





---

## CONTENTS

|   |    |
|---|----|
| Company Information                                     | 2  |
| Chairman's Review                                       | 3  |
| Auditors' Report to the Members                         | 4  |
| Condensed Interim Balance Sheet                         | 5  |
| Condensed Interim Profit and Loss Account               | 6  |
| Condensed Interim Other Comprehensive Income            | 7  |
| Condensed Interim Cashflow Statement                    | 8  |
| Condensed Interim Statement of Changes in Equity        | 9  |
| Selected Explanatory Notes to the Financial Information | 10 |

# COMPANY INFORMATION

## Board of Directors

|                           |                     |
|---------------------------|---------------------|
| Chairman                  | Haji Bashir Ahmed   |
| Chief Executive Directors | Mr. Muhammad Adrees |
|                           | Mr. Muhammad Anis   |
|                           | Mr. Imran Ghafoor   |
|                           | Mr. Haseeb Ahmed    |
|                           | Mr. Muhammad Khalil |
|                           | Mr. Ijaz Hussain    |

## Company Secretary

Mr. Mazhar Ali Khan

## Chief Financial Officer

Mr. Anwar-ul-Haq (FCA)

## Audit Committee

|                        |                         |
|------------------------|-------------------------|
| Chairman               | Mr. Muhammad Anis       |
| Members                | Mr. Haji Bashir Ahmed   |
|                        | Mr. Imran Ghafoor       |
| Head of Internal Audit | Mr. Zakir Hussain (ACA) |

## Auditors

M/s M.Yousuf Adil Saleem & Co.  
Chartered Accountants

## Legal Advisor

Mr. Sahibzada Muhammad Arif

## Bankers

Meezan Bank Limited  
National Bank of Pakistan  
Allied Bank Limited  
United Bank Limited  
Bank Alfalah Limited  
Dubai Islamic Bank Pakistan Limited  
The Bank of Punjab  
MCB Bank Limited  
Standard Chartered Bank Pakistan Limited  
Saudi Pak Industrial and Agricultural  
Investment Co. (Pvt.) Limited  
Al-Baraka Islamic Bank B.S.C. (E.C.)  
Askari Commercial Bank Limited  
Faysal Bank Limited  
Habib Bank Limited  
Burj Bank Limited (Formerly Dawood Islamic Bank Limited)  
Bank Islami Pakistan Limited  
Royal Bank of Scotland  
Barclays Bank PLC Pakistan  
Pak Oman Investment Company Limited  
Silk Bank Limited  
Summit Bank Ltd. (formerly Arif Habib Bank Ltd.)  
Habib Metropolitan Bank Ltd.  
My Bank Limited  
Bank Al-Habib Limited  
Soneri Bank Ltd.

## Registered Office

601-602 Business Centre, Mumtaz Hasan Road, Karachi- 74000

## Factories

28/32 KM, Faisalabad - Sheikhpura Road,  
Faisalabad.

## CHAIRMAN'S REVIEW

All tributes paid to Almighty Allah Who grants us success in our endeavors. It gives me great pleasure to present before you the accounts for the half year ended December 31, 2011 and limited review report issued by our Auditors.

During the period under review your company achieved a marvelous growth in almost all facets and we obtained Profit before Tax of Rs.459 Millions against Rs. 201 Millions in the corresponding period of last year showing growth of 128%. Chronicle of this growth start with 24% increased sale through vigorous sales campaign, exports and better management followed by an increase in Gross Profit of 52%. Company achieved net sales of Rs.3,630 Millions against corresponding figure of Rs. 2,918 Millions last year. This entire ended at 14.68 EPS against 5.93 in the corresponding period of last year.

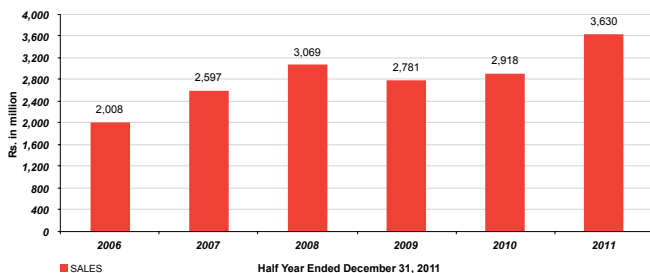
Above results attained through improved economic conditions along with supply of gas and electricity, in unison with efforts of management of your company to improve sales while controlling cost of production and managing financial costs at minimum.

### Future Outlook:

Your company is about to complete installation and commissioning of multifuel/coal fired boiler. Store spares for major overhauling of 4 power engines have been arrived at factory site and overhauling process has been started. One cell of BMR-2 plant and one cell of M-3 plant are being renovated. InshaAllah both these cells will be in operation by next month. Renovation of cells will not only increase production but saving in energy cost as well.

InshaAllah, Sitara Chemical Industries Limited shall continue to lead the way and I am confident that the pace of growth shall remain unharmed in following six months.

Graphical history of Sales given hereunder:



Multi Fuel Boiler



Mr. Dumitru Trasca Mircea Renovating BMR-2 Plant

**HAJI BASHIR AHMED**  
CHAIRMAN

Faisalabad: February 02, 2012

## AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

---

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Sitara Chemical Industries Limited as at December 31, 2011, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (here-in-after referred to as "the interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2011 and December 31, 2010 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2011.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of the person responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months ended December 31, 2011 is not prepared in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

*M. Jousaf Ali Sadee*

Chartered Accountants  
Engagement Partner:  
Talat Javed

Date: February 02, 2012  
Lahore




**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)**  
**AS AT DECEMBER 31, 2011**

|  | Note | Un-audited<br>December 31,<br>2011<br>(Rupees in thousand) | Audited<br>June 30,<br>2011<br>(Rupees in thousand) |
|--|------|--|---|
| <b>NON - CURRENT ASSETS</b>                                    |      |  |   |
| Property, plant and equipment                                  | 4    | 5,240,183  | 5,378,904   |
| Investment property  | 5    | 1,578,860  | 1,576,856   |
| Long-term investments  |      | 86,327   | 96,480  |
| Long-term loans and advances                                   | 6    | 859,450  | 840,660   |
| Long-term deposits   |      | 108,263  | 108,129   |
| Total non-current assets                                       |      | 7,873,083  | 8,001,029   |
| <b>CURRENT ASSETS</b>  |      |  |   |
| Stores, spare parts and loose tools                            |      | 359,212  | 279,948   |
| Stock-in-trade   |      | 1,061,604  | 885,083   |
| Trade debts  | 7    | 504,736  | 512,398   |
| Loans and advances   |      | 84,887   | 93,284  |
| Trade deposits and short-term prepayments                      |      | 37,461   | 16,811  |
| Other receivables  | 8    | 21,003   | 7,773   |
| Other financial assets   |      | 99,500   | 148,643   |
| Cash and bank balances   |      | 588,516  | 140,777   |
|  |      | 2,756,919  | 2,084,717   |
| Non-current assets classified as held for sale                 |      | 1,178,000  | 1,178,000   |
| Total current assets   |      | 3,934,919  | 3,262,717   |
| <b>TOTAL ASSETS</b>  |      | <b>11,808,002</b>  | <b>11,263,746</b>                                   |
| <b>SHARE CAPITAL AND RESERVES</b>                              |      |  |   |
| Share capital  | 9    | 214,294  | 214,294   |
| Reserves   |      | 1,338,833  | 1,332,212   |
| Un-appropriated profits  |      | 2,445,435  | 2,239,905   |
|  |      | 3,998,562  | 3,786,411   |
| <b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b> |      |  |   |
|  |      | 894,839  | 920,622   |
| <b>NON - CURRENT LIABILITIES</b>                               |      |  |   |
| Long-term financing  | 10   | 1,328,925  | 1,810,243   |
| Long-term deposits   |      | 21,748   | 10,518  |
| Deferred liabilities   |      | 968,944  | 1,004,051   |
| Total non-current liabilities                                  |      | 2,319,617  | 2,824,812   |
| <b>CURRENT LIABILITIES</b>                                     |      |  |   |
| Trade and other payables                                       | 11   | 1,917,108  | 1,356,248   |
| Profit / financial charges payable                             |      | 113,141  | 120,376   |
| Short term borrowings  |      | 1,588,992  | 1,269,000   |
| Current portion of long term financing                         |      | 911,272  | 954,034   |
| Sales tax payable  |      | 29,053   | 32,243  |
| Income tax - net of advance tax                                |      | 35,418   | -   |
| Total current liabilities                                      |      | 4,594,984  | 3,731,901   |
| <b>CONTINGENCIES AND COMMITMENTS</b>                           |      |  |   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                            | 12   | <b>11,808,002</b>  | <b>11,263,746</b>                                   |

The annexed selected notes 1 to 22 form an integral part of this condensed interim financial information.

  
**MUHAMMAD ADREES**  
 (CHIEF EXECUTIVE OFFICER)

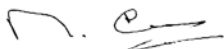
  
**HASEEB AHMED**  
 (DIRECTOR)



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2011**

|  | <u>Six months ended</u>   |                     | <u>Three months ended</u> |                     |
|--|---------------------------|---------------------|---------------------------|---------------------|
|  | <u>December 31,</u>       | <u>December 31,</u> | <u>December 31,</u>       | <u>December 31,</u> |
|  | <u>2011</u>               | <u>2010</u>         | <u>2011</u>               | <u>2010</u>         |
|  | <u>Rupees in thousand</u> |                     |                           |                     |
| Profit after taxation  | 314,519                   | 126,975             | 215,134                   | 64,597              |
| Other comprehensive income for the period - net of tax                         |                           |                     |                           |                     |
| Gain / (loss) on re-measurement of available for sale financial assets         | 6,947                     | 15,180              | 6,814                     | 13,614              |
| Gain realized on sale of available for sale financial assets during the period | (300)                     | 27                  | (92)                      | 27                  |
| Share of other comprehensive income of associate                               | (26)                      | (64)                | (8)                       | (64)                |
|  | <u>6,621</u>              | <u>15,143</u>       | <u>6,714</u>              | <u>13,577</u>       |
| Total comprehensive income for the period                                      | <u>321,140</u>            | <u>142,118</u>      | <u>221,848</u>            | <u>78,174</u>       |

The annexed selected notes 1 to 22 form an integral part of this condensed interim financial information.



**MUHAMMAD ADREES**  
(CHIEF EXECUTIVE OFFICER)



**HASEEB AHMED**  
(DIRECTOR)




# CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2011

|   | Note | Six months ended  |                   |
|---|------|-------------------|-------------------|
|   |      | December 31, 2011 | December 31, 2010 |
| (Rupees in thousand)                                    |      |                   |                   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |      |                   |                   |
| Operating cash flow before working capital changes      | 19   | 1,092,704         | 820,983           |
| Changes in working capital                              |      |                   |                   |
| (Increase) / decrease in current assets                 |      |                   |                   |
| Stores, spare parts and loose tools                     |      | (79,264)          | 23,686            |
| Stock-in-trade  |      | (176,521)         | (623,076)         |
| Trade debts   |      | 7,943             | (38,429)          |
| Loans and advances                                      |      | (44,560)          | (662,234)         |
| Trade deposits and short-term prepayments               |      | (20,650)          | (1,830)           |
| Other receivables                                       |      | (12,817)          | 570               |
| Other financial assets                                  |      | 54,951            | 48,537            |
| Decrease in current liabilities                         |      |                   |                   |
| Trade and other payables                                |      | 436,136           | 985,938           |
|   |      | 165,218           | (266,838)         |
| Cash generated from operations                          |      | 1,257,922         | 554,145           |
| Finance cost paid                                       |      | (367,581)         | (304,567)         |
| Employee benefits paid                                  |      | (1,173)           | (4,253)           |
| Taxes paid  |      | (94,506)          | (66,463)          |
|   |      | (463,260)         | (375,283)         |
| <b>Net cash from operating activities</b>               |      | <b>794,662</b>    | <b>178,862</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |      |                   |                   |
| Purchase of property, plant and equipment               |      | (106,117)         | (45,110)          |
| Proceeds from disposal of property, plant and equipment |      | 4,250             | 2,875             |
| Proceeds from sale of available for sale investments    |      | 1,432             | 11,857            |
| Purchase of investment property                         |      | (2,250)           | (2,250)           |
| Long-term loans and advances                            |      | (18,790)          | (10,775)          |
| Long term deposits                                      |      | (134)             | (69,000)          |
| Interest received                                       |      | 5,871             | -                 |
| Dividend income received                                |      | 4,278             | -                 |
| <b>Net cash used in investing activities</b>            |      | <b>(111,460)</b>  | <b>(112,403)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |      |                   |                   |
| Payment of long-term financing                          |      | (524,080)         | (393,967)         |
| Long term financing obtained                            |      | -                 | 111,662           |
| Short term financing - net                              |      | 319,992           | 620,000           |
| Long term deposits                                      |      | 11,230            | 9,341             |
| Dividend paid   |      | (42,605)          | (51,022)          |
| <b>Net cash (used in) / from financing activities</b>   |      | <b>(235,463)</b>  | <b>296,014</b>    |
| <b>Net increase in cash and cash equivalents</b>        |      | <b>447,739</b>    | <b>362,473</b>    |
| <b>Cash and cash equivalents at beginning of period</b> |      | <b>140,777</b>    | <b>142,970</b>    |
| <b>Cash and cash equivalents at end of the period</b>   |      | <b>588,516</b>    | <b>505,443</b>    |

The annexed selected notes 1 to 22 form an integral part of this condensed interim financial information.

  
**MUHAMMAD ADREES**  
(CHIEF EXECUTIVE OFFICER)

  
**HASEEB AHMED**  
(DIRECTOR)

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2011

|  | Share Capital  | Reserves  |  |                 |                        | Total            |
|--|----------------|---|--|-----------------|------------------------|------------------|
|  |                | Capital   | Revenue  |                 | Total Reserves         |                  |
|  | Share Premium  | Reserve on re-measurement of available for sale investments | Share of other comprehensive income of associate | General Reserve | Un-appropriated Profit |                  |
| Rupees in thousand   |                |   |  |                 |                        |                  |
| Balance as at July 01, 2010  | 204,090        | 97,490  | (9,097)  | 25,160          | 1,225,000              | 1,817,709        |
| Total comprehensive income   | -              | -   | -  | -               | -                      | 126,975          |
| Profit for the six months ended December 31, 2010                              | -              | -   | -  | -               | -                      | 15,180           |
| Gain on re-measurement of available for sale financial assets                  | -              | 15,180  | -  | -               | -                      | -                |
| Gain realized on sale of available for sale financial assets during the period | -              | 27  | -  | -               | -                      | 27               |
| Share of other comprehensive income of associate                               | -              | -   | (64)   | -               | -                      | (64)             |
| Transfer of share in revaluation surplus of associate                          | -              | 15,207  | (64)   | -               | -                      | 142,118          |
| Transfer to un-appropriated profit on account of incremental depreciation      | -              | -   | (25,160)   | -               | -                      | (25,160)         |
| <b>Distribution to owners</b>  | -              | -   | -  | -               | -                      | 27,716           |
| Final dividend for the year ended June 30, 2010                                | -              | -   | -  | -               | -                      | (51,022)         |
| Issue of bonus shares  | 10,204         | -   | -  | -               | -                      | (10,204)         |
| <b>Balance as at December 31, 2010</b>   | <b>214,294</b> | <b>97,490</b>   | <b>6,110</b>                                     | <b>(64)</b>     | <b>1,225,000</b>       | <b>1,911,174</b> |
| <b>Balance as at July 01, 2011</b>   | <b>214,294</b> | <b>97,490</b>   | <b>9,717</b>                                     | <b>5</b>        | <b>1,225,000</b>       | <b>2,239,905</b> |
| <b>Total comprehensive income</b>  | -              | -   | -  | -               | -                      | 314,519          |
| Profit for the six months ended December 31, 2011                              | -              | -   | -  | -               | -                      | 6,947            |
| Gain on re-measurement of available for sale financial assets                  | -              | 6,947   | -  | -               | -                      | (300)            |
| Gain realized on sale of available for sale financial assets during the period | -              | (300)   | -  | -               | -                      | -                |
| Share of other comprehensive income of associate                               | -              | -   | (26)   | -               | -                      | (26)             |
| Transfer to un-appropriated profit on account of incremental depreciation      | -              | -   | 6,647  | (26)            | -                      | 314,519          |
| <b>Distribution to owners</b>  | -              | -   | -  | -               | -                      | 24,945           |
| Final dividend for the year ended June 30, 2011                                | -              | -   | -  | -               | -                      | (133,934)        |
| <b>Balance as at December 31, 2011</b>   | <b>214,294</b> | <b>97,490</b>   | <b>16,364</b>                                    | <b>(21)</b>     | <b>1,225,000</b>       | <b>2,445,435</b> |

The annexed selected notes 1 to 22 form an integral part of this condensed interim financial information.



**MUHAMMAD ADREES**  
(CHIEF EXECUTIVE OFFICER)



**HASEEB AHMED**  
(DIRECTOR)

# SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2011

## 1 LEGAL STATUS AND OPERATIONS

- 1.1** Sitara Chemical Industries Limited ("the Company") was incorporated in Pakistan on September 08, 1981 as a public limited company under Companies Act, 1913 (now Companies Ordinance, 1984). The company is currently listed on all Stock Exchanges in Pakistan. The principal activities of the Company are operation of Chlor Alkali plant and yarn spinning unit. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hasan Road, Karachi, in the province of Sindh and the manufacturing facilities are located at 28/32 K.M., Faisalabad - Sheikhpura Road, Faisalabad, in the province of Punjab.

The Company is currently organized into two operating divisions and these divisions are the basis on which the Company reports its primary segment information.

Principal business activities are as follows:

|                   |   |
|-------------------|---|
| Chemical Division | Manufacturing of caustic soda and allied products |
| Textile Division  | Manufacturing of yarn                             |

- 1.2** This condensed interim financial information is presented in Pak Rupee, which is the Company's functional and presentation currency.

## 2 BASIS OF PREPARATION

- 2.1** This condensed interim financial information of the Company for the six month period ended December 31, 2011 has been prepared in accordance with the International Accounting Standard - 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

- 2.2** This condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2011. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2011 whereas comparative profit and loss account, comparative statement of changes in equity and comparative cash flow statement are stated from un-audited condensed interim financial information for the six months ended on December 31, 2010.

- 2.3** This condensed interim financial information is un-audited. However, a limited scope review has been performed by the statutory auditors of the Company in accordance with the clause (xxi) of the Code of Corporate Governance and they have issued their review report thereon.

## 3 ACCOUNTING POLICIES AND ESTIMATES

- 3.1** The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2011.

|  | Note | Un-Audited<br>December 31,<br>2011<br>(Rupees in thousand) | Audited<br>June 30,<br>2011<br>(Rupees in thousand) |
|--|------|--|---|
| <b>4 PROPERTY, PLANT AND EQUIPMENT</b>                                       |      |  |   |
| Operating assets   | 4.1  | 5,056,659  | 5,210,179   |
| Capital work-in-progress   |      | 183,524  | 168,725   |
|  |      | <u>5,240,183</u>   | <u>5,378,904</u>                                    |
| <b>4.1 Operating assets</b>  |      |  |   |
| Opening written down value   |      | 5,210,179  | 5,489,389   |
| Additions during the period / year:  |      |  |   |
| Building on freehold land - Mills  |      | 160  | 24,453  |
| Plant and machinery  |      | 83,515   | 190,759   |
| Grid station and electric installation                                       |      | -  | 777   |
| Factory equipment  |      | 5,268  | 2,242   |
| Electric equipment   |      | 835  | 2,374   |
| Office equipment   |      | 405  | 1,119   |
| Furniture and fittings   |      | 106  | 472   |
| Vehicles   |      | 1,029  | 2,007   |
|  |      | 91,318   | 224,203   |
| Written down value of operating assets disposed off during the period / year |      | (10,472)   | (3,525)   |
| Depreciation charged during the period / year                                |      | <u>(234,366)</u>   | <u>(499,888)</u>                                    |
|  |      | <u>5,056,659</u>   | <u>5,210,179</u>                                    |

# SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2011

|   | Note | Un-Audited<br>December 31,<br>2011<br>(Rupees in thousand) | Audited<br>June 30,<br>2011 |
|---|------|--|-----------------------------|
| <b>5 INVESTMENT PROPERTY</b>              |      |  |                             |
| Land                                      | 5.1  | 1,574,210  | 1,571,960                   |
| Building                                  |      | 4,650  | 4,896                       |
|   |      | <u>1,578,860</u>   | <u>1,576,856</u>            |
| <b>5.1 Land - at cost</b>                 |      |  |                             |
| Balance at beginning of the period / year |      | 1,571,960  | 2,719,148                   |
| Acquisitions                              |      | 2,250  | 30,812                      |
| Less: classified as held for sale         |      | -  | (1,178,000)                 |
| Balance at end of the period / year       |      | <u>1,574,210</u>   | <u>1,571,960</u>            |

- 5.2** The fair value of the investment property as at December 31, 2011 is not materially different with the value as at June 30, 2011 i.e. Rs. 2,729 million.

The rental income earned by the Company from its investment property amounted to Rs. 1.401 million (June 30, 2011: Rs. 5.126 million). Direct operating expenses arising on the investment property in the period amounted to Rs. Nil (June 30, 2011: Rs. Nil).

## 6 LONG-TERM LOANS AND ADVANCES

These include loans and advances to related parties amounting to Rs. 817.477 million (June 30, 2011: Rs. 816.127 million).

## 7 TRADE DEBTS

These include receivable from related parties amounting to Rs. 29.952 million (June 30, 2011: Rs. 34.078 million).

## 8 OTHER RECEIVABLES

These include receivable from related parties amounting to Rs. 19.029 million (June 30, 2011: Rs. 2.996 million). These related party receivables include a receivable from Sitara Developers (Private) Limited amounting Rs. 15 million (June 30, 2011: Nil) under mark-up arrangement. Mark-up is charged at the rate of 13.965%.

## 9 SHARE CAPITAL

| Un-audited<br>December 31,<br>2011 | Audited<br>June 30,<br>2011 |   | Un-audited<br>December 31,<br>2011 | Audited<br>June 30,<br>2011 |
|------------------------------------|-----------------------------|---|------------------------------------|-----------------------------|
| No of shares                       |                             |   | (Rupees in thousand)               |                             |
| 40,000,000                         | 40,000,000                  | <b>Authorized</b>   |                                    |                             |
| 20,000,000                         | 20,000,000                  | A class ordinary shares of Rs. 10/- each                            | 400,000                            | 400,000                     |
|                                    |                             | B class ordinary shares of Rs. 10/- each                            | 200,000                            | 200,000                     |
|                                    |                             | <b>Issued, subscribed and paid up</b>                               |                                    |                             |
|                                    |                             | "A" class ordinary shares of Rs. 10/- each fully paid               |                                    |                             |
| 8,640,000                          | 8,640,000                   | - fully paid in cash  | 86,400                             | 86,400                      |
| 10,804,398                         | 10,804,398                  | - issued as fully paid bonus shares                                 | 108,044                            | 108,044                     |
| 1,985,009                          | 1,985,009                   | - issued as fully paid under scheme of arrangement for amalgamation | 19,850                             | 19,850                      |
| <u>21,429,407</u>                  | <u>21,429,407</u>           |   | <u>214,294</u>                     | <u>214,294</u>              |

- 9.1 No share is held by any associated Company or related party.

- 9.2 The Company has no reserved shares under options and sales contracts.

# SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2011

|   | Un-Audited<br>December 31,<br>2011<br>(Rupees in thousand) | Audited<br>June 30,<br>2011 |
|---|--|-----------------------------|
| <b>9.3 The reconciliation of "A" class ordinary shares is as follows:</b> |  |                             |
|   | No of shares   |                             |
| Opening balance   | 21,429,407   | 20,408,959                  |
| Add: shares issued during the period / year                               | -  | 1,020,448                   |
| Closing balance   | 21,429,407   | 21,429,407                  |

## 10 LONG-TERM FINANCING

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| Opening balance                     | 2,764,277 | 3,632,710 |
| Obtained during the period / year   | -         | -         |
|                                     | 2,764,277 | 3,632,710 |
| Less: paid during the period / year | 524,080   | 868,433   |
|                                     | 2,240,197 | 2,764,277 |
| Less: current portion               | 911,272   | 954,034   |
|                                     | 1,328,925 | 1,810,243 |

## 11 TRADE AND OTHER PAYABLES

**11.1** This includes Rs. 16.13 million (June 30, 2011: Rs. 31.339 million) due to associated undertakings.

**11.2** These include Murabaha payable amounting to Rs. 1,116.739 million (June 30, 2011: Rs. 855.106 million). The aggregate un-availed facilities available to the Company from commercial banks amounted to Rs. 847.25 million (June 30, 2011: Rs. 1,741 million). These are subject to profit margin ranging from 13.62% to 14.31% (June 30, 2011: 13.35% to 15.98%) per annum and are secured against joint pari passu charge over present and future current assets of the chemical division and pledge of stocks and charge over present and future current assets of the textile division.

|  | Un-Audited<br>December 31,<br>2011<br>(Rupees in thousand) | Audited<br>June 30,<br>2011 |
|--|--|-----------------------------|
| <b>12 CONTINGENCIES AND COMMITMENTS</b>                                  |  |                             |
| <b>12.1 Contingencies</b>  |  |                             |
| Sales tax demand not acknowledged in view of pending appeals             | 3,398  | 3,398                       |
| Suppliers' claim not acknowledged in view of pending case in Civil Court | 890  | 890                         |
| Guarantees issued by banks on behalf of the Company                      | 112,515  | 289,745                     |
| <b>12.2 Commitments</b>  |  |                             |
| Outstanding letters of credit for raw material and spares                | 82,088   | 41,633                      |

|                               | Six months ended   |                   | Three months ended |                   |
|-------------------------------|--------------------|-------------------|--------------------|-------------------|
|                               | December 31, 2011  | December 31, 2010 | December 31, 2011  | December 31, 2010 |
|                               | Rupees in thousand |                   |                    |                   |
| <b>13 SALES - NET</b>         |                    |                   |                    |                   |
| Local                         | 4,003,066          | 3,234,743         | 2,116,696          | 1,662,757         |
| Export                        | 182,581            | 25,705            | 93,021             | 13,809            |
|                               | 4,185,647          | 3,260,448         | 2,209,717          | 1,676,566         |
| Less: Commission and discount | 88,779             | 85,808            | 47,445             | 42,545            |
| Sales tax                     | 467,182            | 257,123           | 251,283            | 126,322           |
|                               | 555,961            | 342,931           | 298,728            | 168,867           |
|                               | 3,629,686          | 2,917,517         | 1,910,989          | 1,507,699         |

# SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2011

|                              | Six months ended     |                      | Three months ended   |                      |
|------------------------------|----------------------|----------------------|----------------------|----------------------|
|                              | December 31,<br>2011 | December 31,<br>2010 | December 31,<br>2011 | December 31,<br>2010 |
|                              | Rupees in thousand   |                      |                      |                      |
| <b>14 COST OF SALES</b>      |                      |                      |                      |                      |
| Raw material consumed        | 725,951              | 840,175              | 383,422              | 487,995              |
| Fuel and power               | 1,283,929            | 1,150,383            | 744,353              | 648,795              |
| Salaries, wages and benefits | 118,391              | 119,760              | 57,773               | 60,287               |
| Factory overheads            | 383,542              | 402,519              | 201,113              | 197,633              |
|                              | <u>2,511,813</u>     | <u>2,512,837</u>     | <u>1,386,661</u>     | <u>1,394,710</u>     |
| Work-in-process              |                      |                      |                      |                      |
| Opening stock                | 72,439               | 22,219               | 66,027               | 24,177               |
| Closing stock                | (57,714)             | (56,126)             | (57,714)             | (56,126)             |
|                              | <u>14,725</u>        | <u>(33,907)</u>      | <u>8,313</u>         | <u>(31,949)</u>      |
| Cost of goods manufactured   | <u>2,526,538</u>     | <u>2,478,930</u>     | <u>1,394,974</u>     | <u>1,362,761</u>     |
| Finished goods               |                      |                      |                      |                      |
| Opening stock                | 432,162              | 209,906              | 261,668              | 230,664              |
| Closing stock                | (343,277)            | (437,933)            | (343,277)            | (437,933)            |
|                              | <u>88,885</u>        | <u>(228,027)</u>     | <u>(81,609)</u>      | <u>(207,269)</u>     |
|                              | <u>2,615,423</u>     | <u>2,250,903</u>     | <u>1,313,365</u>     | <u>1,155,492</u>     |

## 15 PROVISION FOR TAXATION

|                          |                |               |                |               |
|--------------------------|----------------|---------------|----------------|---------------|
| Current - for the period | 179,691        | 117,147       | 118,100        | 59,687        |
| Deferred                 | (35,599)       | (42,998)      | (17,868)       | (24,049)      |
|                          | <u>144,092</u> | <u>74,149</u> | <u>100,232</u> | <u>35,638</u> |

## 16 EARNINGS PER SHARE - BASIC AND DILUTED

|  |              |             |              |             |
|--|--------------|-------------|--------------|-------------|
| Profit for the period  | 314,519      | 126,975     | 215,134      | 64,597      |
| Weighted average number of ordinary shares outstanding during the period | 21,429       | 21,429      | 21,429       | 21,429      |
| Earnings per share (Rupees)  | <u>14.68</u> | <u>5.93</u> | <u>10.04</u> | <u>3.01</u> |

## 17 TRANSACTIONS WITH RELATED PARTIES - UN-AUDITED

The related parties comprise of associated undertakings, staff retirement benefit plans, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Nature and description of significant related party transactions along with monetary values are as follows:

| Relationship with the Company | Nature of transactions            | Six months ended     |                   |
|-------------------------------|-----------------------------------|----------------------|-------------------|
|                               |                                   | December 31, 2011    | December 31, 2010 |
|                               |                                   | (Rupees in thousand) |                   |
| Associated Undertakings       | Sales                             | 40,824               | 21,157            |
|                               | Organizational expenses recovered | 304,626              | 528               |
|                               | Organizational expenses paid      | 306,179              | 2,313             |
|                               | Power charges paid                | 449,081              | 448,762           |
|                               | Dividend received                 | 934                  | 3,392             |
|                               | Donation                          | 7,261                | 14,443            |
|                               | Advance for investment property   | 816,127              | -                 |
|                               | Other receivables                 | 15,000               | -                 |
|                               |                                   |                      |                   |
| Key Management Personnel      | Remuneration to Executives        | 43,928               | 22,197            |
|                               | Post-employment benefits          | 3,289                | 2,112             |

## 18 SEGMENT REPORTING

The Company has two reportable segments, which offer different products and are managed separately. The following summary describes the operations in each of the reportable segment of the Company:

- Chemical division : Manufacturing of caustic soda and allied products
- Textile division: Manufacturing of yarn

### 18.1 Information about operating segments is as follows:

|   | Operating segments                |                            |                                   |                            |  |                                     |
|---|-----------------------------------|----------------------------|-----------------------------------|----------------------------|--|-------------------------------------|
|   | Chemical Division                 |                            | Textile Division                  |                            |  | Total                               |
|   | Six months ended                  |                            |                                   |                            |  |                                     |
|   | December 31,<br>2011              | December 31,<br>2010       | December 31,<br>2011              | December 31,<br>2010       | December 31,<br>2011                       |                                     |
|   | (Rupees in thousand)              |                            |                                   |                            |  |                                     |
| Revenue from external customers - net         | 3,057,055                         | 2,229,996                  | 572,631                           | 687,521                    | 3,629,686                                  | 2,917,517                           |
| Depreciation on property, plant and equipment | 218,372                           | 234,776                    | 15,994                            | 15,276                     | 234,366                                    | 250,052                             |
| Segment profit                                | 826,062                           | 447,123                    | 25,789                            | 73,484                     | 851,851                                    | 520,607                             |
|   | Un-audited<br>December 31<br>2011 | Audited<br>June 30<br>2011 | Un-audited<br>December 31<br>2011 | Audited<br>June 30<br>2011 | Total<br>Un-audited<br>December 31<br>2011 | Total<br>Audited<br>June 30<br>2011 |
| Capital expenditure                           | 12,304                            | 201,088                    | 79,014                            | 23,115                     | 91,318                                     | 224,203                             |
| Segment assets                                | 9,220,396                         | 6,766,393                  | 263,493                           | 1,085,046                  | 9,483,889                                  | 7,851,439                           |
| Segment liabilities                           | 672,854                           | 388,813                    | 80,207                            | 58,055                     | 753,061                                    | 446,868                             |



# SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2011

## 18.2 Reconciliations of reportable segments are as follows:

|   | Six months ended                    |                              |
|---|-------------------------------------|------------------------------|
|   | December 31, 2011                   | December 31, 2010            |
|   | (Rupees in thousand)                |                              |
| <b>Revenue</b>                                      |                                     |                              |
| Total revenue for reportable segments               | 3,629,686                           | 2,917,517                    |
| <b>Profit for the period</b>                        |                                     |                              |
| Total profit for reportable segments                | 851,851                             | 520,607                      |
| Unallocated corporate income / (expenses)           |                                     |                              |
| Other operating income                              | 16,809                              | 25,112                       |
| Administrative expenses                             | (1,230)                             | 980                          |
| Other operating expenses                            | (40,119)                            | (15,428)                     |
| Finance cost  | (360,346)                           | (323,097)                    |
| Share of profit / (loss) of associates - net of tax | 8,024                               | (3,805)                      |
| "Impairment loss on investment in associate"        | (16,378)                            | (3,245)                      |
| Profit before income tax expense                    | 458,611                             | 201,124                      |
|   | <b>Un-Audited December 31, 2011</b> | <b>Audited June 30, 2011</b> |
|   | (Rupees in thousand)                |                              |
| <b>Assets</b>                                       |                                     |                              |
| Total assets for reportable segments                | 9,483,889                           | 7,851,439                    |
| Other unallocated corporate assets                  | 2,324,113                           | 3,412,307                    |
| Entity's assets                                     | 11,808,002                          | 11,263,746                   |
| <b>Liabilities</b>                                  |                                     |                              |
| Total liabilities for reportable segments           | 753,061                             | 446,868                      |
| Other unallocated corporate liabilities             | 11,054,941                          | 10,816,878                   |
| Entity's liabilities                                | 11,808,002                          | 11,263,746                   |

## 18.3 The Company has no reportable geographical segment.

## 19 OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES

|   | Six months ended     |                   |
|---|----------------------|-------------------|
|   | December 31, 2011    | December 31, 2010 |
|   | (Rupees in thousand) |                   |
| Profit before taxation  | 458,611              | 201,124           |
| Adjustments for:  |                      |                   |
| Depreciation on property, plant and equipment                                       | 234,366              | 250,052           |
| Depreciation on investment property   | 246                  | 274               |
| Impairment loss on investment in associated company                                 | 16,378               | 3,245             |
| Finance cost  | 360,346              | 323,097           |
| Share of profit of associated companies - net of tax                                | (8,024)              | 3,805             |
| Loss / (gain) on disposal of property, plant and equipment - net                    | 6,222                | (1,488)           |
| Gain on sale of available for sale investments                                      | (593)                | (27)              |
| Exchange gain   | (281)                | (62)              |
| Provision for employee benefits   | 1,665                | 4,532             |
| Provision for workers' profit participation fund                                    | 24,199               | 11,274            |
| Provision for workers' welfare fund   | 9,196                | 4,284             |
| Dividend income   | (3,343)              | (1,953)           |
| Transfer from other comprehensive income to surplus on property plant and equipment | -                    | 22,286            |
| Profit on bank deposits   | (6,284)              | 540               |
|   | 634,093              | 619,859           |
|   | 1,092,704            | 820,983           |

**20 DATE OF AUTHORIZATION FOR ISSUE**

This interim financial information has been approved by the Board of Directors of the Company and authorized for issue on February 02, 2012.

**21 RE-ARRANGEMNT AND RECLASSIFICATION**

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant re-classifications made as follows:

| From                             | To  | Amount<br>(Rupees in thousand) |
|----------------------------------|---|--------------------------------|
| <b>Capital work-in-progress</b>  | <b>Long term loans and advances</b>             |                                |
| Advance against purchase of land | Advance for investment property-considered good | 816,127                        |

**22 GENERAL**

Figures have been rounded to the nearest thousand of “Pak” Rupees, unless otherwise stated.



**MUHAMMAD ADREES**  
(CHIEF EXECUTIVE OFFICER)



**HASEEB AHMED**  
(DIRECTOR)



**Sitara Chemical** Industries Limited

601-602 Business Centre, Mumtaz Hassan Road,  
Off. II Chundrigar Road, Karachi-74000  
Tel: 021-32420620, 32413944