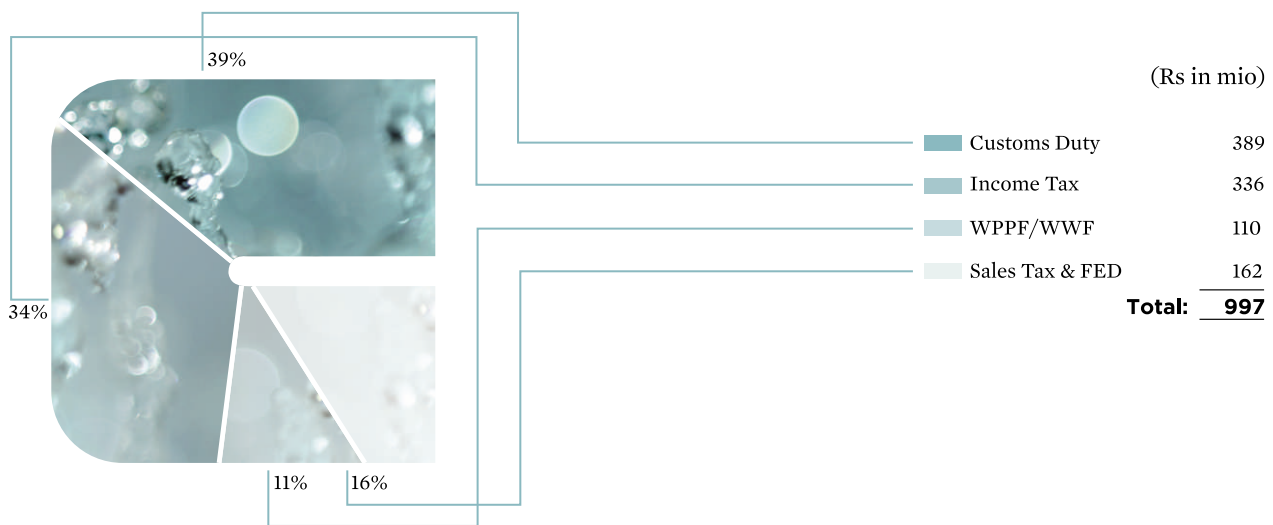
The Company inducts apprentices through the apprenticeship program where students from Engineering universities, Textile and Business institutes are regularly inducted under internship programs.

Todate, Clariant has trained 141 batches comprising of more than 2,930 students from multifarious Universities. During the year under review, Company has incurred Rs 3.88 mio for the complementary training of the students and technicians.

To provide adequate medical facilities to the work force of 500 employees an in-house dispensary with round-the-clock availability of doctor and ambulance service.

Contribution to National Exchequer

Your Company falls under the jurisdiction of the Large Tax Payers Unit (LTU) and contributed over Rs 997 million million in the form of taxes; sales tax etc. as compared to Rs 971 million during the corresponding period.



Human Resources

Clariant Pakistan Limited employs a dedicated and diverse work force which plays a key role in continuing success of the Company. It takes pride in hiring, developing and retaining the best talent through career building and compensation policies. Through Clariant excellence programs Clariant is on its way to continuously improve skills of our workforce and to create sustainable value. Various comprehensive training programs were arranged which facilitate the staff to acquire extensive knowledge and keep themselves abreast of broadening developments in their respective fields.

Director's Training Program

An orientation program was arranged for the Directors to acquaint them with the code, applicable laws, their duties and responsibilities to enable them to effectively manage affairs of the Company for and on behalf of the shareholders.

Corporate Governance

The Company has complied with all the requirements of the Code of Corporate Governance as required by the listing regulations.

Accordingly the Directors are pleased to confirm the following:

- The financial statements prepared by the management of the Company, presents fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements of the Company and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the Company's financial statements.
- The system of internal control of the Company is sound in design and has been effectively implemented and monitored.
- The Company has decided to discontinue the Masterbatches and Leather businesses of the Company in order to better focus on its other lines of business, such as textile, paper and emulsions etc. It is therefore proposed that the plant, machinery, equipment, furniture, and Inventory in respect of the discontinuing lines of business be disposed off at their fair market value.
- The Board of Directors of the Company have called an Extra-Ordinary General Meeting to be held on 15th March 2013 to consider, and if thought fit, approve the sale of certain assets of the Company.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

Statement of Ethics and Business Practices (Code of Conduct)

In order to put in place professional standards and corporate values for promotion of integrity of the Board, senior management and other employees, the board has disseminated a Code of Conduct, defining therein acceptable and unacceptable behaviors. The same has been placed on the Company's website.

Board & Sub Committee Meetings

Meetings of the Board of Directors and Audit Committee were held according to schedule. No casual vacancy occurred on the Board. Audit committee comprises of three members, all of them are non-executive Directors including the Chairman. Meetings held and attendance by each Director in the meetings of the Board and its sub committee is as follows:

Board/ Sub Committee	Board Meeting	Audit Committee
	No of meetings held during the year/Attendance	
	4	4
Mujtaba Rahim	4	4
Alfred Christian Munch (Alternate: Atba Waheed Farooqui)	4	4
Arnaud Frete	-	-
Dr. S. Mubarik Ali	4	4
Khawaja Mustafa Zulqarnain Majid	2	2
M. Veqar Arif	4	4
Stephan Lynen	-	-

Leave of absence was granted to Directors who could not attend the board meetings and they were represented by their respective alternates.

Gratuity and Provident Funds

The value of investments of Gratuity and Provident funds based on the latest audited accounts at 30 June 2012 are as follows.

	2012	2011
	(Rupees in mio)	
Gratuity Fund	546	442
Senior Provident Fund	324	257
Junior Provident Fund	77	65

The value of investment includes accrued interest.

Holding Company

Clariant Pakistan Limited is a subsidiary of Clariant International Ltd, the global leader in the field of specialty chemicals, represented on five continents with more than 100 group companies, headquartered in Muttenz, Switzerland and generated sales of around CHF 7.4 billion in 2011.

Auditors

The present auditors, Messrs A F Ferguson & Co., retiring on the date of Annual general Meeting, being eligible, have offered themselves for re-appointment. The audit Committee has recommended their appointment.

Key Operating & Financial Data

Key Operating and Financial data for last six years shown on page 23.

Pattern of Shareholding

A Statement of the pattern of shareholding is shown on page 75.

There was no trading in the shares of the company by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children during the year.

Acknowledgement

The year 2012 again surpassed all previous performance records due to dedicated efforts of the entire team. The Board thanks all staff members and workers for excellent performance during very difficult times and look forward to achieve further goals in future.

On behalf of the Board



Mujtaba Rahim
Chairman and Chief Executive Officer

Karachi: 25 February 2013

Six years at a glance

	2012	2011	2010	2009	2008	2007
	------(Rupees '000)-----					
Property, plant and equipment	1,421,156	1,163,160	1,001,342	966,188	989,326	851,456
Net current assets excluding bank borrowings	3,814,501	2,754,342	2,813,836	2,680,822	2,928,822	2,258,200
Total assets employed	5,235,657	3,917,502	3,815,178	3,647,010	3,918,148	3,109,656
Share capital	341,179	341,179	272,943	272,943	272,943	218,355
Revenue reserves and unappropriated profit	3,289,163	2,727,008	2,385,464	1,963,943	1,651,049	1,296,276
Bank borrowings	1,605,315	849,315	1,156,771	1,410,124	1,994,156	1,595,025
Total funds employed	5,235,657	3,917,502	3,815,178	3,647,010	3,918,148	3,109,656
Net sales	9,859,790	8,371,140	8,383,872	7,697,030	7,061,056	5,757,456
Profit before taxation	1,460,843	1,040,888	983,529	831,031	739,776	664,736
Profit after taxation	1,176,277	778,253	762,700	585,837	518,538	464,848
Cash dividend - %	200	180	135	125	100	100
Bonus issue - %	-	-	25	-	-	25
Earnings per share - Rupees	34.47	22.81	22.35	17.17	15.20	13.62
Break-up value per share - Rupees	106.4	89.93	77.92	65.56	56.39	44.39
Current Ratio	1.70	2.12	1.89	1.66	1.61	1.51
Assets Turnover	1.39	1.54	1.56	1.55	1.49	1.35
Return on Assets %	20.74	19.23	18.34	16.71	15.65	15.62
Return on Equity %	40.24	33.92	37.00	37.15	38.45	43.89
Pay-out Ratio after tax	58.02	78.91	57.26	58.25	52.64	58.71

Awards and Achievements

The management continues to drive the company to straight years of increased profits and continued to garner accolades during the year 2012 as well. These merit badges are recognition of Clariant Pakistan’s superior workforce. These accomplishments serve as a foundation for future aspirations.

Top 25 Companies Award (2011) Karachi Stock Exchange

The Company was again selected for the KSE Top 25 Companies Award for 2011 by the premier stock exchange of the Country for acknowledgement of its performance and growth. This is the 11th time consecutively in a row that Clariant is honored with this prestigious recognition. The Karachi Stock Exchange every year distribute Top 25 Companies Awards for excellence to recognize listed companies performance on the factors like: Financial Performance, Distribution. Sustained Commitment to Investor Value Enhancement, Corporate Social Responsibility and Good Corporate Governance.

Despite of competitive scenario, CPL remained consistent in maintaining its status by retaining 7th position amongst its peer group.

Environmental Excellence Award-2012

National Forum for Environment & Health (NFEH) has been taking a firm stand on various environmental issues. Through our contributions in the field of environment friendly policies, the Company has a distinction of getting this award for the 5th time which shows our outstanding contribution to sustainable development.



28th Corporate Excellence Award

The Company was also conferred the Excellence Award in chemical sector by Management Association of Pakistan. Companies are evaluated for their financial strength, CSR policies and management practices. The financial evaluation covers the period of preceding three years in order to absorb the effects of fluctuations and also to recognize the impact of long term policies and strategic decisions. This is the 2nd time consecutively in a row that Clariant is honored with this prestigious recognition.

Fire Safety Award-2012

Company is also a recipient of Fire Safety Award for the second time in a row awarded by Fire Protection Association of Pakistan. It shows sound fire safety arrangements in an organized manner at various concerns.



Calendar of the Year

Clariant Pakistan's calendar for the year 2011 was declared the Best Calendar of the year by National Council of Culture and Arts.

These awards are validating the well planned corporate business strategy of the management of Clariant Pakistan Ltd based on prudence and cautiousness and which is proactively aligned to meet challenges even in the difficult operating environment.

Zero Liquid Discharge

One of Clariant's most important objectives in its global activities is the safety and the protection of people and the environment. Clariant is highly committed to environmental protection and safety in all areas of activity. Its own environmental, safety and health (ESH) regulations are based on the charter's objectives. In addition, Clariant plants throughout the world have been certified under ISO 9001, ISO 14001, and OHSAS 18001.

Environment protection being at the top priority begins with product design and product development, continues with the production process, the resources utilized, and the transport and product safety, and finally ends with the best possible recovery sustainability. The raw materials, the manufacturing and distribution of the products, and the use and disposal of these products are examined for compliance with environmental and business requirements. Conceivable risks stemming from production facilities are systematically catalogued and analyzed in order to be able to take the greatest advantage possible of potential for improvement. Despite the challenging economic condition Clariant has been continuing and intensifying efforts to achieve sustainable management and demonstrated high degree of commitment in protecting environment.



Every Drop Counts: Sustainable Effluent Treatment, Uniquely Designed towards "Zero Liquid Discharge" leading age technology at Jamshoro.

The Jamshoro site, one of the largest production plant of Textile Chemicals in the Clariant world, supplying dyes and chemicals to four continents has a 42 years old history of significant existence. Spread over more than 90 acres of land with high tech production facilities complemented with lush plantations. The build area not only comprises of independently located manufacturing plants for dyes, chemicals, binders, emulsions and pigments preparations but also has separate infrastructural set-up for provision of utilities, site security and social services. The site has an independent quality assurance laboratories assuring standardization of the materials coming-in and going-out from the site with safe and secure methods. To run wheel of economic activities moving with greater pace and momentum Clariant continues to opt the investment opportunities to cater for future production and infrastructure needs with regards to utilities, ecology & safety.

The year 2012 has witnessed among others the proudful achievement of Clariant expertise engineering knowledge, the successful completion of sustainable effluent treatment at Jamshoro site, uniquely designed towards "Zero liquid discharge". The project was initiated in year 2011 and took investment outlay of Rs. 372 million.



The successful implementation and completion is the continuation of our policy adopted many years back as far as waste water management is concerned and has spread over in many phases. In the year 1993-1995 a lagoon system has been installed covering an area of 24,850 m² with the consideration of treatment of effluent on natural evaporation and degradation due to high winds & heat at Jamshoro. Since then the waste water treatment system has been gradually upgraded and extended with increase in production volume. In year 2004 the effluent treatment has extended by primary treatment for waste coming from polymer dispersion and dyes production. In the year 2007 phase II, secondary treatment was introduced. With the passage of time it became evident that the sustainable solution could not be achieved with the conventional method (primary and secondary treatment). Since 2008 we together with Corporate Engineering and global Production & Technology are working on a concept to realize Zero Liquid Discharge. Evaluating the possible options available finally a reliable & sustainable proposal was worked out to upgrade existing water treatment facilities, phase III to treat waste water and solid waste materials. Accordingly primary and secondary treatment upgraded. Tertiary treatment is adopted in order to purify water coming from secondary. Plant installation was started in September 2011 which was completed in record period of 8 months (April 2012). Since then plant is in operation and running smoothly with 80% recovery and same is used at plant, where 20% reject is evaporated.

With advancement of technology there has also been a rise in the amount of sludge produced from the above high tech waste water treatment process. Land filling such sludge is practiced in normal. But here we have very limitations (non availability of such type of land filling or any other arrangement for public). The stabilization of hazardous sludge before disposal is necessary. The numbers of studies have been carried out on the solidification / stabilization of heavy metals sludge and other hazardous wastes. The best ones are to use in cement industry/ brick manufacturing or road filling. Knowing these comprehensive studies, Clariant Pakistan decided to put Kiln Incinerator with two chambers having temperature range (1st 9000 C and second 14000C) is much safer to decompose all organic materials and to produce steam from heat recovery system and to push out gases through scrubber system to get clean discharge of flue gases in atmosphere.

The sustainable effluent treatment coupled with Kiln based incineration plant with scrubber facility is unique in this country to discharge off gases through scrubber to control CO, Co₂, NO_x etc. below the NEQ's. The double chamber Kiln Incinerator and scrubber systems ensure clean discharge of gases in atmosphere. The recycling of waste water after treatment is used in cooling towers, boilers, dyes plant, washing and gardening and is reducing the dependency on river water & preserving every drops of water.

Statement of Compliance with the Code of Corporate Governance.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No 35 of listing regulations of The Karachi Stock Exchange (Guarantee) 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 the CCG in the following manner:

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

Category	Names
Independent Director	: Khawaja Mustafa Zulqarnain Majid
Executive Directors	: Mujtaba Rahim, M Veqar Arif
Non-Executive Directors	: Dr S Mubarik Ali, Alfred Christian Munch, Arnaud Frete, Stephan Lynen.

The condition of clause 1(b) of the CCG in relation to independent director will be applicable after election of next Board of directors of the Company in March 2015.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy has occurred on the Board during the year 2012. The vacancy was filled up within 30 days of its occurrence.
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 and mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the chairman and the Board met once in every quarter during the year ended 31 December 2012. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged one training program for its directors during the year. The directors were apprised about the changes in the CCG applicable laws and their duties and responsibilities to effectively manage the affairs of the company for and on behalf of the shareholders.
10. The Board had approved appointments of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company.
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, all of whom are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration committee. It comprises three members, of whom two are executive directors and the chairman of the committee is a non-executive Director.
18. The board has set up an effective internal audit function on a full time basis. The Staff is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the 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 the stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board



Mujtaba Rahim
Chairman and Chief Executive Officer

Karachi: 25 February 2013



A. F. FERGUSON & CO.

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

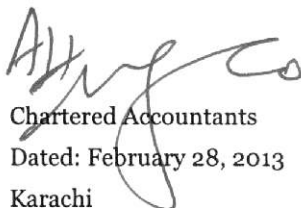
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Clariant Pakistan Limited** to comply with the requirements of Chapter XI of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Regulation 35 (x) of the Listing Regulations 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. All such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2012.


Chartered Accountants
Dated: February 28, 2013
Karachi

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>*

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Islamabad: PLA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320*



A. F. FERGUSON & CO.

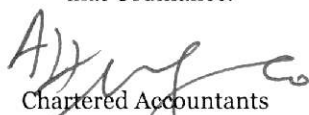
AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Clariant Pakistan Limited** as at December 31, 2012 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 purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of 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 accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of 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, 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 December 31, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.


 Chartered Accountants
 Engagement Partner: **Rashid A. Jafer**
 Dated: February 28, 2013
 Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
 State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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Balance Sheet as at 31 December 2012

ASSETS	Note	2012 (Rs '000)	2011 (Rs '000)
Non-current assets			
Property, plant and equipment	3	1,172,480	1,163,160
Long-term loans and advances	4	35,199	26,424
Long-term deposits		2,964	3,395
		<u>1,210,643</u>	<u>1,192,979</u>
Current Assets			
Stores and spares	5	24,910	26,299
Stock-in-trade	6	1,108,322	1,374,589
Trade debts	7	2,030,479	1,393,752
Loans and advances	8	22,093	22,031
Trade deposits and short-term prepayments	9	25,795	8,477
Other receivables	10	1,212,378	907,938
Cash and bank balances	11	507,012	486,828
		4,930,989	4,219,914
Assets of disposal group classified as held for sales	12	900,435	-
		<u>7,042,067</u>	<u>5,412,893</u>
Total Assets			
EQUITY AND LIABILITIES			
Equity			
Share capital	13	341,179	341,179
Revenue reserves		2,110,000	1,945,000
Unappropriated profit		1,179,163	782,008
Shareholders' Equity		<u>3,630,342</u>	<u>3,068,187</u>
LIABILITIES			
Non-current liabilities			
Deferred taxation - net	14	128,608	86,469
Long-term financing	15	-	266,666
		128,608	353,135
Current liabilities			
Short-term borrowings	16	1,338,649	515,982
Mark-up accrued	17	25,585	13,207
Taxation - net		22,495	21,531
Trade and other payables	18	1,629,722	1,374,184
Current portion of long-term financing	15	266,666	66,667
		3,283,117	1,991,571
		3,411,725	2,344,706
Contingencies and Commitments	19		
		<u>7,042,067</u>	<u>5,412,893</u>
Total Equity and Liabilities			

The annexed notes 1 to 42 form an integral part of these financial statements.



Mujtaba Rahim
Chairman and Chief Executive Officer



M Veqar Arif
Director and Chief Financial Officer

Profit and Loss Account for the year ended 31 December 2012

Continuing Operations	Note	2012 (Rs '000)	2011 (Rs '000)
Sales	20	7,720,107	6,364,057
Discounts and commission	20	515,619	431,821
Sales tax and federal excise duty	20	78,075	144,873
		<u>593,694</u>	<u>576,694</u>
Net Sales		7,126,413	5,787,363
Cost of goods sold	21	<u>5,107,884</u>	<u>4,388,698</u>
Gross Profit		2,018,529	1,398,665
Distribution and marketing expenses	22	523,194	434,665
Administrative expenses	23	126,095	110,601
		<u>649,289</u>	<u>545,266</u>
		1,369,240	853,399
Other operating income	25	13,889	17,471
		<u>1,383,129</u>	<u>870,870</u>
Other operating expenses	26	86,902	52,268
Operating profit		1,296,227	818,602
Finance costs	27	182,997	156,537
Profit before taxation		1,113,230	662,065
Taxation - net	28	218,862	182,566
Profit after taxation from Continuing Operations		<u>894,368</u>	<u>479,499</u>
Profit after taxation from Discontinued Operations	29	281,909	298,754
Other comprehensive income		-	-
Total comprehensive income for the year		<u>1,176,277</u>	<u>778,253</u>
		(Rupees)	(Rupees)
Earnings per share	30.1	<u>34.47</u>	<u>22.81</u>

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

The annexed notes 1 to 42 form an integral part of these financial statements.



Mujtaba Rahim
Chairman and Chief Executive Officer




M Veqar Arif
Director and Chief Financial Officer

Cash Flow Statement for the year ended 31 December 2012

Cash flows from operating activities	Note	2012 (Rs '000)	2011 (Rs '000)
Cash generated from operations	35	793,681	1,563,546
Staff gratuity - paid		(53,440)	(37,721)
Mark-up paid		(149,297)	(189,596)
Income taxes paid		(292,463)	(256,463)
Movement in long-term loans and advances		(8,775)	(4,965)
Movement in long-term deposits and prepayments		431	275
Net cash generated from operating activities		290,137	1,075,076
Cash flows from investing activities			
Fixed capital expenditure		(417,045)	(317,464)
Proceeds from disposal of operating fixed assets		2,814	471
Net cash used in investing activities		(414,231)	(316,993)
Cash flows from financing activities			
Long-term financing - proceeds		-	-
- repayments		(66,667)	(333,334)
Short-term borrowings - proceeds		4,856,401	3,440,186
- repayments		(4,380,697)	(3,341,110)
Dividend paid		(611,722)	(366,629)
Net cash used in financing activities		(202,685)	(600,887)
Net decrease/increase in cash and cash equivalents		(326,779)	157,196
Cash and cash equivalents at the beginning of the year		382,907	225,711
Cash and cash equivalents at the end of the year	36	56,128	382,907

The annexed notes 1 to 42 form an integral part of these financial statements.


 Mujtaba Rahim
 Chairman and Chief Executive Officer


 M Veqar Arif
 Director and Chief Financial Officer

Statement of Changes in Equity for the year ended 31 December 2012

	Issued, subscribed and paid-up capital	Reserve for issue of bonus shares	Revenue reserves	Unappropri- ated profit	Total
------(Rupees '000)-----					
Balance as at 31 December 2010	272,943	-	1,620,000	765,464	2,658,407
Transfer to revenue reserves appropriated subsequent to year end	-	-	325,000	(325,000)	-
Final dividend for the year ended 31 December 2010 declared subsequent to year end	-	-	-	(368,473)	(368,473)
Transfer to revenue for issue of bonus shares made subsequent to year end	-	68,236	-	(68,236)	-
Issue of bonus shares	68,236	(68,236)	-	-	-
Total comprehensive income for the year ended 31 December 2011	-	-	-	778,253	778,253
Balance as at 31 December 2011	341,179	-	1,945,000	782,008	3,068,187
Transfer to revenue reserves appropriated subsequent to year end	-	-	165,000	(165,000)	-
Final dividend for the year ended 31 December 2011 declared subsequent to year end	-	-	-	(614,122)	(614,122)
Total comprehensive income for the year ended 31 December 2012	-	-	-	1,176,277	1,176,277
Balance as at 31 December 2012	341,179	-	2,110,000	1,179,163	3,630,342

Appropriations and transfers between reserves made subsequent to the year ended 31 December 2012 are disclosed in note 39 to these financial statements.

The annexed notes 1 to 42 form an integral part of these financial statements.



Mujtaba Rahim
Chairman and Chief Executive Officer



M Veqar Arif
Director and Chief Financial Officer

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

1. The Company and its Operations

The Company is a limited liability company and is incorporated and domiciled in Pakistan. The address of its registered office is 1-A/1, Sector 20, Korangi Industrial Area, Korangi, Karachi, Pakistan. The Company is listed on the Karachi Stock Exchange. The Company is a subsidiary of Clariant International Ltd. incorporated in Switzerland.

The Company is engaged in the manufacture and sale of chemicals, dyestuffs, emulsions and masterbatches. It also acts as an indenting agent.

1.1 Assets held for sale and discontinued operations

As part of a strategy repositioning, Clariant International Ltd. has decided to divest the BU Textile Chemicals, BU Paper Specialties and BL Emulsions to SK Capital as per an agreement dated December 22, 2012. However, Clariant Pakistan Limited has been excluded from this agreement (with a pre-agreement to enter into such a transaction). In pursuance of the above, the Company, subject to regulatory approval, intends to dispose of the assets of the BU Masterbatches and BU Leather Services to a wholly owned subsidiary of Clariant Group.

The Board of Directors consented vide resolution by circulation to call an Extra-Ordinary General Meeting of the Members on March 15, 2013 for the approval of disposal of assets relating to the operations of the BU Masterbatches and BU Leather Services. Consequently the assets of the respective Business Units have been classified as held for sale in accordance with IFRS 5: Non current assets held for sale and discontinued operations.

Assets classified as held for sale comprise of plant & machinery, equipment, furniture, spares and stock in trade for BU Masterbatches and BU Leather Services. Assets classified as held for sale are presented in note 12, the results of the discontinued operations and net cash flows attributable to the operating, investing and financing activities of the discontinued operations are presented in note 29.

Assets held for sale are measured at the lower of carrying amount and fair value less cost to sell. The management is in the process of having a fair valuation carried out and they do not expect that assets held for sale will be subject to any impairment loss.

1.2 Basis of preparation

1.2.1 Statement of compliance

These financial statements have been prepared in accordance with the 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 provisions of the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP prevail.

1.2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain staff retirement benefits which are carried at present value.

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

1.2.3 Discontinued Operations

Basis of preparation of results from the discontinued operations and the net cash flows of the discontinued operations are presented in note 29.10.

1.2.4 New and amended standards and interpretation that are effective in the current year.

The following new and amended standards and interpretations have been published and are mandatory for the first time for the financial year beginning January 1, 2012:

- IFRS 7, Financial Instruments (effective January 1, 2012). The amendments promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposure relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any significant impact on the Company's financial statements, other than certain additional disclosures.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2012 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

1.2.5 New and amended standards and interpretations that are not yet effective:

The following are new and amended standards and interpretations that have been published and are mandatory for the Company's accounting period beginning on or after January 1, 2013.

- IAS 19 (Amendment), 'Employee benefits', is effective for the accounting periods beginning on or after January 1, 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The amendment does not have any impact on the Company's financial statements, as the Company has a policy of immediate recognition of all actuarial gains and losses.
- IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from this amendment is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI. The amendment does not have any significant impact on the Company's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or will not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

1.2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 40 to these financial statements.

2. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless stated otherwise.

2.1 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset. Currently, the company does not have any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

2.2 Property, plant and equipment

2.2.1 Operating Fixed Assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except freehold land and capital work-in-progress which are stated at cost less accumulated impairment losses, if any.

Depreciation is charged to income applying the straight line method, whereby the depreciable amount of an asset is written off over its estimated useful life. The cost of leasehold land is amortised equally over the lease period. The asset's residual values and useful lives are reviewed, and adjusted if required, at each balance sheet date.

Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal. The rates of depreciation are stated in notes 3.1 and 12.1 to these financial statements.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account as and when incurred.

Gains / losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit and loss account in the year in which they arise.

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

2.2.2 Capital Work in Progress

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these are available for use.

2.2.3 Impairment

The Company assesses at each balance sheet date whether there is objective evidence that property, plant and equipment may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount and the differences are recognised in the profit and loss account.

2.3 Stock-in-trade

Stock-in-trade are valued at the lower of cost determined on the moving average method and net realisable value.

Cost of work-in-process and manufactured finished goods comprises cost of direct materials, direct labour and an appropriate portion of production overheads. Cost in respect of items in transit includes the invoice values and other charges incurred thereon.

Provision for obsolete and slow moving inventories is determined based on the management's assessment regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and estimated costs necessarily to be incurred to make the sale.

2.4 Stores and spares

Stores and spares are valued at the lower of cost determined on the moving average method and net realisable value. Cost in respect of items in transit includes the invoice values and other charges incurred thereon.

Provision for obsolete and slow moving stores and spares is determined based on the management's assessment regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and estimated costs necessarily to be incurred to make the sale.

2.5 Financial instruments

2.5.1 Financial assets

2.5.1.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The financial assets of the Company are categorized as follows:

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

a) **Financial assets at fair value through profit or loss**

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as 'financial assets at fair value through profit or loss' category.

b) **Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise of trade debts, loans and advances, deposits, cash and bank balances and other receivables in the balance sheet.

c) **Held to maturity**

These are financial assets with fixed or determinable payments and fixed maturity which the Company has the positive intent and ability to hold to maturity.

d) **Available for sale financial assets**

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity (c) financial assets at fair value through profit or loss.

2.5.1.2 Initial recognition and measurement

All financial assets are recognised at the time the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the profit and loss account.

2.5.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) **Financial asset at fair value through profit or loss' and 'available for sale'**

'Financial assets at fair value through profit or loss' are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

'Available for sale' financial assets are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognised in other comprehensive income.

b) Loans and receivables' and 'held to maturity'

Loans and receivables and held to maturity financial assets are carried at amortised cost.

2.5.1.4 Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A significant or prolonged decline in the fair value of a financial asset below its cost / amortised cost is also an objective evidence of impairment. Provision for impairment in the value of financial assets, if any, is taken to the profit and loss account.

2.5.1.5 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

2.5.2 Financial liabilities

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

2.5.3 Derecognition

Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

2.6 Loans, advances and deposits

These are stated at cost less estimates made for any doubtful receivables based on a review of all outstanding amounts at the balance sheet date. Balances considered bad and irrecoverable are written off when identified.

2.7 Trade and other receivables

Trade and other receivables are carried at original invoice amount less an estimate for doubtful balances which is determined based on review of outstanding amounts and previous repayment pattern. Balances considered bad and irrecoverable are written off when identified.

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

2.8 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash in hand, cash in transit, cheques and drafts in hand and in transit, balances held with banks in current accounts and short-term running finances. Short-term running finances are shown within short-term borrowings in current liabilities on the balance sheet.

2.9 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any and taxes paid under Final Tax Regime. The charge for current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

Deferred

Deferred taxation is recognised using the balance sheet liability method on all major temporary differences arising between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2.10 Trade and other payables

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

2.11 Staff benefits

2.11.1 Retirement benefits

The Company operates:

- a) an approved contributory provident fund for all eligible employees; and
- b) an approved gratuity fund for all employees. Annual contributions are made to the fund on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gains or losses at each valuation date are recognised as income or expense immediately.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

2.11.2 Compensated absences

The liability in respect of compensated absences of employees on unavailed leave balances is accounted for in the period in which the leave is earned.

2.11.3 Share - based payment transactions

The Clariant group has a Clariant Executive Bonus Plan (CEBP) which was launched in 2007. Under the CEBP, share appreciation rights in respect of shares of Clariant International Ltd, Muttenz, Switzerland are granted to certain employees based on the performance of the Group and the performance of the business unit / function in which incentive plan members work. The granted share appreciation rights of Clariant International Ltd, Muttenz, Switzerland become vested and are exercisable after 3 years. No options are granted under the CEBP.

The fair value of the amount payable to employees in respect of share appreciation rights and / or phantom stocks, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as salaries, wages and benefits in the profit and loss account.

2.12 Foreign currency transactions

Transactions in foreign currencies are translated to Pakistani Rupees at the foreign exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange approximating those at the balance sheet date. Exchange gains / losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to the profit and loss account.

2.13 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.14 Provisions

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

2.15 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

2.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Sales are recognised as revenue when goods are delivered and invoiced.
- Indenting commission is recognised on receipt of shipment confirmation from suppliers.

2.17 Operating leases / Assets acquired under Ijarah financing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases and ijarah financing (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease / ijarah term.

2.18 Segment reporting

Operating segments are determined and presented in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components.

The Company has determined operating segments using business units. The business units have been established on the basis of products offered to external customers. The Company's Chief Executive Officer reviews the financial performance of the Company by business units.

In accordance with the Company's internal reports, that are regularly reviewed by the entity's chief operating decision-maker to allocate resources to the segments and assess their performance, function costs (comprising those with respect to finance, procurement, other administration, legal, information technology, human resources, etc.) are allocated to the respective operating segments. The segment information has been disclosed in note 31 to these financial statements.

3. Property, Plant and Equipment

	Note	2012 (Rs '000)	2011 (Rs '000)
Operating fixed assets	3.1	1,052,875	937,607
Capital work-in-progress	3.5	119,605	225,553
		<u>1,172,480</u>	<u>1,163,160</u>

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

3.1 The following is a statement of operating fixed assets of Continued Operations:

	Continued Operations							Total
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Vehicles	Furniture, fixtures and equipment	
----- (Rupees '000) -----								
At 1 January 2012								
Cost	36,314	18,797	351,202	156,735	956,806	671	358,463	1,878,988
Accumulated depreciation / amortisation	-	(5,778)	(188,989)	(86,590)	(549,046)	(649)	(275,391)	(1,106,443)
Net book value	36,314	13,019	162,213	70,145	407,760	22	83,072	772,545
Year ended 31 December 2012								
Opening net book value	36,314	13,019	162,213	70,145	407,760	22	83,072	772,545
Additions	-	-	115,853	4,502	242,424	50	42,709	405,538
Disposals: (note 3.3)								
Cost	-	-	-	-	-	-	5,517	5,517
Accumulated depreciation	-	-	-	-	-	-	(5,450)	(5,450)
	-	-	-	-	-	-	67	67
Depreciation / amortisation charge for the year	-	(301)	(16,095)	(7,781)	(67,187)	(17)	(33,760)	(125,141)
Closing net book value	36,314	12,718	261,971	66,866	582,997	55	91,954	1,052,875
At 31 December 2012								
Cost	36,314	18,797	467,055	161,237	1,199,230	721	395,655	2,279,009
Accumulated depreciation / amortisation	-	(6,079)	(205,084)	(94,371)	(616,233)	(666)	(303,701)	(1,226,134)
Net book value	36,314	12,718	261,971	66,866	582,997	55	91,954	1,052,875
Depreciation / amortisation rate: % per annum	-	1.32 & 5	2.5 & 5	5	10 & 20	20	10 to 33.33	
2011								
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Vehicles	Furniture, fixtures and equipment	Total
----- (Rupees '000) -----								
At 1 January 2011								
Cost	36,314	18,797	333,433	144,698	1,244,181	672	402,500	2,180,595
Accumulated depreciation / amortisation	-	(5,478)	(174,116)	(78,425)	(753,853)	(639)	(284,472)	(1,296,983)
Net book value	36,314	13,319	159,317	66,273	490,328	33	118,028	883,612
Year ended 31 December 2011								
Opening net book value	36,314	13,319	159,317	66,273	490,328	33	118,028	883,612
Additions	-	-	17,769	12,037	154,781	66	24,988	209,641
Disposals:								
Cost	-	-	-	-	20,177	-	13,731	33,908
Accumulated depreciation	-	-	-	-	(20,177)	-	(13,605)	(33,782)
	-	-	-	-	-	-	126	126
Depreciation / amortisation charge for the year	-	(300)	(14,873)	(8,165)	(91,317)	(12)	(40,853)	(155,520)
Closing net book value	36,314	13,019	162,213	70,145	553,792	87	102,037	937,607
At 31 December 2011								
Cost	36,314	18,797	351,202	156,735	1,378,785	738	413,757	2,356,328
Accumulated depreciation / amortisation	-	(5,778)	(188,989)	(86,590)	(824,993)	(651)	(311,720)	(1,418,721)
Net book value	36,314	13,019	162,213	70,145	553,792	87	102,037	937,607
Depreciation / amortisation rate: % per annum	-	1.32 & 5	2.5 & 5	5	10 & 20	20	10 to 33.33	

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

3.2 The depreciation / amortisation charge for the year has been allocated as follows:

	Note	2012 (Rs '000)	2012 (Rs '000)
Cost of goods sold	21	97,286	95,989
Distribution and marketing expenses	22	19,912	20,857
Administrative expenses	23	2,349	2,076
		<u>119,547</u>	<u>118,922</u>

3.2.1 The depreciation charge allocated does not include the depreciation charge in respect of discontinued operations amounting to Rs 5.594 million as the related assets were utilised for discontinued operations during the year.

3.3 Details of property, plant and equipment disposed off during the year:

Description	Mode of Disposal	Cost	Accumulated depreciation	Book value	Sale proceeds	Particulars of buyers
------(Rupees '000)-----						
Furniture & Fixtures having book value below Rs 50,000	Negotiation/ Company policy	5,517	5,450	67	749	Various

3.4 The above balance includes furniture, fixtures and equipment with Rs Nil (2011: 0.125 million) net book value disposed off to key management personnel during the year for Rs 0.066 million (2011: Rs 0.132 million) as per the Company policy.

3.5 Capital Work-in-Progress

	Note	2012 (Rs '000)	2011 (Rs '000)
Civil works		66,941	60,700
Plant and machinery		42,583	157,303
Equipment		10,081	7,550
		<u>119,605</u>	<u>225,553</u>

4. Long-term Loans and Advances - Conderation good

	Note	2012 (Rs '000)	2011 (Rs '000)
Due from:			
Chief Executive Officer	4.3	-	1,404
Director		-	3,037
Executives	4.1 & 4.3	44,077	30,547
Employees		11,318	13,411
		<u>55,395</u>	<u>48,399</u>
Less: Receivable within one year	8	20,196	21,975
		<u>35,199</u>	<u>26,424</u>

4.1 This includes an amount of Rs 0.623 million (2011: Rs 9.990 million) in respect of loans provided to key management personnel of the Company.

4.2 Loans to Executives and employees are provided for the purchase of motor vehicles, furniture and for house building assistance in accordance with the terms of their employment. These loans are un-secured, interest free and are repayable over varying periods ranging between two to six years.

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

4.3 Reconciliation of carrying amount of loans to Chief Executive Officer and Executives.

	2012			2011		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
	(Rs '000)			(Rs '000)		
Opening balance	1,404	3,037	30,547	2,808	-	23,867
Disbursements / transfers during the year	-	-	25,515	-	3,644	18,984
Repayments during the year	(1,404)	(3,037)	(11,985)	(1,404)	(607)	(12,304)
Closing Balance	-	-	44,077	1,404	3,037	30,547

4.4 The maximum aggregate amount due from the Chief Executive Officer, Director and Executives at the end of any month during the year were Rs 1.287 million (2011: Rs 2.691 million), Rs 2.835 million (2011: Rs 3.441 million) and Rs 46.668 million (2011: Rs 35.611 million) respectively.

5. Stores and Spares

	Note	2012 (Rs '000)	2011 (Rs '000)
Stores		4,489	4,323
Spares		19,847	19,246
In transit		574	2,730
		<u>24,910</u>	<u>26,299</u>

6. Stock-in-Trade

Raw and packing materials including goods in transit of Rs 167.330 million (2011: Rs 211.154 million)		547,492	669,486
Work-in-process	21	25,134	140,976
Finished goods including goods in transit of Rs 16.689 million (2011: Rs 29.727 million)	6.2 & 21	535,696	564,127
		<u>1,108,322</u>	<u>1,374,589</u>

6.1 The above balance includes items costing Rs 0.398 million (2011: Rs 6.573 million) which have been valued at their net realisable value amounting to Rs 0.304 million (2011: Rs 6.259 million).

6.2 This includes imported finished goods amounting to Rs 120.842 million (2011: Rs 152.884 million).

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

7. Trade Debts	Note	2012 (Rs '000)	2011 (Rs '000)
Related parties - Considered good			
- Clariant Turkey A.S.		16,991	4,097
- Clariant (Colombia) S.A.		121	1,175
- PT Clariant Indonesia		10,610	5,450
- Clariant Chemicals (Thailand) Limited		-	3,925
- Clariant Produkte (Deutschland) GmbH		11,581	4,734
- Clariant Colorquimica (Chile)		1,901	-
- Clariant (Maroc) S.A.		1,348	-
- Clariant (Mexico) S.A de C.V.		2,419	-
- Clariant (Tianjin) Ltd.		-	745
- CLA Specially Fine Chemicals		-	817
- Clariant Honduras S.A.		-	2,476
- Clariant Chemicals (India) Ltd.		11,374	4,878
- Clariant (Peru) S.A.		545	595
- Clariant (Singapore) Pte Ltd.		39,057	43,791
- Clariant Masterbatch Huningue		2,161	-
- Clariant Chemicals (China) Ltd.		2,948	-
- Clariant (China) Limited		2,815	1,704
- Clariant MB (Saudi Arabia) Limited		4,431	187
		<u>108,302</u>	<u>74,574</u>
Others - considered good:			
- Secured		82,479	23,022
- Unsecured		1,839,698	1,296,156
		<u>2,030,479</u>	<u>1,393,752</u>
Other - Considered doubtful		<u>176,220</u>	<u>186,214</u>
		2,206,699	1,579,966
Less: Provision for impairment of trade debts	7.1	<u>(176,220)</u>	<u>(186,214)</u>
		<u>2,030,479</u>	<u>1,393,752</u>
7.1 Reconciliation of provision for impairment of trade debts			
Opening provision		186,214	187,179
Charge for the year - net	29.6	5,241	-
Written off during the year		(15,235)	(965)
Closing provision		<u>176,220</u>	<u>186,214</u>

7.2 As at December 31, 2012, Rs 410.802 million (2011: Rs 365.723 million) of the gross trade debts are overdue but not impaired. These balances relate to various customers for whom there is no recent history of default. The aging analysis of these trade debts is as follows:

	2012 (Rs '000)	2011 (Rs '000)
Upto 3 months	327,858	299,249
3 to 6 months	82,944	66,474
	<u>410,802</u>	<u>365,723</u>

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

8. Loans and Advances

Considered good - unsecured

Current portion of loans and advances

Amounts due from:

- Chief Executive Officer
- Director
- Executives
- Employees

Advances for supplies and services

Note	2012 (Rs '000)	2011 (Rs '000)
	-	1,404
	-	2,428
	16,521	13,730
	3,675	4,413
4	<u>20,196</u>	<u>21,975</u>
	1,897	56
	<u>22,093</u>	<u>22,031</u>

9. Trade Deposits and Short-term Prepayments

Deposits

Short-term prepayments

6,129	2,339
19,666	6,138
<u>25,795</u>	<u>8,477</u>

10. Other Receivables

Due from the Government:

- Sales tax
- Others

Indent commission due from:

- Related parties - group companies
- Others

Receivable from provident fund (related party)

Others

	1,199,355	893,859
	3,541	1,862
	1,202,896	895,721
10.1	4,501	3,049
	1,466	721
	1,243	6,547
	2,272	1,900
	<u>1,212,378</u>	<u>907,938</u>

10.1 The names of group companies and the corresponding amounts due from them in respect of indenting commission as at 31 December 2012 are as follows:

	2012 (Rs '000)	2011 (Rs '000)
Clariant (China) Limited	525	802
Clariant (Australia) Pty. Ltd.	-	72
Sud-Chemie Catalyst Japan	1,855	-
Clariant (Gulf) FZE UAE	290	-
Clariant Corporation USA	38	36
Clariant Masterbatches Huningue	387	352
P.T. Clariant Indonesia	242	284
Clariant (Thailand) Limited	116	-
Clariant Chemicals India Limited	19	356
Clariant Masterbatches (Thailand)	-	9
Clariant S.A.	139	78
Clariant International AG	886	1,058
Clariant Masterbatches (UK) Limited	2	2
Clariant Masterbatches Ireland	2	-
	<u>4,501</u>	<u>3,049</u>

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

11. Cash and Bank Balances	Note	2012 (Rs '000)	2011 (Rs '000)
With banks in current accounts		85,375	125,412
Cash in hand		3,297	2,619
Cheques and drafts in hand		418,340	358,797
		<u>507,012</u>	<u>486,828</u>
12. Assets of Disposal Group Classified as held for Sale			
Plant and equipment	12.1	165,545	-
Capital work-in-progress	12.2	83,131	-
Stores and spares	12.3	2,852	-
Stock-in-trade	12.4	648,907	-
		<u>900,435</u>	<u>-</u>
12.1 Plant and equipment			

	Discontinued Operations					Total
	Lease hold land	Buildings on leasehold land	Plant and machinery	Vehicles	Furniture, fixtures and equipment	
----- (Rupees '000) -----						
At 1 January 2012						
Cost	-	-	421,979	67	55,294	477,340
Accumulated depreciation / amortisation	-	-	(275,947)	(2)	(36,329)	(312,278)
Net book value	-	-	<u>146,032</u>	<u>65</u>	<u>18,965</u>	<u>165,062</u>
Year ended 31 December 2012						
Opening net book value	-	-	146,032	65	18,965	165,062
Additions	-	-	26,042	-	8,282	34,324
Disposals: (note 12.1.1)						
Cost	-	-	9,896	67	596	10,559
Accumulated depreciation	-	-	(9,896)	(8)	(596)	(10,500)
	-	-	-	59	-	59
Depreciation / amortisation charge for the year	-	-	(27,809)	(6)	(5,967)	(33,782)
Closing net book value	-	-	<u>144,265</u>	<u>-</u>	<u>21,280</u>	<u>165,545</u>
At 31 December 2012						
Cost	-	-	438,125	-	62,980	501,105
Accumulated depreciation / amortisation	-	-	(293,860)	-	(41,700)	(335,560)
Net book value	-	-	<u>144,265</u>	<u>-</u>	<u>21,280</u>	<u>165,545</u>
Depreciation / amortisation rate: % per annum	1.32 & 5	5	10 & 20	20	10 to 33.33	

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

12.1.1 Details of plant and equipment disposed off from disposal group during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Particulars of buyers*
----- (Rupees '000) -----					
Vehicles	67	8	59	67	M/s. Jubilee General Insurance.
Plant and machinery and furniture and fixtures having book value below Rs 50,000	10,492	10,492	-	1,998	Various
	<u>10,559</u>	<u>10,500</u>	<u>59</u>	<u>2,065</u>	

*The mode of disposal is through negotiation / as per company policy and insurance claim.

12.1.2 The above balance includes furniture, fixtures and equipment with Rs Nil (2011: Nil) net book value disposed off to key management personnel during the year for Rs 0.007 million (2011: Rs Nil) as per the Company's policy.

12.2	Capital work-in-progress	Note	2012 (Rs '000)	2011
	Civil works		-	-
	Plant and machinery		74,978	-
	Equipment		8,153	-
			<u>83,131</u>	<u>-</u>
12.3	Stores and spares			
	Stores		-	-
	Spares		2,852	-
	In transit		-	-
			<u>2,852</u>	<u>-</u>
12.4	Stock-in-trade			
	Raw and packing materials including goods in transit of Rs 92.101 million.		322,241	-
	Work-in-process	29.2	72,472	-
	Finished goods including goods in transit of Rs 20.592 million.	29.2	254,194	-
			<u>648,907</u>	<u>-</u>

12.4.1 The above balance includes items costing Rs 2.253 million (2011: Nil) which have been valued at their net realisable value amounting to Rs 2.034 million (2011: Nil).

12.4.2 This includes imported finished goods amounting to Rs 82.690 million (2011: Nil).

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

13. Share Capital

13.1 Authorised capital

2012 (Number of shares)	2011 (Number of shares)		2012 (Rs '000)	2011 (Rs '000)
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs 10 each	<u>500,000</u>	<u>500,000</u>

13.2 Issued, subscribed and paid-up capital

Issued for consideration other than cash	Issued as bonus shares	Total
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-----Number of shares-----

7,441,639	19,852,666	27,294,305	Opening balance - 1 January 2011	272,943
-	6,823,576	6,823,576	Shares issued during 2011	68,236
<u>7,441,639</u>	<u>26,676,242</u>	<u>34,117,881</u>	Closing balance - 31 December 2011	<u>341,179</u>
-	-	-	Shares issued during 2012	-
<u>7,441,639</u>	<u>26,676,242</u>	<u>34,117,881</u>	Closing balance - 31 December 2012	<u>341,179</u>

13.3 Clariant International Ltd., Muttentz, Switzerland and its nominees held 25,588,408 (2011: 25,588,408) ordinary shares of Rs 10 each at 31 December 2012.

14. Deferred Taxation - net

Note

2012 (Rs '000)	2011 (Rs '000)
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Deferred tax liabilities arising on taxable temporary differences:

Accelerated tax depreciation allowance	134,153	106,767
--	---------	---------

Deferred tax assets arising on deductible temporary differences:

Provision for impairment of trade debts	5,545	20,298
Deferred tax liability - net	<u>128,608</u>	<u>86,469</u>

14.1 Reconciliation of deferred tax liability

Deferred tax liability as at 1 January		86,469	79,129
Recognised for the year	28 & 29.8	42,139	7,340
Deferred tax liability as at 31 December		<u>128,608</u>	<u>86,469</u>

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

15. Long Term Financing

Secured				2012	2011
Financier	Instalments payable	Maturity	Mark-up not due	(Rs '000)	(Rs '000)
Commercial Bank	at maturity	2013	15,577	200,000	200,000
Commercial Bank	semi - annually	2013	5,201	66,666	133,333
				<u>266,666</u>	<u>333,333</u>
Less: Current portion shown under current liabilities				(266,666)	(66,667)
				<u>-</u>	<u>266,666</u>

15.1 The above long-term financing are secured by a floating charge over the Company's operating assets for Rs 480 million (2011: Rs 480 million).

16. Short-term Borrowings

Secured		Note	2012 (Rs '000)	2011 (Rs '000)
From banking companies				
Short-term loans		16.1	887,765	412,061
Short-term running finances utilised under mark-up arrangements		16.2	450,884	103,921
			<u>1,338,649</u>	<u>515,982</u>

16.1 These local currency loans are repayable on various dates ranging between January 2013 to April 2013 (2011: January 2012 to April 2012). These loans are secured by hypothecation of the Company's stock-in-trade and trade debts.

16.2 The facilities for running finance available from various banks at December 31, 2012 amounted to Rs 2,453 million (2011: Rs 2,253 million) and the purchase prices are payable on various dates by December 2013 (2011: December 2012). These arrangements are secured by way of a pari passu charge against hypothecation of the Company's stock-in-trade and trade debts and letter of comfort provided by Clariant International Ltd, Muttenz, Switzerland.

16.3 The facilities for opening letters of credit as at December 31, 2012 amounted to Rs 1,400 million (2011: Rs 1,400 million) of which the amount utilised at the year end was Rs 503.70 million (2011: Rs 488.838 million). Whereas bank guarantees amounted to Rs 300 million (2011: Rs 300 million).

17. Mark-up Accrued

	2012 (Rs '000)	2011 (Rs '000)
Mark-up accrued on:		
Secured long-term financing	287	806
Short-term running finances utilised under mark-up arrangements	10,480	2,292
Secured short-term loans	14,818	10,109
	<u>25,585</u>	<u>13,207</u>

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

18. Trade and Other Payables	Note	2012 (Rs '000)	2011 (Rs '000)
Creditors		402,056	366,808
Accrued liabilities		299,435	247,927
Bills payable :			
- related party - Clariant International Ltd., MuttENZ, Switzerland (Parent Company)		114,836	78,650
- related parties - other group companies		59,873	37,018
- others		573,968	496,520
Workers' profit participation fund	18.1	81,191	20,060
Workers' welfare fund		48,241	82,747
Royalty payable to Clariant International Ltd., MuttENZ, Switzerland (Parent Company)		23,367	20,289
Payable to employees cooperative society (related party)		9,571	7,708
Unclaimed dividend		13,660	11,260
Others		3,524	5,197
		<u>1,629,722</u>	<u>1,374,184</u>
18.1 Workers' Profit Participation Fund			
Balance at 1 January		20,060	55,465
Allocation for the year	26 & 29.6	78,676	56,069
		<u>98,736</u>	<u>111,534</u>
Interest on funds utilised in the Company's business	27 & 29.7	2,504	1,973
		<u>101,240</u>	<u>113,507</u>
Less: Amounts paid to and on behalf of the fund Deposited with the Government		<u>20,049</u>	<u>58,447</u>
		<u>-</u>	<u>35,000</u>
		<u>20,049</u>	<u>93,447</u>
Balance at 31 December		<u>81,191</u>	<u>20,060</u>

18.2 Included in accrued liabilities is an amount of Rs 64.386 million (2011: Rs 51.280 million) in respect of employees compensated absences.

19. Contingencies and Commitments

19.1 Contingencies

19.1.1 Octroi levies amounting to approximately Rs 31.319 million are in dispute with a contractor. A petition has been filed by the Company in the Court of law challenging the above levies which was decided in favor of the Company during the year ended December 31, 2012. However, an appeal has been filed by the counter party, which is pending for hearing. As management is confident that the decision will be in favour of the Company, no provision has been made in these financial statements in respect of the aforesaid amount.

19.1.2 A petition had been filed in the High Court of Sindh against the Company by one of its customers for recovery of Rs 196.923 million along with mark-up for losses, damages and compensation on the grounds that materials supplied by the Company were defective. The Company has filed its written statement in the Court denying the allegations. The management is confident, based on advice received from its legal counsel, that it will not be exposed to any loss on account of this claim and consequently no provision has been made by the Company in respect of this matter.

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

- 19.1.3** During the year ended December 31, 2007, a damages and compensation case was filed in the Civil Court, Lahore against the Company and one of its affiliates for claim of approximately Rs 50 million on account of short supplies and late shipment. The Company acted as an indenting agent for this supply. The management is confident, based on advice received from its legal counsel, that the matter will be decided in favour of the Company and the Company will not be exposed to any loss on account of this claim. Accordingly, no provision has been made in these financial statements in respect of this claim.
- 19.1.4** During the year ended December 31, 2009 the Company had received notices from the sales tax authorities to show cause as to why certain products of the company should not be eligible for zero-rating. An adverse action under such show cause may result in a demand of Rs 233.424 million along with the default surcharges on supply of the products to its customers from June 2007 to June 2009. The Company has, however, restrained the proceedings of such show cause by filing a civil suit with the High Court of Sindh. The Court has restrained the tax authorities from proceeding with the matter till the decision of the suit. The management is confident that the matter will be decided in favour of the Company as the zero rating status of the supplies is available for the period till March 15, 2011 in view of SRO 163(1)/2011 dated March 02, 2011. Accordingly, the company will not be exposed to any loss on account of this action. Therefore, no provision has been made in these financial statements in this respect.
- 19.1.5** During the year ended December 31, 2010 an ex-employee of the Company filed a suit for recovery of Rs. 26.782 million in respect of post retirement benefits. The ex-employee claimed that the amount of payment made to him at the time of his final settlement on account of post retirement benefits was less than his entitlement. Based on the advice of the Company's legal counsel, the management is confident that the case will be decided in favour of the Company. Accordingly, no provision has been made in these financial statements in respect of this case.
- 19.1.6** The Company has provided bank guarantees of Rs 24.963 million (2011: Rs 22.351 million) in favour of various parties.

19.2 Commitments

- 19.2.1** Commitments for rentals under operating lease agreements in respect of vehicles and equipment amounted to Rs 4.443 million (2011: Rs 8.566 million) payable over the next five years and onwards are as follows:

Year	2012 (Rs '000)	2011 (Rs '000)
2012	-	5,903
2013	2,190	2,165
2014	958	461
2015	723	37
2016	572	-
	<u>4,443</u>	<u>8,566</u>

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

19.2.2 Commitments for rentals under operating lease agreements in respect of rented property amounted to Rs 3,340 million (2011: Rs 4,209 million) payable over the next five years and onwards are as follows:

Year	2012 (Rs '000)	2011 (Rs '000)
2012	-	1,560
2013	1,638	748
2014	719	807
2015	777	872
2016 and onwards	206	222
	<u>3,340</u>	<u>4,209</u>

19.2.3 Commitments for Ijarah rentals in respect of Ijarah transactions amounted to Rs 129,238 million (2011: Rs 108,361 million) payable upto 2017 as follows:

	2012 (Rs '000)	2011 (Rs '000)
Not later than one year	43,691	37,355
Later than one year but not later than five years	85,547	71,006
	<u>129,238</u>	<u>108,361</u>

19.2.4 Commitments for capital expenditure as at 31 December 2012 aggregated Rs 29,092 million (2011: Rs 148,674 million).

20. Net Sales from Continuing Operations

Sales

	Textile		Emulsion		Paper		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Local	5,576,631	4,713,111	912,324	919,182	163,258	161,956	6,652,213	5,794,249
Export	1,067,657	568,549	237	69	-	1,190	1,067,894	569,808
Total sales	6,644,288	5,281,660	912,561	919,251	163,258	163,146	7,720,107	6,364,057
Discounts & Commission	494,185	409,177	18,844	19,519	2,590	3,125	515,619	431,821
Sales tax	8,606	5,518	57,371	119,619	12,098	19,736	78,075	144,873
	502,791	414,695	76,215	139,138	14,688	22,861	593,694	576,694
Net sales (from external customers)	<u>6,141,497</u>	<u>4,866,965</u>	<u>836,346</u>	<u>780,113</u>	<u>148,570</u>	<u>140,285</u>	<u>7,126,413</u>	<u>5,787,363</u>

**Notes to and forming part of the Financial Statements
for the year ended 31 December 2012**

21. Cost of Goods Sold	Note	2012 (Rs '000)	2011 (Rs '000)
Raw and packing materials consumed		4,087,154	3,384,077
Stores, spares and supplies consumed		55,684	35,249
Salaries, wages and benefits		268,345	197,927
Fuel and power		108,693	76,934
Legal and professional charges		1,884	1,139
Royalty		16,206	13,604
Travelling and entertainment		5,082	11,238
Communication		14,682	11,459
Rent, rates and taxes		9,162	7,367
Insurance		7,399	7,208
Repairs and maintenance		57,349	23,793
Depreciation / amortisation	3.2	97,286	95,989
Printing and stationery		2,982	3,216
Opening stock of work-in-process		80,814	77,284
Closing stock of work-in-process	6	<u>(25,134)</u>	<u>(80,814)</u>
Cost of goods manufactured		4,787,588	3,865,670
Opening stock of finished goods		306,954	432,497
Finished goods purchased		553,874	400,110
Included under distribution and marketing expenses:			
Cost of samples issued	22	(1,483)	-
Cost of shortages and breakages	22	(655)	(409)
Rebate on export		(2,698)	(2,216)
Closing stock of finished goods	6	<u>(535,696)</u>	<u>(306,954)</u>
		<u>5,107,884</u>	<u>4,388,698</u>
21.1 Staff retirement benefits			

Salaries, wages and benefits include Rs 30.131 million and Rs 5.008 million (2011: Rs 7472 million and Rs 4.502 million) in respect of defined benefit scheme and defined contribution plan respectively.

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

22. Distribution and Marketing Expenses	Note	2012 (Rs '000)	2011 (Rs '000)
Salaries and benefits		170,106	140,829
Traveling and entertainment		56,555	54,299
Repairs and maintenance		16,117	11,097
Business event participation		7,836	257
Rent, rates and taxes		23,264	19,700
Communication		19,877	15,847
Printing and stationery		20,517	23,238
Insurance		5,005	4,852
Legal and professional charges		3,207	2,025
Fuel and power		13,763	15,145
Depreciation / amortisation	3.2	19,912	20,857
Outward freight and handling		164,111	125,746
Shortages and breakages	21	655	409
Samples issued	21	1,483	-
Fees and subscription		666	113
Books and periodicals		120	251
		<u>523,194</u>	<u>434,665</u>

22.1 Staff retirement benefits

Salaries and benefits include Rs 4.811 million and Rs 3.503 million (2011: Rs 9.704 million and Rs 3.199 million) in respect of defined benefit scheme and defined contribution plan respectively.

23. Administrative Expenses	Note	2012 (Rs '000)	2011 (Rs '000)
Salaries and benefits		84,353	81,083
Traveling and entertainment		5,551	2,574
Repairs and maintenance		7,477	3,627
Rent, rates and taxes		9,405	8,225
Communication		5,846	5,095
Printing and stationery		2,963	2,086
Insurance		467	402
Legal and professional charges		1,661	1,258
Fuel and power		4,767	2,873
Depreciation / amortisation	3.2	2,349	2,076
Fees and subscription		1,164	1,186
Books and periodicals		92	116
		<u>126,095</u>	<u>110,601</u>

23.1 Staff retirement benefits

Salaries and benefits include Rs 7.062 million and Rs 6.817 million (2011: Rs 7.642 million and Rs 5.943 million) in respect of defined benefit scheme and defined contribution plan respectively.

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

24. Staff Retirement Benefits

24.1 Defined benefit plan - approved gratuity fund

The Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at December 31, 2012. The information provided in notes 24.1 to 24.1.10 has been obtained from the actuarial valuation carried out as at December 31, 2012. The following significant assumptions have been used for valuation of this scheme:

		2012	2011
a)	Expected rate of increase in salary level	11.5%	12.5%
b)	Discount rate	11.5%	12.5%
c)	Expected return on plan assets	11.5%	13.0%
d)	Assumptions regarding future mortality experience are based on actuarial recommendations and published statistics.		
	Note		
24.1.1	Amounts recognised in the balance sheet:	(Rs '000)	(Rs '000)
	Present value of defined benefit obligation	617,819	512,561
	Less: Fair value of plan assets	(617,819)	(512,561)
	Surplus / Deficit	-	-
24.1.2	Movement in defined benefit obligation:		
	Obligation at the beginning of the year	512,561	411,139
	Current service cost	26,111	22,086
	Interest cost	62,890	57,419
	Past service cost - vested	9,208	-
	Benefits paid	(18,881)	(2,007)
	Actuarial losses	25,930	23,924
	Obligation at the end of the year	617,819	512,561
24.1.3	Movement in fair value of plan assets:		
	Fair value at the beginning of the year	512,561	411,139
	Expected return on plan assets	66,230	60,059
	Company contributions	53,440	37,721
	Benefits paid	(18,881)	(2,007)
	Actuarial gain / (losses)	4,469	5,649
	Fair value at the end of the year	617,819	512,561
24.1.4	Amounts recognised in the profit and loss account:		
	Current service cost	26,111	17,479
	Interest cost	62,890	44,646
	Expected return on plan assets	(66,230)	(38,333)
	Past service cost - vested	9,208	-
	Net actuarial losses recognised during the year	21,461	24,183
		53,440	47,975

24.1.5 Actual return on plan assets during the year was Rs 70.699 million (2011: Rs 65.708 million).

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

24.1.6 Plan assets are comprised as follows:

	2012 (Rs '000)	Percentage Composition	2011 (Rs '000)	Percentage Composition
Government securities	-	0.00%	4,358	0.85%
Debt securities	137,111	22.19%	149,691	29.21%
Investments in units of mutual funds	185,854	30.08%	120,829	23.57%
Balances with banks	294,855	47.73%	237,683	46.37%
	<u>617,820</u>	<u>100.00%</u>	<u>512,561</u>	<u>100.00%</u>

24.1.7 As per the actuarial recommendations, the expected return on plan assets was taken as 11.5% (2011:13%), which is representative of yields on long-term Government bonds. Due to the increased volatility of share prices in recent months, there is no clear indication of return on equity. It is therefore assumed that the yield on equity matches the return on debt.

24.1.8 Based on actuarial advice, the Company intends to charge an amount of Rs 32.4 million in the financial statements for the year ending 31 December 2013.

24.1.9 5 year data on the deficit / (surplus) of the plan is as follows:

	2012	2011	2010	2009	2008
	(Rupees '000)				
Present value of defined benefit obligation	617,819	512,561	411,139	351,852	259,731
Fair value of plan assets	(617,819)	(512,561)	(411,139)	(294,873)	(178,382)
Deficit / (surplus)	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,979</u>	<u>81,349</u>

24.1.10 5 year data on experience adjustments is as follows:

	2012	2011	2010	2009	2008
	(Rupees '000)				
Experience adjustments on plan liabilities	(25,930)	(23,924)	(14,001)	(78,789)	(1,199)
Experience adjustments on plan assets	4,469	5,649	(10,182)	30,989	(81,760)

24.2 Defined contribution plan - provident fund

During the year an amount of Rs 18.875 million (2011: Rs 16.916 million) has been charged to the profit and loss account in respect of the Company's contributions to the employees provident fund.

25. Other Operating Income

Note	2012 (Rs '000)	2011 (Rs '000)
	2,627	12,186
	10,580	5,003
	682	282
	<u>13,889</u>	<u>17,471</u>

Income from non-financial assets

Indenting commission - net of payment of Rs 3.110 million
(2011: Rs 2.892 million)

Sale of scrap

Gain on disposal of operating fixed assets

26 Other Operating Expenses

	Note	2012	2011
Auditors' remuneration	26.1	2,194	1,873
Workers' Profit Participation Fund	18.1	59,686	35,666
Workers' Welfare Fund		23,897	14,293
Donations	26.2	1,125	436
		<u>86,902</u>	<u>52,268</u>

26.1 Auditors' remuneration

	2012	2011
Audit fee	864	826
Special certifications, half yearly review and sundry services	1,051	816
Tax services & legal services	-	128
Out of pocket expenses	279	103
	<u>2,194</u>	<u>1,873</u>

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

26.2 Recipients of donations do not include any donee in whom any Director or his spouse had any interest.

27. Finance Cost	Note	2012 (Rs '000)	2011 (Rs '000)
Interest on :			
Workers' Profit Participation Fund	18.1	1,862	1,306
Mark-up on :			
Long-term financing		26,814	49,286
Short-term running finances		24,841	18,116
Short-term loans		58,809	41,789
Exchange loss / (gain) - net		59,419	38,159
Bank charges and other costs		11,252	7,881
		<u>182,997</u>	<u>156,537</u>
28. Taxation - Net - continuing operations			
Current - for the year		241,078	208,015
- for prior years		(62,000)	(30,000)
Deferred	14.1	39,784	4,551
		<u>218,862</u>	<u>182,566</u>
28.1 Reconciliation between tax expense and accounting profit			
Accounting profit before taxation - Continuing operations		1,113,230	662,065
Accounting profit before taxation - Discontinued operations	29	347,613	378,823
Accounting profit before taxation - Total		<u>1,460,843</u>	<u>1,040,888</u>
Tax rate		35%	35%
Tax on accounting profit		511,295	364,311
Tax effect of prior years		(62,000)	(30,000)
Tax effect of income tax under lower tax rates		(124,990)	(87,477)
Tax effect of items that are not deductible in determining taxable profit - permanent differences		1,834	21,158
Others including the impact of allocation ratio of NTR and FTR and tax rebates		(41,573)	(5,357)
		<u>284,566</u>	<u>262,635</u>

**Notes to and forming part of the Financial Statements
for the year ended 31 December 2012**

29. Net Profit & Loss from discontinued operations	Note	2012 (Rs '000)	2011 (Rs '000)
Sales	29.1	2,972,905	2,931,335
Discounts and commission	29.1	155,554	164,723
Sales tax and federal excise duty	29.1	83,974	182,835
		<u>239,528</u>	<u>347,558</u>
Net Sales	29.1	2,733,377	2,583,777
Cost of Goods Sold	29.2	2,068,635	1,913,042
Gross Profits		<u>664,742</u>	<u>670,735</u>
Distribution and marketing expenses	29.3	170,121	140,637
Administrative expenses	29.4	82,651	70,646
		<u>252,772</u>	<u>211,283</u>
		411,970	459,452
Other operating income	29.5	41,961	37,410
		<u>453,931</u>	<u>496,862</u>
Other operating expenses	29.6	32,679	29,413
Operating Profit		<u>421,252</u>	<u>467,449</u>
Finance Cost	29.7	73,639	88,626
Profit before taxation		<u>347,613</u>	<u>378,823</u>
Taxation - net	29.8	65,704	80,069
Profit after taxation from discontinued operation		<u>281,909</u>	<u>298,754</u>

29.1 Net Sales - discontinued operations

	Leather		Masterbatches		Total	
	2012	2011	2012	2011	2012	2011
	----- (Rupees '000) -----					
Sales						
Local	1,208,573	1,153,713	1,662,201	1,692,918	2,870,774	2,846,631
Export	-	-	102,131	84,704	102,131	84,704
Total sales	<u>1,208,573</u>	<u>1,153,713</u>	<u>1,764,332</u>	<u>1,777,622</u>	<u>2,972,905</u>	<u>2,931,335</u>
Discounts & Commission	111,658	113,541	43,896	51,182	155,554	164,723
Sales tax	5,580	6,953	78,394	175,882	83,974	182,835
	<u>117,238</u>	<u>120,494</u>	<u>122,290</u>	<u>227,064</u>	<u>239,528</u>	<u>347,558</u>
Net sales (from external customers)	<u>1,091,335</u>	<u>1,033,219</u>	<u>1,642,042</u>	<u>1,550,558</u>	<u>2,733,377</u>	<u>2,583,777</u>

**Notes to and forming part of the Financial Statements
for the year ended 31 December 2012**

29.2 Cost of Goods Sold	Note	2012 (Rs '000)	2011 (Rs '000)
Raw and packing materials consumed		1,364,735	1,306,328
Stores, spares and supplies consumed		17,478	20,121
Salaries, wages and benefits		113,294	106,603
Fuel and power		42,261	37,558
Legal and professional charges		785	226
Royalty		33,478	31,409
Travelling and entertainment		3,629	4,843
Communication		5,627	2,572
Rent, rates and taxes		4,469	4,920
Insurance		3,532	3,316
Repairs and maintenance		42,058	41,656
Depreciation / amortisation		33,783	32,437
Printing and stationery		834	1,295
Opening stock of work-in-process		60,162	63,350
Closing stock of work-in-process	12.4	<u>(72,472)</u>	<u>(60,162)</u>
Cost of goods manufactured		1,653,653	1,596,472
Opening stock of finished goods		257,173	229,994
Finished goods purchased		416,100	348,208
Included under distribution and marketing expenses:			
Cost of samples issued	29.3	(4,034)	(4,459)
Cost of shortages and breakages	29.3	(63)	-
Closing stock of finished goods	12.4	<u>(254,194)</u>	<u>(257,173)</u>
		<u><u>2,068,635</u></u>	<u><u>1,913,042</u></u>
29.2.1 Staff retirement benefits			

Salaries, wages and benefits include Rs 4.174 million and Rs 0.981 million (2011: Rs 1.281 million and Rs 1.080 million) in respect of defined benefit scheme and defined contribution plan respectively.

**Notes to and forming part of the Financial Statements
for the year ended 31 December 2012**

29.3 Distribution and marketing expenses	Note	2012 (Rs '000)	2011 (Rs '000)
Salaries and benefits		60,585	48,768
Traveling and entertainment		29,135	21,882
Repairs and maintenance		4,893	1,864
Business event participation		942	2,619
Rent, rates and taxes		12,772	11,835
Communication		6,951	7,492
Printing and stationery		3,598	4,165
Insurance		2,006	1,889
Legal and professional charges		4,237	1,000
Fuel and power		8,644	6,397
Depreciation / amortisation		4,285	2,786
Outward freight and handling		27,743	25,045
Shortages and breakages	29.2	63	-
Samples issued	29.2	4,034	4,459
Fees and subscription		173	329
Books and periodicals		60	107
		170,121	140,637

29.3.1 Staff retirement benefits

Salaries and benefits include Rs 6.144 million and Rs 1.856 million (2011: Rs 7.626 million and Rs 1.530 million) in respect of defined benefit scheme and defined contribution plan respectively.

29.4 Administrative expenses	2012 (Rs '000)	2011 (Rs '000)
Salaries and benefits	48,546	41,806
Traveling and entertainment	8,285	8,375
Repairs and maintenance	3,252	1,682
Rent, rates and taxes	6,408	5,558
Communication	5,524	3,970
Printing and stationery	2,329	2,328
Insurance	366	278
Legal and professional charges	916	562
Fuel and power	5,094	4,121
Depreciation / amortisation	1,308	1,375
Fees and subscription	555	528
Books and periodicals	68	63
	82,651	70,646

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

29.4.1 Staff retirement benefits

Salaries and benefits include Rs 1.118 million and Rs 0.710 million (2011: Rs 1.314 million and Rs 0.662 million) in respect of defined benefit scheme and defined contribution plan respectively.

29.5 Other operating income	Note	2012 (Rs '000)	2011 (Rs '000)
Income from non-financial assets			
Indenting commission		33,470	29,893
Sale of scrap		2,195	3,127
Income from laboratory services provided to customers		4,290	4,327
Gain on disposal of operating fixed assets		2,006	63
		<u>41,961</u>	<u>37,410</u>
29.6 Other operating expenses			
Auditors' remuneration	29.6.1	852	849
Workers' Profit Participation Fund	18.1	18,990	20,403
Provision for impairment of trade debts	7.1	5,241	-
Workers' Welfare Fund		7,596	8,161
		<u>32,679</u>	<u>29,413</u>
29.6.1 Auditors' remuneration			
Audit fee		336	374
Special certifications, half yearly review and sundry services		408	370
Tax services & legal services		-	58
Out of pocket expenses		108	47
		<u>852</u>	<u>849</u>
29.7 Finance cost			
Interest on :			
Workers' Profit Participation Fund	18.1	642	667
Mark-up on :			
Long-term financing		12,445	32,857
Short-term running finances		12,435	12,078
Short-term loans		26,331	27,860
Exchange loss / (gain) - net		16,560	9,911
Bank charges and other costs		5,226	5,253
		<u>73,639</u>	<u>88,626</u>
29.8 Taxation - net			
Current - for the year		63,349	77,280
Deferred	14.1	2,355	2,789
		<u>65,704</u>	<u>80,069</u>

**Notes to and forming part of the Financial Statements
for the year ended 31 December 2012**

29.9 Cash flow statement - discontinued operation	2012 (Rs '000)	2011 (Rs '000)
Net cash flows from operating activities	13,133	173,810
Net cash flows from investing activities	(79,176)	(66,416)
Net cash flows from financing activities	(94,427)	(222,384)

29.10 Basis of preparation - Discontinued Operations (BU Masterbatches and BU Leather Services)

Net sales are on actual basis. Raw and packing material consumed and finished goods purchases are on actual basis in the cost of goods sold. Manufacturing expenses have been bifurcated on the basis of standard conversion cost prepared for internal reporting provided to the chief operating decision-maker.

Distribution and Marketing Expenses are on actual basis. Administrative expenses have been allocated on the basis of internal usage which is consistent with prior years.

Other Operating Income is on actual basis. Workers' Profit Participation Fund and Workers' Welfare Fund have been allocated on the basis of profit. Finance cost has been allocated on working capital basis.

The bifurcation of long term financing and short term borrowings in cash flows from financing activities has been made on working capital basis. Dividend payment has been bifurcated on the basis of profit after taxation for prior years in respect of discontinued operations.

30. Earnings per Share

30.1 Basic	2012 (Rs '000)	2011 (Rs '000)
Profit after taxation from continuing operation attributable to ordinary shareholders	894,368	479,499
Profit after taxation from discontinued operation attributable to ordinary shareholders	281,909	298,754
	No. of shares	No. of shares
Weighted average number of ordinary shares outstanding during the year	34,117,881	34,117,881
	(Rupees)	(Rupees)
Earnings per share - continuing operations	26.21	14.05
Earnings per share - discontinued operations	8.26	8.76
Total Earnings per share	34.47	22.81

30.2 Diluted

There were no convertible dilutive potential ordinary shares in issue as at 31 December 2012 and 2011.

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

31. Segment information	Note	Textile		Emulsions		Paper		Leather		Masterbatches*		Total	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
		(Rupees '000)											
Net sales	20 & 29.1	6,141,497	4,866,965	836,346	780,113	148,570	140,285	1,091,335	1,033,219	1,642,042	1,550,558	9,859,790	8,371,140
Segment results based on 'management approach'		1,217,556	722,803	157,832	150,006	34,833	28,510	91,281	115,430	321,076	346,068	1,822,578	1,362,817
Other operating expenses - WPPF & WWF												110,169	78,523
Assets charged to profit and loss for internal reporting purposes based on group guidelines												5,070	1,757
Operating Profit												1,717,479	1,286,051
Finance costs	27 & 29.7											256,636	245,163
Profit before taxation												1,460,843	1,040,888
Segment Assets		3,260,810	2,214,469	406,894	306,303	27,360	30,672	561,370	515,147	866,433	805,181	5,122,867	3,871,772
Unallocated												1,919,200	1,541,121
Segment Liabilities		673,020	666,845	69,892	84,026	3,695	4,794	89,388	119,333	272,980	219,955	7,042,067	5,412,893
Unallocated												51,108,975	1,094,953
Fixed Capital Expenditures		338,973	248,965	45	-	-	-	9,328	23,336	62,377	43,872	410,723	316,173
Unallocated												6,322	1,291
Depreciation / amortisation		116,641	115,653	16	15	651	-	4,260	1,549	35,495	33,894	157,063	151,111
Unallocated												1,860	4,409
												158,923	155,520

* Masterbatches include others consisting of BU pigments and additives, detergents & intermediates, industrial & consumer specialities and catalyst.

31.1 26.05% and 19.28% (collectively 45.33%) of the Company's gross sales for the year ended 31 December 2012 were made to two distributors. The segment wise sales to these two distributors is as follows:

Distributor	Textile		Emulsion		Leather		Masterbatches		Others		Total		
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	
	%												
Distributor	22.38	23.82	-	-	3.67	4.24	-	-	-	-	-	26.05	28.06
Distributor	17.67	16.03	-	-	1.61	1.57	-	-	-	-	-	19.28	17.60

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

32. Remuneration of Chief Executive Officer, Directors and Executives

	Chief Executive Officer		Directors		Executives		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
----- (Rupees '000) -----								
Short-term employee benefits								
Managerial remuneration (including bonus and leave pay)	16,200	16,347	6,502	5,542	147,084	112,413	169,786	134,302
Housing and utilities	5,922	5,570	3,296	2,818	73,432	57,170	82,650	65,558
Medical	99	95	284	182	6,017	4,316	6,400	4,593
Share based payments	1,859	877	-	-	-	-	1,859	877
Post employment benefits								
Retirement benefits	3,253	3,180	1,697	1,412	31,750	24,957	36,700	29,549
	27,333	26,069	11,779	9,954	258,283	198,856	297,395	234,879
Number of persons	1	1	1	1	127	97	129	99

32.1 The remuneration for Executives also includes Rs 8.141 million (2011: Rs 6.914 million) paid to 1 (2011: 1) alternate Directors.

32.2 The aggregate amount charged in these financial statements for fee to non-executive directors was Rs 0.150 million (2011: Rs 0.150 million).

32.3 The Chief Executive Officer is provided with free furnished accommodation. In addition, the Chief Executive Officer, Directors and certain Executives are also provided with free use of the Company cars, residential equipment, reimbursement of utilities and club memberships in accordance with their entitlements.

33. Transactions with Related Parties

	Parent Company		Other Related Parties		Key Management Personnel	
	2012	2011	2012	2011	2012	2011
----- (Rupees '000) -----						
Sales	-	-	856,013	423,540	-	-
Purchases of goods and machinery	798,929	501,969	362,526	226,772	-	-
Indenting commission earned	28,382	34,982	6,665	5,097	-	-
Export commission paid	10,180	6,953	2,424	2,382	-	-
Royalty expense	49,684	45,013	-	-	-	-
Other charges	25,588	25,594	-	-	-	-
Dividend paid	460,591	276,355	-	-	-	-
Bonus shares issued	-	51,177	-	-	-	-
Transaction with key management personnel:						
- Salaries, benefits and compensation	-	-	-	-	62,060	57,092
- Post employment benefits	-	-	-	-	9,759	8,585
- Share based payments	-	-	-	-	1,859	877

The Company enters into transactions with related parties for the sale of its products, purchase of goods, indenting business and rendering of certain services.

Consideration for purchase and sales of goods and for the services is determined with mutual agreement considering the nature and level of such goods and services. In the case of indenting business, the Company acts only as an agent for the supplier for which it receives indenting commission.

In addition, royalty for the use of technical know-how is also paid to Clariant International Ltd., Muttenz, Switzerland on the sales of such branded locally manufactured products as are included in the royalty agreement duly registered with the State Bank of Pakistan.

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

Balance outstanding with related parties as at the year end have been disclosed in the relevant balance sheet notes. All balances are interest free, unsecured and repayable on demand.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of their management team, including the Chief Executive Officer and Directors to be key management personnel.

There are no transactions with key management personnel other than those under their terms of employment. These transactions are disclosed in notes 3.3, 4 and 32 to the financial statements. Particulars of transactions with Workers' Profit Participation Fund and staff retirement benefit funds are disclosed in notes 18.1, 24, 26 and 29.6 to the financial statements.

34. Capacity and Production

Production during the year was 42,043 tonnes (2011: 35,933 tonnes). The capacity is indeterminable because of multi-product plants involving varying processes of manufacture.

The Company's production was according to market demand.

35 Cash Generated from Operations (continuing & discontinued operations)	Note	2012 (Rs '000)	2011 (Rs '000)
Profit before taxation		1,460,843	1,040,888
Adjustment for non-cash charges and other items:			
Depreciation / amortisation		158,923	155,520
Provision for impairment of trade debts		5,241	-
Gain on disposal of operating fixed assets		(2,688)	(345)
Provision for staff gratuity	24.1.5	53,440	37,721
Interest / mark-up expense		161,675	181,986
Working capital changes	35.1	<u>(1,043,753)</u>	<u>147,776</u>
		<u>793,681</u>	<u>1,563,546</u>
35.1 Working capital changes			
(Increase) / decrease in current assets			
Stores and spares		(1,463)	(413)
Stock-in-trade		(382,640)	231,968
Trade debts		(641,968)	57,586
Loans and advances		(62)	(4,397)
Trade deposits and short-term prepayments		(17,318)	(1,127)
Other receivables		<u>(304,440)</u>	<u>(83,958)</u>
		<u>(1,347,891)</u>	<u>199,659</u>
Increase / (decrease) in current liabilities			
Trade and other payables (net)		304,138	(51,883)
		<u>(1,043,753)</u>	<u>147,776</u>

36. Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

	Note	2012 (Rs '000)	2011 (Rs '000)
Cash and bank balances	11	507,012	486,828
Short-term running finances utilised under mark-up arrangements	16	<u>(450,884)</u>	<u>(103,921)</u>
		<u>56,128</u>	<u>382,907</u>

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

37 Financial Instruments by Category	2012	2011
	(Rs '000)	(Rs '000)
37.1 Financial assets and financial liabilities		
Financial assets		
Loans and receivables		
Loans	55,395	48,399
Deposits	9,093	5,734
Trade debts	2,030,479	1,393,752
Other receivables	9,482	12,217
Cash and bank balances	507,012	486,828
	<u>2,611,461</u>	<u>1,946,930</u>
Financial liabilities		
Financial liabilities at amortised cost		
Long-term financing	266,666	333,333
Short-term loans	887,765	412,061
Short-term running finances utilised under mark-up arrangements	450,884	103,921
Mark-up accrued	25,585	13,207
Trade and other payables	1,500,290	1,271,377
	<u>3,131,190</u>	<u>2,133,899</u>

38. Financial Risk Management Objectives and Policies

The Company's activities are exposed to a variety of financial risks namely credit risk, foreign exchange risk, interest rate risk and liquidity risk. The Company is not exposed to any price risk as it does not hold any investments exposed to price risk. The Company has established adequate procedures to manage each of these risks as explained below.

38.1 Credit risk and concentration of credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk arises from cash and cash equivalents and credit exposures to customers, including trade debts. Out of the total financial assets of Rs 2,611.461 million (2011: Rs 1,946.930 million), the financial assets that are subject to credit risk amounted to Rs 2,608.164 million (2011: Rs 1,944.311 million).

The total bank balance of Rs 85.375 million have been placed with banks having short-term credit rating ranging from A1+ to A-1+. Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company.

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

The most significant financial asset exposed to credit risk is the trade debts of the Company. For trade debts, individual credit limits are assigned to customers based on the recommendations from respective business unit heads keeping in view their payment history, financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. The concentration of credit risk lies in the top 12 (2011: 12) customers which constitute 43.42% (2011: 48.72%) of the company's trade debts.

The breakup of amount due from customers other than related parties as disclosed in note 7 to these financial statements is presented below:

	2012 (Rs '000)	2011 (Rs '000)
Due from customers other than related parties		
Direct customers	947,341	718,603
Distributors	974,836	600,575
	<u>1,922,177</u>	<u>1,319,178</u>

Out of the total trade debts of Rs 2,206.699 million (2011: Rs 1,579.966 million), the Company has made a provision for Rs 176.220 million (2011: Rs 186.214 million) as the amounts being doubtful of recovery from customers. The aging profile of trade debts overdue but not impaired has been disclosed in note 7.2 to these financial statements.

38.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and bank balances and availability of funding through an adequate amount of committed credit facilities. The Company aims to maintain flexibility in funding by keeping committed credit lines open.

The maturity profile of the Company's liabilities based on contractual maturities is disclosed in note 38.3.2 of these financial statements.

38.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk.

38.3.1 Currency Risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company primarily has foreign currency exposures in US Dollars (USD) and Euro. The details of balances are as follows:

	2012 (USD '000)	2011 (USD '000)
Trade debts	850	203
Other receivables	1,142	849
Trade payables	(5,437)	(5,114)
Other payables	(481)	(422)
Net foreign currency exposure	<u>(3,926)</u>	<u>(4,484)</u>
	2012 (EUR '000)	2011 (EUR '000)
Trade debts	19	-
Other receivables	30	15
Trade payables	(243)	(296)
Other payables	(1,019)	(615)
Net foreign currency exposure	<u>(1,213)</u>	<u>(896)</u>

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

At 31 December 2012, if the Pakistani Rupee had weakened / strengthened by 1% against the US Dollar and Euro with all other variables held constant, profit before taxation for the year would have been higher/ lower by Rs 9.367 million (2011: Rs 7.032 million).

38.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market in interest rates.

The Company is exposed to interest / mark-up rate risk in respect of the following:

	2012						Total
	Interest / mark-up bearing			Non-interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
------(Rupees '000)-----							
Financial assets							
Loans	-	-	-	20,196	35,199	55,395	55,395
Deposits	-	-	-	6,129	2,964	9,093	9,093
Trade debts	-	-	-	2,030,479	-	2,030,479	2,030,479
Other receivables	-	-	-	9,482	-	9,482	9,482
Cash and bank balances	-	-	-	507,012	-	507,012	507,012
	-	-	-	2,573,298	38,163	2,611,461	2,611,461
Financial liabilities							
Long-term financing	266,666	-	266,666	-	-	-	266,666
Short-term loans	887,765	-	887,765	-	-	-	887,765
Short-term running finances utilised under mark-up arrangements	450,884	-	450,884	-	-	-	450,884
Mark-up accrued	-	-	-	25,585	-	25,585	25,585
Trade and other payables	-	-	-	1,500,290	-	1,500,290	1,500,290
	1,605,315	-	1,605,315	1,525,875	-	1,525,875	3,131,190
	(1,605,315)	-	(1,605,315)	1,047,423	38,163	1,085,586	(519,729)

	2011						Total
	Interest / mark-up bearing			Non-interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
------(Rupees '000)-----							
Financial assets							
Loans	-	-	-	21,975	26,424	48,399	48,399
Deposits	-	-	-	2,339	3,395	5,734	5,734
Trade debts	-	-	-	1,393,752	-	1,393,752	1,393,752
Other receivables	-	-	-	12,217	-	12,217	12,217
Cash and bank balances	-	-	-	486,828	-	486,828	486,828
	-	-	-	1,917,111	29,819	1,946,930	1,946,930
Financial liabilities							
Long-term financing	66,667	266,666	333,333	-	-	-	333,333
Short-term loans	412,061	-	412,061	-	-	-	412,061
Short-term running finances utilised under mark-up arrangements	103,921	-	103,921	-	-	-	103,921
Mark-up accrued	-	-	-	13,207	-	13,207	13,207
Trade and other payables	-	-	-	1,271,377	-	1,271,377	1,271,377
	582,649	266,666	849,315	1,284,584	-	1,284,584	2,133,899
	(582,649)	(266,666)	(849,315)	632,527	29,819	662,346	(186,969)

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

At December 31, 2012 a change of 100 basis points (1%) in interest rates, with all other variables held constant, would result in profit before taxation for the year being higher / lower by Rs 12.598 million (2011: Rs 11.571 million).

Effective interest / mark-up rates for the monetary financial liabilities are as follows:

	2012 Percentage	2011 Percentage
Long-term financing	10.47 - 13.04	12.98 - 15.70
Short-term loans	9.50 - 13.71	9.50 - 14.38
Short-term running finances utilised under mark-up arrangement	10.89 - 13.79	12.92 - 16.50

38.4 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates. As at 31 December 2012 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

38.5 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2012 (Rs '000)	2011 (Rs '000)
Total Borrowings	1,605,315	849,315
Less: Cash and bank balances	(507,012)	(486,828)
Net Debt	1,098,303	362,487
Total Equity	3,630,342	3,068,187
Total Capital	4,728,645	3,430,674
Gearing ratio	23.2%	10.6%

Notes to and forming part of the Financial Statements for the year ended 31 December 2012

39. Non-Adjusting Event after the Balance Sheet Date

The Board of Directors of the Company in its meeting held on 25 February 2013 has proposed a cash dividend in respect of the year ended 31 December 2012 of Rs 20.0 per share (2011: cash dividend of Rs 18.0). Further, the Board has also announced appropriation of Rs 495 million (2011: Rs 165 million) from unappropriated profit to revenue reserves. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended 31 December 2012 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending 31 December 2013.

40. Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires 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, 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 judgment was exercised in application of accounting policies are as follows:

- i) estimation in writing down items of stores and spares to their net realisable value (notes 5 and 12.3);
- ii) estimation of useful lives and residual values of operating fixed assets (notes 2.2, 3.1 and 12.1);
- iii) estimation in writing down items of stock in trade to their net realisable value (notes 6 and 12.4);
- iv) estimation of provision for impairment of trade debts (notes 2.7 and 7);
- v) provision for taxation (notes 2.9, 28 and 29.8); and
- vi) calculation of provision for staff retirement gratuity (notes 2.11.1(b) and 24.1).

41. Corresponding Figures

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There have been no significant reclassifications in these financial statements except that the corresponding figures have been rearranged in the Profit and Loss Account pursuant to Note 1.1 to present the profit after taxation from discontinued operations as a single amount in the Profit and Loss Account together with the analysis of items of profit after taxation from discontinued operations.

42. Date of Authorisation

These financial statements were authorised for issue on 25 February 2013, by the Board of Directors of the Company.



Mujtaba Rahim
Chairman and Chief Executive Officer



M Veqar Arif
Director and Chief Financial Officer

Pattern of Shareholdings as at 31 December 2012

Form 34

NO. OF SHAREHOLDERS	SHAREHOLDING			SHARES HELD
410	1	-	100	14,424
413	101	-	500	115,657
205	501	-	1000	159,026
366	1001	-	5000	879,204
104	5001	-	10000	757,296
30	10001	-	15000	373,273
12	15001	-	20000	206,928
11	20001	-	25000	257,429
9	25001	-	30000	249,761
3	30001	-	35000	92,383
2	35001	-	40000	78,250
5	40001	-	45000	212,533
2	45001	-	50000	99,626
1	50001	-	55000	55,000
1	55001	-	60000	56,250
1	60001	-	65000	62,500
1	65001	-	70000	68,380
1	80001	-	85000	80,328
1	110001	-	115000	110,401
1	140001	-	145000	143,300
1	150001	-	155000	150,858
1	180001	-	185000	184,720
1	185001	-	190000	189,062
1	195001	-	200000	196,045
1	280001	-	285000	284,266
1	700001	-	705000	703,570
1	805001	-	810000	808,357
1	1940001	-	1945000	1,940,646
1	25585001	-	25590000	25,588,408
<u>1,588</u>				<u>34,117,881</u>

Categories of shareholders	No. of shareholders	No. of shares held	Percentage
Individuals	1,503	3,483,673	10.21
National Investment Trust and Investment Corporation of Pakistan	2	1,941,346	5.69
Public Sector Companies and Corporations	1	808,357	2.37
Associated Companies, Undertakings and Related Parties	1	25,588,408	75.00
Directors, Chief Executive Officer and their Spouses & Minor Children	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions Insurance Companies, Modarabas and Mutual funds.	19	1,597,557	4.68
Others	62	698,540	2.05
	<u>1,588</u>	<u>34,117,881</u>	<u>100.00</u>
Shareholders holding 10% or more voting interest			
Clariant International Ltd., Muttenz, Switzerland	1	25,588,408	75.00

There was no trading in the shares of the Company by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children during the year.

Categories	Number of Shareholder	Number of Shares held
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Information Required Under Code of Corporate Governance.

i. Associated Companies, Undertakings and Related Parties (name wise details)

CLARIANT INTERNATIONAL AG	1	25,588,408
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ii. Mutual Funds (name wise details)

CDC - TRUSTEE AKD INDEX TRACKER FUND	1	1,990
CDC - TRUSTEE AKD OPPORTUNITY FUND	1	143,300
CDC - TRUSTEE KSE MEEZAN INDEX FUND	1	5,576
CDC-TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND	1	30,700
FIRST CAPITAL MUTUAL FUND LIMITED	1	7,200
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	68,380
MCBFSL-TRUSTEE UIRSF-EQUITY SUB FUND	1	4,850
MCBFSL-TRUSTEE URSF-EQUITY SUB FUND	1	6,150
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	1	1,940,646
TRUSTEE - PAKISTAN ISLAMIC PENSION FUND - EQUITY SUB FUND	1	8,700
TRUSTEE - PAKISTAN PENSION FUND - EQUITY SUB FUND	1	12,100

v. Public Sector Companies and Corporations	1	808,357
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vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	17	1,609,759
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vii. Shareholders Holding 5% or more Voting Rights in the Listed Company (name wise details)

CLARIANT INTERNATIONAL AG	75.00%	25,588,408
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	5.69%	1,940,646

FORM OF PROXY

Please quote Folio
Number

I/We _____

of _____

being a member of CLARIANT PAKISTAN LIMITED, hereby appoint _____

of _____

or failing him/her _____

of _____

as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Seventeenth Annual General Meeting of the Company to be held on Friday, 29 March 2013 at 9:00 a.m. and at any adjournment thereof.

Signed by the said _____

in the presence of _____

Revenue Stamp

Place: _____

Date _____

NOTES:

1. This form of proxy duly completed, must be deposited at the Company's Registered Office at 1-A/1, Sector 20, Korangi Industrial Area, Korangi, Karachi not later than 48 hours before the meeting.
2. In pursuance of Circular No. 1 of 2000 of Securities and Exchange Commission of Pakistan (SECP) dated 26 January 2000, the beneficial owners of the shares registered in the name of Central Depository Company (CDC) and/or their proxies are required to produce their original National Identity Card (NIC) or Passport for identification purpose at the time of attending the meeting. The form of proxy must be submitted with the Company within the stipulated time, duly witnessed by two persons whose names, addresses and NIC numbers must be mentioned on the form, alongwith attested copies of the NIC or the Passport of the beneficial owner and the proxy.

