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FINANCIAL PERFORMANCE
2017
Sales
+2.65%
Rs. 10,074M
(2016: Rs. 9,814)

Profit Before Tax %
11.71%
(2016:11.44%)

Cash Dividend
125%
(2016:115%)

Profit After Tax %
11.58%
(2016:7.84%)

Market Value Per Share
Rs. 444.62
(2016:Rs.364.00)

Earning Per Share
Rs. 54.43
(2016:Rs.35.90)

Gross Profit %
22.95%
(2016:21.69%)

Operating Profit %
15.40%
(2016:14.00%)
Vision
Strive to develop and employ innovative technological solutions to add value to business with progressive and proactive approach.

Mission
Continuing growth and diversification for bottom line results with risk well contained.
CODE OF ETHICS
AND
BUSINESS
PRACTICES

We believe in stimulating and challenging team oriented work environment that encourage, develops and reward excellence and diligently serve communities, maintaining high standards of moral and ethical values.
### Board of Directors
- **Chairman**: Mr. Muhammad Khalil
- **Chief Executive Officer**: Mr. Muhammad Adrees
- **Directors**: Mr. Haseeb Ahmed, Mr. Waheed Akhter Sher, Mr. Abdul Awal, Mr. Muneeb-ul-Haq, Mr. Ahmad Nawaz

### Auditors
- **Deloitte Yousuf Adil Chartered Accounts**

### Legal Advisor
- **Mr. Sahibzada Muhammad Arif**

### Company Secretary
- **Mr. Mazhar Ali Khan**

### Chief Financial Officer
- **Mr. Anwar-ul-Haq (FCA)**

### Audit Committee
- **Chairman**: Mr. Abdul Awal
- **Member**: Mr. Muhammad Khalil, Mr. Muneeb-ul-Haq

### Human Resource and Remuneration Committee
- **Chairman**: Mr. Muhammad Khalil
- **Member**: Mr. Muhammad Adrees, Mr. Abdul Awal

### Head of Internal Audit
- **Mr. Zakir Hussain (FCA)**

### 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
- Al-Baraka Islamic Bank B.S.C. (E.C.)
- Faysal Bank Limited
- Habib Bank Limited
- Bank Islami Pakistan Limited
- Habib Metropolitan Bank Limited
- Bank Al-Habib Limited
- Soneri Bank Limited
- The Bank of Khyber
- Askari Commercial Bank

### Website of the Company
- [www.sitara.com.pk](http://www.sitara.com.pk)

### Shares Registrar Address
- THK Associates (Pvt) Limited
- 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi

### Registered Office
- 601-602 Business Centre, Mumtaz Hasan Road, Karachi-74000

### Factories
- 28/32 KM, Faisalabad-Sheikhupura Road, Faisalabad
CEO’S MESSAGE

In the name of Allah, the Most Beneficent, the Most Gracious, the Most Merciful. On behalf of the Board of Directors of Sitara Chemical Industries Limited, I am pleased to present the audited financial statements of the Company together with Auditors' Report thereon for the year ended June 30, 2017.

Overall Review:
Growth of your company is dependent upon overall growth of the economy of the country, particularly the growth of textile sector along with factors like political stability, investment friendly Govt. policies, growth oriented taxation policies, improved law and order situation of the country etc. During the financial year 2016-17, industrial sector of country has witnessed a growth of 5% as against 5.8% last year. Growth of textile sector witnessed at 0.78% as against 0.66% of last year. In spite of meager growth of textile sector during the current financial year, your company performed well and kept its pace of growth. However, much is needed from Govt. for growth of textile sector in shape of relaxed taxation and facilitated environment for considerable growth in exports.

Financial Performance:
During the financial year 2017, your Company has posted net sales of Rs.10,074/- million as against Rs. 9,814/- million in the corresponding period of last year representing a growth of 2.65%. Profit after tax stood at Rs.1,166/- million during the year 2017 as against Rs. 769 million last year. Earning per share was recorded at Rs.54.43/- during the year 2017 as against Rs.35.90/- last financial year. Besides competitive environment prevailing in caustic market, improvement in bottom line results during the current financial year was due to improvement in gross margins after induction of 40 mega watt coal fired power plant, which resulted savings in energy cost and uninterrupted supply of electricity round the year. Textile segment of your company also performed well in terms of better sales and enhanced gross margins. By the grace of Almighty Allah, your Company is now self sufficient in its energy needs. Furthermore, improvement in bottom line results are also attributable to recording of tax credit admissible under the Income Tax Ordinance, 2001 on investment in plant and machinery of coal fired power plant, and extension / expansions / BMR of other chemical plants.

Our success history is based upon our determination to stay the course and look forward to understand the environment in which we operate, to organise ourselves to seize opportunities to deliver profitable growth now and in the future. Although we are operating in a challenging and turbulent economic environment, we see it as enthralling time with full of opportunities. We continue to commit ourselves to ambitious financial targets expected by our stakeholders.

Future Outlook:
Pakistan’s macroeconomic indicators are improving and continue to solidify grounds for a sustained upward growth. In particular, key constraints impending the economy from achieving high growth i.e. power supply and law & order situation- are gradually getting better. In this backdrop, government envisages higher real GDP growth of 6% for financial year 2018 compared to 5.3% recorded in current year. Further, low interest rate environment and credit expansion is likely to maintain its pace with better prospects for investment and industrial growth.

Alhamdulillah, after achieving the self sufficiency in energy needs of the company and commissioning of Carbon Dioxide (CO2 Food Grade) and Calcium Chloride Prill Plants during the year, 04 new Ring frames of 552 spindles each will be installed in textile division of the company along with up gradation of laboratory equipment which will enhance production capacity of textile division as well as improvement in the quality of yarn.

We are focused and committed on our agenda of further diversification and induction of new product lines that creates shareholders’ value on sustainable basis.

Acknowledgments:
We take this opportunity to thank our valued business partners and stakeholders for their continued support, trust, and assistance for the progress and prosperity of the Company. Company also appreciates its staff for their continuous dedication, commitment and support.

Muhammad Adrees
Chief Executive Officer

September 22, 2017
Gentlemen,

The Directors have pleasure in submitting their report and audited accounts of the Company for the year ended June 30, 2017.

**Profit and Loss Account Rupees**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit for the year after tax before &amp; WWF</td>
<td>1,233,868,329</td>
</tr>
<tr>
<td>Workers Welfare Fund (WWF) and Workers Profit Participation Fund (WWF)</td>
<td>(67,486,641)</td>
</tr>
<tr>
<td>Net Profit for the year</td>
<td><strong>1,166,381,688</strong></td>
</tr>
<tr>
<td>Incremental depreciation (net of deferred tax)</td>
<td>73,109,465</td>
</tr>
<tr>
<td>Transfer of revaluation surplus on reclassification of investment in associates</td>
<td>56,451,713</td>
</tr>
<tr>
<td>Final divided for the year June 30, 2016 @ Rs. 11.50 per share</td>
<td>246,438,646</td>
</tr>
<tr>
<td>Un-appropriated profit brought forward</td>
<td>5,958,346,996</td>
</tr>
<tr>
<td>Amount available for appropriation</td>
<td><strong>7,007,851,217</strong></td>
</tr>
</tbody>
</table>

**Appropriations:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed dividend for the year ended June 30, 2017 dividend @ 12.50 per share</td>
<td>(267,867,588)</td>
</tr>
<tr>
<td>Earning per share- basic and diluted</td>
<td><strong>54.43</strong></td>
</tr>
</tbody>
</table>

**Staff Retirement Benefits**

Company has maintained a recognized provident fund, and based on audited accounts as at June 30, 2017, value of investment thereof was Rs.56,131,344/-. Employees of Textile Division are entitled to gratuity as per law and appropriate provision has been made in accordance with IAS-19 in the accounts.

**Board of Directors**

The Board comprises of two Executive, one independent and four non-executive directors. The independent and non-executive directors are independent to management. The Board has delegated day-to-day operations of the Company to the Chief Executive Officer.

During the year, Mr. Muhammad Yousuf Adil has resigned from the board of directors of company and Mr. Ahmad Nawaz was nominated by the board to fill the casual vacancy. The board placed on record its appreciation for valuable contribution made by Mr. Muhammad Yousuf Adil and welcomed Mr. Ahmad Nawaz as new directors of the company.

**Board of Directors Meeting**

During the year Five board meetings were held and attended as follows:
Board of Directors Meeting
During the year Five board meetings were held and attended as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mr. Muhammad Adrees</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Mr. Haseeb Ahmed</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>Mr. Muhammad Khalil</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Mr. Waheed Akhtar Sher</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Mr. Abdul Awal</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>Mr. Muneeb ul Haq</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Mr. Ahmad Nawaz</td>
<td>2</td>
</tr>
<tr>
<td>8</td>
<td>Mr. Muhammad Yousuf Adil</td>
<td>1</td>
</tr>
</tbody>
</table>

Audit Committee Meetings
During the year Seven meetings were held and attended as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mr. Abdul Awal</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>Mr. Muhammad Khalil</td>
<td>7</td>
</tr>
<tr>
<td>3</td>
<td>Mr. Muneeb ul Haq</td>
<td>7</td>
</tr>
</tbody>
</table>

Human Resource and Remuneration Committee
During the year Four meetings were held and attended as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mr. Muhammad Khalil</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>Mr. Muhammad Adrees</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Mr. Abdul Awal</td>
<td>4</td>
</tr>
</tbody>
</table>

Auditors
The existing auditors M/s. Deloitte Yousuf Adil, Chartered Accountants, shall retire on the conclusion of 36th Annual General Meeting. Being eligible, they have offered themselves for reappointment as Auditors of the Company from conclusion of the 36th Annual General Meeting until the conclusion of 37th Annual General Meeting. The Audit Committee has recommended the appointment of aforesaid M/s. Deloitte Yousuf Adil, as external auditors for the year ending June 30, 2018. The external auditors have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm, and all its partners are in compliance with the International Federation of Accountants’ Guidelines on Code of Ethics, as adopted by the ICAP.

Contribution to National Exchequer
During the year, The Company’s contribution to the national exchequer amounting to Rs. 1,845.965/- million in respect of payment towards sales tax and income tax. This does not include the import duties, withholding tax deducted by the company from deducted by the company from employees, suppliers and contractors and deposited into the treasury.

Production Operations
During the year your company has produced 127,464 Metric Tons of Caustic Soda against last year’s production of 135,103 Metric Tons. Production of Textile Division remained 9,311,573 Kgs of Yarn against 9,218,045 Kgs in the last year. During the year all 26,304 spindles remained operational.

Corporate Governance
Statement of Compliance of Corporate Governance is annexed.

Pattern of Shareholding
The pattern of shareholding of the Company is annexed along with trading in shares of the Company by its Directors their spouse and minor children, CEO, CFO, head of internal audit and Company Secretary.
Calcium Chloride Prill Plant And CO2 (III) Plant
Alhamdulillah, during the financial year 2017, Calcium Chloride Prill Plant and an additional plant of 50 M.T of Carbon Dioxide (CO2-Food Grade) started its commercial production. This will lead to increased market share in days to come and improve profitability of your Company.

Research and Development:
Your company continued its research and development activities at its exclusive R&D department that constitutes highly professional and fully dedicated staff. For utilization of excessive chlorine produced as by-product, R&D department performed marvelous job introducing various products and we hope further achievements in coming years.

Information Technology:
Company is committed to utilize the relevant developments in the IT sector to achieve its strategic business goals. It is equipped with necessary hardware, software, applications, and personnel to cope with all the business challenges and the developments taking place in the market.

For its commitment to implement paperless environment in managing its day to day business affairs, company has completed implementation of the state of the art and world’s best ERP solution -SAP along with in house developed software applications for managing its information system. The transactions generated through different modules of these applications become the source of real time information for effective, correct and timely business decisions.

Environment, Health and Safety:
We are a Health & Safety conscious organization, recognized to an international standards. Alhamdulillah, We have successfully attained OHSAS 18001 Certification from SGS during the year under review.

Your company is strongly committed to continued improvement of its environmental management system by adaptation of appropriate pollution prevention measures and complying with all relevant legislation and standards especially ISO 9001 and ISO 14001. Company is also committed to the slogan of “safety starts from the entrance”. Trainings, awareness sessions and workshops are held continually at the plant for safety measures, emergency response and preparedness, chemical spillages, chlorine leakage, security and fire fighting drills etc. During the year under review various courses/ workshops/awareness sessions were held at the site. On average 971 persons are trained per year on the above mentioned subjects.
Human Resource Development:
Human Resource planning and management is one of the most focused point at the highest management level. The company has a Human Resource and Management committee which is involved in selection, evaluation, compensation and succession planning of the key management personal. It is also involved in recommending improvement in human resource policy and its periodic review. Your company always welcomed the opportunities for staff training, broadening their knowledge, vision and skill and awareness about changing technological and learning developments. For this purpose multiple workshops / courses / seminars were held during the year under review wherein renowned consultants were called for to train the staff. Company has sent 142 employees to attend courses and workshops held at various well known institutions of Pakistan.

Corporate Social Responsibility
Your company always remains proactive to contribute towards general public welfare activities. We manage and arrange medical camps and health awareness campaigns frequently. In this regard various activities have been also held at factory site.
### DIRECTORS' REPORT

#### Sources of Revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>Rs. In Millions</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caustic soda</td>
<td>6,560</td>
<td>65.12%</td>
</tr>
<tr>
<td>Sodium Hypochlorite</td>
<td>547</td>
<td>5.43%</td>
</tr>
<tr>
<td>Bleaching powder</td>
<td>170</td>
<td>1.69%</td>
</tr>
<tr>
<td>Hydrochloric acid</td>
<td>502</td>
<td>4.98%</td>
</tr>
<tr>
<td>Liquid Chlorine</td>
<td>176</td>
<td>1.75%</td>
</tr>
<tr>
<td>Yarn</td>
<td>1,243</td>
<td>12.34%</td>
</tr>
<tr>
<td>Fabric</td>
<td>598</td>
<td>5.94%</td>
</tr>
<tr>
<td>Others</td>
<td>278</td>
<td>2.76%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,074</strong></td>
<td>100.00%</td>
</tr>
</tbody>
</table>

#### Application of Revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>Rs. In Millions</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel &amp; power</td>
<td>3,945</td>
<td>39.16%</td>
</tr>
<tr>
<td>Raw materials</td>
<td>2,150</td>
<td>21.35%</td>
</tr>
<tr>
<td>Salaries &amp; wages</td>
<td>406</td>
<td>4.03%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>661</td>
<td>6.56%</td>
</tr>
<tr>
<td>Admin &amp; selling expenses</td>
<td>785</td>
<td>7.79%</td>
</tr>
<tr>
<td>Financial charges</td>
<td>371</td>
<td>3.68%</td>
</tr>
<tr>
<td>Other</td>
<td>599</td>
<td>5.95%</td>
</tr>
<tr>
<td>Dividend</td>
<td>246</td>
<td>2.45%</td>
</tr>
<tr>
<td>Income tax</td>
<td>14</td>
<td>0.14%</td>
</tr>
<tr>
<td>Retained</td>
<td>895</td>
<td>8.88%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,074</strong></td>
<td>100.00%</td>
</tr>
</tbody>
</table>

---

**Caustic Soda**

(Quantity M.Ton)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>157,466</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>146,033</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>128,433</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>110,787</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>92,943</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>83,521</td>
<td></td>
</tr>
</tbody>
</table>

**Sodium Hypochlorite**

Quantity (Kgs. “000”)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>27,520</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>24,326</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>20,090</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>15,852</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>11,696</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>7,766</td>
<td></td>
</tr>
</tbody>
</table>
Acknowledgment

“Our people are our strength and key drivers behind all our achievements. We acknowledge valuable contribution of every employee of the company in consistent growth and marvelous performance in the Financial Year 2017. We also cannot forget to say thanks to customers for the trust they put in our products all the time. Directors also wish to express their gratitude to the shareholders of the company and financial institutions for their support and confidence in the management.”

For and on behalf of
BOARD OF DIRECTORS

Muhammad Adrees
Chief Executive Office
Faisalabad.
September 22, 2017
پاکستان کے سیاسی اقتصادی اعضا کی اعتمادیات سے کچھ چیز ہے۔ جو اس کی خاک کی بنیاد ہے اور نازہ طور پر ترقی کے حصول

سے متعلق ہے۔

لاکھوں لکھینے والے کمپانیوں ہے جو اڑی اور اس کے باتوں کی صورت حال بندرگی ان کی جانب گزر ہے۔ اس

صوٹ لیا گیا ہے۔ صورت حال نو میں بھی مجموعہ سے 5.3 فیصد ترقی کی مقابلہ کی مدت میں سال 2018 میں 6 فیصد ترقی کی

اُن کے دفاع میں اور گزار ترقی اور سیکورٹی کی اور ضروری ترقی کے لئے لیے جاتے ہیں۔ اور ممالک کے فیصد کو ہر ہزار کے

ہے۔

امیدوار ہے کہ موجودہ سال میں کئی بڑی کمپنیوں کی شرتوں میں ترقیات حاصل کرے۔ ووڈکار ان کے ذیل اکاسیا ہی،

کوئی ایک بڑی کمپنی کی ترقی کے بہتر کا خیال کے خصوصہ میں سپرد کے 4 عوام کے اپنے فریم کی انتہائی اور اپنے

دائی کے لئے بہترین ہوگا۔ اور اپنے بہترین اور اپنے کو اور الیکٹری کے کو ہونے کی تصدیق کے

تک پہنچ بھی کر رہے ہیں اور جب بنما اور بھی اپنے مطالبہ کو عمل کر کے اس خصوصی پرچم پر اپنے چتر تک پہنچنے کے

یہ کام کو عظیم معاشرتی کی جا گا۔

اعطاات

اعتمادات

اصل میں چاہئے کہ کوئی اور بھی اپنا کام کر جائے اور کہ اس کا ثبوت کے لئے کوئی اپنے کا

نا میں کسکھا جا گا۔ میں نے اس مطالعہ کو اپنے چتر پر کر کے ایک کلی اپنے

میزوری

پیپر گری

سیکورٹی کے لئے

فائل آپر

22 کو 2017ء
البئر گردشی: نرم افزار اینترنتی که با انجام تحقیقات و بررسی‌های دقیق، می‌تواند نمایشگری از داده‌ها و مقادیر را ارائه دهد.

مطالعه یکی از مهم‌ترین جهات که در پژوهش‌های علمی باید به آن توجه شود، شامل شناخت و بین‌العملیتی از ابزار مطالعه می‌باشد.

مطالعه تحقیقاتی: این جلسات انجام می‌شوند تا تحقیقات و بهبود در این زمینه پیشرفت کنند.

مطالعه تحقیقاتی: این جلسات انجام می‌شوند تا تحقیقات و بهبود در این زمینه پیشرفت کنند.

پیشرفت در پژوهش‌های علمی: اکثریت بهبود در این زمینه پیشرفت کنند.

مطالعه تحقیقاتی: این جلسات انجام می‌شوند تا تحقیقات و بهبود در این زمینه پیشرفت کنند.

پیشرفت در پژوهش‌های علمی: اکثریت بهبود در این زمینه پیشرفت کنند.

مطالعه تحقیقاتی: این جلسات انجام می‌شوند تا تحقیقات و بهبود در این زمینه پیشرفت کنند.

پیشرفت در پژوهش‌های علمی: اکثریت بهبود در این زمینه پیشرفت کنند.

مطالعه تحقیقاتی: این جلسات انجام می‌شوند تا تحقیقات و بهبود در این زمینه پیشرفت کنند.

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پیشرفت در پژوهش‌های علمی: اکثریت بهبود در این زمینه پیشرفت کنند.

مطالعه تحقیقاتی: این جلسات انجام می‌شوند تا تحقیقات و بهبود در این زمینه پیشرفت کر
SIX YEARS AT A GLANCE

Operating results (Rs. "Million")

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<tr>
<td></td>
<td></td>
<td>10,074</td>
<td>9,814</td>
<td>8,723</td>
<td>8,807</td>
<td>8,100</td>
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<tr>
<td>Gross profit</td>
<td></td>
<td>2,312</td>
<td>2,129</td>
<td>1,572</td>
<td>2,139</td>
<td>2,505</td>
<td>2,070</td>
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<tr>
<td>Operating profit</td>
<td></td>
<td>1,551</td>
<td>1,374</td>
<td>1,446</td>
<td>1,551</td>
<td>1,863</td>
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<tr>
<td>Profit before tax</td>
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<td>1,180</td>
<td>1,123</td>
<td>1,112</td>
<td>1,146</td>
<td>1,376</td>
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Financial ratios

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<tbody>
<tr>
<td>Gross Profit %</td>
<td>22.95</td>
<td>21.69</td>
<td>18.02</td>
<td>24.29</td>
<td>30.93</td>
<td>27.73</td>
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<tr>
<td>Operating Profit %</td>
<td>15.40</td>
<td>14.00</td>
<td>16.57</td>
<td>17.61</td>
<td>23.00</td>
<td>23.00</td>
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<tr>
<td>Profit before tax %</td>
<td>11.71</td>
<td>11.44</td>
<td>12.75</td>
<td>13.01</td>
<td>16.99</td>
<td>13.18</td>
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<tr>
<td>Earnings per share - Basic (Rs.)</td>
<td>54.43</td>
<td>35.90</td>
<td>46.03</td>
<td>40.19</td>
<td>48.40</td>
<td>32.13</td>
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<tr>
<td>Market value per share - (Rs.)</td>
<td>444.62</td>
<td>364.00</td>
<td>300.20</td>
<td>296.50</td>
<td>199.99</td>
<td>105.05</td>
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<tr>
<td>Cash Dividend Per Share - (Rs.)</td>
<td>12.50</td>
<td>11.50</td>
<td>9.00</td>
<td>10.50</td>
<td>10.00</td>
<td>8.00</td>
</tr>
<tr>
<td>Inventory turn over (times)</td>
<td>6.76</td>
<td>7.54</td>
<td>10.41</td>
<td>12.75</td>
<td>13.01</td>
<td>16.99</td>
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<tr>
<td>Current ratio</td>
<td>0.881</td>
<td>0.751</td>
<td>1.041</td>
<td>0.871</td>
<td>0.731</td>
<td>0.611</td>
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<tr>
<td>Fixed assets turn over (times)</td>
<td>1.07</td>
<td>1.12</td>
<td>1.51</td>
<td>1.53</td>
<td>1.36</td>
<td>1.23</td>
</tr>
<tr>
<td>Price earning ratio</td>
<td>8.17</td>
<td>10.14</td>
<td>7.42</td>
<td>7.38</td>
<td>4.14</td>
<td>3.27</td>
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<td>Return on capital employed %</td>
<td>9.72</td>
<td>7.29</td>
<td>10.89</td>
<td>10.74</td>
<td>13.81</td>
<td>9.56</td>
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<tr>
<td>Debt equity</td>
<td>24.76</td>
<td>23.77</td>
<td>19.81</td>
<td>19.81</td>
<td>23.77</td>
<td>32.68</td>
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Sales
(Rs. In Million)

Gross Profit, Operating Profit & Profit before Tax
(Rupees in Millions)

Market Value Per Share (Rs)

Earnings Per Share (Rs)
## SIX YEARS AT A GLANCE

### Assets employed

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<tr>
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</thead>
<tbody>
<tr>
<td>Property, Plant and equipment</td>
<td>9,413,115</td>
<td>8,789,143</td>
<td>5,790,536</td>
<td>5,765,295</td>
<td>6,068,942</td>
<td>6,339,937</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>13,089</td>
<td>14,544</td>
<td>16,159</td>
<td>17,955</td>
<td>19,950</td>
<td>-</td>
</tr>
<tr>
<td>Investment property</td>
<td>2,926,570</td>
<td>2,872,992</td>
<td>2,716,463</td>
<td>3,004,815</td>
<td>2,868,379</td>
<td>2,820,036</td>
</tr>
<tr>
<td>Long Term Investment</td>
<td>31,579</td>
<td>100,125</td>
<td>99,192</td>
<td>68,280</td>
<td>63,431</td>
<td>67,608</td>
</tr>
<tr>
<td>Advances and deposits</td>
<td>1,379,061</td>
<td>1,376,035</td>
<td>1,375,492</td>
<td>928,309</td>
<td>929,735</td>
<td>937,791</td>
</tr>
<tr>
<td>Current assets</td>
<td>5,761,477</td>
<td>4,702,364</td>
<td>4,446,080</td>
<td>3,601,755</td>
<td>3,008,549</td>
<td>2,475,187</td>
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### Financed by

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</thead>
<tbody>
<tr>
<td>Ordinary capital</td>
<td>214,294</td>
<td>214,294</td>
<td>214,294</td>
<td>214,294</td>
<td>214,294</td>
<td>214,294</td>
</tr>
<tr>
<td>Reserves</td>
<td>8,410,668</td>
<td>7,321,113</td>
<td>6,677,893</td>
<td>5,887,795</td>
<td>5,132,874</td>
<td>4,131,837</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>8,624,962</td>
<td>7,535,407</td>
<td>6,892,187</td>
<td>6,102,089</td>
<td>5,347,168</td>
<td>4,346,131</td>
</tr>
<tr>
<td>Surplus on revaluation</td>
<td>1,226,133</td>
<td>1,355,695</td>
<td>1,305,696</td>
<td>1,347,409</td>
<td>1,429,501</td>
<td>1,521,196</td>
</tr>
<tr>
<td>Long term and deferred liabilities</td>
<td>3,149,898</td>
<td>2,677,233</td>
<td>1,952,385</td>
<td>1,776,278</td>
<td>2,047,311</td>
<td>2,733,950</td>
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### Fixed Assets

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### Shareholders' Equity

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### Export Sales

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<tbody>
<tr>
<td>Export Sales (Rupees in Million)</td>
<td>532</td>
<td>555</td>
<td>523</td>
<td>-</td>
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### Current Assets & Current Liabilities

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<tr>
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</thead>
<tbody>
<tr>
<td>Export Sales (Rupees in Million)</td>
<td>5,793,477</td>
<td>5,732,958</td>
<td>4,357,234</td>
<td>4,446,080</td>
<td>4,129,364</td>
<td>4,642,006</td>
</tr>
<tr>
<td>Current Assets</td>
<td>5,761,477</td>
<td>4,702,364</td>
<td>3,601,755</td>
<td>3,008,549</td>
<td>2,475,187</td>
<td>2,047,311</td>
</tr>
</tbody>
</table>
Statement of Director's Responsibility
Board of Directors is mindful of its responsibilities and duties under legal and corporate framework. The Board defines and establishes Company's overall objectives and directions and monitors status thereof. Short term and long term plans and business performance targets are set by Chief Executive Officer under overall policy framework of the Board. There has been no-material departure from the best practices of the corporate Governance, as detailed in the listing regulation.

Presentation of Financial Statements
The financial statement prepared by the management of the Company, fairly present its state of affairs, the result of its operations, cash flows and changes in equity.

Books of Accounts
Company has maintained proper books of account.

Accounting Policies
Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

Application of International Accounting Standards
International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

Internal Control System
System of Internal Control is sound in design and has been effectively implemented and monitored.

Taxation
Information about taxes and levies is given in the notes to and forming part of financial statements.

Going Concerns
There is no doubt about the Company's ability to continue as a going concern.

Audit Committee
Audit Committee was established to assist Board in discharging its responsibilities for Corporate Governance, Financial Reporting and Corporate Control. The Committee consist of thee members

Human Resource and Remuneration Committee
Human Resource and Remuneration Committee was formed to monitor the procedure of selection, evaluation, compensation and succession planning of the key management personal along with designing and implementation of Human Resource Policy of the company. This committee comprises of Three members.
This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Chapter No. 5.19 of Rule Book of Pakistan Stock Exchange Limited (PSX) for the purpose of establishing framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Names</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Director</td>
<td>Mr. Abdul Awal</td>
</tr>
<tr>
<td>Executive Directors</td>
<td>Mr. Muhammad Adrees</td>
</tr>
<tr>
<td></td>
<td>Mr. Haseeb Ahmd</td>
</tr>
<tr>
<td>Non-executive Directors</td>
<td>Mr. Waheed Akhter Sher</td>
</tr>
<tr>
<td></td>
<td>Mr. Ahmad Nawaz</td>
</tr>
<tr>
<td></td>
<td>Mr. Muhammad Khalil</td>
</tr>
<tr>
<td></td>
<td>Mr. Muneeb ul Haq</td>
</tr>
</tbody>
</table>

The Independent Director meet the criteria of Independence under clause 5.19.1 (b) of the CCG.

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 NBFI or being a broker of stock exchange, has been declared as a defaulter by that stock exchange.

4. During the financial year 2016-17, a casual vacancy occurred on the Board on October 19, 2017 and filled up by the Directors on December 23, 2017.

5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In accordance with the Code of Corporate Governance (CCG), more than fifty percent (50%) of the Directors have obtained certification under Directors training Program by the year ended June 30, 2017.

10. There has been no change in the position of CFO, Company Secretary and Head of Internal Audit during the year.

11. The Director’s report for this year has been prepared in compliance with the requirements of CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises three Members, of whom two are Non-Executive Directors and Chairman of the Committee is an Independent Director.

16. The meeting 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 a HR and Remuneration Committee. It comprises of three members; majority Directors are Non-Executive Directors including the Chairman of the committee.

18. The Board has set up an effective internal audit function within the Company who are considered to be suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company 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 market price of Company's securities, was determined and intimated to the Directors, employees and stock exchange.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.

23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board

M.MUHAMMAD ADREES
Chief Executive Officer
# PATTERN OF SHAREHOLDING

**AS AT JUNE 30, 2017**

<table>
<thead>
<tr>
<th>NUMBER OF SHAREHOLDERS</th>
<th>SHAREHOLDINGS FROM</th>
<th>SHAREHOLDINGS TO</th>
<th>TOTAL NUMBER OF SHARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1008</td>
<td>1</td>
<td>100</td>
<td>26,862</td>
</tr>
<tr>
<td>529</td>
<td>101</td>
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<td>134,517</td>
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<tr>
<td>167</td>
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<tr>
<td>146</td>
<td>1,001</td>
<td>5,000</td>
<td>353,543</td>
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<tr>
<td>31</td>
<td>5,001</td>
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<td>12</td>
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<td>155,777</td>
</tr>
<tr>
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<td>20,000</td>
<td>53,224</td>
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<td>4</td>
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<td>25,000</td>
<td>89,313</td>
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<td>2</td>
<td>25,001</td>
<td>30,000</td>
<td>55,950</td>
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<td>35,000</td>
<td>92,336</td>
</tr>
<tr>
<td>3</td>
<td>35,001</td>
<td>40,000</td>
<td>115,950</td>
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<td>45,000</td>
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<tr>
<td>2</td>
<td>45,001</td>
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<td>60,001</td>
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<tr>
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<td>65,001</td>
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<td>115,000</td>
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<td>145,001</td>
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<td>310,001</td>
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<td>314,555</td>
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<td>370,001</td>
<td>375,000</td>
<td>373,346</td>
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<tr>
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</tr>
<tr>
<td>1</td>
<td>630,001</td>
<td>635,000</td>
<td>634,416</td>
</tr>
<tr>
<td>1</td>
<td>900,001</td>
<td>905,000</td>
<td>904,386</td>
</tr>
<tr>
<td>1</td>
<td>1,665,001</td>
<td>1,670,000</td>
<td>1,669,850</td>
</tr>
<tr>
<td>1</td>
<td>13,635,001</td>
<td>13,640,000</td>
<td>13,637,402</td>
</tr>
</tbody>
</table>

**1934**

| 21,429,406 |
## PATTERN OF SHAREHOLDING
### AS AT JUNE 30, 2017

<table>
<thead>
<tr>
<th>Number</th>
<th>Share Held</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NIT &amp; ICP</strong>&lt;br&gt;National Bank of Pakistan - Trustee Department&lt;br&gt;Investment Corporation of Pakistan</td>
<td>3</td>
<td>685,722</td>
</tr>
<tr>
<td><strong>Directors, CEO &amp; their Spouse and Minor Children</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Muhammad Adrees</td>
<td>1</td>
<td>13,637,402</td>
</tr>
<tr>
<td>Mr. Haseeb Ahmed</td>
<td>1</td>
<td>375,540</td>
</tr>
<tr>
<td>Mr. Muhammad Khalil</td>
<td>1</td>
<td>525</td>
</tr>
<tr>
<td>Mr. Abdul Awal</td>
<td>1</td>
<td>500</td>
</tr>
<tr>
<td>Mr. Muneeb-ul Haq</td>
<td>1</td>
<td>500</td>
</tr>
<tr>
<td>Mr. Waheed Akhter Sher</td>
<td>1</td>
<td>500</td>
</tr>
<tr>
<td>Mr. Ahmad Nawaz</td>
<td>1</td>
<td>500</td>
</tr>
<tr>
<td><strong>Bank, Development Finance Institutions,</strong>&lt;br&gt;<strong>Non Banking Finance Institutions.</strong></td>
<td>8</td>
<td>1,860,953</td>
</tr>
<tr>
<td><strong>Insurance Companies</strong></td>
<td>2</td>
<td>1,444,786</td>
</tr>
<tr>
<td><strong>Mutual Funds</strong></td>
<td>15</td>
<td>464,600</td>
</tr>
<tr>
<td><strong>Mudarabas</strong></td>
<td>2</td>
<td>16,050</td>
</tr>
<tr>
<td><strong>Foreign Companies</strong></td>
<td>2</td>
<td>7,300</td>
</tr>
<tr>
<td><strong>General Public (Local)</strong></td>
<td>1840</td>
<td>2,290,557</td>
</tr>
<tr>
<td><strong>General Public (Foreign)</strong></td>
<td>23</td>
<td>96,839</td>
</tr>
<tr>
<td><strong>Associated Companies, Undertaking and Related Parties</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Joint Stock Companies, others, etc.</strong></td>
<td>24</td>
<td>457,547</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>8</td>
<td>89,585</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,934</td>
<td>21,429,406</td>
</tr>
</tbody>
</table>

Detail of purchase/sale of shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses/minor children during 2016-2017.

Mr. Ahmad Nawaz (Director of the Company) acquired 500 qualification shares during the year.
Mr. Muhammad Adrees (Chief Executive of the Company) received Gift =245,000= shares during the year.

Following shareholders have shareholding of 5% and above in the company.

*a* Mr. Muhammad Adrees, Chief Executive 13,637,402

*b* JS Bank Limited 1,669,850

The Board has determined threshold under clause xvi(I) of Code of Corporate Governance 2012 in respect of trading of Company’s shares by executives and employees who are drawing annual basic salary of Rs. 5 Million or more.

None of the employee of the company has made any trade of shares of the company who falls beyond the threshold of Rs. 5 Million annual basic salary.
Notice is hereby given that the 36th Annual General Meeting of Sitara Chemical Industries Limited will be held at The Institute of Chartered Accountants of Pakistan (ICAP) Auditorium Hall, Chartered Accountants Avenue, Clifton, Karachi, on Wednesday, October 25, 2017 at 6:00 p.m. to transact the following business:

1. To confirm the minutes of Annual General Meeting held on October 28, 2016.

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2017 together with the Reports of Auditors and Directors thereon.

3. To approve payment of Cash Dividend at the rate of 125% (Rs.12.50 per share) as recommended by the Board of Directors.

4. To appoint auditors for the year ending June 30, 2018 and to fix their remuneration.

5. To transact any other ordinary business of the Company with the permission of the Chair.

By order of the Board

Karachi
Dated : September 22, 2017

MAZHAR ALI KHAN
Company Secretary

1. CLOSURE OF SHARE TRANSFER BOOKS.
The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from October 18, 2017 to October 25, 2017 (both days inclusive). Transfers received in order at Company’s Share Registrar’s Office by the close of business on October 17, 2017 will be treated in time for the purpose of payment of cash dividend, if approved by the shareholders.

2. PARTICIPATION IN THE ANNUAL GENERAL MEETING.
A member entitled to attend and vote at this meeting is entitled to appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at Company’s Share Registrar’s Office M/s. THK Associates (Pvt) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi duly stamped and signed not less than 48 hours before the time of meeting.

3. CDC ACCOUNT HOLDERS WILL HAVE TO FOLLOW FURTHER UNDER MENTIONED GUIDELINES AS LAID DOWN BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN.
a) For attending the meeting:

i) In case of individuals, the account holders or sub-account holders and their registration details are uploaded as per the regulations, shall authenticate their identity by showing their original Computerized National Identity Card (CNIC), or Original Passport at the time of attending the meeting.
NOTICE OF ANNUAL GENERAL MEETING

ii) In case of Corporate Entities, the Board of Directors’ resolution/power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For appointing proxies:

i) In case of individuals, the account holders or sub account holders and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form. The proxies shall produce their original CNIC or original passport at the time of meeting.

ii) In case of corporate entities, the Board of Directors’ resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the company’s registrar.

iii) Form of proxy is attached to the notice of meeting being sent to the members.

4. DEDUCTION OF INCOME TAX FROM DIVIDEND AT REVISED RATES

Pursuant to the provisions of Finance Act, 2017, the deduction of Income Tax from dividend payments shall be made on the basis of filers and non-filers as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Filer of Income Tax Returns</td>
<td>15.0%</td>
</tr>
<tr>
<td>2. Non-Filer of Income Tax Returns</td>
<td>20.0%</td>
</tr>
</tbody>
</table>

Income Tax will be deducted on the basis of Active Tax Payers list posted on the Federal Board of Revenue website.

Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate, are requested to submit a valid tax exemption certificate or necessary documentary evidence as the case may be. Members desiring non-deduction of zakat are also requested to submit a valid declaration for non-deduction of zakat.

The shareholders who have joint shareholdings held by Filers and Non-Filers shall be dealt with separately and in such particular situation, each account holder is to be treated as either a Filer or a Non-Filer and tax will be deducted according to his shareholding. If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher rate, the joint account holders are requested to provide the below details of their shareholding to the Share Registrar of the Company.
## NOTICE OF ANNUAL GENERAL MEETING

<table>
<thead>
<tr>
<th>Folio / CDC A/c No.</th>
<th>Name of Shareholders</th>
<th>No. Of Shares or Percentage (Proportion)</th>
<th>CNIC No.</th>
<th>(Principle / Joint Shareholders)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. **PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE:**

The provisions of Section 242 of the Companies Act, 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the designated bank account provided by the entitled shareholders. Accordingly, the shareholders holding physical shares are requested to provide the Company’s Share Registrar at the address given herein above, electronic dividend mandate on E-Dividend form available on website of the company and also specimen attached herewith. In the case of shares held in CDC, the same information should be provided to the CDS participants for updating and forwarding to the Company.

6. **CIRCULATION OF ANNUAL REPORTS VIA EMAIL OR CD / DVD / USB.**

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its SRO No. 470(I)/2016 dated 31ST May, 2016, that has allowed companies to circulate their Annual Audited Accounts (i.e. Annual Balance Sheet and Profit and Loss Accounts, Auditor's Report and Directors' Report etc (“Annual Report”)) along with the Notice of Annual General Meeting (“Notice”) to its shareholders through Email or CD / DVD / USB at the registered addresses. Shareholders who wish to receive the hardcopy of Financial Statements shall have to fill the attached standard request form (also available on the company’s website www.sitara.com.pk) and send at the Company address.

7. **PLACEMENT OF FINANCIAL STATEMENTS:**

The audited financial statements of the Company for the year ended June 30, 2017 have been placed at the Company's website: www.sitara.com.pk.

8. **Members are requested to promptly notify any change in their addresses.**
AUDITORS' REPORT
To the members

We have audited the annexed balance sheet of Sitara Chemical Industries Limited (the Company) as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b. in our opinion:
   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
   ii. the expenditure incurred during the year was for the purpose of the Company's business; and
   iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c. in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 in the manner so required, and respectively give a true and fair view of the state of the Company’s affairs as at June 30, 2017 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

d. in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Deloitte Javed Auditors
Chartered Accountants

Engagement Partner: Rana M. Usman Khan
Lahore
Dated: September 22, 2017
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of SITARA CHEMICAL INDUSTRIES LIMITED (the Company) for the year ended June 30, 2017 to comply with regulation of the Pakistan Stock Exchange where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2017.

Deloitte Javeed Ashraf
Chartered Accountants

Engagement Partner: Rana M. Usman Khan
Lahore
Dated: September 22, 2017
## ASSETS

### Non-current assets

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>9,413,115,264</td>
<td>8,789,142,634</td>
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<tr>
<td>6</td>
<td>13,089,195</td>
<td>14,543,550</td>
</tr>
<tr>
<td>7</td>
<td>2,926,570,048</td>
<td>2,872,992,031</td>
</tr>
<tr>
<td>8</td>
<td>31,579,359</td>
<td>100,125,447</td>
</tr>
<tr>
<td>9</td>
<td>1,267,851,503</td>
<td>1,265,176,666</td>
</tr>
<tr>
<td>10</td>
<td>111,209,478</td>
<td>110,858,087</td>
</tr>
<tr>
<td></td>
<td>13,763,414,847</td>
<td>13,152,838,415</td>
</tr>
</tbody>
</table>

### Current assets

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>644,412,208</td>
<td>413,630,215</td>
</tr>
<tr>
<td>12</td>
<td>1,194,326,880</td>
<td>1,103,513,578</td>
</tr>
<tr>
<td>13</td>
<td>1,163,484,992</td>
<td>1,124,985,220</td>
</tr>
<tr>
<td>14</td>
<td>2,335,623,120</td>
<td>1,597,383,728</td>
</tr>
<tr>
<td>15</td>
<td>5,691,809</td>
<td>6,579,875</td>
</tr>
<tr>
<td>16</td>
<td>12,053,307</td>
<td>9,563,828</td>
</tr>
<tr>
<td>17</td>
<td>274,882,920</td>
<td>197,069,564</td>
</tr>
<tr>
<td>18</td>
<td>131,002,031</td>
<td>188,424,647</td>
</tr>
<tr>
<td></td>
<td>5,761,477,267</td>
<td>4,702,364,349</td>
</tr>
</tbody>
</table>

### Total assets

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19,524,892,114</td>
<td>17,855,202,764</td>
</tr>
</tbody>
</table>

---

Muhammad Adrees
Chief Executive Officer

Haseeb Ahmed
Director
### EQUITY AND LIABILITIES

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital and reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>19</td>
<td>214,294,070</td>
</tr>
<tr>
<td>Reserves</td>
<td>20</td>
<td>1,402,817,034</td>
</tr>
<tr>
<td>Un-appropriated profit</td>
<td></td>
<td>7,007,851,217</td>
</tr>
<tr>
<td>Total equity</td>
<td></td>
<td>8,624,962,321</td>
</tr>
<tr>
<td>Surplus on revaluation of property, plant and equipment</td>
<td>21</td>
<td>1,226,133,404</td>
</tr>
</tbody>
</table>

### LIABILITIES

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term financing</td>
<td>22</td>
<td>2,143,016,525</td>
</tr>
<tr>
<td>Long term deposits</td>
<td>23</td>
<td>23,742,791</td>
</tr>
<tr>
<td>Deferred liabilities</td>
<td>24</td>
<td>983,138,661</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,149,897,977</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>25</td>
<td>3,238,772,805</td>
</tr>
<tr>
<td>Sales tax payable</td>
<td></td>
<td>40,126,176</td>
</tr>
<tr>
<td>Profit / financial charges payable</td>
<td>26</td>
<td>82,219,754</td>
</tr>
<tr>
<td>Short term borrowings</td>
<td>27</td>
<td>2,290,759,541</td>
</tr>
<tr>
<td>Current portion of long term financing</td>
<td>22</td>
<td>872,020,136</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6,523,898,412</td>
</tr>
<tr>
<td>Contingencies and commitments</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td></td>
<td>19,524,892,114</td>
</tr>
</tbody>
</table>

The annexed notes from 1 to 48 form an integral part of these financial statements.

---

Muhammad Adrees
Chief Executive Officer

Haseeb Ahmed
Director
The annexed notes from 1 to 48 form an integral part of these financial statements.
## STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>1,166,381,688</td>
<td>769,221,539</td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit and loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus on re-measurement of investments available for sale to fair value</td>
<td>43,872,464</td>
<td>2,388,067</td>
</tr>
<tr>
<td>Reclassification adjustments relating to available-for-sale financial assets disposed off during the year</td>
<td>(3,873,801)</td>
<td>(2,770,518)</td>
</tr>
<tr>
<td>Total items that may be reclassified subsequently to profit and loss</td>
<td>39,998,663</td>
<td>(382,451)</td>
</tr>
<tr>
<td>Item that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurement of post retirement benefits obligation</td>
<td>74,563</td>
<td>(627,571)</td>
</tr>
<tr>
<td>Impact of deferred tax</td>
<td>(22,369)</td>
<td>194,547</td>
</tr>
<tr>
<td>Total items that will not be reclassified to profit and loss</td>
<td>52,194</td>
<td>(433,024)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>1,206,432,545</td>
<td>768,406,064</td>
</tr>
</tbody>
</table>

The annexed notes from 1 to 48 form an integral part of these financial statements.

Muhammad Adrees  
Chief Executive Officer  

Haseeb Ahmed  
Director
A. CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td>1,180,008,594</td>
<td>1,123,056,821</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation on property, plant and equipment</td>
<td>696,269,231</td>
<td>492,673,165</td>
</tr>
<tr>
<td>Depreciation on investment property</td>
<td>5,549,844</td>
<td>5,518,129</td>
</tr>
<tr>
<td>Amortization on intangible assets</td>
<td>1,454,355</td>
<td>1,615,950</td>
</tr>
<tr>
<td>Finance cost</td>
<td>370,921,238</td>
<td>250,950,254</td>
</tr>
<tr>
<td>Share of (profit) / Loss from associate - net of tax</td>
<td>6,915,659</td>
<td>(3,703,016)</td>
</tr>
<tr>
<td>Gain on disposal of property, plant and equipment</td>
<td>(3,070,903)</td>
<td>(859,980)</td>
</tr>
<tr>
<td>Gain on sale of available for sale investments</td>
<td>(3,412,258)</td>
<td>(2,770,518)</td>
</tr>
<tr>
<td>Gain on deemed disposal on investment in associate</td>
<td>(31,679,568)</td>
<td>-</td>
</tr>
<tr>
<td>Provision for employee benefits</td>
<td>8,383,420</td>
<td>8,184,388</td>
</tr>
<tr>
<td>Provision for doubtful debts</td>
<td>39,908,885</td>
<td>11,675,480</td>
</tr>
<tr>
<td>Profit on bank deposits</td>
<td>(8,875,802)</td>
<td>(9,490,786)</td>
</tr>
<tr>
<td>Dividend income</td>
<td>(5,940,341)</td>
<td>(5,550,566)</td>
</tr>
<tr>
<td>Operating cash flows before changes in working capital</td>
<td>2,256,432,354</td>
<td>1,871,299,321</td>
</tr>
<tr>
<td>Working capital changes</td>
<td>42</td>
<td>247,856,017</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>2,001,903,051</td>
<td>2,119,155,338</td>
</tr>
<tr>
<td>Finance cost paid</td>
<td>(371,653,798)</td>
<td>(223,223,554)</td>
</tr>
<tr>
<td>Employee benefits paid</td>
<td>(8,697,708)</td>
<td>(5,418,240)</td>
</tr>
<tr>
<td>Taxes paid</td>
<td>(385,367,686)</td>
<td>(389,585,853)</td>
</tr>
<tr>
<td>Profit received</td>
<td>8,875,802</td>
<td>9,490,786</td>
</tr>
<tr>
<td>(756,843,390)</td>
<td></td>
<td>(608,736,861)</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>1,245,059,661</td>
<td>1,510,418,477</td>
</tr>
</tbody>
</table>

Note 42

Muhammad Adrees  
Chief Executive Officer

Haseeb Ahmed  
Director
### B. CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from disposal of property, plant and equipment</td>
<td>7,410,416</td>
<td>4,723,339</td>
</tr>
<tr>
<td>Proceeds from disposal of available for sale investments</td>
<td>77,545,139</td>
<td>4,803,142</td>
</tr>
<tr>
<td>Additions to property, plant and equipment</td>
<td>(1,324,581,374)</td>
<td>(3,328,794,989)</td>
</tr>
<tr>
<td>(Purchase) / Sale of available for sale investments</td>
<td>(18,637,597)</td>
<td>1,579,958</td>
</tr>
<tr>
<td>Purchase of investment property</td>
<td>(59,127,861)</td>
<td>(162,046,979)</td>
</tr>
<tr>
<td>Long-term loans and advances paid</td>
<td>(2,674,837)</td>
<td>(117,337)</td>
</tr>
<tr>
<td>Long term deposits paid</td>
<td>(351,391)</td>
<td>(424,800)</td>
</tr>
<tr>
<td>Dividend received</td>
<td>5,940,341</td>
<td>5,550,566</td>
</tr>
</tbody>
</table>

Net cash from investing activities                                 | (1,314,477,164) | (3,474,727,100) |

### C. CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from long term financing</td>
<td>1,342,907,495</td>
<td>1,538,521,518</td>
</tr>
<tr>
<td>Payment of long term financing</td>
<td>(724,393,684)</td>
<td>(280,356,638)</td>
</tr>
<tr>
<td>Short term borrowings-net</td>
<td>(381,274,433)</td>
<td>835,547,503</td>
</tr>
<tr>
<td>Long term deposits</td>
<td>19,857,488</td>
<td>(6,035,250)</td>
</tr>
<tr>
<td>Dividend paid</td>
<td>(245,101,979)</td>
<td>(191,921,273)</td>
</tr>
</tbody>
</table>

Net cash used in financing activities                               | 11,994,887   | 1,895,755,860 |

Net decrease in cash and cash equivalents (A+B+C)                  | (57,422,616)  | (68,552,763)  |

Cash and cash equivalents at beginning of the year                 | 188,424,647   | 256,977,410   |

Cash and cash equivalents at end of the year                        | 131,002,031   | 188,424,647   |

The annexed notes from 1 to 48 form an integral part of these financial statements.

Muhammad Adrees  
Chief Executive Officer  

Haseeb Ahmed  
Director
**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED JUNE 30, 2017

<table>
<thead>
<tr>
<th>Capital reserves</th>
<th>Revenue reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>Share premium</td>
</tr>
<tr>
<td>214,294,070</td>
<td>97,490,410</td>
</tr>
</tbody>
</table>

**Total comprehensive income**

Profit for the year

Other comprehensive income

Other comprehensive income during the year

Remeasurement of post retirement benefits - net of tax

<table>
<thead>
<tr>
<th>Total other comprehensive income</th>
<th>Total comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(382,451)</td>
<td>(382,451)</td>
</tr>
<tr>
<td>(433,024)</td>
<td>(433,024)</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>769,221,539</td>
<td>769,221,539</td>
</tr>
<tr>
<td>768,406,064</td>
<td>768,406,064</td>
</tr>
</tbody>
</table>

Transfer to un-appropriated profit on account of incremental depreciation - net of tax

**Transactions with owners**

Final dividend for the year ended June 30, 2015 @ Rs. 9 per share

Balance as at June 30, 2016

Balance at July 01, 2016

Total comprehensive income

Profit for the year

Other comprehensive income

Other comprehensive income during the year

Transfer of revaluation surplus on reclassification of investment in associates to investment available for sale

Remeasurement of post retirement benefits - net of tax

<table>
<thead>
<tr>
<th>Total other comprehensive income</th>
<th>Total comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(39,998,663)</td>
<td>(39,998,663)</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>52,194</td>
<td>52,194</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>56,451,713</td>
<td>56,451,713</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1,222,833,401</td>
<td>1,222,833,401</td>
</tr>
<tr>
<td>1,262,884,258</td>
<td>1,262,884,258</td>
</tr>
<tr>
<td>73,109,465</td>
<td>73,109,465</td>
</tr>
</tbody>
</table>

Transfer to un-appropriated profit on account of incremental depreciation - net of tax

Transactions with owners

Final dividend for the year ended June 30, 2016 @ Rs. 11.5 per share

Balance as at June 30, 2017

---

Muhammad Adrees  
Chief Executive Officer

Haseeb Ahmed  
Director
1. GENERAL INFORMATION

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 listed on Pakistan Stock Exchange. 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 - Sheikhupura 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 and trading of fabric

1.2 The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

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 (IFRS) issued by the International Accounting Standards Board (IASB) as 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). Wherever the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with the requirements of the IFRS, the requirements of the Companies Ordinance, 1984, and the said directives shall take precedence.

2.1.1 Revised Adoption of new and revised laws, standards and interpretations

During the year, the Companies Act, 2017 (the new Companies Act) was enacted and promulgated by the SECP on May 30, 2017. However, SECP has notified through Circular No. 17 of July 20, 2017 that companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the Company shall prepare the financial statements for periods closing after June 30, 2017 in accordance with the provisions of the new Companies Act. The Company is currently in process of determining impact, if any, on future financial statements due to implementation of the new Companies Act.
2.2 Standards, interpretation and amendment adopted during the year

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 The following standards, amendments and interpretations are effective for the year ended June 30, 2017. These standards, interpretations and the amendments are either not relevant to the Company’s operations or are not expected to have significant impact on the Company’s financial statements other than certain additional disclosures.

<table>
<thead>
<tr>
<th>Standard/Amendment</th>
<th>Effective from accounting period beginning on or after January 01, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 10 – Consolidated Financial Statements</td>
<td></td>
</tr>
<tr>
<td>IFRS 11 – Joint Arrangements</td>
<td></td>
</tr>
<tr>
<td>IAS 1 – Presentation of Financial Statements' Disclosure initiative</td>
<td></td>
</tr>
<tr>
<td>IAS 16 – Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization</td>
<td></td>
</tr>
<tr>
<td>IAS 16 – Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants</td>
<td></td>
</tr>
<tr>
<td>IAS 27 – Separate Financial Statements' - Equity method in separate financial statements</td>
<td>'Effective from accounting period beginning on or after January 01, 2016</td>
</tr>
</tbody>
</table>

Certain annual improvements have also been made to a number of IFRSs.

New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company’s operations or are not expected to have significant impact on the Company’s financial statements other than certain additional disclosures.

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions. Effective from accounting period beginning on or after January 01, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.

Effective from accounting period beginning on or after a date to be determined.
Earlier application is permitted

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative.

Effective from accounting period beginning on or after January 01, 2017

Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses.

Effective from accounting period beginning on or after January 01, 2017

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property

Effective from accounting period beginning on or after January 01, 2018. Earlier adoption is permitted.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' provides guidance on transactions where consideration against non-monitory prepaid asset / deferred income is denominated in foreign currency.

Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.

IFRIC 23 'Uncertainty over Income Tax Treatments'

Effective from accounting period beginning on or after January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:
3. SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with IFRS’s requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables, slow moving inventory, measurement of defined benefit obligations and assumptions used in discounted cash flow projections for deferred sale receivable. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

These financial statements have been prepared under the "historical cost convention", modified by:
- revaluation of certain property, plant and equipment;
- investments in associate valued on equity method;
- financial instruments at fair value;
- recognition of certain employee retirement benefits at present value.

The principal accounting policies adopted are set out below:

4.2 Property, plant and equipment

Property, plant and equipment and capital work in progress are stated at cost except free hold land, building on freehold land (factory) and plant & machinery less accumulated depreciation and accumulated impairment losses, if any. Building on freehold land (factory) and plant and machinery are stated at revalued amount less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at revalued amount. Capital work-in-progress is stated at cost less impairment in value, if any. Cost includes borrowing cost as referred in accounting policy of borrowing cost.
Assets’ residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When significant parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Repair and maintenance costs are charged to income during the year in which they are incurred.

Depreciation is charged to income applying the reducing balance method at the rates specified in Property, plant and equipment note to these financial statements.

Depreciation on additions and disposals during the year is charged on the basis of proportionate period of use.

Gains or losses on disposal of assets, if any, are recognized as and when incurred.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its unappropriated profit.

4.3 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 assets are available for use.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are recognized when it is probable that the expected future economic benefits will flow to the entity and the cost of the asset can be measured reliable. Cost of the intangible asset (i.e. Computer software) include purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Cost associated with maintaining computer software are recognized as an expense as and when incurred.

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged over estimated useful life of the asset on a systematic basis applying the reducing balance method.

Useful life of intangible operating assets are reviewed, at each balance sheet date and adjusted if the impact of amortization is significant.

4.4 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on buildings is charged to income on reducing balance method at the rate of 10% per annum. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.
Any gain or loss on disposal of investment property, calculated as difference between present value of the proceeds from disposal and the carrying amount is recognised in the profit and loss account.

4.5 Investments

Regular way purchase or sale of investments

All purchases and sales of investments are recognized using trade date accounting. Trade date is the date that the Company commits to purchase or sell the investment.

Investment in associates

Associates are all entities over which the Company has significant influence, but not control, generally accompanying a shareholding of 20% or more of the voting rights or common directorship.

These investments are initially recognized at cost and are subsequently valued using equity method less impairment losses, if any.

Disposal of investment in associates is recognized by the Company on ceasing to have significant influence on associates.

Available for sale

Investment securities held by the Company which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognized at fair value plus transaction cost and subsequently re-measured at fair value using quoted market prices. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognized in other comprehensive income until sold, collected, or otherwise disposed off at which time, the cumulative gain or loss previously recognized in equity is included in profit and loss account.

De-recognition

All investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

4.6 Stores, spare parts and loose tools

These are valued at lower of cost and net realizable value less allowance for the obsolete and slow moving items. Cost is determined using moving average method. Items in transit are valued at cost comprising invoice value and other charges incurred thereon, up to balance sheet date.

Net realizable value represents estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sales.

4.7 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Raw and packing materials
Average cost except for those in transit which are stated at invoice price plus other charges paid thereon up to the balance sheet date.

Work-in-process
Average manufacturing cost

Finished goods
Average manufacturing cost

Waste
Net realizable value

Net realizable value represents estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale.

4.8 Trade debts and other receivables
Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

4.9 Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value, and short-term running finance under mark-up arrangements.

4.10 Impairment
Non Financial Assets
The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

Financial Assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets or securities are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

4.11 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of liability for at least 12 months after the balance sheet date.

4.12 Employee retirement benefits

Defined contribution plan - Chemical division

The Company operates an approved funded contributory provident fund scheme for all its employees eligible for benefit. Equal monthly contributions are made by the Company and employees at the rate from 6.5% to 8.33% of basic salary depending upon the length of service of an employee. The Company’s contribution to the fund is charged to profit and loss account for the year.

Defined benefit plan - Textile division

The Company operates an unfunded gratuity scheme for all those permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provision is made to cover the obligation under scheme on the basis of actuarial valuation and is charged to income. The most recent Actuarial Valuation was carried out at June 30, 2016 using "Projected Unit Credit Method". The amount recognized in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

4.13 Trade and other payables

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

4.14 Provisions

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

4.15 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. The charge for tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessment made during the year. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.
Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax liabilities are generally recognised for taxable temporary differences.

Deferred tax asset is recognized for all deductible temporary differences, unused tax credits and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

4.16 Dividend and other appropriations

Dividend is recognized as a liability in the year in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the year in which such appropriations are made.

4.17 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

4.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business.
- Sales of goods are recognized when goods are delivered and titles have passed.
- Export rebate is recognized on accrual basis at the time of making the export sale.
- Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.
- Dividend income from investments is recognized when the shareholders’ rights to receive payment have been established.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

4.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.20 Foreign currencies

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

4.21 Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company’s other components. All operating segments’ operating results are reviewed regularly by the company’s CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly administrative and other operating expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

4.22 Off setting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legal enforceable right to set off the transaction and also intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.23 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit after tax attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.
## Notes to the Financial Statements

### Not to the Financial Statements for the Year Ended June 30, 2017

#### For the Year Ended June 30, 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost / Book Value as at June 30, 2017</th>
<th>Additions / (Disposals) as at June 30, 2017</th>
<th>Accumulated Depreciation as at June 30, 2017</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freehold land:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mill</td>
<td>12,340,500</td>
<td>_</td>
<td>_</td>
<td></td>
</tr>
<tr>
<td>Head office</td>
<td>2,170,000</td>
<td>_</td>
<td>_</td>
<td></td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>3,219,000</td>
<td>_</td>
<td>_</td>
<td></td>
</tr>
<tr>
<td>Grid installation</td>
<td>5,102,000</td>
<td>_</td>
<td>_</td>
<td></td>
</tr>
<tr>
<td>Factory equipment</td>
<td>8,493,000</td>
<td>_</td>
<td>_</td>
<td></td>
</tr>
<tr>
<td>Office equipment</td>
<td>4,321,000</td>
<td>_</td>
<td>_</td>
<td></td>
</tr>
<tr>
<td>Furniture and fittings</td>
<td>2,179,000</td>
<td>_</td>
<td>_</td>
<td></td>
</tr>
<tr>
<td>Vehicles</td>
<td>1,597,000</td>
<td>_</td>
<td>_</td>
<td></td>
</tr>
</tbody>
</table>

### Property, Plant and Equipment

#### Operating assets

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>16,199,721</td>
<td>18,193,115</td>
</tr>
<tr>
<td>5.1 Operating assets as at June 30, 2017</td>
<td>9,227,921,543</td>
<td>10,428,944</td>
</tr>
</tbody>
</table>

### Capital work-in-progress

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>3,481,910,005</td>
<td>8,789,142,634</td>
</tr>
</tbody>
</table>
### 5.1 Operating assets - as at June 30, 2016

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost / Revalued amount</th>
<th>Accumulated depreciation</th>
<th>Book value as at June 30, 2016</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Freehold assets - as at June 30, 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mill</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freehold land</td>
<td>66,496,094</td>
<td>12,238,041</td>
<td>54,258,053</td>
<td>10</td>
</tr>
<tr>
<td>Building on freehold land</td>
<td>77,641,956</td>
<td>16,277,835</td>
<td>61,364,121</td>
<td>10</td>
</tr>
<tr>
<td>Mill, plant and machinery</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grid station and electrical installation</td>
<td>54,686,396</td>
<td>10,277,723</td>
<td>44,408,673</td>
<td>10</td>
</tr>
<tr>
<td>Containers and cylinders</td>
<td>407,073,943</td>
<td>80,409,333</td>
<td>326,664,610</td>
<td>10</td>
</tr>
<tr>
<td>Factory equipment</td>
<td>518,000,000</td>
<td>102,757,757</td>
<td>415,242,243</td>
<td>10</td>
</tr>
<tr>
<td>Office equipment</td>
<td>1,482,834,781</td>
<td>293,796,692</td>
<td>1,189,038,089</td>
<td>10</td>
</tr>
<tr>
<td>Furniture and fittings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicles</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,344,238,729</td>
<td>1,714,669,721</td>
<td>5,629,569,008</td>
<td>10</td>
</tr>
</tbody>
</table>

**Note 2017**

Stretch of land with buildings.

**Cost of sales**

<table>
<thead>
<tr>
<th>Cost of sales</th>
<th>Administrative expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>509,369,574</td>
<td>492,673,165</td>
</tr>
</tbody>
</table>

**Note**

This reflects the year in which the financial statements for the parent company and its subsidiaries were audited.
5.3 The Company had revalued its freehold land, building and plant & machinery in June 30, 2016. The revaluation had been carried out by Hamid Mukhatar & Company (Private) Ltd., an independent valuer not connected with the Company and is on the panel of Pakistan Bankers Association as ‘Any Amount’ asset valuer. It is also on the panel of State Bank of Pakistan and possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations. The basis used for the revaluation of freehold land, buildings and machinery were as follows:

Land
Fair market rate of the land was assessed through inquiries in the vicinity of land and information obtained through property dealers of the area.

Buildings
New construction value (new replacement value of each item of the buildings) was arrived at by looking at the condition of the buildings. Valuer applied 3% per annum depreciation on “Written Down Value” basis to arrive at fair depreciated market value on “Going Concern” basis.

Machinery (Textile)
Inquiries were made in market to obtain prevalent replacement values of similar local and imported machinery items.

Machinery (Chemical)
Capitalized cost of the plant and machinery each year since its commissioning was taken as basis for revaluation. This cost has been escalated because of exchange rate increase. An average inflation rate in international prices with due consideration on the increase in international prices of the metals like mild steel, copper etc. has then been applied to arrive at an “Escalation Rate Factor”, which has been instrumental for arriving at “New Replacement Values”.

Depreciation due to usage has been applied on all assets of machinery at 10% per annum on written down value basis to arrive at a fair present / depreciated market value of the assets.

5.4 The revaluation surplus, net of deferred tax, is credited to surplus on revaluation of property, plant and equipment.

5.5 Out of the remaining total revaluation surplus of Rs. 1,386 million, Rs. 1,226 million net of tax (June 2016: Rs. 1,299 million) remains undepreciated as at June 30, 2017.

Details of the Company’s revalued assets and information about fair value hierarchy, as at June 30, 2017 are as follows.

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land - freehold</td>
<td></td>
<td>768,019,499</td>
<td></td>
<td>768,019,499</td>
</tr>
<tr>
<td>Buildings on freehold land</td>
<td></td>
<td>1,359,190,648</td>
<td></td>
<td>1,359,190,648</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td></td>
<td>6,082,791,257</td>
<td></td>
<td>6,082,791,257</td>
</tr>
</tbody>
</table>
5.6 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at June 30, 2017 would have been as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost Rupees</th>
<th>Accumulated depreciation Rupees</th>
<th>Book Value Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>321,796,428</td>
<td>-</td>
<td>321,796,428</td>
</tr>
<tr>
<td>Buildings on free hold land</td>
<td>1,612,328,209</td>
<td>325,642,859</td>
<td>1,286,685,350</td>
</tr>
<tr>
<td>Plant and Machinery</td>
<td>7,352,423,983</td>
<td>2,137,106,270</td>
<td>5,215,317,713</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost (Rupees)</th>
<th>Accumulated depreciation (Rupees)</th>
<th>Book Value (Rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>9,286,548,620</td>
<td>2,462,749,129</td>
<td>6,823,799,491</td>
</tr>
<tr>
<td>2016</td>
<td>5,389,550,998</td>
<td>1,841,405,003</td>
<td>3,548,145,995</td>
</tr>
</tbody>
</table>

5.7 The following assets were disposed off during the year:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost / Revalued amount</th>
<th>Accumulated depreciation</th>
<th>Carrying value</th>
<th>Sale proceeds</th>
<th>Mode of disposal</th>
<th>Particulars of buyer(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant &amp; machinery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Containers and cylinders</td>
<td>380,380</td>
<td>211,787</td>
<td>168,593</td>
<td>257,265</td>
<td>Negotiations</td>
<td>Mr. Muhammad Naeem</td>
</tr>
<tr>
<td>Factory Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spectrophotometer</td>
<td>476,500</td>
<td>172,992</td>
<td>303,508</td>
<td>117,707</td>
<td>Negotiations</td>
<td>Business Dynamic Enterprises</td>
</tr>
<tr>
<td>Electric Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Conditioners</td>
<td>1,164,216</td>
<td>720,347</td>
<td>443,869</td>
<td>219,013</td>
<td>Negotiations</td>
<td>Mr. Muhammad Bashir</td>
</tr>
<tr>
<td>Office Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computers</td>
<td>682,107</td>
<td>588,034</td>
<td>94,073</td>
<td>12,881</td>
<td>Negotiations</td>
<td>Mr. Muhammad Ashfaq</td>
</tr>
<tr>
<td>Epson Printers</td>
<td>126,620</td>
<td>106,749</td>
<td>19,871</td>
<td>1,532</td>
<td>Negotiations</td>
<td>Mr. Muhammad Ashfaq</td>
</tr>
<tr>
<td>Computer Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computers</td>
<td>448,826</td>
<td>319,346</td>
<td>129,480</td>
<td>14,390</td>
<td>Negotiations</td>
<td>Mr. Muhammad Ashfaq</td>
</tr>
<tr>
<td>Furniture and fittings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Table Set</td>
<td>44,161</td>
<td>41,961</td>
<td>2,200</td>
<td>491</td>
<td>Negotiations</td>
<td>Mr. Muhammad Bashir</td>
</tr>
<tr>
<td>Vehicles</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tractors</td>
<td>8,041,292</td>
<td>7,015,617</td>
<td>1,025,675</td>
<td>1,736,137</td>
<td>Negotiations</td>
<td>Mr. Muhammad Javed</td>
</tr>
<tr>
<td>Cars Toyota Corolla</td>
<td>3,347,200</td>
<td>1,607,529</td>
<td>1,739,671</td>
<td>3,025,000</td>
<td>Negotiations</td>
<td>Mr. Muhammad Maqsood</td>
</tr>
<tr>
<td>Car Honda City</td>
<td>1,736,001</td>
<td>1,522,422</td>
<td>213,579</td>
<td>1,491,000</td>
<td>Negotiations</td>
<td>Ahmad Autos</td>
</tr>
<tr>
<td>Suzuki Bolan</td>
<td>1,139,320</td>
<td>940,326</td>
<td>198,994</td>
<td>535,000</td>
<td>Negotiations</td>
<td>Mr. Shakeel Ahmed</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost (Rupees)</th>
<th>Accumulated depreciation (Rupees)</th>
<th>Book Value (Rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>17,586,623</td>
<td>4,339,513</td>
<td>7,410,416</td>
</tr>
<tr>
<td>2016</td>
<td>11,201,558</td>
<td>3,863,358</td>
<td>4,723,338</td>
</tr>
</tbody>
</table>
## 5.8 Capital work-in-progress

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil work</td>
<td>11,674,455</td>
<td>725,276,475</td>
</tr>
<tr>
<td>Plant and machinery including in transit</td>
<td>115,166,442</td>
<td>2,694,906,541</td>
</tr>
<tr>
<td>Advance for property, plant and equipment</td>
<td>18,288,599</td>
<td>21,662,764</td>
</tr>
<tr>
<td>Major spare parts and stand-by equipment qualifying as property, plant and equipment</td>
<td>40,064,225</td>
<td>40,064,225</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>185,193,721</strong></td>
<td><strong>3,481,910,005</strong></td>
</tr>
</tbody>
</table>

## 6. INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer software</td>
<td>21,000,000</td>
<td>21,000,000</td>
</tr>
<tr>
<td>Accumulated amortization</td>
<td>(7,910,805)</td>
<td>(6,456,450)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,089,195</strong></td>
<td><strong>14,543,550</strong></td>
</tr>
</tbody>
</table>

### 6.1 Computer software are being amortized at 10% using reducing balance method.

## 7. INVESTMENT PROPERTY

### 7.1 Land

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>2,819,104,635</td>
<td>2,657,057,656</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisitions during the year</td>
<td>35,183,647</td>
<td>162,046,979</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>2,854,288,282</td>
<td>2,819,104,635</td>
</tr>
</tbody>
</table>

### 7.2 Buildings

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>77,920,666</td>
<td>77,920,666</td>
</tr>
<tr>
<td>Add: Transferred from capital work in progress</td>
<td>23,944,214</td>
<td>-</td>
</tr>
<tr>
<td>Less: Disposal during the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance at the end of the year</strong></td>
<td><strong>101,864,880</strong></td>
<td><strong>77,920,666</strong></td>
</tr>
</tbody>
</table>

### Accumulated depreciation

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the beginning of the year</td>
<td>24,033,270</td>
<td>18,515,141</td>
</tr>
<tr>
<td>For the year</td>
<td>5,549,844</td>
<td>5,518,129</td>
</tr>
<tr>
<td>At the end of the year</td>
<td>29,583,114</td>
<td>24,033,270</td>
</tr>
<tr>
<td><strong>Written down value at the end of year</strong></td>
<td><strong>72,281,766</strong></td>
<td><strong>53,887,396</strong></td>
</tr>
</tbody>
</table>
The Company has invested in freehold land, residential plots and building portions covering area of 3,288 kanals and 12 Marlas for the purpose of capital appreciation and earning rental income. These properties are situated within the Province of Punjab.

The rental income earned by the Company from its investment property amounted to Rs. 32.321 million (2016: Rs.28.011 million).

### 8. LONG TERM INVESTMENTS

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in associates</td>
<td>8.1</td>
<td>26,579,359</td>
</tr>
<tr>
<td>Other investment</td>
<td>8.2</td>
<td>5,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31,579,359</strong></td>
<td><strong>100,125,447</strong></td>
</tr>
</tbody>
</table>

#### 8.1. Investments in associates

- **Quoted company**
  - Sitara Peroxide Limited  
    - 8.1.1 | - | 70,467,659 |
- **Unquoted company**
  - Takaful Pakistan Limited  
    - 8.1.2 | 26,579,359 | 24,657,788 |

The Company holds less than 20 percent of the voting power in above companies; however, the Company exercises significant influence by virtue of common directorship with the associate.

There are no contingent liabilities relating to the Company’s interest in the associates.

#### 8.1.1 During the year, the Company has reclassified its investment in Sitara Peroxide Limited (SPL) to Available for Sale investment due to resignation of common director from SPL on February 22, 2017. The Company’s share of post acquisition loss from SPL, before reclassification, recognized during the year was Rs. 8.8 million. The Company has recognized gain on reclassification amounting to Rs. 31.1 million during the year.

<table>
<thead>
<tr>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>30,000,000</td>
</tr>
<tr>
<td>Share of post acquisition loss</td>
<td>(3,420,641)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26,579,359</strong></td>
</tr>
</tbody>
</table>

#### 8.1.2 Takaful Pakistan Limited

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of shares held</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Ownership interest</td>
<td>Percent</td>
</tr>
</tbody>
</table>

Summarized financial information in respect of Takaful Pakistan Limited is set out below:
At the year end, carrying value of investment is compared with break up value of shares for calculation of impairment loss. Amount of impairment loss is immaterial in the overall context of the financial statements.

### 8.2 Other Investment

**Available for sale (Unquoted - at cost)**

Dawood Family Takaful Limited 500,000 (2016: 500,000)
fully paid ordinary shares of Rs.10/- each

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees</td>
<td>Rupees</td>
</tr>
<tr>
<td>8.2.1</td>
<td>5,000,000</td>
<td>5,000,000</td>
</tr>
</tbody>
</table>

At the year end, carrying value of investment is compared with break up value of shares for calculation of impairment loss. Amount of impairment loss is immaterial in the overall context of the financial statements.

### 9. LONG TERM LOANS AND ADVANCES

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees</td>
<td>Rupees</td>
</tr>
<tr>
<td>9.1</td>
<td>1,263,223,951</td>
<td>1,263,223,951</td>
</tr>
<tr>
<td>9.2</td>
<td>4,627,552</td>
<td>1,952,715</td>
</tr>
<tr>
<td></td>
<td><strong>1,267,851,503</strong></td>
<td><strong>1,265,176,666</strong></td>
</tr>
</tbody>
</table>
9.1 In financial year 2015 the Company entered into an agreement for the sale 1,474 kanals of investment property land, situated at 199 RB with a cooperative housing society for an aggregate price of Rs. 2,015 million. The sale was recognized at the present value of the receivable amounting to Rs. 1,663 million, determined using discounted cash flow method. Subsequently, due to certain procedural issues, the contractual receipts due under the sale agreement have been delayed. However, the management is pursuing the matter for resolution and anticipate that the transaction will shortly be regularized.

The receivable due is secured by way of retention of the title of land by the Company.

9.2 Loans and advances

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Considered good</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>5,846,439</td>
<td>5,225,997</td>
</tr>
<tr>
<td>Unsecured</td>
<td>48,825</td>
<td>143,115</td>
</tr>
<tr>
<td></td>
<td>5,895,264</td>
<td>5,369,112</td>
</tr>
<tr>
<td>Less: current portion shown in current assets</td>
<td>14</td>
<td>1,267,712</td>
</tr>
<tr>
<td>9.2.1</td>
<td>4,627,552</td>
<td>1,952,715</td>
</tr>
</tbody>
</table>

9.2.1 The maximum aggregate amount due at the end of any month during the year was Rs.4.08 million (2016 : Rs. 3.849 million).

10. LONG TERM DEPOSITS

Security deposits for:

<table>
<thead>
<tr>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>38,775,110</td>
</tr>
<tr>
<td>Gas</td>
<td>71,951,168</td>
</tr>
<tr>
<td>Others</td>
<td>483,200</td>
</tr>
<tr>
<td></td>
<td>111,209,478</td>
</tr>
</tbody>
</table>

11. STORES, SPARE PARTS AND LOOSE TOOLS

<table>
<thead>
<tr>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stores</td>
<td>538,099,489</td>
</tr>
<tr>
<td>Spare parts</td>
<td>103,423,793</td>
</tr>
<tr>
<td>Loose tools</td>
<td>2,888,926</td>
</tr>
<tr>
<td></td>
<td>644,412,208</td>
</tr>
</tbody>
</table>

12. STOCK IN TRADE

<table>
<thead>
<tr>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw and packing material</td>
<td>628,634,121</td>
</tr>
<tr>
<td>Work in process</td>
<td>11,629,718</td>
</tr>
<tr>
<td>Finished goods</td>
<td>552,492,588</td>
</tr>
<tr>
<td>Waste</td>
<td>1,570,453</td>
</tr>
<tr>
<td></td>
<td>1,194,326,880</td>
</tr>
</tbody>
</table>
### 13. TRADE DEBTS

Related parties - considered good:
- **Aziz Fatima Hospital**: 323,993
- **Others**
  - Considered good:
    - Local - unsecured
    - Foreign-secured: 6,241,577
  - Considered doubtful
    - Unsecured: 75,820,861

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees</td>
<td>Rupees</td>
</tr>
<tr>
<td>Related parties - considered good: Aziz Fatima Hospital</td>
<td>323,993</td>
<td>266,995</td>
</tr>
<tr>
<td>Related parties - considered good: Others Considered good: Local - unsecured</td>
<td>1,156,919,422</td>
<td>1,124,718,225</td>
</tr>
<tr>
<td>Related parties - considered good: Others Considered good: Foreign-secured</td>
<td>6,241,577</td>
<td>-</td>
</tr>
<tr>
<td>Related parties - considered good: Others Considered good: Unsecured</td>
<td>75,820,861</td>
<td>35,911,976</td>
</tr>
<tr>
<td>Provision for doubtful debts</td>
<td>(75,820,861)</td>
<td>(35,911,976)</td>
</tr>
<tr>
<td>As at June 30, 2017</td>
<td>1,163,160,999</td>
<td>1,124,718,225</td>
</tr>
<tr>
<td>As at June 30, 2016</td>
<td>1,163,484,992</td>
<td>1,124,985,220</td>
</tr>
</tbody>
</table>

**13.1** These are recoverable in ordinary course of business.

**13.1.1** Aging analysis of the amounts due from related parties is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Upto 2 months</th>
<th>2 to 6 Months</th>
<th>More than 6 Months</th>
<th>As at June 30, 2017</th>
<th>As at June 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aziz Fatima Hospital</td>
<td>230,732</td>
<td>30,373</td>
<td>62,888</td>
<td>323,993</td>
<td>266,995</td>
</tr>
<tr>
<td></td>
<td>230,732</td>
<td>30,373</td>
<td>62,888</td>
<td>323,993</td>
<td>266,995</td>
</tr>
</tbody>
</table>

**13.2** Trade receivables are non-interest bearing and relate to different products being sold on credit to customers. The credit period allowed on these products are generally on fifteen (15) days terms for dealers and twenty five (25) days terms for institutions.

**13.3** The Company has fully provided for receivables over three years except where recoveries are still expected. Trade debts between one year and three years are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

**13.4** Before accepting any new customer, the Company makes its own survey to assess the potential customer’s credit quality and defines credit limits for customer. Limits attributed to customers are reviewed once a year.

**13.5** Movement in provision for doubtful debts

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees</td>
<td>Rupees</td>
</tr>
<tr>
<td>At beginning of the year</td>
<td>35,911,976</td>
<td>25,036,496</td>
</tr>
<tr>
<td>Charged during the year</td>
<td>39,908,885</td>
<td>11,675,480</td>
</tr>
<tr>
<td>Amount recovered during the year</td>
<td>-</td>
<td>(800,000)</td>
</tr>
<tr>
<td>At end of the year</td>
<td>75,820,861</td>
<td>35,911,976</td>
</tr>
</tbody>
</table>
13.5.1 In determining the recoverability of a trade debt, the Company considers any change in the credit quality of the trade debt from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that no further provision is required.

14. LOANS AND ADVANCES

Current portion of long term loans and advances
Deferred consideration on sale of investment property
 Advance tax
For expenses
Letters of credit fee, margin and expenses
Suppliers and contractors

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.2</td>
<td>1,267,712</td>
<td>3,416,397</td>
</tr>
<tr>
<td>9.1</td>
<td>400,000,000</td>
<td>400,000,000</td>
</tr>
<tr>
<td></td>
<td>401,267,712</td>
<td>403,416,397</td>
</tr>
<tr>
<td></td>
<td>495,711,879</td>
<td>158,854,033</td>
</tr>
<tr>
<td></td>
<td>13,053,085</td>
<td>9,668,847</td>
</tr>
<tr>
<td></td>
<td>746,945,633</td>
<td>633,461,400</td>
</tr>
<tr>
<td></td>
<td>678,644,811</td>
<td>391,983,051</td>
</tr>
<tr>
<td></td>
<td>1,438,643,529</td>
<td>1,035,113,298</td>
</tr>
</tbody>
</table>

Advances - considered good
For expenses
Suppliers and contractors

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,267,712</td>
<td>3,416,397</td>
</tr>
<tr>
<td></td>
<td>400,000,000</td>
<td>400,000,000</td>
</tr>
<tr>
<td></td>
<td>401,267,712</td>
<td>403,416,397</td>
</tr>
<tr>
<td></td>
<td>495,711,879</td>
<td>158,854,033</td>
</tr>
<tr>
<td></td>
<td>13,053,085</td>
<td>9,668,847</td>
</tr>
<tr>
<td></td>
<td>746,945,633</td>
<td>633,461,400</td>
</tr>
<tr>
<td></td>
<td>678,644,811</td>
<td>391,983,051</td>
</tr>
<tr>
<td></td>
<td>1,438,643,529</td>
<td>1,035,113,298</td>
</tr>
</tbody>
</table>

Advances - considered doubtful
For expenses
Suppliers and contractors
Provision for doubtful advances

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,267,712</td>
<td>3,416,397</td>
</tr>
<tr>
<td></td>
<td>400,000,000</td>
<td>400,000,000</td>
</tr>
<tr>
<td></td>
<td>401,267,712</td>
<td>403,416,397</td>
</tr>
<tr>
<td></td>
<td>495,711,879</td>
<td>158,854,033</td>
</tr>
<tr>
<td></td>
<td>13,053,085</td>
<td>9,668,847</td>
</tr>
<tr>
<td></td>
<td>746,945,633</td>
<td>633,461,400</td>
</tr>
<tr>
<td></td>
<td>678,644,811</td>
<td>391,983,051</td>
</tr>
<tr>
<td></td>
<td>1,438,643,529</td>
<td>1,035,113,298</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>49,203</td>
<td>49,203</td>
</tr>
<tr>
<td></td>
<td>1,876,227</td>
<td>1,876,227</td>
</tr>
<tr>
<td>14.1</td>
<td>(1,925,430)</td>
<td>(1,925,430)</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2,335,623,120</td>
<td>1,597,383,728</td>
</tr>
</tbody>
</table>

14.1 Movement in provision for doubtful advances

At beginning of the year
Charged during the year
At end of the year

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,925,430</td>
<td>59,303</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>1,866,127</td>
</tr>
<tr>
<td></td>
<td>1,925,430</td>
<td>1,925,430</td>
</tr>
</tbody>
</table>

15. TRADE DEPOSITS AND PREPAYMENTS

Trade deposits
Prepayments

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,493,961</td>
<td>5,761,937</td>
</tr>
<tr>
<td></td>
<td>1,197,848</td>
<td>817,938</td>
</tr>
<tr>
<td></td>
<td>5,691,809</td>
<td>6,579,875</td>
</tr>
</tbody>
</table>
16. OTHER RECEIVABLES

Unsecured - considered good
Related parties

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,901</td>
<td>2,901</td>
</tr>
<tr>
<td></td>
<td>12,050,406</td>
<td>9,560,927</td>
</tr>
<tr>
<td></td>
<td>12,053,307</td>
<td>9,563,828</td>
</tr>
</tbody>
</table>

16.1 It represents amount due from Sitara Trade and Services (Private) Limited in respect of common nature expenses, of joint facilities, paid on behalf of related parties.

17. OTHER FINANCIAL ASSETS

Available for sale financial assets

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>274,882,920</td>
<td>197,069,564</td>
</tr>
<tr>
<td></td>
<td>274,882,920</td>
<td>197,069,564</td>
</tr>
</tbody>
</table>

17.1 Available for sale financial assets

<table>
<thead>
<tr>
<th>No. of shares / units</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,480,000</td>
<td>-</td>
<td>Sitara Peroxide Limited</td>
<td>108,228,000</td>
<td>-</td>
</tr>
<tr>
<td>519,506</td>
<td>519,506</td>
<td>Meezan Bank Limited</td>
<td>41,040,975</td>
<td>22,079,005</td>
</tr>
<tr>
<td>774,661</td>
<td>933,661</td>
<td>Sitara Energy Limited</td>
<td>22,387,703</td>
<td>32,351,354</td>
</tr>
<tr>
<td>72,000</td>
<td>72,000</td>
<td>D.G Khan Cement Company Limited</td>
<td>15,347,520</td>
<td>13,715,270</td>
</tr>
<tr>
<td>-</td>
<td>352,505</td>
<td>Descon Oxychem Limited</td>
<td>-</td>
<td>2,125,605</td>
</tr>
<tr>
<td>60,000</td>
<td>446,250</td>
<td>Engro Polymer &amp; Chemical Limited</td>
<td>2,190,000</td>
<td>3,793,125</td>
</tr>
<tr>
<td>65,000</td>
<td>50,000</td>
<td>Ittehad Chemicals Limited</td>
<td>2,408,528</td>
<td>1,697,800</td>
</tr>
<tr>
<td>40,000</td>
<td></td>
<td>Fauji Cement Company Limited</td>
<td>1,641,200</td>
<td>-</td>
</tr>
<tr>
<td>20,000</td>
<td></td>
<td>Maple Leaf Cement Factory Limited</td>
<td>2,227,200</td>
<td>-</td>
</tr>
<tr>
<td>55,000</td>
<td>55,000</td>
<td>Pakistan Oilfield Limited</td>
<td>25,198,250</td>
<td>19,111,400</td>
</tr>
<tr>
<td>-</td>
<td>14,020</td>
<td>Pakistan Petroleum Limited</td>
<td>-</td>
<td>2,173,801</td>
</tr>
<tr>
<td>30,000</td>
<td></td>
<td>Hub Power Company Limited</td>
<td>3,522,900</td>
<td>-</td>
</tr>
<tr>
<td>25,000</td>
<td></td>
<td>Engro Corporation Limited</td>
<td>8,147,750</td>
<td>-</td>
</tr>
<tr>
<td>35,000</td>
<td></td>
<td>Kot Addu Power Company Limited</td>
<td>2,520,700</td>
<td>-</td>
</tr>
<tr>
<td>443</td>
<td>443</td>
<td>Al-Meezan Investment Management Limited</td>
<td>22,194</td>
<td>22,204</td>
</tr>
<tr>
<td>607,630</td>
<td>1,494,226</td>
<td>Meezan Islamic Income Fund (Units having face value of Rs. 50 each)</td>
<td>30,000,000</td>
<td>75,000,000</td>
</tr>
<tr>
<td>1,065,354</td>
<td>2,659,190</td>
<td>NAFA Islamic Aggressive Income Fund (Units having face value of Rs. 50 each)</td>
<td>10,000,000</td>
<td>25,000,000</td>
</tr>
</tbody>
</table>

| 274,882,920 | 197,069,564 |
18. **CASH AND BANK BALANCES**

Cash in hand
Cash at banks
In current accounts
In saving accounts

<table>
<thead>
<tr>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>16,546,051</td>
<td>37,224,404</td>
</tr>
<tr>
<td>50,542,281</td>
<td>139,847,526</td>
</tr>
<tr>
<td>63,913,699</td>
<td>11,352,717</td>
</tr>
<tr>
<td>114,455,980</td>
<td>151,200,243</td>
</tr>
<tr>
<td>131,002,031</td>
<td>188,424,647</td>
</tr>
</tbody>
</table>

18.1 Effective mark-up rate in respect of deposit accounts ranges from 2.40% to 4.81% (2016: 2.76% to 5.75%) per annum.

18.2 The Company has banking relationships majorly with the banks having Islamic banking system.

19. **SHARE CAPITAL**

<table>
<thead>
<tr>
<th>2017 No. of Shares</th>
<th>2016 No. of Shares</th>
<th>2017 Authorized Rupees</th>
<th>2016 Authorized Rupees</th>
<th>2017 Issued, subscribed and paid up Rupees</th>
<th>2016 Issued, subscribed and paid up Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>40,000,000</td>
<td>40,000,000</td>
<td>400,000,000</td>
<td>400,000,000</td>
<td>86,400,000</td>
<td>86,400,000</td>
</tr>
<tr>
<td>20,000,000</td>
<td>20,000,000</td>
<td>200,000,000</td>
<td>200,000,000</td>
<td>108,043,980</td>
<td>108,043,980</td>
</tr>
<tr>
<td>8,640,000</td>
<td>8,640,000</td>
<td>-</td>
<td></td>
<td>19,850,090</td>
<td>19,850,090</td>
</tr>
<tr>
<td>10,804,398</td>
<td>10,804,398</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,985,009</td>
<td>1,985,009</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

19.1 Class "B" ordinary shares do not carry any voting rights.

19.2 No shares are held by any associated Company or related party.

19.3 The Company has no reserved shares under options and sales contracts.
20. RESERVES

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share premium</td>
<td>20.1</td>
<td>97,490,410</td>
</tr>
</tbody>
</table>

Revenue

| General reserve | 20.2 | 1,225,000,000 | 1,225,000,000 |

Other

| Reserve on re-measurement of available for sale investments | 20.3 | 86,640,526 | 46,641,863 |
| Reserve on re-measurement of post retirement benefits net of tax | | (6,313,902) | (6,366,096) |

|  |  | 1,402,817,034 | 1,362,766,177 |

20.1 This represents premium realized on issue of right shares amounting to Rs. 34,551,000 during 1991-92, 1993-94 and 1994-95 at the rates of 10%, 10% and 12.50% respectively and amounting to Rs. 62,939,410 on issue of 1,985,009 fully paid ordinary shares to the shareholders of Sitara Spinning Mills Ltd under scheme of amalgamation of Sitara Chemical Industries Limited and Sitara Spinning Mills Limited, sanctioned by Honorable Sindh High Court in 1999.

20.2 The general reserve is used from time to time to transfer profits from un-appropriated profit. There is no policy of regular transfer.

20.3 This reserve represents the unrealized surplus on remeasurement of available for sale investments as at June 30, 2017.

21. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>At beginning of the year</td>
<td>1,299,242,869</td>
<td>1,246,474,304</td>
</tr>
<tr>
<td>Addition during the year - net of tax</td>
<td>-</td>
<td>120,446,002</td>
</tr>
<tr>
<td>Transfer to un-appropriated profit in respect of incremental depreciation charged during the year – (net of tax)</td>
<td>21.1</td>
<td>(73,109,465)</td>
</tr>
<tr>
<td>At end of the year</td>
<td>1,226,133,404</td>
<td>1,299,242,869</td>
</tr>
<tr>
<td>Share from associate</td>
<td>-</td>
<td>56,451,713</td>
</tr>
<tr>
<td></td>
<td>1,226,133,404</td>
<td>1,355,694,582</td>
</tr>
</tbody>
</table>

21.1 Incremental depreciation charged during the year transferred to un-appropriated profit | 104,442,093 | 99,525,643 |
|Less: tax liability relating to incremental depreciation | (31,332,628) | (31,848,206) |
| | 73,109,465 | 67,677,437 |
### 22. LONG TERM FINANCING

From banking companies and other financial institutions - secured

Diminishing Musharka (from financial institutions - secured)

<table>
<thead>
<tr>
<th>Description</th>
<th>Note</th>
<th>Profit</th>
<th>Security</th>
<th>Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dubai Islamic Bank Limited</td>
<td>22.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MCB Syndicated Diminishing Musharka Facility</td>
<td>22.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soneri Bank Limited.</td>
<td>22.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faysal Bank</td>
<td>22.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MCB Islamic Bank</td>
<td>22.1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 22.1 Diminishing Musharka (from financial institutions - secured)

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dubai Islamic Bank Limited</td>
<td>2,143,016,525</td>
<td>1,655,406,665</td>
</tr>
<tr>
<td>MCB Syndicated Diminishing Musharka Facility</td>
<td>2,143,016,525</td>
<td>1,655,406,665</td>
</tr>
<tr>
<td>Soneri Bank Limited.</td>
<td>1,392,514,321</td>
<td>1,203,549,062</td>
</tr>
<tr>
<td>Faysal Bank</td>
<td>303,000,000</td>
<td>-</td>
</tr>
<tr>
<td>MCB Islamic Bank</td>
<td>303,000,000</td>
<td>-</td>
</tr>
</tbody>
</table>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017
22.1.1  Effective rate of profit for the year is ranging from 7.13\% to 7.48\% (2016 : 7.32\% to 9.47\%) per annum.

22.2  The exposure of the Company’s borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

<table>
<thead>
<tr>
<th>Maturity</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 months or less</td>
<td>416,010,070</td>
<td>363,602,712</td>
</tr>
<tr>
<td>6 - 12 months</td>
<td>456,010,066</td>
<td>377,513,473</td>
</tr>
<tr>
<td>1 - 5 years</td>
<td>2,143,016,518</td>
<td>1,655,406,663</td>
</tr>
<tr>
<td></td>
<td>3,015,036,654</td>
<td>2,396,522,848</td>
</tr>
</tbody>
</table>

22.3  The carrying amount under long term financing is same as fair value.

23.  LONG TERM DEPOSITS

<table>
<thead>
<tr>
<th>From customers</th>
<th>22,572,791</th>
<th>2,715,303</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>1,170,000</td>
<td>1,170,000</td>
</tr>
<tr>
<td></td>
<td>23,742,791</td>
<td>3,885,303</td>
</tr>
</tbody>
</table>

This represents interest free security deposit received from Habib Bank Limited for renting floor in Sitara Tower and is repayable on cancellation or withdrawal of contract.

24.  DEFERRED LIABILITIES

<table>
<thead>
<tr>
<th>Deferred taxation</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred taxation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff retirement benefits - gratuity</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>955,973,726</td>
<td>990,387,500</td>
</tr>
<tr>
<td></td>
<td>27,164,935</td>
<td>27,553,786</td>
</tr>
<tr>
<td></td>
<td>983,138,661</td>
<td>1,017,941,286</td>
</tr>
</tbody>
</table>

24.1  Deferred taxation

This comprises the following:
Deferred tax liability on taxable temporary differences arising in respect of:

| Tax depreciation allowance | 1,101,393,050 | 818,530,900 |
| Surplus on revaluation of property, plant and equipment | 160,068,508 | 191,401,136 |
|                           | 1,261,461,558 | 1,009,932,036 |

Deferred tax liability on taxable temporary differences arising in respect of:

| Provision for employee benefits | (7,994,640) | (8,485,299) |
| Provision for doubtful debts    | (22,314,079) | (11,059,237) |
| Unused tax credits              | (275,179,113) | - |
| (305,487,832)                   | (19,544,536) |

24.2  Staff retirement benefits - gratuity

Movement in liability

| At beginning of the year | 27,553,785 | 24,160,067 |
| Charge for the year      | 8,383,420  | 8,184,388 |
| Remeasurement (income) / loss recognized in other comprehensive income | (74,563) | 627,571 |
| Benefits paid during the year | (8,697,707) | (5,418,241) |
| At end of the year       | 27,164,935 | 27,553,785 |
Balance sheet reconciliation as at June 30

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of unfunded obligation</td>
<td>27,164,935</td>
<td>27,553,785</td>
</tr>
<tr>
<td>Net liability recognized in the balance sheet</td>
<td>27,164,935</td>
<td>27,553,785</td>
</tr>
<tr>
<td>Charge to profit and loss account:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>6,294,975</td>
<td>6,092,921</td>
</tr>
<tr>
<td>Interest cost</td>
<td>2,088,445</td>
<td>2,091,467</td>
</tr>
<tr>
<td></td>
<td>8,383,420</td>
<td>8,184,388</td>
</tr>
</tbody>
</table>

Risk associated with defined benefit plans

Investment risks

This risk arises when the actual performance of the investment is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks

This risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

The sensitivity of defined benefit obligation to changes in weighted principal assumptions is:

<table>
<thead>
<tr>
<th>Impact on defined benefit obligation</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in assumption</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount rate</td>
<td>1%</td>
<td>2,306,196</td>
</tr>
<tr>
<td>Salary growth</td>
<td>1%</td>
<td>2,870,422</td>
</tr>
</tbody>
</table>

Principal actuarial assumptions

| Discount rate (per annum) | 7.75%       | 9.0%        |
| Expected rate of increase in salaries (per annum) | 5.5%       | 6.80%       |
| Expected average remaining working lives of employees (years) | 3          | 3           |

25. TRADE AND OTHER PAYABLES

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creditors</td>
<td>1,306,570,536</td>
<td>855,580,562</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>1,009,781,424</td>
<td>967,099,604</td>
</tr>
<tr>
<td>Advances from customers</td>
<td>63,753,815</td>
<td>63,440,507</td>
</tr>
<tr>
<td>Murabaha payable</td>
<td>685,410,203</td>
<td>731,031,640</td>
</tr>
<tr>
<td>Payable to provident fund - related party</td>
<td>1,896,035</td>
<td>-</td>
</tr>
<tr>
<td>Unclaimed dividend</td>
<td>15,997,160</td>
<td>14,660,494</td>
</tr>
<tr>
<td>Retentions / security deposits</td>
<td>74,132,399</td>
<td>79,932,989</td>
</tr>
<tr>
<td>Withholding tax</td>
<td>25.3</td>
<td>1,753,314</td>
</tr>
<tr>
<td>Workers' profit participation fund</td>
<td>197,739</td>
<td>2,569,424</td>
</tr>
<tr>
<td>Workers' welfare fund</td>
<td>79,217,368</td>
<td>74,106,566</td>
</tr>
<tr>
<td>Others</td>
<td>62,812</td>
<td>143,321</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,238,772,805</td>
<td>2,790,765,212</td>
</tr>
</tbody>
</table>
25.1 The aggregate unavailed facilities from banking companies amounted to Rs. 2,224 million (2016: Rs.1,196 million). These are subject to profit margin ranging from 6.71% to 7.89% (2016: 6.79% to 10.00%) per annum and are secured against joint pari-passu charge over present and future current assets of the chemical division and textile division.

25.2 This represents contribution of the Company and employees in respect of contribution from last month’s salary. Subsequent to year end same was deposited in the provident fund’s separate bank account.

25.3 Workers' profit participation fund

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers' profit participation fund</td>
<td>(336,149)</td>
<td>2,320,338</td>
</tr>
<tr>
<td>Unclaimed Workers' profit participation fund</td>
<td>533,888</td>
<td>249,086</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>197,739</strong></td>
<td><strong>2,569,424</strong></td>
</tr>
</tbody>
</table>

25.3.1 Movement

At beginning of the year | 2,320,338 | 1,460,502 |
Less: amount paid to workers on behalf of the fund | 65,032,326 | 59,522,751 |
| **Total** | **(62,711,988)** | **(58,062,249)** |
Allocation for the year | 62,375,839 | 60,382,587 |
At end of the year | (336,149) | 2,320,338 |

26. PROFIT / FINANCIAL CHARGES PAYABLE

Long term financing | 39,819,164 | 41,715,290 |
Murabaha financing / short term borrowings | 42,400,590 | 41,237,024 |
| **Total** | **82,219,754** | **82,952,314** |

27. SHORT TERM BORROWINGS

Secured
From banking companies | 2,290,759,541 | 2,672,033,974 |
| **Total** | **2,290,759,541** | **2,672,033,974** |

28. CONTINGENCIES AND COMMITMENTS

28.1 Contingencies

Guarantees issued by banks on behalf of the Company | 210,300,200 | 186,459,365 |

28.2 Commitments

Outstanding letters of credit for raw material and spare parts | 176,600,255 | 301,573,087 |
### 29. SALES - NET

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical</td>
<td>10,144,422,606</td>
<td>10,091,856,577</td>
</tr>
<tr>
<td>Textile</td>
<td>1,887,201,802</td>
<td>1,732,819,901</td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td><strong>12,031,624,408</strong></td>
<td><strong>11,824,676,478</strong></td>
</tr>
<tr>
<td>Commission and discount</td>
<td>496,570,702</td>
<td>519,988,023</td>
</tr>
<tr>
<td>Sales tax</td>
<td>1,460,986,052</td>
<td>1,490,910,080</td>
</tr>
<tr>
<td><strong>Sales - net</strong></td>
<td><strong>10,074,067,654</strong></td>
<td><strong>9,813,778,375</strong></td>
</tr>
</tbody>
</table>

### 30. COST OF SALES

<table>
<thead>
<tr>
<th></th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw material consumed</td>
<td>2,150,395,217</td>
<td>2,090,515,860</td>
</tr>
<tr>
<td>Fuel and power</td>
<td>3,945,058,168</td>
<td>4,490,919,592</td>
</tr>
<tr>
<td>Salaries, wages and benefits</td>
<td>406,307,145</td>
<td>333,841,055</td>
</tr>
<tr>
<td>Stores and spares</td>
<td>384,552,462</td>
<td>397,049,140</td>
</tr>
<tr>
<td>Repair and maintenance</td>
<td>59,457,856</td>
<td>36,315,728</td>
</tr>
<tr>
<td>Vehicle running and maintenance</td>
<td>1,829,385</td>
<td>2,161,659</td>
</tr>
<tr>
<td>Travelling and conveyance</td>
<td>28,116,819</td>
<td>23,663,847</td>
</tr>
<tr>
<td>Insurance</td>
<td>21,742,916</td>
<td>16,856,662</td>
</tr>
<tr>
<td>Depreciation</td>
<td>660,922,520</td>
<td>462,033,207</td>
</tr>
<tr>
<td>Amortization</td>
<td>1,454,355</td>
<td>1,615,950</td>
</tr>
<tr>
<td>Others</td>
<td>5,646,468</td>
<td>4,187,812</td>
</tr>
<tr>
<td><strong>Total Cost of Goods Manufactured</strong></td>
<td><strong>7,665,483,311</strong></td>
<td><strong>7,859,160,512</strong></td>
</tr>
</tbody>
</table>

Work in process:
- Opening stock: 9,670,181
- Closing stock: (1,959,537)

Cost of goods manufactured:
- Opening stock: 7,663,523,774
- Closing stock: 7,857,591,939

### 30.1 Raw material consumed

<table>
<thead>
<tr>
<th></th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening stock</td>
<td>441,133,453</td>
<td>229,404,002</td>
</tr>
<tr>
<td>Purchases</td>
<td>2,337,895,885</td>
<td>2,302,245,311</td>
</tr>
<tr>
<td>Opening stock - including waste</td>
<td>652,709,943</td>
<td>479,954,490</td>
</tr>
<tr>
<td>Closing stock - including waste</td>
<td>(554,063,040)</td>
<td>(652,709,943)</td>
</tr>
<tr>
<td><strong>Total Cost of Goods Manufactured</strong></td>
<td><strong>7,762,170,677</strong></td>
<td><strong>7,684,836,486</strong></td>
</tr>
</tbody>
</table>
30.2 Salaries, wages and benefits include Rs. 6,059,983 (2016: Rs. 6,529,050) in respect of employee retirement benefits.

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>31. DISTRIBUTION COST</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff salaries and benefits</td>
<td>22,970,024</td>
<td>17,333,840</td>
</tr>
<tr>
<td>Freight, octroi and insurance</td>
<td>148,757,554</td>
<td>170,978,266</td>
</tr>
<tr>
<td>Advertisement</td>
<td>22,570,014</td>
<td>28,119,268</td>
</tr>
<tr>
<td>Vehicles running and maintenance</td>
<td>1,505,787</td>
<td>1,431,904</td>
</tr>
<tr>
<td>Travelling and conveyance</td>
<td>5,497,564</td>
<td>4,242,953</td>
</tr>
<tr>
<td>Postage and telephone</td>
<td>885,548</td>
<td>971,663</td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>181,057</td>
<td>194,441</td>
</tr>
<tr>
<td>Others</td>
<td>3,134,523</td>
<td>1,588,640</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>205,502,071</strong></td>
<td><strong>224,860,975</strong></td>
</tr>
</tbody>
</table>

32. ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors' remuneration</td>
<td>32.1 33,790,540</td>
<td>35,516,718</td>
</tr>
<tr>
<td>Staff salaries and benefits</td>
<td>251,806,450</td>
<td>228,648,634</td>
</tr>
<tr>
<td>Postage, telephone and telex</td>
<td>4,689,049</td>
<td>4,815,043</td>
</tr>
<tr>
<td>Vehicles running and maintenance</td>
<td>15,397,399</td>
<td>15,334,046</td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>2,215,904</td>
<td>3,454,596</td>
</tr>
<tr>
<td>Electricity</td>
<td>48,517,492</td>
<td>51,099,392</td>
</tr>
<tr>
<td>Rent, rates and taxes</td>
<td>6,495,191</td>
<td>6,022,802</td>
</tr>
<tr>
<td>Travelling and conveyance</td>
<td>15,805,335</td>
<td>13,770,115</td>
</tr>
<tr>
<td>Advertisement</td>
<td>15,454,139</td>
<td>13,742,024</td>
</tr>
<tr>
<td>Books and periodicals</td>
<td>413,907</td>
<td>222,882</td>
</tr>
<tr>
<td>Fees and subscription</td>
<td>6,971,148</td>
<td>10,431,574</td>
</tr>
<tr>
<td>Legal and professional</td>
<td>7,074,708</td>
<td>3,658,556</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>26,885,083</td>
<td>16,087,661</td>
</tr>
<tr>
<td>Auditors' remuneration</td>
<td>32.2 2,820,000</td>
<td>2,820,000</td>
</tr>
<tr>
<td>Entertainment</td>
<td>12,485,403</td>
<td>10,089,384</td>
</tr>
<tr>
<td>Donations</td>
<td>32.3 41,599,444</td>
<td>44,728,308</td>
</tr>
<tr>
<td>Insurance</td>
<td>3,970,407</td>
<td>2,603,129</td>
</tr>
<tr>
<td>Depreciation</td>
<td>5.2 35,346,711</td>
<td>30,639,754</td>
</tr>
<tr>
<td>Depreciation on investment property</td>
<td>7.2 5,549,844</td>
<td>5,518,129</td>
</tr>
<tr>
<td>Provision for bad debts and doubtful advances</td>
<td>39,908,885</td>
<td>12,741,607</td>
</tr>
<tr>
<td>Others</td>
<td>2,502,998</td>
<td>860,830</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>579,700,037</strong></td>
<td><strong>512,805,184</strong></td>
</tr>
</tbody>
</table>
32.1 Staff salaries and benefits include Rs.2,323,436 (2016: Rs.1,655,338) in respect of employee retirement benefits.

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

32.2 Auditors' remuneration

- Annual statutory audit: 1,650,000
- Half yearly and COCG compliance reviews: 550,000
- Out of pocket expenses: 120,000
- Tax advisory services: 500,000

Total: 2,820,000

32.3 It includes Rs. 21.1 million (2016: Rs. 24.35 million) donated to Aziz Fatima Trust (AFT), Faisalabad which is primarily running a charitable hospital for needy and poor people. Mr. Muhammad Adrees, the director of the Company is also Trustee of the AFT.

33. OTHER OPERATING EXPENSES

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

34. FINANCE COST

- Long term financing: 127,332,660
- Murabaha payable / short term borrowings: 237,948,338
- Bank charges and commission: 5,640,240

Total: 370,921,238

35. OTHER INCOME

**Income from financial assets**

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Profit on investments: 3,412,258
- Profit on bank deposits: 8,875,802
- Dividend income: 5,940,341
- Exchange gain: -
- Gain on sale of available for sale investments: 36,609,881

Total: 54,838,282
36.

### PROVISION FOR TAXATION

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>47,913,273</td>
<td>462,561,700</td>
</tr>
<tr>
<td>Prior</td>
<td>127,407</td>
<td>6,898,141</td>
</tr>
<tr>
<td>Deferred</td>
<td>(34,413,774)</td>
<td>(115,624,559)</td>
</tr>
<tr>
<td></td>
<td>13,626,906</td>
<td>353,835,282</td>
</tr>
</tbody>
</table>

36.1 Numerical reconciliation between the applicable and effective tax rate

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicable tax rate</td>
<td>31.00</td>
<td>32.00</td>
</tr>
<tr>
<td>Prior year adjustments</td>
<td>0.01</td>
<td>0.61</td>
</tr>
<tr>
<td>Lower rate applicable to certain income</td>
<td>(1.57)</td>
<td>(1.28)</td>
</tr>
<tr>
<td>Effect of tax credits</td>
<td>(25.00)</td>
<td>1.84</td>
</tr>
<tr>
<td>Super tax rate</td>
<td>-</td>
<td>3.00</td>
</tr>
<tr>
<td>Effect of change in statutory rate change</td>
<td>(2.77)</td>
<td>(2.95)</td>
</tr>
<tr>
<td>Income taxed at different rates</td>
<td>(0.49)</td>
<td>(1.71)</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>1.18</td>
<td>31.51</td>
</tr>
</tbody>
</table>

37. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on basic earnings per share of the Company, basic is computed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>Rupees</td>
<td>1,166,381,688</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares outstanding during the year</td>
<td>Number</td>
<td>21,429,407</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>Rupees</td>
<td>54.43</td>
</tr>
</tbody>
</table>
38. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Board is responsible for developing and monitoring the Company’s risk management policies.

The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company’s policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's Audit Committee oversees how management monitors compliance with the Company’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

38.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating activities primarily for local trade debts, sundry receivables and other financial assets.

The Company’s credit risk exposures are categorized under the following headings:

38.1.1 Counterparties

The Company conducts transactions with the following major types of counterparties for its financial assets at amortised cost:
Trade debts

Trade debts are essentially due from local customers against sale of yarn, fabric caustic soda, hydrochloric acid, agri chemicals and other allied products and from foreign customers against supply of ammonium chloride and allied products and the Company does not expect these counterparties to fail to meet their obligations. The majority of sales to the Company’s customers are made on specific terms. Customer credit risk is managed by each business unit subject to the Company’s established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored and any shipments to foreign customers are generally covered by letters of credit or other form of credit insurance.

Bank and investments

The Company limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

38.1.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Financial assets at amortised cost:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debts</td>
<td>1,157,243,415</td>
<td>1,124,985,220</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>1,091,697,896</td>
<td>2,064,875,849</td>
</tr>
<tr>
<td>Other receivables</td>
<td>12,053,307</td>
<td>9,563,828</td>
</tr>
<tr>
<td>Bank balances</td>
<td>114,455,980</td>
<td>151,200,243</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,375,450,598</strong></td>
<td><strong>3,350,625,140</strong></td>
</tr>
</tbody>
</table>

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer is:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical - local</td>
<td>640,447,548</td>
<td>680,905,788</td>
</tr>
<tr>
<td>Textile - local</td>
<td>516,795,866</td>
<td>444,079,432</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,157,243,415</strong></td>
<td><strong>1,124,985,220</strong></td>
</tr>
</tbody>
</table>

There is no single significant customer in the trade debts of the Company.

The maximum exposure to credit risk for trade debts at the reporting date by type of product is:
Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

<table>
<thead>
<tr>
<th>Gross 2017 Rupees</th>
<th>Gross 2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not past due 373,223,394</td>
<td>761,766,662</td>
</tr>
<tr>
<td>Past due 0-30 days 253,141,972</td>
<td>166,643,928</td>
</tr>
<tr>
<td>Past due 30-60 days 25,518,136</td>
<td>24,855,146</td>
</tr>
<tr>
<td>Past due 60-90 days 147,929,540</td>
<td>13,045,114</td>
</tr>
<tr>
<td>Over 90 days 439,492,811</td>
<td>35,911,976</td>
</tr>
<tr>
<td>Gross 1,239,305,853</td>
<td>Gross 1,160,985,220</td>
</tr>
</tbody>
</table>

The movement in the allowance for impairment in respect of loans and advances during the year is as follows:

<table>
<thead>
<tr>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>At beginning of year 1,925,430</td>
<td>59,303</td>
</tr>
<tr>
<td>Impairment loss / recognized -</td>
<td>-</td>
</tr>
<tr>
<td>At end of year 14.2</td>
<td>1,925,430</td>
</tr>
</tbody>
</table>

The allowance accounts in respect of trade receivables and loans and advances are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly.
38.2 Liquidity risk management

Liquidity risk reflects the Company’s inability in raising funds to meet commitments. Management closely monitors the Company’s liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company’s short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 25.1 to these financial statements is the amount of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

38.2.1 Liquidity and interest risk table

The following table details the Company’s remaining contractual maturity for its financial liabilities at amortised cost. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay. For effective markup rate please see relevant notes to these financial statements.

Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

<table>
<thead>
<tr>
<th></th>
<th>Carrying Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017 Rupees</td>
</tr>
<tr>
<td><strong>Trade and other payables</strong></td>
<td></td>
</tr>
<tr>
<td>Maturity up to one year</td>
<td>2,472,194,181</td>
</tr>
<tr>
<td><strong>Short term borrowings</strong></td>
<td></td>
</tr>
<tr>
<td>Maturity up to one year</td>
<td>2,976,169,744</td>
</tr>
<tr>
<td><strong>Long term financing</strong></td>
<td></td>
</tr>
<tr>
<td>Maturity up to one year</td>
<td>872,020,136</td>
</tr>
<tr>
<td>Maturity after one year and up to five years</td>
<td>2,143,016,525</td>
</tr>
<tr>
<td>Maturity after five years</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>8,463,400,586</td>
</tr>
</tbody>
</table>

38.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.
38.3.1 Foreign currency risk management

Pak Rupee (PKR) is the functional currency of the Company and as a result currency exposure arises from transactions and balances in currencies other than PKR. The Company’s potential currency exposure comprise;

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy.

Exposure to foreign currency risk

The Company’s exposure to foreign currency risk was as follows based on notional amounts:

<table>
<thead>
<tr>
<th></th>
<th>2017 (US Dollars)</th>
<th>2016 (US Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Debts</td>
<td>59,455</td>
<td>-</td>
</tr>
</tbody>
</table>

Commitments outstanding at year end amounted to Rs. 176.6 million (2016: Rs. 301.573 million) relating to letter of credits for import of plant and machinery, stores spare parts and raw material.

The following significant exchange rates applied during the year:

<table>
<thead>
<tr>
<th></th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average rate</td>
<td>US$ 1</td>
<td></td>
</tr>
<tr>
<td>Reporting date</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report date spot</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting date</td>
<td>104.90</td>
<td>104.59</td>
</tr>
<tr>
<td>Report date spot</td>
<td>104.98</td>
<td>104.82</td>
</tr>
</tbody>
</table>
Sensitivity analysis

A 5 percent weakening of the Pak Rupee against the USD at June 30, 2017 would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2016.

<table>
<thead>
<tr>
<th></th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Increase) / Decrease in profit and loss account</td>
<td>312,079</td>
<td>-</td>
</tr>
</tbody>
</table>

A 5 percent strengthening of the Pak Rupee against the US $ at June 30, 2017 would have had the equal but opposite effect on US $ to the amounts shown above, on the basis that all other variables remain constant.

38.3.2 Other price risk

Other price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those a rising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The effects of changes in fair value of such investments made by Company, on the future profits are not considered to be material in the overall context of these financial statements.

38.3.3 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

Profile of financial instruments at amortised cost

At the reporting date, the Company does not have any fixed rate interest bearing financial instruments.

<table>
<thead>
<tr>
<th></th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank balances</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.40% to 4.81%</td>
<td>2.76% to 5.75%</td>
</tr>
<tr>
<td></td>
<td>63,913,699</td>
<td>11,352,717</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short term borrowings</td>
<td>6.71% to 7.89%</td>
<td>6.79% to 10.00%</td>
</tr>
<tr>
<td></td>
<td>(2,976,169,744)</td>
<td>2,672,033,974</td>
</tr>
<tr>
<td>Long term financing</td>
<td>7.13% to 7.48%</td>
<td>7.32% to 9.47%</td>
</tr>
<tr>
<td></td>
<td>(5,927,292,699)</td>
<td>(5,057,204,105)</td>
</tr>
</tbody>
</table>
Fair value sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, of the Company’s profit before tax (through the impact on floating rate borrowings).

<table>
<thead>
<tr>
<th>Year</th>
<th>Short term borrowings</th>
<th>Long term financing</th>
<th>Increase / (decrease) in basis points</th>
<th>Effect on profit before tax</th>
<th>Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td>1.00%</td>
<td>31,896,177</td>
<td>3,092,569</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>34,988,746</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td>1.00%</td>
<td>29,322,748</td>
<td>17,674,404</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>46,997,152</td>
<td></td>
</tr>
</tbody>
</table>

38.3.4 Equity Price Risk Management

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company’s senior management on a regular basis. The Company’s Board of Directors reviews and approves all equity investment decisions.

At the balance sheet date, the exposure to unlisted equity securities at fair value was Rs. 5,000,000.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs.274,882,920 (2016: Rs. 197,069,564 ). An increase of 25% on the KSE market index would have an impact of approximately Rs. 68,720,730 on the income or equity attributable to the Company, depending on whether or not the increase is significant and prolonged. A decrease of 25% in the value of the listed securities would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.
38.4.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1  Quoted prices (unadjusted) in active markets for individual assets or liabilities.
Level 2  Inputs, other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3  Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available-for-sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>as at June 30, 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted equity</td>
<td>274,882,920</td>
<td>-</td>
<td>-</td>
<td>274,882,920</td>
</tr>
<tr>
<td>securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>274,882,920</td>
<td>-</td>
<td>-</td>
<td>279,882,920</td>
</tr>
<tr>
<td>Available-for-sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>as at June 30, 2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted equity</td>
<td>197,069,564</td>
<td>-</td>
<td>-</td>
<td>197,069,564</td>
</tr>
<tr>
<td>securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>197,069,564</td>
<td>-</td>
<td>-</td>
<td>197,069,564</td>
</tr>
</tbody>
</table>

There were no transfers between Levels during the year.

38.5 Determination of fair values

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Available for sale investments as disclosed in other financial assets, are presented at fair value by using quoted prices at Pakistan Stock Exchange as at June 30, 2017. The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

38.6 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses. The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

39. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

<table>
<thead>
<tr>
<th></th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Borrowings</strong></td>
<td>5,305,796,202</td>
<td>5,068,556,824</td>
</tr>
<tr>
<td>Less: Cash and bank balances</td>
<td>131,002,031</td>
<td>188,424,647</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>5,174,794,171</td>
<td>4,880,132,177</td>
</tr>
<tr>
<td><strong>Total equity including revaluation on land, building and plant and machinery</strong></td>
<td>9,851,095,725</td>
<td>8,891,101,825</td>
</tr>
<tr>
<td><strong>Total capital</strong></td>
<td>15,025,889,896</td>
<td>13,771,234,002</td>
</tr>
<tr>
<td><strong>Gearing ratio</strong></td>
<td>34.44%</td>
<td>35.44%</td>
</tr>
</tbody>
</table>

**Remuneration**

<table>
<thead>
<tr>
<th></th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive</td>
<td>12,000,000</td>
<td>12,000,000</td>
</tr>
<tr>
<td>Directors</td>
<td>3,500,004</td>
<td>3,500,004</td>
</tr>
<tr>
<td>Executives</td>
<td>83,011,042</td>
<td>69,701,131</td>
</tr>
</tbody>
</table>

**Perquisites**

<table>
<thead>
<tr>
<th></th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>House rent</td>
<td>4,800,000</td>
<td>4,800,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>1,200,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Medical allowance</td>
<td>4,744,500</td>
<td>4,744,500</td>
</tr>
<tr>
<td>Special allowance</td>
<td>745,436</td>
<td>745,436</td>
</tr>
<tr>
<td>Income tax</td>
<td>6,211,375</td>
<td>6,211,375</td>
</tr>
<tr>
<td>Reimbursement of expenses</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive</td>
<td>22,744,500</td>
<td>22,744,500</td>
</tr>
<tr>
<td>Directors</td>
<td>6,211,375</td>
<td>6,211,375</td>
</tr>
<tr>
<td>Executives</td>
<td>128,127,770</td>
<td>107,507,704</td>
</tr>
</tbody>
</table>

**Number of persons**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of persons</td>
<td>1</td>
</tr>
</tbody>
</table>

**39.1** The Chief Executive, certain Directors and Executives are provided with free use of Company maintained cars and telephone etc. having value amounting to Rs. 3.45 million (2016: Rs 5.57 million).

**39.2** Directors have waived their meeting fees.
40. **TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise holding company, subsidiary and associated undertakings, other related group companies, directors of the company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of directors and key management personnel is disclosed in note 39.

Other significant transactions with related parties are as follows:

<table>
<thead>
<tr>
<th>Relationship with the Company</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associated undertakings Sales</td>
<td>95,542</td>
<td>86,458,079</td>
</tr>
<tr>
<td>Purchases</td>
<td>-</td>
<td>870,063</td>
</tr>
<tr>
<td>Organizational expenses recovered</td>
<td>-</td>
<td>763,595</td>
</tr>
<tr>
<td>Organizational expenses paid</td>
<td>-</td>
<td>1,641,027</td>
</tr>
<tr>
<td>Donation</td>
<td>21,100,359</td>
<td>24,350,270</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key management personnel</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration to Executives</td>
<td>157,083,645</td>
<td>136,463,579</td>
</tr>
</tbody>
</table>

All transactions with related parties have been carried out on commercial terms and conditions.

41. **PLANT CAPACITY AND PRODUCTION**

<table>
<thead>
<tr>
<th>Chemical Division</th>
<th>Designed Capacity</th>
<th>Actual Production</th>
<th>Reason of Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caustic soda</td>
<td>201,300</td>
<td>201,300</td>
<td>127,464</td>
</tr>
<tr>
<td>Sodium hypochlorite</td>
<td>66,000</td>
<td>66,000</td>
<td>29,525</td>
</tr>
<tr>
<td>Liquid chlorine</td>
<td>9,900</td>
<td>9,900</td>
<td>7,765</td>
</tr>
<tr>
<td>Bleaching powder</td>
<td>7,500</td>
<td>7,500</td>
<td>4,236</td>
</tr>
<tr>
<td>Hydrochloric acid</td>
<td>212,200</td>
<td>212,200</td>
<td>109,407</td>
</tr>
<tr>
<td>Calcium Chloride Prill</td>
<td>9,900</td>
<td>-</td>
<td>1,238</td>
</tr>
</tbody>
</table>

**Demand based production**

<table>
<thead>
<tr>
<th>Textile Division</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ring Spinning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of spindles installed</td>
<td>26,304</td>
<td>26,304</td>
</tr>
<tr>
<td>Number of spindles worked</td>
<td>26,304</td>
<td>26,304</td>
</tr>
<tr>
<td>Number of shifts per day</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Installed capacity after conversion into 20/s count (Kgs)</td>
<td>10,207,021</td>
<td>10,207,021</td>
</tr>
<tr>
<td>Actual production of yarn after conversion into 20/s count (Kgs)</td>
<td>9,311,573</td>
<td>9,218,045</td>
</tr>
</tbody>
</table>
42. **WORKING CAPITAL CHANGES**

<table>
<thead>
<tr>
<th></th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase (Decrease) in current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stores, spare parts and loose tools</td>
<td>(230,781,993)</td>
<td>(33,251,696)</td>
</tr>
<tr>
<td>Stock in trade</td>
<td>(90,813,302)</td>
<td>(386,053,478)</td>
</tr>
<tr>
<td>Trade debts</td>
<td>(78,408,657)</td>
<td>50,417,533</td>
</tr>
<tr>
<td>Advance Sales Tax</td>
<td>61,213,694</td>
<td>(36,596,423)</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>(401,381,546)</td>
<td>(18,285,777)</td>
</tr>
<tr>
<td>Trade deposits and short-term prepayments</td>
<td>888,066</td>
<td>1,198,083</td>
</tr>
<tr>
<td>Other receivables</td>
<td>(2,489,479)</td>
<td>2,162,634</td>
</tr>
<tr>
<td></td>
<td>(741,773,217)</td>
<td>(420,409,124)</td>
</tr>
<tr>
<td><strong>Increase in current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>447,117,738</td>
<td>668,265,141</td>
</tr>
<tr>
<td>Sales tax payable</td>
<td>40,126,176</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(254,529,303)</td>
<td>247,856,017</td>
</tr>
</tbody>
</table>
43. OPERATING RESULTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caustic soda</td>
<td>7,761,516,940</td>
<td>7,851,607,829</td>
<td>-</td>
<td>-</td>
<td>7,761,516,940</td>
<td>7,851,607,829</td>
</tr>
<tr>
<td>Sodium hypochlorite</td>
<td>676,290,517</td>
<td>726,767,894</td>
<td>-</td>
<td>-</td>
<td>676,290,517</td>
<td>726,767,894</td>
</tr>
<tr>
<td>Bleaching powder</td>
<td>200,343,348</td>
<td>203,439,133</td>
<td>-</td>
<td>-</td>
<td>200,343,348</td>
<td>203,439,133</td>
</tr>
<tr>
<td>Liquid chlorine</td>
<td>224,569,498</td>
<td>236,441,263</td>
<td>-</td>
<td>-</td>
<td>224,569,498</td>
<td>236,441,263</td>
</tr>
<tr>
<td>Hydrochloric acid</td>
<td>744,430,075</td>
<td>742,099,362</td>
<td>-</td>
<td>-</td>
<td>744,430,075</td>
<td>742,099,362</td>
</tr>
<tr>
<td>and others</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agri chemicals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yarn</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fabrics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caustic soda flakes</td>
<td>186,082,360</td>
<td>64,124,032</td>
<td>-</td>
<td>-</td>
<td>186,082,360</td>
<td>64,124,032</td>
</tr>
<tr>
<td>Liquid chlorine</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>6,370,932</td>
<td>1,116,242</td>
<td>-</td>
<td>-</td>
<td>6,370,932</td>
<td>1,116,242</td>
</tr>
</tbody>
</table>

|                | 10,144,422,606 | 10,092,119,511 | 1,887,201,802 | 1,728,053,873 | 12,031,624,408 | 11,820,173,384 |
43.1 Inter-segment pricing / sales
There is no purchase and sale between the segments.

43.2 Products and services from which reportable segments derive their revenues
For management purposes, the Company is organized into business units based on their products and services and has the following two reportable operating segments. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Company’s CEO reviews internal management reports on at least a quarterly basis:

The Chemicals segment produces and supplies various chemicals used in textile and fertilizer industry.
The textile segment is a spinning unit which produces yarn and also trading of fabric.
The Company does not have any geographical segment.

43.3 For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to reportable segments other than investments in associates, and tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and All liabilities are allocated to reportable segments.
44. Provident Fund Related Disclosure

The following is based on latest audited financial statement of the Fund:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of the Funds - Total Assets</td>
<td>76,619,706</td>
<td>66,953,760</td>
</tr>
<tr>
<td>Cost of Investments made</td>
<td>49,832,832</td>
<td>30,500,000</td>
</tr>
<tr>
<td>Percentage of investments made</td>
<td>73%</td>
<td>72%</td>
</tr>
<tr>
<td>Fair Value of investments</td>
<td>44.1</td>
<td>56,131,344</td>
</tr>
</tbody>
</table>

44.1 Break up of fair value of investments

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Rupees</th>
<th>2016 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual Funds</td>
<td>53,783,550</td>
<td>45,832,165</td>
</tr>
<tr>
<td>Bank Balances</td>
<td>2,347,794</td>
<td>2,610,369</td>
</tr>
<tr>
<td>Total</td>
<td>56,131,344</td>
<td>48,442,534</td>
</tr>
</tbody>
</table>

45. The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and rules formulated for this purpose.

The total average number of employees during the year and as at June 30, 2017 and 2016 respectively are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of employees during the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent</td>
<td>985</td>
<td>956</td>
</tr>
<tr>
<td>Contractual</td>
<td>927</td>
<td>900</td>
</tr>
<tr>
<td>Number of employees as at June 30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent</td>
<td>1,124</td>
<td>1,075</td>
</tr>
<tr>
<td>Contractual</td>
<td>893</td>
<td>878</td>
</tr>
</tbody>
</table>

46. EVENTS AFTER THE BALANCE SHEET DATE

In respect of current year, the directors have proposed to pay final cash dividend of Rs. 267.867 million (2016: Rs. 246 million) at Rs. 12.50 (2016: Rs. 11.5) per ordinary share of Rs. 10 each for approval of the shareholders at the forthcoming Annual General Meeting. Financial effect of the proposed dividend has not been taken in these financial statements and will be accounted for subsequently in the year when such dividend is approved.

47. GENERAL

Figures have been rounded off to the nearest Rupee.

48. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 22, 2017 by the Board of Directors of the Company.

Muhammad Adrees
Chief Executive Officer

Haseeb Ahmed
Director
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FORM OF PROXY
ANNUAL GENERAL MEETING

I/We_______________________________________________ S/o/D/o/W/o

of_________________________________________________________________________ being
a member of SITARA CHEMICAL INDUSTRIES LIMITED and holder of _________________
Ordinary Shares as per Share Register Folio No.____________and/or CDC Participant ID No.
______________and Account / Subaccount No.____________ do hereby appoint
Mr./Mrs./Miss _______________________________
Folio No./CDC No._________________ of __________________ failing
him/her, Mr/Mrs./Miss______________________________ Folio No./CDC
No._________________ of __________________ as my/our proxy to attend, act and vote for
me/us on my/our behalf at Annual General Meeting of the Company to be held on Wednesday
October 25, 2017 at 6:00 pm at the Institute of Chartered Accountants of Pakistan, Chartered
Accountants Avenue, Clifton, Karachi and at any adjournment thereof in the same manner as I/we
myself/ourselves would vote if personally present at such meeting.

Signature of Shareholder
Folio / CDC A/C No.

Signature of Proxy

Dated this __________ day of ______________ 2017

Witness: Witness:

1. Signature_________________________ 2. Signature_________________________
Name______________________________ Name______________________________
Address____________________________ Address____________________________

CNIC or ___________________________ Passport No.__________________________

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend
the meeting and vote on member’s behalf.

2. If a member is unable to attend the meeting. He/She may complete and sign this form and
send it to the Company’s Share Registrar M/s. THK Associates (Pvt) Limited 1st Floor, 40-C,
Block-6, P.E.C.H.S., Karachi so as to reach not less than 48 hours before the time appointed for
holding the Meeting.

3. For CDC Account Holders / Corporate Entities; in addition to the above, the following
requirements have to be met:

(a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC
numbers be stated on the form.
(b) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be
provided with the proxy form.
(c) The proxy shall produce his original CNIC or original passport at the time of the meeting.
In case of a corporate entity, the Board of Directors resolution / power of attorney with
specimen signature shall be submitted (unless it has been provided earlier) along with
proxy form to the Company.
M/s THK Associates (Pvt) Limited
1st Floor, 40-C, Block-6, P.E.C.H.S.
Karachi.
سیائے کمیکس انسٹیٹیوٹ یونیورسٹی

پاکستان عام

پرامنور: 

سیائے کمیکس انسٹیٹیوٹ یونیورسٹی کے ممبر اور پرورش کا فیصلہ، برگزاری کی ایک کمیکس دوسری جلسے کے مطابق میں مقرر ہے۔

کرکٹ کے نظم و راستا

کرکٹ کے نظم و راستا کے تحت، سیائے کمیکس انسٹیٹیوٹ یونیورسٹی کے ممبر اور پرورش کا جلسے پر مشتمل تھے۔ 25 آئیم 2017 کو جواب دیا گیا تھا۔

قربت، جوامع، جامعات اور ٹیکسین کا مصروف کیے جانے والا ایکیزیشن، اس کے تحت، ایکیزیشن کے مطابق مقرر کیے جانے والے سیائے کمیکس انسٹیٹیوٹ یونیورسٹی کے ممبر اور پرورش کا جلسے پر مشتمل تھے۔

دفتر جاسوسی: 5 آئیم

دکشین مقرر

دفتر جاسوسی: 5 آئیم

نام

نام

اپنے نام

شماری کردار

پاکستان کے

1. ایکیزیشن کے مطابق مقرر کیے جانے والے سیائے کمیکس انسٹیٹیوٹ یونیورسٹی کے ممبر اور پرورش کا جلسے پر مشتمل تھے۔

2. ایکیزیشن کے مطابق مقرر کیے جانے والے سیائے کمیکس انسٹیٹیوٹ یونیورسٹی کے ممبر اور پرورش کا جلسے پر مشتمل تھے۔

3. ایکیزیشن کے مطابق مقرر کیے جانے والے سیائے کمیکس انسٹیٹیوٹ یونیورسٹی کے ممبر اور پرورش کا جلسے پر مشتمل تھے۔

P.E.C.H.S. 6-40-C

کاکن، جوامع، جامعات اور ٹیکسین کا مصروف کیے جانے والا ایکیزیشن، اس کے تحت، ایکیزیشن کے مطابق مقرر کیے جانے والے سیائے کمیکس انسٹیٹیوٹ یونیورسٹی کے ممبر اور پرورش کا جلسے پر مشتمل تھے۔

Power of Attorney

فارام کے سر مقرر کے مصروف کیے جانے والا ایکیزیشن، اس کے تحت، ایکیزیشن کے مطابق مقرر کیے جانے والے سیائے کمیکس انسٹیٹیوٹ یونیورسٹی کے ممبر اور پرورش کا جلسے پر مشتمل تھے۔

Power of Attorney
M/s THK Associates (Pvt) Limited
1st Floor, 40-C, Block-6, P.E.C.H.S.
Karachi.
DIVIDEND MANDATE (MANDATORY)

By virtue of the provisions of the Companies Act, 2017, shareholders are MANDATORILY required to provide their bank account details to receive their dividends by way of direct credit on electronic transfer to their bank account instead of receiving them through dividend warrants (crossed as A/c Payee only).

Bank Account Details of Shareholder for payment of Cash Dividend through electronic mode

I hereby wish to communicate my desire to receive my dividends directly in my bank account as detailed below:

Name of Shareholder _________________________________________
Folio Number _________________________________________
Contact Number of Shareholder _________________________________________
Bank Account No. _________________________________________
IBAN _________________________________________
Title of Account _________________________________________
Type of Account _________________________________________
Name of Bank _________________________________________
Bank Branch & full Mailing Address _________________________________________
Contact No. of Bank _________________________________________

It is stated that the above particulars given by me are correct to the best of my knowledge and I shall keep the company informed in case of any changes in the said particulars in the future.

Shareholder’s signature Date CNIC No. (Copy attached)
SITARA CHEMICAL INDUSTRIES LIMITED

CIRCULATION OF ANNUAL AUDITED ACCOUNTS

The company Secretary
Sitara Chemical Industries Limited
604-605, Business Centre,
Mumtaz Hasan Road,
Karachi

Subject: Circulation of Annual Audited Accounts via Email or CD/DVD/USB.

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its SRO No. 470/2006 dated 32nd May, 2006, that have allowed companies to circulate their Annual Audited Accounts (i.e. Annual Balance Sheet and Profit and Loss Accounts, Auditor's Report and Directors' Report etc. ("Annual Report") along with the Notice of Annual General Meeting ("Notice") to its shareholders through Email or CD/DVD/USB at the registered addresses.

Shareholders who wish to receive the hardcopy of financial statements shall have to fill the below form and send us to company address.

I/We hereby consent Option 1 or Option 2 to the above SROs for Audited Financial Statements and Notice of General Meeting(s) delivered to me hard from instead Email or CD/DVD/USB:

☐ Option 1: Via Email
Name of the Members/Shareholders
___________________________________________
CNIC No.
___________________________________________
Folio / CDC Account Number
___________________________________________
Valid Email Address
(to receive Financial Statements along with Notice of General Meetings instead of Hardcopy/CD/DVD/USB)
___________________________________________

☐ Option 2: Via Hardcopy
Name of the Members/Shareholders
___________________________________________
CNIC No.
___________________________________________
Folio / CDC Account Number
___________________________________________
Mailing Address
(to receive Financial Statements along with Notice of General Meetings instead of Email/CD/DVD/USB and other Electronic Media)
___________________________________________

I/We hereby confirm that the above mentioned information is correct and in case of any change thereon, I/We will immediately intimate to the Company's Share Registrar. I/We further confirm that the transmission of Company's Annual Audited Financial Statements and Notice of General Meeting(s) through my/our above address would be taken as compliance with the Companies Act, 2007.
M/s Sitara Chemical Industries Ltd.
601-602 Business Center,
Mumtaz Hassan Road
Karachi.