

# ANNUAL REPORT 2019



**Sitara Chemical Industries Limited**

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# FINANCIAL PERFORMANCE 2019





**Sales**  
+3.53%  
Rs. 12,698M  
(2018: Rs. 12,265M)

**Profit Before Tax %**  
8.39%  
(2018: 10.70%)

**Cash Dividend %**  
100%  
(2018: 130%)

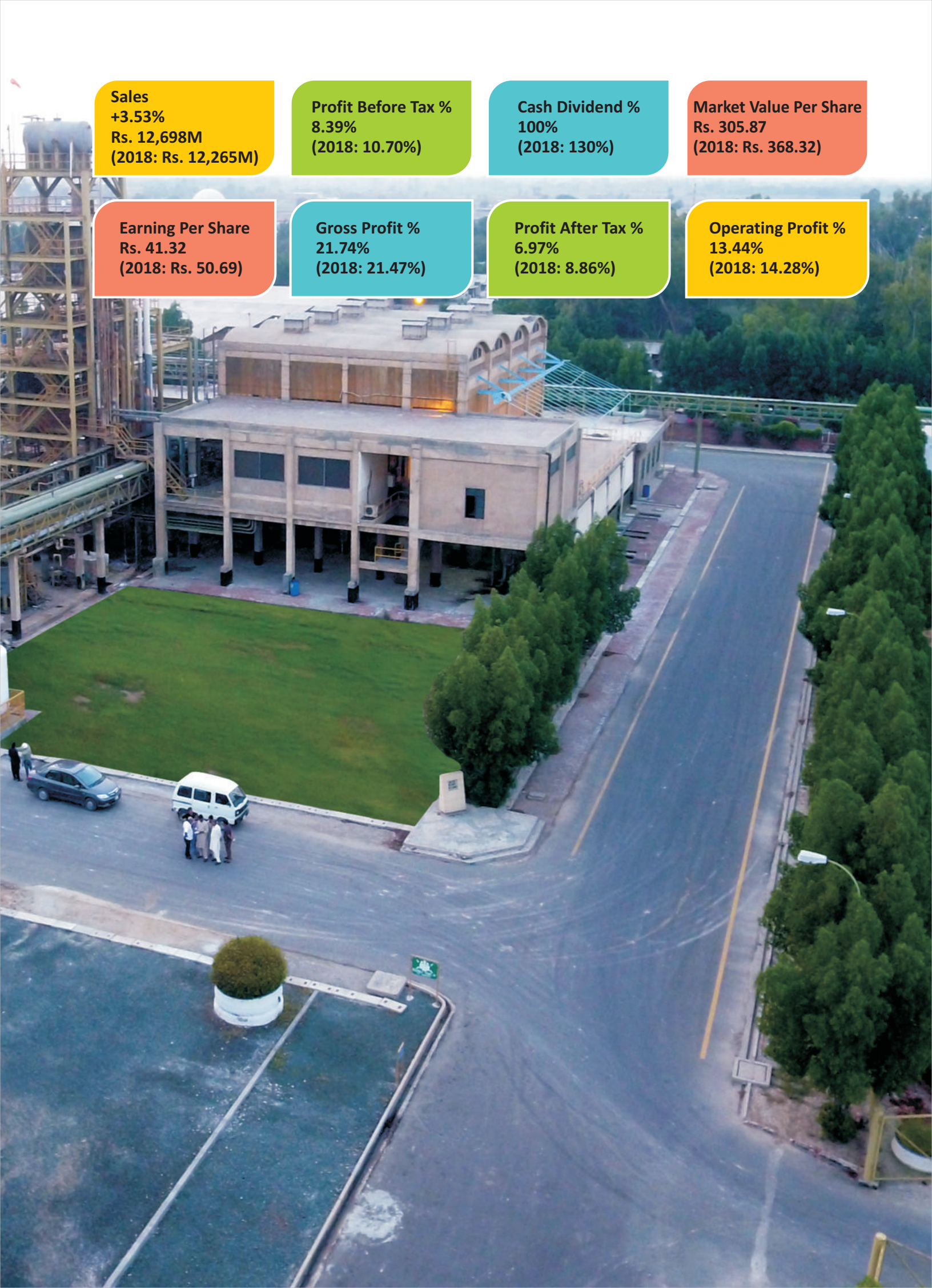
**Market Value Per Share**  
Rs. 305.87  
(2018: Rs. 368.32)

**Earning Per Share**  
Rs. 41.32  
(2018: Rs. 50.69)

**Gross Profit %**  
21.74%  
(2018: 21.47%)

**Profit After Tax %**  
6.97%  
(2018: 8.86%)

**Operating Profit %**  
13.44%  
(2018: 14.28%)







## VISION

Strive to develop and employ innovation 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.





# COMPANY INFORMATION

## *Board of Directors*

Chairman	Mr. Abdul Awal
Chief Executive Officer	Mr. Muhammad Adrees
Directors	Mr. Haseeb Ahmad Mr. Haroon Ahmad Zuberi Mr. Ahmad Nawaz Mr. Ashraf Shahzad Ahmad Mrs. Shala Waheed Sher

## *Company Secretary*

Mr. Mazhar Ali Khan

## *Chief Financial Officer*

Mr. Anwar-ul-Haq (FCA)

## *Audit Committee*

Chairman	Mr. Haroon Ahmad Zuberi
Member	Mr. Abdul Awal Mr. Ahmad Nawaz

## *Human Resource and Remuneration Committee*

Chairman	Mr. Abdul Awal
Member	Mr. Muhammad Adrees Mrs. Shala Waheed Sher

## *Head of Internal Audit*

Mr. Zakir Hussain (FCA)

## *Auditors*

Deloitte Yousuf Adil  
Chartered Accounts

## *Legal Advisor*

Mr. Sahibzada Muhammad Arif

## *Shariah Advisor*

Al Hamd Shariah Advisory Services (Pvt.) Limited

## *Bankers*

Meezan Bank Limited  
Bank Alfalah Limited  
Habib Bank Limited  
Standard Chartered Bank Pakistan Limited  
Al-Baraka Bank (Pakistan) Limited  
Faysal Bank Limited  
National Bank of Pakistan  
MCB Bank Limited  
MCB Islamic Bank Limited  
Dubai Islamic Bank Pakistan Limited  
Bank Islami Pakistan Limited  
The Bank of Khyber  
Askari Bank Islamic Banking  
The Bank of Punjab  
United Bank Limited  
Soneri Bank Limited  
Bank Al-Habib Limited  
Habib Metropolitan Bank Limited  
Allied Bank Limited

## *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





# CHAIRMAN'S REVIEW REPORT ON BOARD'S OVERALL PERFORMANCE

(u/s 192 of the Companies Act 2017)

Sitara Chemical Industries Limited complies with all the requirements as set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 with respect to the composition, procedures and meetings of the Board of Directors and its committees. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of (the “Board”) of Sitara Chemical Industries Limited (the “Company”) is carried out.

For the financial year ended June 30, 2019, Board's overall performance and effectiveness has been assessed as Satisfactory. Improvements are an ongoing process leading to action plans. The overall assessment as satisfactory is based on an evaluation of integral components, which have a direct bearing on the Board's role in achievement of company's objectives, including vision, mission and values; engagement in strategic planning; monitoring the organization's business activities; monitoring financial resource management; effective fiscal oversight; diversity, governance and control environment.

The board ensured that all the legal and regulatory requirements have been complied with by the management of the company.



**Abdul Awal**  
Chairman

Date: September 19, 2019





## DIRECTORS' REPORT

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, we are pleased to present the audited financial statements of the Company together with Auditors' Report thereon, report of external shariah auditors for the year ended June 30, 2019.

### *Business Overview:*

Overall economic environment of the country remained depressed during the year with GDP growth of 3.29% compared with 5.79% last year. Industrial growth of Large Scale Manufacturing industry (LSM) witnessed a growth of 2.93% during the current financial year as compared with growth of 6.33% last year. The performance of textile sector remained under stress during the period as it declined by 0.30% against meager growth of 0.5% during the last year. Bank borrowing rates increased significantly during the year causing financial cost of the company to rise.

In view of the above stated economic environment that remained prevalent during the year, which has impacted the businesses. However, some component of increased cost of production was added in the selling price of caustic. During the financial year 2019, your Company has posted net sales of Rs.12,698/- million as against Rs. 12,265/- million last year, representing a growth of 3.53% in monetary terms. Profit before tax stood at Rs. 1,065/- million during the year 2018-19 as against Rs. 1,312/- million last year. Earning per share was recorded at Rs. 41.32 during the year as against Rs. 50.69/- last financial year. Fall in earnings and EPS is mainly attributable to the rising financial cost after increased bank borrowing rates and borrowing levels to finance the capital expenditures of the company.

### *Production Operations:*

Detail of net production of different products of company for the year 2018-19 in comparison with last year is as given hereunder:

Description	2019 (M. Ton)	2018 (M. Ton)
Caustic Soda (Liquid & Flakes)	133,015	141,563
Sodium Hypochlorite	42,496	35,748
Bleaching Powder	4,129	4,492
Liquid Chlorine	7,994	7,851
Hydrochloric Acid	109,127	117,056
CO <sub>2</sub>	7,205	8,456
Calcium Chloride	10,365	3,929
Ferric Chloride	2,014	1,751
Magnesium Chloride	1,798	1,739
Magnesium Sulphate	1,025	1,901
Cotton Yarn converted into 20/S count	8,937	10,853



### *Significant events occurred during the year:*

During the year the following events occurred, which we would like to bring to the knowledge of our valued shareholders:

- a) During the 4th quarter of the year 2019, company has successfully completed the BMR of one of its old electrolyzer which has not only reduced the cost of production in terms of electricity savings but also enhanced the production capacity of the company by 20 MTPD. From the next financial year, we expect that economic efficiency of this plant will add its due share in overall improvement of the financial results of the company.
- b) Similarly in textile division, work on BMR / replacement of old machinery with latest Swiss machines at all back process was also completed in June 2019, which will bring efficiency in operations and cost savings as planned. From the next financial year, we hope to have the improvement in the financial results of textile division.
- c) Moreover, we feel proud to inform our valued shareholders and other stakeholders that your company has been granted with the certificate of a Shariah Compliant Company by Securities & Exchange Commission of Pakistan (SECP) under Shariah Governance Regulations, 2018. The said certificate is valid for three years which is renewable afterwards. During the year, company also appointed a Shariah Advisor who advises to Board of Directors on shariah compliance matters of the company.

### *Environment, Health and Safety:*

Al-Hamdullillah during the year 2018-19, your company has attained another milestone i.e. HALAL Certification i.e. PS 3733:2016 Halal Food Management System, which has been developed based on Shariah fundamentals and obligations, focus is to eliminate the non conformance of Halal requirements.

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, ISO 14001, ISO 50001, FSSC 22000 and OHSAS 18001. Company is also committed to the slogan of “safety starts from the entrance”.



HSE - Fire fighting drill activity



HSE - First aid activity

### *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 personnel. It is also involved in recommending improvement in human resource policy and its periodic review. Your company always welcomes 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 wherein renowned consultants were called for to train the staff. During the year 2018-19, company trained 1861 employees both in-house/outside company through in-house/external trainers as against 900 employees last year.



Annual Hajj draw



HRD activity through external trainer



In-house employees' training session

#### *Staff Retirement Benefits:*

Company has maintained a recognized provident fund, and based on audited accounts as at June 30, 2019, value of investment thereof was Rs. 43,446,248/- as against last year Rs. 48,468,255/-. 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.

#### *Contribution to National Exchequer:*

During the year 2018-19, Company's contribution to the national exchequer is amounting Rs. 2,242/- million towards payment of income tax and sales tax as against Rs. 2,198/- million last year. This does not include the import duties, withholding tax deducted by the company from employees, suppliers and contractors and deposited into the treasury.

#### *JCR-VIS Credit Rating:*

During the year 2018-19, credit rating of the Company was reassessed by JCR-VIS Credit Rating Co. Ltd., and your company has been able to maintain its long term entity's rating as A+ (Single A Plus) and short term rating as A-1 (A one) while outlook on the assigned ratings was also maintained as 'Positive'. This rating depicts a good credit quality along with adequate protection factors on medium to long term basis, and on short term basis depicts high certainty of timely payments along with excellent liquidity factors supported with good fundamental protection factors.

#### *Corporate Social Responsibility:*

Your Company continues to donate towards charitable hospital, arrangement of free medical camps, and installation/running of clean water treatment plants at the surrounding areas of Faisalabad on regular basis.

#### *Board of Directors:*

The Board comprises of two executive, two independent, one female and two 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 2018-19 Four (04) Board meetings were held and attendance is as follows:

Sr. #	Names	Category	No of Meetings Attended
1	Mr. Muhammad Khalil	Director	04
2	Mr. Muhammad Adrees	Executive Directors	04
3	Mr. Haseeb Ahmad	Executive Directors	04
4	Mr. Abdul Awal	Independent Director	04
5	Mr. Waheed Akhtar Sher	Non-Executive Directors	04
6	Mr. Muneeb ul Haq	Non-Executive Directors	04
7	Mr. Ahmad Nawaz	Non-Executive Directors	04
8	Mr. Haroon Ahmed Zuberi	Independent Director	-
9	Mrs. Shala Waheed Sher	Non-Executive Directors	-
10	Mr. Ashraf Shahzad Ahmed	Non-Executive Directors	-

Mr. Haroon Ahmed Zuberi, Independent Director, Mrs. Shala Waheed Sher and Mr. Ashraf Shazad Ahmed, Non Executive Directors have been elected on June 20, 2019 for the three years term.

#### *Audit Committee Meetings:*

Audit committee was established to assist board in discharging its responsibilities for corporate governance, financial reporting and corporate controls. Committee consists of three members.

During the year 2018-19 Six (06) Audit Committee meetings were held and attendance of members of audit committee is as follows:

Sr. #	Names	Category	No of Meetings Attended
1	Mr. Abdul Awal	Chairman Audit Committee	06
2	Mr. Muhammad Khalil	Member Audit Committee	06
3	Mr. Muneeb ul Haq	Member Audit Committee	06
4	Mr. Haroon Ahmad Zuberi	Newly Appointed Chairman Audit Committee on 20.06.2019	-
5	Mr. Ahmad Nawaz	Newly Appointed Member Audit Committee on 20.06.2019	-

Mr. Haroon Ahmed Zuberi, Independent Director and Mr. Ahmed Nawaz, Director appointed as Chairman Audit Committee and Member Audit Committee on 20.06.2019 respectively after Election of Board of Directors held on 20.06.2019 for the next three years term.

#### *Human Resource and Remuneration Committee:*

Human Resource and Remuneration Committee was formed to monitor the procedure of section, evaluation, compensation and succession planning of the key management personals. The committee comprises of three members.



During the year 2018-19 Four (04) Human resource and remuneration committee meetings were held and attendance is as follows:

Sr. #	Names	Category	No of Meetings Attended
1	Mr. Abdul Awal	Chairman HRR Committee	04
2	Mr. Muhammad Adrees	Member HRR Committee	04
3	Mr. Muhammad Khalil	Member HRR Committee	04
4	Mrs. Shala Waheed Sher	Newly Appointed Member HRR Committee on 20.06.2019	-

Mrs. Shala Waheed Sher, Director appointed as Member Human resource and remuneration committee on 20.06.2019 after Election of Board of Directors held on 20.06.2019 for the next three years term.

#### *Significant Features of Directors' Remuneration Policy:*

The Board of Directors has approved a formal policy for remuneration of executive directors depending upon their responsibility in affairs of the Company. The remuneration is commensurate with their level of responsibility and expertise needed to govern the Company successfully and to encourage value addition from them. Remuneration of executive directors shall be approved by the Board, as recommended by the Human Resource and Remuneration Committee.

#### *Corporate Governance:*

Statement of Compliance of Corporate Governance is separately 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.

#### *Corporate and Financial Reporting:*

Your Company is committed to good corporate governance. The Board acknowledges its responsibility in respect of Corporate and Financial Reporting Framework. These Financial Statements together with the notes thereto have been drawn up, in conformity with the Companies Act, 2017. International Financial Reporting Standards wherever applicable have been followed in their preparation. Proper books of accounts have been maintained by the Company and appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

There are no doubts upon the Company's ability to continue as a going concern. There has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations of the stock exchange. The system of internal control is sound in design and has been effectively implemented and monitored.

The board of Directors certifies that the financial statements including cash flow and statement of changes in equity fairly presents the state of affairs of company's business and of its operations.

#### *Auditors:*

The existing auditors M/s. Deloitte Yousuf Adil, Chartered Accountants, shall retire on the conclusion of 38th Annual General Meeting. Being eligible, they have offered themselves for re-appointment as Auditors of the Company from conclusion of the 38th Annual General Meeting until the conclusion of 39th 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, 2020. 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.



#### *Appropriations:*

The following appropriations of profits for the year ended June 30, 2019 were made:

Description	Rupees
Net profit for the year after tax before WPPF and WWF	964,389,916
Workers Welfare Fund (WWF) and Workers Profit Participation Fund (WPPF)	(78,931,509)
Net Profit for the year	<u>885,458,407</u>
Incremental depreciation (net of tax)	60,064,648
Un-appropriated profit brought forward	<u>7,892,906,389</u>
Impact of change in accounting policy- IFRS 9 (net of tax)	<u>(37,483,176)</u>
	7,855,423,213
Final dividend for the year ended June 30, 2018 @ Rs. 13 per share	<u>(278,582,278)</u>
Amount available for appropriation	<u>8,522,363,987</u>
Proposed dividend for the year ended June 30, 2019 @ Rs. 10 per share	<u>(214,294,070)</u>
Earnings per share- basic and diluted	<u>41.32</u>

#### *Dividend:*

In view of the financial results of the Company for the year ended June 30, 2019, the Board of Directors of the Company have recommended a cash dividend of 100% i.e. Rs.10 per share.

#### *Future Outlook:*

We have an R&D department in the company which is working with full dedications to fulfill our agenda of economic operations, diversification and induction of new product lines etc., that will create shareholders' value on sustainable basis. Furthermore, after significant increase in electricity and RLNG tariff by Govt., your company is evaluating number of options to have alternate, reliable and cheaper source of electricity to add value to the company.

Non-availability of system gas to the industry upto 28% of the sanctioned load, as was previously being available, along with rising electricity cost by Govt., increase in RLNG prices, Pak rupee devaluation, interest rates increase etc. are the key challenges being faced by the Company currently.

#### *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*  
Faisalabad.  
September 19, 2019



**Haseeb Ahmad**  
*Director*

الاقوامی فیڈریشن آف اکاؤنٹنٹس کے اخلاق کے اصول جو ICAP نے اپنائے ہیں سے مطابقت رکھتے ہیں۔

### تخصیص: (Appropriation):

30 جون 2019 کو ختم ہونے والے سال کے منافع کی مندرجہ ذیل تقسیم کاری کی گئی ہے۔

روپے	تفصیل
964,389,916/-	ٹیکس کے بعد سال کا خالص منافع، (WPPF اور WWF سے پہلے)
(78,931,509)	ورکرز ویلفیئر فنڈ اور ورکرز منافع شمولیت فنڈ
885,458,407/-	سال کا خالص منافع
60,064,648/-	Incremental Depreciation - Net of Tax
7,892,906,389/-	پچھلے سال کا جمع شدہ منافع
(37,483,176)	اکاؤنٹنگ پالیسی میں تبدیلی کا اثر IFRS 9 (Net of Tax)
7,855,423,213/-	
(278,582,278)	30 جون 2018 کے اختتام پر منافع 13 روپے فی شیئر
8,522,363,987/-	تقسیم کاری کے لیے دستیاب رقم
(214,294,070)	30 جون 2019 کے اختتام پر تجویز کردہ منافع 10 روپے فی شیئر
41.32	سالانہ فی حصص آمدنی

### ڈیویڈنڈ (Dividend):

کمپنی نے 30 جون 2019 کو ختم ہونے والے سال کے مالی نتیجہ کے تحت، بورڈ آف ڈائریکٹرز نے 100% Dividend کی سفارش کی ہے جو کہ 10 روپے فی شیئر بنتا ہے۔

### مستقبل پر نظر:

ہمارے پاس کمپنی میں ایک آر اینڈ ڈی ڈیپارٹمنٹ ہے جو معاشی کارروائیوں، متنوع اور نئی مصنوعات کی لائنوں کو شامل کرنے وغیرہ کے ایجنڈے کو پورا کرنے کے لیے پوری لگن کے ساتھ کام کر رہا ہے، جو حصہ داروں کی پائیدار بنیادوں پر قدر پیدا کرے گا۔ مزید برآں، حکومت کی جانب سے بجلی کی قیمتوں میں نمایاں اضافہ اور آریل این جی کے ٹیرف میں اضافے کے بعد، آپ کی کمپنی بجلی کے متبادل، قابل اعتماد اور سستے وسائل رکھنے کے لیے بہت سی تجاویز کا کمپنی کی قدر میں اضافے کیلئے جائزہ لے رہی ہے۔ انڈسٹری کو سسٹم گیس کی عدم فراہمی جو کہ پہلے 28 فیصد میسر تھی اس کے ساتھ حکومت کی جانب سے بجلی کی بڑھتی ہوئی قیمت، آریل این جی کی قیمتوں میں اضافہ، پاکستانی روپے کی قدر میں کمی، نفع کی شرح میں اضافہ وغیرہ یہ وہ عوامل ہیں جن کا کمپنی کو سامنا ہے۔

### اعترافات:

ہم اس موقع پر اپنے محترم کاروباری شراکت داروں کی مستقل حوصلہ افزائی، مدد اور اعتماد کا شکریہ ادا کرتے ہیں۔ کمپنی اپنے ملازمین کی مستقل مزاجی، محنت، لگن اور صلاحیتوں کی معترف ہے اور اس پر فخر کرتی ہے۔

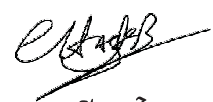


محمد ادریس

چیف ایگزیکٹو آفیسر

ستارہ کیمیکل انڈسٹریز لمیٹڈ فیصل آباد

19 ستمبر 2019ء



حبیب احمد

ڈائریکٹر



## انسانی وسائل اور معاوضہ کی کمیٹی:

انسانی وسائل اور معاوضہ کی کمیٹی سلیکشن طریقے کار، اندازے، معاوضے اور منجمنٹ کے اہم افراد کی توازن منصوبہ بندی کے لیے قائم کی گئی۔ کمیٹی تین افراد پر مشتمل ہے۔ 2018-19 کے دوران چار HRR کمیٹی میٹنگز منعقد ہوئیں جس میں HRR کمیٹی کے اراکین کی حاضری کچھ اس طرح رہی:

سیریل نمبر	نام	کمیٹری	میٹنگز میں شرکت کی تعداد
1	عبدالاول	چئیرمین HRR کمیٹی	04
2	محمد ادیس	ممبر HRR کمیٹی	04
3	محمد خلیل	ممبر HRR کمیٹی	04
4	مسز شہلا وحید شیر	نئی منتخب ممبر HRR کمیٹی	-

مسز شہلا وحید شیر، ڈائریکٹر، نئی منتخب ممبر HRR کمیٹی کو 20 جون 2019 کو 3 سالہ مدت کیلئے منتخب کیا گیا ہے۔

## ڈائریکٹرز کی معاوضہ کی پالیسی کی اہم خصوصیات:

بورڈ آف ڈائریکٹرز نے ایگزیکٹو ڈائریکٹرز کی کمپنی کے معاملات میں ذمہ داری کے لحاظ سے معاوضے کی ایک رسمی پالیسی منظور کی ہوئی ہے۔ یہ معاوضہ ان کی ذمہ داری کی سطح اور کمپنی کو کامیابی سے چلانے سے مطابقت رکھتا ہے۔ ایگزیکٹو ڈائریکٹرز کا معاوضہ انسانی وسائل اور معاوضے کی کمیٹی کی سفارش پر بورڈ منظور کرتا ہے۔

## کارپوریٹ گورننس:

کارپوریٹ گورننس کی Statement of Compliance کو علیحدہ شامل کیا گیا ہے۔

## شمیر ہولڈنگ کی شکل:

کمپنی کے شمیر ہولڈنگ کی شکل کمپنی کی تجارت کی لین دین کی تقسیم کے ساتھ شامل کیا گیا ہے جن میں ڈائریکٹرز، ان کی بیویاں اور چھوٹے بچوں، سی ای او، سی ایف او، اندرونی آڈٹ کے سربراہ اور کمپنی بیکری شامل ہیں۔

## کارپوریٹ اور مالیاتی رپورٹنگ:

آپ کی کمپنی اچھی کارپوریٹ گورننس کے لیے مصروف عمل ہے۔ بورڈ کارپوریٹ اور مالیاتی رپورٹنگ کے فریم ورک کے حوالے سے اس کی ذمہ داری کو تسلیم کرتا ہے۔ یہ Financial Statements اور ان کے Notes کمپنیز ایکٹ 2017 کے مطابق لکھے گئے ہیں۔ ان کی تیاری میں جہاں قابل اطلاق ہیں بین الاقوامی مالیاتی رپورٹنگ کے معیارات کو اختیار کیا گیا ہے۔ اکاؤنٹس کی ضروری کتابوں کو برقرار رکھا گیا ہے اور کمپنی نے ان Financial Statements کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو مسلسل لاگو کیا ہوا ہے۔ اور اکاؤنٹنگ تخمینے مناسب اور محتاط فیصلوں کی بنیاد پر کیے گئے ہیں۔

کمپنی کے جاری رہنے کی قابلیت پر کوئی شک نہیں ہے۔ کوڈ آف کارپوریٹ گورننس کے بہترین طریقوں سے کوئی قابل ذکر شے کو نہیں چھوڑا، جیسا کہ اسٹاک ایکسچینج کی لسٹنگ کے قواعد میں وضاحت کی گئی ہے۔ اندرونی کنٹرول کا نظام مضبوط ہے اور اسکی موثر طریقے سے لاگو اور نگرانی کی جاتی ہے۔

بورڈ آف ڈائریکٹرز اس بات کی تصدیق کرتے ہیں کہ Financial Statements بشمول کیش فلو سٹیٹمنٹ اور سٹیٹمنٹ آف ایکویٹی میں تبدیلی صحیح طور پر کمپنی کے کاروبار اور آپریشنز کو ظاہر کرتے ہیں۔

## آڈیٹرز:

کمپنی کے موجودہ آڈیٹرز M/s Deloitte Yousuf Adil چارٹرڈ اکاؤنٹنٹس 38th سالانہ اجلاس عام کے ساتھ رہنا ہو جائیں گے۔ اہل ہونے کے ساتھ، انہوں نے اپنے آپ کو بطور آڈیٹرز 38th سالانہ اجلاس عام سے 39th سالانہ اجلاس عام تک دوبارہ مقرر کرنے کے لیے پیش کیا ہے۔ آڈٹ کمیٹی نے مذکورہ بیان کردہ M/s Deloitte Yousuf Adil چارٹرڈ اکاؤنٹنٹس کو بطور بیرونی آڈیٹرز 30 جون 2020 تک مقرر کرنے کی سفارش کی ہے۔ ان بیرونی آڈیٹرز کو انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے کوالٹی کنٹرول ریویو پروگرام کے تحت تسلی بخش درجہ بندی دی گئی ہے، اور اس کے تمام پارٹنرز بین

### کارپوریٹ سماجی ذمہ داری:

آپ کی کمپنی باقاعدگی سے فیصل آباد اور اس کے ارد گرد کے علاقوں میں خیراتی ہسپتال، مفت میڈیکل کیپوں کا انتظام اور صاف پانی کے پلانٹس کی تنصیب/ چلانے کو جاری رکھے ہوئے ہے۔

### بورڈ آف ڈائریکٹرز:

بورڈ دو ایگزیکٹو، دو آزاد، ایک خاتون اور دو نان ایگزیکٹو ڈائریکٹرز پر مشتمل ہے۔ آزاد اور نان ایگزیکٹو ڈائریکٹرز مینجمنٹ کے انتظامات میں خود مختار ہیں۔ بورڈ نے کمپنی کے روز بروز کے آپریشنز چیف ایگزیکٹو آفیسر کے سپرد کیے ہوئے ہیں۔

سال 2018-19 کے دوران چار بورڈ میٹنگز منعقد ہوئیں جس میں ڈائریکٹرز کی حاضری کچھ اس طرح رہی:

سیریل نمبر	نام	کیٹگری	میٹنگز میں شرکت کی تعداد
1	محمد خلیل	نان ایگزیکٹو ڈائریکٹر	04
2	محمد ادریس	ایگزیکٹو ڈائریکٹر	04
3	حسب احمد	ایگزیکٹو ڈائریکٹر	04
4	عبدالاول	آزاد ڈائریکٹر	04
5	وحید اختر شیر	نان ایگزیکٹو ڈائریکٹر	04
6	منیب الحق	نان ایگزیکٹو ڈائریکٹر	04
7	احمد نواز	نان ایگزیکٹو ڈائریکٹر	04
8	ہارون احمد زبیری	آزاد ڈائریکٹر	-
9	مسز شہلا وحید شیر	نان ایگزیکٹو ڈائریکٹر	-
10	اشرف شہزاد احمد	نان ایگزیکٹو ڈائریکٹر	-

مسٹر ہارون احمد زبیری، آزاد ڈائریکٹر، مسز شہلا وحید شیر، اور اشرف شہزاد احمد، نان ایگزیکٹو ڈائریکٹرز کو 20 جون 2019 کو 3 سالہ مدت کیلئے منتخب کیا گیا ہے۔

### آڈٹ کمیٹی میٹنگز:

آڈٹ کمیٹی بورڈ کی معاونت کے لیے قائم کی گئی جو کارپوریٹ گورننس، فنانشل رپورٹنگ، کارپوریٹ کنٹرول کے لیے ان کی ذمہ داریوں سے آگاہ کرتی ہے۔ کمیٹی تین اراکین پر مشتمل ہے۔ سال 2018-19 کے دوران چھ آڈٹ کمیٹی میٹنگز منعقد ہوئیں جس میں آڈٹ کمیٹی کے اراکین کی حاضری کچھ اس طرح رہی:

سیریل نمبر	نام	کیٹگری	میٹنگز میں شرکت کی تعداد
1	عبدالاول	چیرمین آڈٹ کمیٹی	06
2	محمد خلیل	ممبر آڈٹ کمیٹی	06
3	منیب الحق	ممبر آڈٹ کمیٹی	06
4	ہارون احمد زبیری	نئے منتخب چیرمین آڈٹ کمیٹی	-
5	احمد نواز	نئے منتخب ممبر آڈٹ کمیٹی	-

مسٹر ہارون احمد زبیری، آزاد ڈائریکٹر اور احمد نواز نان ایگزیکٹو ڈائریکٹر کو بالترتیب چیرمین آڈٹ کمیٹی اور ممبر آڈٹ کمیٹی 20 جون 2019 کو 3 سالہ مدت کیلئے منتخب کیا گیا ہے۔



## سال کے اہم واقعات:

سال کے دوران مندرجہ ذیل واقعات پیش آئے، جن کو ہم اپنے قابل قدر حصہ داران تک پہنچانا چاہتے ہیں۔

(ا) سال 2019 کے چوتھی سہ ماہی کے دوران، کمپنی نے اپنے ایک پرانے الیکٹرو لائزر کا بی ایم آر کا میابی سے مکمل کر لیا ہے جس نے نہ صرف بجلی کی بچت کے معاملے میں پیداواری لاگت کو کم کیا ہے بلکہ کمپنی کی پیداواری صلاحیت میں بھی 20 میٹرک ٹن یومیہ اضافہ کیا ہے۔ اگلے مالی سال سے ہم توقع کرتے ہیں کہ اس پلانٹ کی معاشی کارکردگی کمپنی کے مالی نتائج کی مجموعی بہتری میں اضافہ کرے گی۔

(ب) اسی طرح ٹیکسٹائل ڈویژن میں بھی بی ایم آر پرانی مشینری کو جدید سٹینس مشینری سے تبدیل کرنے کا منصوبہ جون 2019 میں مکمل ہو چکا ہے، جس نے منصوبہ بندی کے مطابق کارکردگی اور لاگت میں بہتری لائی ہے۔ ہمیں امید ہے کہ اگلے سال ٹیکسٹائل ڈویژن کے مالی نتائج میں بہتری آئے گی۔

(ج) اس کے علاوہ ہم اپنے معزز حصص یافتگان اور دیگر اسٹیک ہولڈر کو یہ بتاتے ہوئے فخر محسوس کرتے ہیں کہ آپ کی کمپنی سیورٹی اینڈ ایکنج کمیون آف پاکستان کے شریعہ گورننس ریگولیشن، 2018 کے تحت شرعی مطابقت پذیر کمپنی کا سرٹیفکیٹ دیا گیا ہے۔ یہ سرٹیفکیٹ تین سال کے لیے لاگو ہے جو بعد میں قابل تجدید ہے۔ دوران سال کمپنی نے ایک شرعی مشیر بھی مقرر کیا ہے جو کمپنی کے شرعی امور کی تعمیل میں بورڈ آف ڈائریکٹرز کو مشورہ دیتا ہے۔

## ماحولیات، صحت اور حفاظت:

الحمد للہ، 2018-19 کے دوران آپ کی کمپنی نے ایک اور سنگ میل جو کہ Hilal Certification PS 3733:2016 حلال فوڈ مینجمنٹ سسٹم کا سرٹیفکیٹ حاصل کیا ہے جو شرعی اصولوں کی بنیاد پر مقرر کیا گیا ہے۔

آپ کی کمپنی کو ماحولیاتی انتظام کے نظام کے مسلسل اصلاحات کی طرف سے اپنے ماحولیاتی انتظام کے نظام کے مسلسل بہتری پر زور دیتی ہے۔ اور تمام متعلقہ قوانین اور معیارات کو خاص طور پر ISO 9001, ISO 14001, FSSC 22000 اور OHSAS 18001 کے ساتھ تعمیل کرتے ہیں۔ کمپنی اپنے اس نعرے "داخلے سے ہی حفاظت شروع ہوتی ہے" کے ساتھ پر عزم ہے۔

## انسانی وسائل کی ترقی:

انسانی وسائل کی منصوبہ بندی اور انتظام سب سے زیادہ مینجمنٹ سطح پر ایک توجہ طلب معاملہ ہے۔ کمپنی میں ایک انسانی وسائل اور مینجمنٹ کمیٹی ہے جس میں کلیدی مینجمنٹ کے انتخاب، تشخیص، معاوضہ اور کامیابی کی منصوبہ بندی میں شامل ہے۔ انسانی وسائل کی پالیسی اور اس کے دورانیاتی جائزہ میں بہتری کی سفارش میں یہ بھی شامل ہے۔ آپ کی کمپنی ہمیشہ اسٹاف ٹریننگ کے مواقع کا خیر مقدم کرتی ہے۔ ان کے علم کو وسیع، تکنیکی اور سیکھنے کی ترقی کو تبدیل کرنے کے بارے میں مہارت اور شعور کو بڑھانے۔ اس مقصد کے لیے کئی ورکشاپ، نصاب، سیمینار منعقد کیے گئے جہاں عملے کو تربیت دینے کے لیے نامزد کنسلٹنٹ کو مدعو کیا جاتا ہے۔ سال 2018-19 کے دوران کمپنی نے 1861 ملازمین کو تربیت دی جن کو کمپنی کے اپنے اور بیرونی کنسلٹنٹ نے تربیت دی جبکہ گزشتہ سال ملازمین کی تعداد 900 تھی۔

## اسٹاف ریٹائرمنٹ فوائد:

کمپنی نے ایک تسلیم شدہ Provident Fund قائم رکھا ہے، اور 30 جون 2019 کو آڈٹ شدہ اکاؤنٹس پر مبنی سرمایہ کاری کی Market Value 43,446,248/- روپے رہی جو گزشتہ سال 48,468,255/- روپے تھی۔ ٹیکسٹائل ڈویژن کے ملازمین قانون کے مطابق Gratuity کے حقدار ہیں اور اکاؤنٹس میں IAS-19 کے مطابق مناسب رقم مختص کی گئی ہے۔

## قومی خزانہ میں حصہ:

سال 2018-19 کے دوران، کمپنی نے قومی مالیات میں انکم ٹیکس اور سیلز ٹیکس کی مددیں 2,242/- ملین روپے جمع کروائے جو گزشتہ سال 2,198/- ملین روپے تھے۔ اس میں درآمدی ڈیوٹیاں، ملازمین، سپلائرز اور ٹھیکیداروں سے ویدہولڈنگ ٹیکس کی کوٹنگ شامل نہیں ہے۔

## JCR-VIS کی درجہ بندی:

سال 2018-19 کے دوران کمپنی کی کریڈٹ کی درجہ بندی JCR-VIS کریڈٹ ریٹنگ کمپنی لیمیٹڈ نے دوبارہ جانچا اور آپ کی کمپنی نے اپنی طویل مدتی ادارے کی درجہ بندی A+ اور مختصر مدت کی درجہ بندی کو A-1 (A one) کے طور پر برقرار رکھا۔ جبکہ مقرر کردہ درجہ بندی "Positive" کو برقرار رکھا۔ یہ درجہ بندی مختصر اور طویل مدتی بنیاد پر تحفظ کے عوامل کے ساتھ اچھی کریڈٹ کی کیفیت کو ظاہر کرتا ہے، اور مختصر مدت کے لحاظ سے بروقت ادائیگیوں کے اعلیٰ یقین کو ظاہر کرتا ہے۔

# ڈائریکٹر رپورٹ

اللہ تعالیٰ کے بابرکت نام سے جو بڑا مہربان اور رحم کرنے والا ہے۔ ستارہ کیمیکل انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 جون 2019 کو ختم ہونے والے مالی سال کے لیے آڈٹ شدہ مالی گوشوارے بمعہ آڈٹ رپورٹ، بیرونی شرعی آڈیٹرز کی رپورٹ کے ساتھ پیش کر رہے ہیں۔

## کاروباری جائزہ:

سال کے دوران ملک کی مجموعی معاشی صورتحال پریشان کن رہی جبکہ جی ڈی پی کی شرح نمو گزشتہ سال 5.79 فیصد کے مقابلے میں 3.29 فیصد رہی۔ رواں مالی سال کے دوران بڑی مینوفیکچرنگ انڈسٹری (ایل ایس ایم) کی صنعتی نمو میں گزشتہ سال 6.33 فیصد کے مقابلے میں 2.93 فیصد کا اضافہ دیکھا گیا ہے۔ اسی عرصہ کے دوران ٹیکسٹائل کے شعبے کی کارکردگی دباؤ کا شکار رہی جس سے گزشتہ سال 0.5 فیصد کی معمولی شرح نمو کے مقابلے میں 0.30 فیصد کی کمی ہوئی۔ سال کے دوران بینک سے قرض ریٹ کی شرح میں نمایاں اضافے سے کمپنی کی مالی لاگت میں اضافہ ہوا ہے۔

پیش نظر، مذکورہ بالا اقتصادی ماحول جو سال کے دوران برقرار رہا، جس نے کاروبار کو متاثر کیا ہے۔ تاہم، کاسٹک کی قیمت میں اضافے سے پیداواری لاگت کا کچھ حصہ شامل کیا گیا ہے۔ مالی سال 2019 کے دوران آپ کی کمپنی کی خالص فروخت 12,698 ملین روپے رہی جبکہ گزشتہ سال یہ فروخت 12,265 ملین روپے تھی، جس میں 3.53% اضافہ ہوا۔ مالی سال 2018-19 کے دوران ٹیکس سے پہلے کمایا گیا منافع 1,065 ملین روپے رہا، جبکہ گزشتہ سال یہ منافع 1,312 ملین روپے تھا۔ موجودہ سال 2019 میں فی حصص آمدنی 41.32 روپے رہی جبکہ پچھلے سال 50.69 روپے تھی۔ آمدن میں کمی اور فی حصص آمدنی میں کمی کی وجہ بینک سے قرض لینے کے ریٹ کی شرح میں اضافے کی وجہ سے بڑھتی ہوئی مالی لاگت ہے۔

## پیداواری کارکردگی:

سال 2018-19 کے دوران کمپنی کی مختلف مصنوعات گزشتہ سال کے مقابلے میں مندرجہ ذیل ہیں:

2018 (میٹرک ٹن)	2019 (میٹرک ٹن)	تفصیل مصنوعات
141,563	133,015	کاسٹک سوڈا (مائع اور فلکس)
35,748	42,496	سوڈیم ہائیپوکلورائیٹ
4,492	4,129	ہائپرنگ پاؤڈر
7,851	7,994	مائع کلورین
117,056	109,127	ہائیڈروکلورک ایسڈ
8,456	7,205	کاربن ڈائی آکسائیڈ
3,929	10,365	کیمیشم کلورائیڈ
1,751	2,014	فیرک کلورائیڈ
1,739	1,798	میگنیشیم کلورائیڈ
1,901	1,025	میگنیشیم سلفیٹ
10,853	8,937	کٹن یارن (20/S Count)

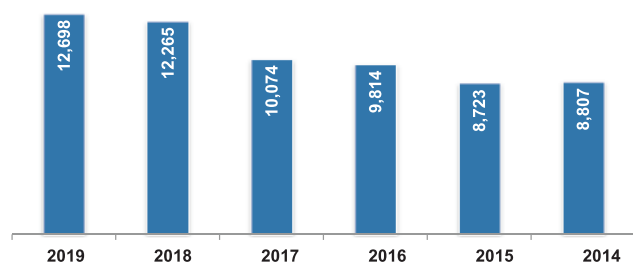


# SIX YEARS AT A GLANCE

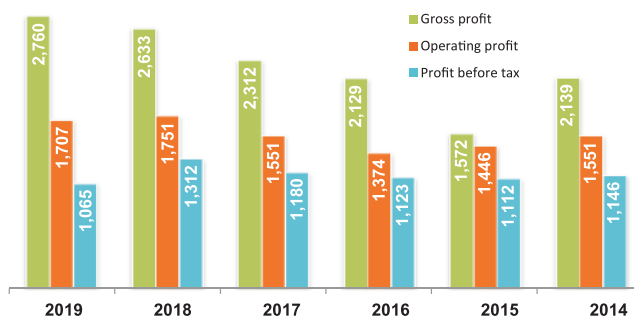
Operating results (Rs. In Million)	2019	2018	2017	2016	2015	2014
Sales	12,698	12,265	10,074	9,814	8,723	8,807
Gross profit	2,760	2,633	2,312	2,129	1,572	2,139
Operating profit	1,707	1,751	1,551	1,374	1,446	1,551
Profit before tax	1,065	1,312	1,180	1,123	1,112	1,146

Financial ratios	2019	2018	2017	2016	2015	2014
Gross Profit %	21.74	21.47	22.95	21.69	18.02	24.29
Operating Profit %	13.44	14.28	15.40	14.00	16.57	17.61
Profit before tax %	8.39	10.70	11.71	11.44	12.75	13.01
Earnings per share - Basic (Rs.)	41.32	50.69	54.43	35.90	46.03	40.19
Market value per share - (Rs.)	305.87	368.32	444.62	364.00	300.20	296.50
Cash Dividend Per Share - (Rs.)	10.00	13.00	12.50	11.50	9.00	10.50
Inventory turn over (times)	8.72	8.98	6.76	8.44	8.94	7.05
Current ratio	0.88:1	0.84:1	0.88:1	0.75:1	1.04:1	0.87:1
Fixed assets turn over (times)	0.82	1.28	1.07	1.12	1.51	1.53
Price earning ratio	7.40	7.27	8.17	10.14	6.52	7.38
Return to capital employed %	5.31	9.20	9.72	7.29	10.89	10.74
Debt equity	24:76	18:82	24:76	23:77	19:81	19:81

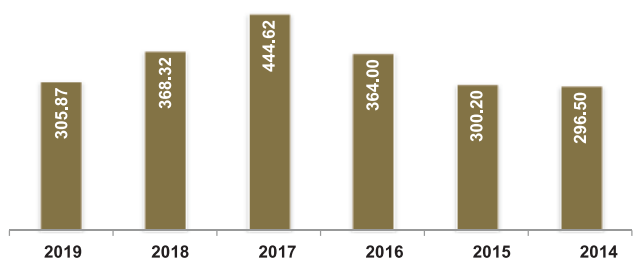
Sales (Rs. In Million)



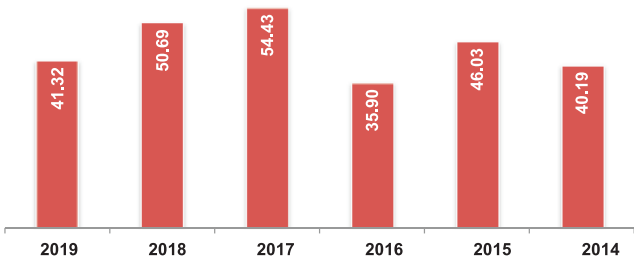
Gross Profit, Operating Profit and Profit before Tax (Rs. In Million)



Market value per share (Rs.)



Earning per share - Basic (Rs.)



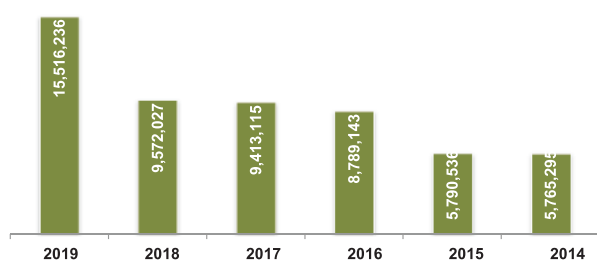
# SIX YEARS AT A GLANCE

Assets employed	2019	2018	2017	2016	2015	2014
(Rupees '000')						
Property, Plant and equipment	15,516,236	9,572,027	9,413,115	8,789,143	5,790,536	5,765,295
Intangible assets	11,120	11,780	13,089	14,544	16,159	17,955
Investment property	3,296,505	3,033,968	2,926,570	2,872,992	2,716,463	3,004,815
Long Term Investment	19,640	25,039	31,579	100,125	99,192	68,280
Advances and deposits	1,193,934	1,460,320	1,379,061	1,376,035	1,375,492	928,309
Current assets	6,790,055	5,693,967	5,761,477	4,702,364	4,446,080	3,601,755
Current liabilities	(7,677,633)	(6,770,386)	(6,523,898)	(6,286,868)	(4,293,654)	(4,160,633)
	19,149,857	13,026,715	13,000,993	11,568,335	10,150,268	9,225,776

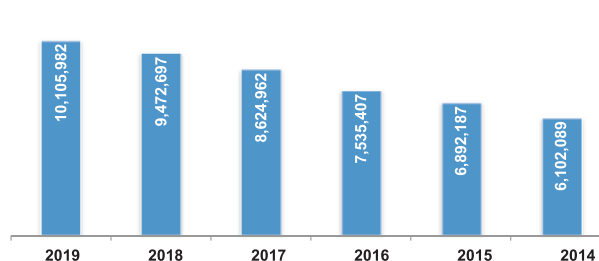
  

Financed by	2019	2018	2017	2016	2015	2014
Ordinary capital	214,294	214,294	214,294	214,294	214,294	214,294
Reserves	9,891,688	9,258,403	8,410,668	7,321,113	6,677,893	5,887,795
Shareholders' equity	10,105,982	9,472,697	8,624,962	7,535,407	6,892,187	6,102,089
Surplus on revaluation	4,513,641	1,164,731	1,226,133	1,355,695	1,305,696	1,347,409
Long term and deferred liabilities	4,530,234	2,389,287	3,149,898	2,677,233	1,952,385	1,776,278
	19,149,857	13,026,715	13,000,993	11,568,335	10,150,268	9,225,776

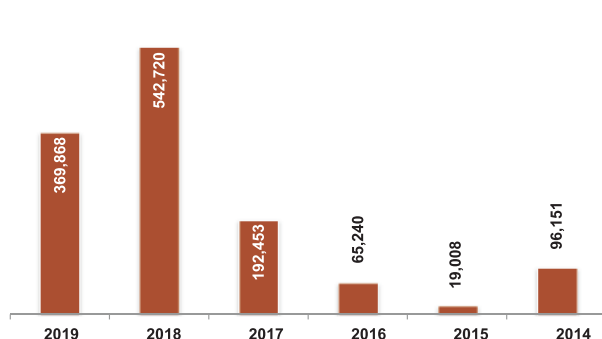
Fixed Assets (Rupees "000")



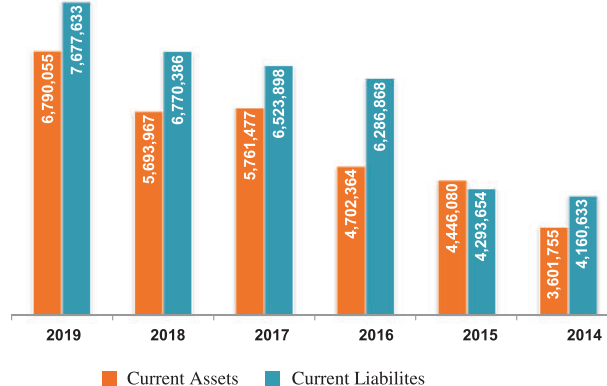
Shareholders' equity (Rupees "000")



Export Sales (Rupees "000")



Current Assets & Current Liabilities (Rupees "000")





# CORPORATE GOVERNANCE

## *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 three 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.

# STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017  
FOR THE YEAR ENDED JUNE 30, 2019

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:

Gender	Number
Male	6
Female	1

2. The composition of the Board of Directors as at June 30, 2019 is as follows:

Category	Names
Independent Director	Mr. Abdul Awwal Mr. Haroon Ahmad Zuberi
Executive Directors	Mr. Muhammad Adrees Mr. Haseeb Ahmad
Non-Executive Directors	Mr. Ahmed Nawaz Mr. Ashraf Shahzad Ahmed
Female Director	Mrs. Shala Waheed Sher

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. 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.
5. 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.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. In terms of Regulation 20 of the 2017 Code, the Companies are required to ensure that all the directors on their board have acquired the prescribed certification under Director Training Program by June 30, 2021. Presently, (4) directors have already completed this program. The remaining (3) directors shall obtain certification under the DTP in due course of time. The board has arranged Directors Training Program of Mr. Muhammad Adrees, Chief Executive and Mr. Ahmed Nawaz, Director of the company during the year 2018-2019.




# STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017  
FOR THE YEAR ENDED JUNE 30, 2019

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
  - a. Audit Committee
    - Mr. Haroon Ahmed Zuberi Independent Director (Chairman)
    - Mr. Abdul Awal Independent Director (Member)
    - Mr. Ahmad Nawaz Non-Executive Director (Member)
  - b. Human Resource & Remuneration Committee
    - Mr. Abdul Awal Independent Director (Chairman)
    - Mr. Muhammad Adrees Chief Executive (Member)
    - Mrs. Shala Waheed Sher Non-Executive Director (Member)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
  - a. Audit Committee: Six meetings during the financial year ended June 30, 2019
  - b. HR and Remuneration Committee: Four quarterly meetings during the financial year ended June 30, 2019
15. The board has set up an effective internal audit function who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
16. 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 and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

Faisalabad  
September 19, 2019

  
Mr. Abdul Awal  
Chairman





# ***Shariah Compliance Review Report 2019***





# ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

نحمده ونصلي على رسوله الكريم

## Shariah Review Report

*For the period ended June 30, 2019*

With the grace of Allah, **Sitara Chemical Industries Limited (SCIL)** appointed Alhamd Shariah Advisory Services (Pvt.) Limited (ASAS) in February, 2019 as its **Shariah Advisor** to comply with the requirements of Shariah Governance Regulations, 2018 issued by Securities and Exchange Commission of Pakistan (SECP). We are thankful to the Board of Directors and Management who have shown their confidence on Alhamd Shariah Advisory Services (Pvt.) Limited and appointed us as Shariah Advisor.

We have been appointed as Shariah Advisor of the Company under the provisions of Shariah Governance Regulations, 2018. Under the Regulations our role includes:

- Introduction of a mechanism which will strengthen Shariah compliance in letter and spirit and ensure that the systems, procedures and policies adopted are in line with the Shariah principles;
- Ensure that the inflows and outflows of financial resources are free from: Riba (interest, usury or any other form), Qimar (Gambling), Gharar (Uncertainty) and other vices prohibited by Shariah;
- Advise on regular basis that the business, transactions and investments made are in accordance with the principles of Shariah;
- Make recommendations for potential improvements and the formulation of policies in line with Shariah principles;

### ISSUANCE OF SHARIAH COMPLIANCE CERTIFICATE:

Just after appointment, ASAS performed Shariah screening of SCIL on the basis of its Financial Statements of second quarter ended on December 31, 2018 (un-audited) using the criteria mentioned in the Chapter IV (b) of Shariah Governance Regulations, 2018.

Alhamdulillah, ASAS found SCIL as Shariah Compliant Company as per the said screening criteria and hence it issued a Shariah Compliance Certificate in favor of SCIL. Subsequently on March 14, 2019, Securities & Exchange Commission of Pakistan issued the Shariah Compliance Certificate (Certificate No. SECP/IFD/SCC/002) in favor of SCIL.

### MANAGEMENT'S RESPONSIBILITY:

The prime responsibility for ensuring Shariah compliance of the Company's operations lies with the Board of Directors and Executive Management of the Company.





## ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

### REVIEW OF OPERATIONS AND OUR OPINION:

During the period, ASAS reviewed the operations and business activities of **Sitara Chemical Industries Limited** with respect to Shariah compliance. For that purpose, representatives of ASAS met with the officials of different departments of SCIL and they also visited the manufacturing plant of the company.

Based on the Review of Company's operations, transaction, related documentation, processes and legal agreements, in our opinion, the affairs of SCIL have been carried out in accordance with the rules and principles of Shariah.

### CONCLUSION:

Generally, the Board of Directors and Management of SCIL have shown their sincerity to comply with Shariah Rulings in its true spirit, therefore, we are of the view that the **Sitara Chemical Industries Limited** is a Shariah Compliant Company.

In the end; we pray to Allah Almighty to grant us success and help us at every step, keep us away from every hindrance and difficulty, and give financial success to **Sitara Chemical Industries Limited**.

والسلام عليكم ورحمته الله وبركاته

**Mufti Muhammad Ibrahim Essa**

For and on behalf of

Alhamd Shariah Advisory Services (Pvt.) Limited

Date: 19, September, 2019

**Mufti Ubaid Ur Rahman Zubairi**

For and on behalf of

Alhamd Shariah Advisory Services (Pvt.) Limited





# PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2019

Number of Shareholders	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
967	1	100	27,166
527	101	500	133,038
175	501	1,000	126,410
153	1,001	5,000	359,700
42	5,001	10,000	305,109
17	10,001	15,000	218,812
6	15,001	20,000	100,347
6	20,001	25,000	142,113
3	25,001	30,000	79,204
4	30,001	35,000	125,836
3	35,001	40,000	113,000
2	40,001	45,000	87,075
1	45,001	50,000	45,565
2	50,001	55,000	101,509
3	55,001	60,000	173,464
2	65,001	70,000	130,764
2	80,001	85,000	164,350
1	85,001	90,000	85,966
1	90,001	95,000	91,900
1	100,001	105,000	100,600
1	110,001	115,000	112,775
2	120,001	125,000	246,064
1	160,001	165,000	164,800
1	370,001	375,000	373,346
1	375,001	380,000	375,540
1	475,001	480,000	478,499
1	630,001	635,000	634,416
1	900,001	905,000	904,386
1	1,790,001	1,795,000	1,790,250
1	13,635,001	13,640,000	13,637,402

1929

21,429,406

# PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2019

	Number	Share Held	Percentage
<b>NIT &amp; ICP</b>			
National Bank of Pakistan - Trustee Department			
Investment Corporation of Pakistan	2	51,306	0.24
<b>Directors, CEO &amp; their Spouse and Minor Children</b>			
Mr. Muhammad Adrees	1	13,637,402	63.64
Mr. Haseeb Ahmad	1	375,540	1.75
Mr. Abdul Awal	1	500	0.00
Mr. Ahmad Nawaz	1	500	0.00
Mr. Haroon Ahmed Zuberi	1	1	0.00
Mrs. Shala Waheed Sher	1	1	0.00
Mr. Ashraf Shazad Ahmad	1	4	0.00
<b>Bank, Development Finance Institutions, Non Banking Finance Institutions.</b>	8	1,956,753	9.13
<b>Insurance Companies</b>	3	907,386	4.24
<b>Mutual Funds</b>	27	1,365,166	6.37
<b>Modarabas</b>	2	16,050	0.07
<b>Foreign Companies</b>	2	2,200	0.01
<b>General Public (Local)</b>	1791	1,846,082	8.62
<b>General Public (Foreign)</b>	35	165,467	0.77
<b>Associated Companies, Undertaking and Related Parties</b>	1	478,499	2.23
<b>Joint Stock Companies, others, etc.</b>	25	479,064	2.24
<b>Others</b>	26	147,485	0.69
	1929	21,429,406	100.00

Detail of purchase/sale of shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses/minor children during 2018-2019.

NIL

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

a	Mr. Muhammad Adrees, Chief Executive	13,637,402
b	JS Bank Limited	1,790,250

The Board has determined threshold 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 OF ANNUAL GENERAL MEETING

Notice is hereby given that the 38th 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 Monday, October 28, 2019 at 5:45 p.m. to transact the following business:

1. To confirm the minutes of Extra Ordinary General Meeting held on June 20, 2019.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2019 together with the Reports of Auditors and Directors thereon.
3. To approve payment of Cash Dividend at the rate of 100% (Rs. 10/- per share) as recommended by the Board of Directors.
4. To appoint auditors and to fix their remuneration for the year ending June 30, 2020. The present auditors M/s. Deloitte YousufAdil, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.
5. To transact any other business of the Company with the permission of the Chair.

By order of the Board

Karachi

Dated : September 19, 2019

**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 22, 2019 to October 28, 2019 (both days inclusive). Transfers received in order at Company's Share Registrar's Office by the close of business on October 21, 2019 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 person 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

i) 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.

A) *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. Proxy Form may also be downloaded from the Company's website i.e. [www.sitara.com.pk](http://www.sitara.com.pk)

#### 4. *WITHHOLDING TAX ON DIVIDEND INCOME*

The deduction of Income Tax from dividend payments shall be made on the basis of filers and non-filers as follows:

1. Filer of Income Tax Returns	15.0%
2. Non-Filer of Income Tax Returns	30.0%

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 shares are 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

Folio / CDC A/c No.	Name of Shareholders	No. Of Shares or Percentage (Proportion)	CNIC No.	(Principle / Joint Shareholders)

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

The provisions of Section 242 of the Companies Act, 2017 and Regulation 4 of The Companies (Distribution of Dividend) Regulations 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the designated bank account 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 being sent with this notice. 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. *SUBMISSION OF COPIES OF CNIC NOT PROVIDED EARLIER*

Individual Shareholders are once again reminded to submit a copy of their valid CNIC, if not provided earlier to the Company's Share Registrar, M/s. THK Associates (Private) Limited. In case of non-availability of a valid copy of the shareholders' CNIC in the records of the Company, the company shall withhold the dividend under the provisions of Section 243 of the Companies Act, 2017 and Regulation 6 of The Companies (Distribution of Dividend) Regulations 2017.

## 7. *ELECTRONIC CIRCULATION OF ANNUAL REPORTS VIA EMAIL OR CD/DVD/USB:*

Pursuant to the provision of Companies Act, 2017, annual reports are being sent to the shareholders electronically (Email or CD/DVD/USB).

However, shareholders who wish to receive hardcopy of Financial Statements shall have to fill the enclosed standard request form (also available on the company's website [www.sitara.com.pk](http://www.sitara.com.pk)) and send at the Company's address.

# NOTICE OF ANNUAL GENERAL MEETING

## 8. *CONSENT FOR VIDEO CONFERENCE FACILITY:*

Pursuant to SECP Circular No.10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide the following information to the Share Registrar Office of the company i.e. Messrs THK Associates (Pvt) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi PABX No.(+9221)111-000-322 and email [aa@thk.com.pk](mailto:aa@thk.com.pk).

I/We being a member of Sitara Chemical Industries Limited holder of \_\_\_\_\_ Ordinary Shares as per Registered Folio /CDC A/C No.\_\_\_\_\_, hereby opt for video conference facility at \_\_\_\_\_(Please insert Name of the City)

Signature of member

## 9. *PLACEMENT OF FINANCIAL STATEMENTS:*

The audited financial statements of the Company for the year ended June 30, 2019 have been placed at the Company's website: [www.sitara.com.pk](http://www.sitara.com.pk).

Members are requested to promptly notify any change in their addresses.



The background of the image is a collage of financial data. It includes various bar charts with different colored bars (blue, green, yellow, red, orange). There are also numerical values scattered across the page, such as 123.00, 111.00, 333.00, 25.00, and 45.00. A black pen with a gold-colored tip is positioned diagonally across the upper left. A magnifying glass with a silver frame is placed over a bar chart in the lower middle. A silver pen lies horizontally across the bottom. A pie chart with five segments in red, yellow, green, blue, and purple is visible in the lower right. The overall theme is financial analysis and auditing.

# AUDITORS' REPORT & FINANCIAL STATEMENTS 2019

## INDEPENDENT AUDITOR'S REPORT

To the Members

Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of Sitara Chemical Industries Limited (the Company) which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019 and of the profit and comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matter(s):

Key audit matter	How the matter was addressed in our audit
Revenue Recognition	
<p>The Company's sales comprise of revenue from the sale of chemicals and textiles (note 28) to the financial statements.</p> <p>Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods and at transaction price net of trade discounts (note 4.17).</p>	<p>Our audit procedures to address the Key Audit Matter included the following:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of and assessing the design, implementation and operating effectiveness of controls over recognition of revenue;</li> </ul>



<p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on transfer of risk and rewards to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<ul style="list-style-type: none"> <li>• Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with the accounting standards;</li> <li>• Checked on sample basis whether the recorded sales transactions are based on transfer of control of goods to the customer, satisfying the performance obligation and were recorded in the appropriate accounting period. Reviewing the adequacy of disclosure as required under applicable financial reporting framework.</li> </ul>
<p><b>Adoption of IFRS 9 “Financial Instruments”</b></p>	
<p>IFRS 9 'Financial Instruments' is effective for the Company for the first time during the current year and replaces the financial instruments standard IAS 39 'Financial Instruments: Recognition and Measurement'.</p> <p>In relation to financial assets, IFRS 9 requires the recognition of expected credit losses ('ECL') rather than incurred credit losses under IAS 39 and is therefore a fundamentally different approach. Management is required to determine the expected credit loss that may occur over either a 12-month period or the remaining life of financial asset, depending on the categorization of the individual asset.</p> <p>In accordance with IFRS 9, the measurement of ECL reflect a range of unbiased and probability weighted outcomes, time value of money, reasonable and supportable information based on the consideration of historical events, current conditions and forecasts of future economic conditions.</p> <p>The Company has adopted IFRS 9 using the allowed modified retrospective approach and recognized expected credit loss of Rs 40.36 million net of tax in opening retained earnings as at July 1, 2018 and Rs 25.78 million for year ended June 30, 2019.</p> <p>We considered this as key audit matter due to the significant amounts involved and significant judgments made by management regarding the matter.</p>	<p>We reviewed and understood the requirements of the IFRS 9. Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Considered the management's process to assess the impact of adoption of IFRS 9 on the Company's financial statements.</li> <li>• Reviewed the appropriateness of the assumptions used, the methodology and policies applied to assess the ECL in respect of financial assets of the Company.</li> <li>• Reviewed the working of management for expected credit losses.</li> <li>• We reviewed and assessed the impact and disclosures made in the financial statements with regard to the effect of adoption of IFRS 9.</li> </ul>

## Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance opinion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information when available, we are required to report that fact.

## Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, statement of comprehensive Income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.

*Deloitte Jousuf Adil*

**Chartered Accountants**

**Engagement Partner:**

Rana M. Usman Khan

Lahore

Date: September 19, 2019

## AUDITOR'S REVIEW REPORT

### TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Sitara Chemical Industries Limited for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulation is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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

The Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

*Deloitte Jousuf Adil*

**Chartered Accountants**

**Engagement Partner:**

Rana M. Usman Khan

Lahore

Date: September 19, 2019



## ASSURANCE REPORT ON COMPLIANCE WITH THE SHARIAH GOVERNANCE REGULATIONS, 2018

To the Board of Directors

### 1. Introduction

We have undertaken a reasonable assurance engagement that the Securities and Exchange Commission of Pakistan (the Commission) has required in terms of its Shariah Governance Regulations, 2018 (the Regulations) for assessing compliance of the Sitara Chemical Industries Limited's (the Company's) financial arrangements, contracts and transactions having Shariah implications with the Shariah principles (criteria specified in paragraph 2 below) for the period from March 14, 2019 to June 30, 2019.

### 2. Applicable Criteria

The criteria for the assurance engagement as per the Regulations, against which the underlying subject matter (financial arrangements, contracts and transactions having Shariah implications for the period from March 14, 2019 to June 30, 2019) is assessed, comprise the following:

- (a) rules, regulations and directives issued by the Commission from time to time;
- (b) pronouncements of Shariah Advisory Board;
- (c) Shariah Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, as adopted by the Commission, if any;
- (d) requirements of the applicable Islamic Financial Accounting Standards as notified by the Commission, if any; and
- (e) approvals and rulings given by the Shariah Advisor of the Company in line with the Regulations and in accordance with the rulings of Shariah Advisory Board.

The above criteria were evaluated for the implications on the financial statements of the Company for the year ended June 30, 2019.

### 3. Management's Responsibility for Shariah Compliance

The Company's management is responsible to ensure that the financial arrangements, contracts and transactions having Shariah implications, entered into by the Company and related policies and procedures are in compliance with Shariah principles (criteria specified in paragraph 2 above). The management is also responsible for design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

### 4. Our Independence and Quality Control

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance opinion thereon.

The firm applies International Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Historical Financial Statements, And Other Assurance and Related Services Engagements” and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## 5. Our responsibility and summary of the work performed

Our responsibility in connection with this engagement is to express an opinion on compliance of the Company's financial arrangements, contracts and transactions having Shariah implications with Shariah principles, in all material respects, for the period from March 14, 2019 to June 30, 2019 based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements other than audits or reviews of historical financial information', issued by the International Auditing and Assurance Standards Board. That standard required that we plan and perform this engagement to obtain reasonable assurance about the compliance of the Company's financial arrangements, contracts and transactions having Shariah implications with Shariah principles (criteria specified in paragraph 2 above). In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The procedures selected by us for the engagement depend on our judgement, including the assessment of the risks of material non-compliance with the Shariah principles. In making those risk assessments, we considered and tested the internal control relevant to the Company's compliance with the Shariah principles in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. We have designed and performed necessary verification procedures on various financial arrangements, contracts and transactions having Shariah implications and related policies and procedures based on judgmental and systematic samples with regard to the compliance with Shariah principles (criteria specified in paragraph 2 above).

We believe that the evidence we have obtained through performing our procedures were sufficient and appropriate to provide a basis for our opinion.

## 6. Conclusion

Based on our reasonable assurance engagement, we report that in our opinion, the Company's financial arrangements, contracts and transactions having Shariah implications for the period from March 14, 2019 to June 30, 2019 are in compliance with the Shariah principles (criteria specified in paragraph 2 above), in all material respects.

*Deloitte Jousuf Adil*

**Chartered Accountants**

**Engagement Partner:**

Rana M. Usman Khan

Lahore

Date: September 19, 2019



# STATEMENT OF FINANCIAL POSITION

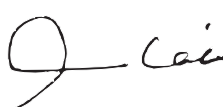
## AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	5	15,516,236,992	9,572,026,860
Intangible assets	6	11,119,571	11,780,275
Investment property	7	3,296,505,403	3,033,967,813
Long term investments	8	19,640,181	25,038,687
Long term loans and advances	9	1,082,125,074	1,349,111,151
Long term deposits	10	111,809,332	111,209,478
		20,037,436,553	14,103,134,264
<i>Current assets</i>			
Stores, spare parts and loose tools	11	950,071,186	744,642,450
Stock in trade	12	1,328,480,329	950,647,289
Trade debts	13	1,176,875,910	1,137,767,758
Advance sales tax		4,525,546	-
Loans and advances	14	2,871,978,059	2,414,017,943
Trade deposits and prepayments	15	4,862,552	4,998,084
Other receivables	16	14,576,026	9,975,716
Other financial assets	17	336,175,104	352,254,323
Cash and bank balances	18	102,509,993	79,663,148
		6,790,054,705	5,693,966,711
<b>Total assets</b>		<b>26,827,491,258</b>	<b>19,797,100,975</b>

The annexed notes from 1 to 49 form an integral part of these financial statements.



Muhammad Adrees  
CHIEF EXECUTIVE OFFICER



Anwar-ul-Haq  
CHIEF FINANCIAL OFFICER



Haseeb Ahmad  
DIRECTOR

# STATEMENT OF FINANCIAL POSITION

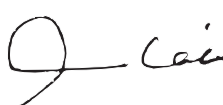
AS AT JUNE 30, 2019 - continued

	Note	2019 Rupees	2018 Rupees
<b>EQUITY AND LIABILITIES</b>			
<i>Share capital and reserves</i>			
Share capital	19	214,294,070	214,294,070
Reserves	20	1,369,324,352	1,365,496,630
Unappropriated profit		8,522,363,987	7,892,906,389
Surplus on revaluation of property, plant and equipment		4,513,641,059	1,164,730,520
<i>Total equity</i>		14,619,623,468	10,637,427,609
<b>LIABILITIES</b>			
<i>Non-current liabilities</i>			
Long term financing	21	2,054,446,636	1,174,946,885
Long term deposits	22	39,787,093	30,442,791
Deferred liabilities	23	2,436,000,612	1,183,897,453
		4,530,234,341	2,389,287,129
<i>Current liabilities</i>			
Trade and other payables	24	2,416,097,017	2,293,218,533
Sales tax payable		-	8,498,670
Profit / financial charges payable	25	186,353,883	76,973,355
Short term borrowings	26	4,333,342,248	3,525,026,677
Unclaimed dividend		19,823,931	21,775,238
Current portion of long term financing	21	722,016,370	844,893,764
		7,677,633,449	6,770,386,237
<i>Contingencies and commitments</i>			
	27		
<i>Total equity and liabilities</i>		26,827,491,258	19,797,100,975

The annexed notes from 1 to 49 form an integral part of these financial statements.



Muhammad Adrees  
CHIEF EXECUTIVE OFFICER



Anwar-ul-Haq  
CHIEF FINANCIAL OFFICER



Haseeb Ahmad  
DIRECTOR



# STATEMENT OF PROFIT OR LOSS

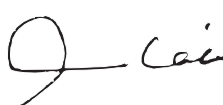
## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Sales - net	28	12,698,107,030	12,264,826,597
Cost of sales	29	(9,938,577,050)	(9,632,096,101)
Gross profit		2,759,529,980	2,632,730,496
Distribution cost	30	(343,178,557)	(269,014,032)
Impairment loss on financial assets	13.4	(25,779,669)	(17,524,352)
Administrative expenses	31	(660,168,458)	(590,016,918)
Other expenses	32	(190,552,622)	(114,497,501)
Finance cost	33	(641,593,283)	(439,420,093)
		(1,861,272,589)	(1,430,472,896)
		898,257,391	1,202,257,600
Other income	34	166,746,020	109,743,117
		1,065,003,411	1,312,000,717
Share of loss of associates - net of tax		-	(57,645)
Profit before taxation		1,065,003,411	1,311,943,072
Provision for taxation	35	(179,545,004)	(225,758,372)
Profit for the year		885,458,407	1,086,184,700
Earnings per share - basic and diluted	36	41.32	50.69

The annexed notes from 1 to 49 form an integral part of these financial statements.



Muhammad Adrees  
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Anwar-ul-Haq  
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Haseeb Ahmad  
DIRECTOR

# STATEMENT OF COMPREHENSIVE INCOME

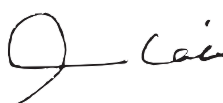
## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Profit for the year		885,458,407	1,086,184,700
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Loss on re-measurement of available for sale investments to fair value		-	(36,122,234)
Reclassification adjustments relating to available for sale investments disposed off during the year		-	(173,345)
Total items that may be reclassified subsequently to profit or loss		-	(36,295,579)
<i>Items that will not be reclassified to profit or loss:</i>			
Re measurement of post retirement benefits obligation	23.3	3,790,916	(1,443,416)
Deferred tax impact of re measurement of post retirement benefits obligation		(1,067,344)	418,591
Loss on re-measurement of equity instruments as at FVTOCI		(673,131)	-
Surplus on revaluation of property, plant and equipment		4,549,908,889	-
Deferred tax impact of surplus on revaluation		(1,140,933,702)	-
Surplus on disposals of equity instruments as at FVTOCI		4,657,305	-
Total items that will not be reclassified to profit or loss		3,415,682,933	(1,024,825)
Total comprehensive income for the year		4,301,141,340	1,048,864,296

The annexed notes from 1 to 49 form an integral part of these financial statements.



Muhammad Adrees  
CHIEF EXECUTIVE OFFICER



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Haseeb Ahmad  
DIRECTOR

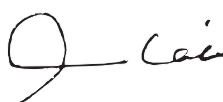
# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		1,065,003,411	1,311,943,072
Adjustments for:			
Depreciation on property, plant and equipment		967,587,086	922,250,616
Depreciation on investment property		4,786,380	6,802,534
Amortization on intangible assets		1,210,960	1,308,920
Finance cost		641,593,283	439,420,093
Share of loss from associate - net of tax		-	57,645
Loss / (Gain) on disposal of property, plant and equipment		106,222,607	(3,396,397)
Gain on disposal of investment property		-	(30,529,200)
Gain on sale of investments measured at FVTPL		(4,192,819)	(491,350)
Loss on deemed disposal on investment in associate		-	6,483,027
Exchange gain		(6,299,133)	(5,621,511)
Provision for employee benefits		11,071,307	9,490,011
Impairment loss on financial assets		25,779,669	17,524,352
Impairment of long term investments		5,398,506	-
Unwinding of discount on deferred consideration due		(97,706,782)	-
Markup on bank deposits		(7,567,793)	(8,229,608)
Dividend income		(7,113,259)	(6,340,705)
Operating cash flows before changes in working capital		2,705,773,423	2,660,671,499
Working capital changes	42	(327,185,656)	(182,410,798)
Cash generated from operations		2,378,587,767	2,478,260,701
Finance cost paid		(532,212,755)	(444,666,492)
Employee benefits paid		(9,053,170)	(5,610,468)
Taxes paid		(426,948,352)	(411,714,096)
		(968,214,277)	(861,991,056)
Net cash generated from operating activities		1,410,373,490	1,616,269,645



Muhammad Adrees  
CHIEF EXECUTIVE OFFICER



Anwar-ul-Haq  
CHIEF FINANCIAL OFFICER



Haseeb Ahmad  
DIRECTOR



# STATEMENT OF CASH FLOWS

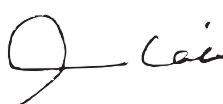
## FOR THE YEAR ENDED JUNE 30, 2019 - continued

	Note	2019 Rupees	2018 Rupees
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		44,194,260	6,006,197
Proceeds from disposal of other financial assets		557,733,541	2,770,350
Additions to property, plant and equipment including capital work in progress		(2,512,305,196)	(1,083,772,012)
Additions to intangibles		(550,256)	-
Purchase of other financial assets		(533,477,329)	(115,945,982)
Purchase of investment property		(267,323,970)	(155,250,152)
Advance received on sale of investment property		-	438,000,000
Long-term loans and advances		16,372,465	(72,258,212)
Long term deposits paid		(599,854)	-
Dividend received		7,113,259	6,340,705
Profit received		7,567,793	8,229,608
Net cash used in investing activities		(2,681,275,287)	(965,879,498)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		1,570,266,122	-
Payment of long term financing		(813,643,765)	(995,196,012)
Short term borrowings-net		808,315,571	548,856,933
Long term deposits		9,344,302	6,700,000
Dividend paid		(280,533,588)	(262,089,951)
Net cash generated / (used in) from financing activities		1,293,748,642	(701,729,030)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		22,846,845	(51,338,883)
Cash and cash equivalents at beginning of the year		79,663,148	131,002,031
Cash and cash equivalents at end of the year	18	102,509,993	79,663,148

The annexed notes from 1 to 49 form an integral part of these financial statements.



Muhammad Adrees  
CHIEF EXECUTIVE OFFICER



Anwar-ul-Haq  
CHIEF FINANCIAL OFFICER



Haseeb Ahmad  
DIRECTOR

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED JUNE 30, 2019

	Capital reserves					Revenue reserves		
	Share capital	Share premium	Reserve on re-measurement of equity instruments as at FVTOCI	Reserve on re-measurement on post retirement benefits obligation - net of tax	Surplus on revaluation of property, plant and equipment	General reserve	Un-appropriated profit	Total
	-----Rupees-----							
Balance at July 01, 2017 - restated	214,294,070	97,490,410	86,640,526	(6,313,902)	1,226,133,404	1,225,000,000	7,007,851,217	9,851,095,725
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	1,086,184,700	1,086,184,700
Other comprehensive income	-	-	-	-	-	-	-	-
Other comprehensive income during the year- net of tax	-	-	(36,295,579)	-	-	-	-	(36,295,579)
Remeasurement of post retirement benefits - net of tax	-	-	-	(1,024,825)	-	-	-	(1,024,825)
Total other comprehensive income	-	-	(36,295,579)	(1,024,825)	-	-	-	(37,320,404)
Total comprehensive income	-	-	(36,295,579)	(1,024,825)	-	-	1,086,184,700	1,048,864,296
Transfer to un-appropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(66,738,501)	-	66,738,501	-
Revaluation surplus on property, plant and equipment adjustment due to change in tax rate	-	-	-	-	5,335,617	-	-	5,335,617
Transactions with owners								
Final dividend for the year ended June 30, 2017 @ Rs. 12.5 per share	-	-	-	-	-	-	(267,868,029)	(267,868,029)
Balance as at June 30, 2018	214,294,070	97,490,410	50,344,947	(7,338,727)	1,164,730,520	1,225,000,000	7,892,906,389	10,637,427,609
Balance as at July 01, 2018 (earlier reported)	214,294,070	97,490,410	50,344,947	(7,338,727)	1,164,730,520	1,225,000,000	7,892,906,389	10,637,427,609
Impact of change in accounting policy- IFRS 9 (net of tax) (Note 5.2)	-	-	-	-	-	-	(40,363,200)	(40,363,200)
Impact of reclassification of available for sale investment to investment measured at FVTPL - IFRS 9	-	-	(2,880,024)	-	-	-	2,880,024	-
Adjusted balance as at July 01, 2018	214,294,070	97,490,410	47,464,923	(7,338,727)	1,164,730,520	1,225,000,000	7,855,423,213	10,597,064,409
Total comprehensive income			-	-	-	-	885,458,407	885,458,407
Profit for the year	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Other comprehensive income during the year- net of tax	-	-	-	-	3,408,975,187	-	-	3,408,975,187
Surplus on re-measurement of equity instruments as at FVTOCI to fair value	-	-	(673,131)	-	-	-	-	(673,131)
Surplus on disposals of equity instruments as at FVTOCI	-	-	4,657,305	-	-	-	-	4,657,305
Remeasurement of post retirement benefits - net of tax	-	-	-	2,723,572	-	-	-	2,723,572
Total other comprehensive income	-	-	3,984,174	2,723,572	3,408,975,187	-	-	3,415,682,933
Total comprehensive income	-	-	3,984,174	2,723,572	3,408,975,187	-	885,458,407	4,301,141,340
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(60,064,648)	-	60,064,648	-
Revaluation surplus on property, plant and equipment adjustment due to change in tax rate	-	-	-	-	-	-	-	-
Transactions with owners								
Final dividend for the year ended June 30, 2018 @ Rs. 13 per share	-	-	-	-	-	-	(278,582,281)	(278,582,281)
Balance as at June 30, 2019	214,294,070	97,490,410	51,449,097	(4,615,155)	4,513,641,059	1,225,000,000	8,522,363,987	14,619,623,468

The annexed notes from 1 to 49 form an integral part of these financial statements.

Muhammad Adrees  
*CHIEF EXECUTIVE OFFICER*

Anwar-ul-Haq  
CHIEF FINANCIAL OFFICER

Haseeb Ahmad  
*DIRECTOR*

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 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 Act, 2017). The Company is listed on Pakistan Stock Exchange Limited. The Company is a Shariah Compliant Company certified by Securities & Exchange Commission of Pakistan (SECP) under Shariah Governance Regulation 2018. The principal activities of the Company are operation of Chlor Alkali plant and yarn spinning unit. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hasan Road, Karachi, in the province of Sindh and the manufacturing facilities are located at 28/32 K.M., Faisalabad - Sheikhpura Road, Faisalabad, in the province of Punjab.

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

Principal business activities are as follows:

Chemical Division	Manufacturing of caustic soda and allied products
Textile Division	Manufacturing of yarn and trading of fabric

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

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 (the Act) differ from the IFRS Standards, the provisions of and directives issued under the Act have been followed.

#### 2.2 Accounting convention

These financial statements have been prepared under the "historical cost convention", modified by:

- revaluation of certain property, plant and equipment;
- financial instruments at fair value;
- recognition of certain employee retirement benefits at present value.

#### 2.3 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### *Standards or interpretations with no significant impact*

*Effective from accounting period beginning on or after:*

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions

January 01, 2018

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

January 01, 2018

IFRS 15 'Revenue' - This standard supersedes IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.

July 01, 2018

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

January 01, 2018

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

January 01, 2018

### *Standards impacting financial statements*

IFRS 9 'Financial Instruments' - This standard supersedes IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

July 01, 2018

## **2.4 IFRS 15 Revenue from contracts with customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company has adopted IFRS 15 by applying modified retrospective approach according to which the company is not required to restate prior year results. However, the adoption of IFRS 15 does not have any material impact on the reported revenue of the company for the year ended June 30, 2019 and June 30, 2018.

## **2.5 IFRS 9 Financial instruments**

IFRS 9 replaces the provisions of IAS 39 - Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Under IFRS 9 the financial instruments, excluding derivatives, are accounted for at amortised cost, fair value through other comprehensive income or fair value through profit or loss depending on the nature of the relevant contractual cash flows and the business model in which it is held.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

The adoption of IFRS 9 from July 01, 2018 resulted in changes in relevant accounting policies and adjustment to the trade and other receivables amounts recognised in the financial statements. IFRS 9 requires implementation of a new impairment model based on expected credit losses, resulting in transition adjustment summarised below. In accordance with the transition provision of IFRS 9, the Company has followed modified retrospective transitional method, taking into consideration the exemption allowing it not to restate comparative information or prior periods.

Financial assets	Original Classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
(Rupees in thousand)				
Trade debts	Loans and receivables	At amortized cost	1,137,767,758	1,081,586,584
Cash and cash equivalents	Loans and receivables	At amortized cost	62,744,253	62,744,253
Loans and advances	Loans and receivables	At amortized cost	1,752,225,000	1,752,225,000
Other receivables	Loans and receivables	At amortized cost	9,975,716	9,975,716
Other financial assets	Available for sale	FVTOCI / FVTPL	352,254,323	352,254,323
Financial Liabilities	Original Classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
(Rupees in thousand)				
Trade and other payables	At amortized cost	At amortized cost	2,241,189,831	2,241,189,831
Finances under mark-up arrangements - secured	At amortized cost	At amortized cost	7,109,805,254	7,109,805,254

As a result of adoption of IFRS 9, opening retained earnings of the Company as of July 1, 2018 are restated downward by Rs. 40.36 million, net of tax of Rs. 15.82 million due to recognition of allowance for expected credit losses using the modified retrospective method as disclosed in note 13.4. Had this policy not been changed, the profit after tax for the year would have been higher by Rs. 19.02 million and retained earnings would have been higher by Rs. 59.38 million.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 2.6 *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.

*Effective from accounting period beginning on or after:*

Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business	January 01, 2020
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
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.
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material	January 01, 2020
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 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:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

### 3. *SIGNIFICANT ESTIMATES AND JUDGEMENTS*

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, associate assumptions and judgements 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.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant areas requiring the use of management estimates in these financial statements relate to the useful life of property, plant and equipment and intangibles, revaluation of land, building and plant and machinery, provision for expected credit losses, provision for taxation, 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*

The principal accounting policies adopted are set out below :

#### 4.1 *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 statement of financial position date.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

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.

Surplus arising on revaluation of property, plant and equipment is recognized, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity and is shown in equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amounts of the assets does not differ materially from the fair value. Accumulated depreciation at the date of revaluation is eliminated against the cost of the asset and net amount is restated to the revalued amount of the asset. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related property, plant and equipment during the year is part of statement of changes in equity.

Gains or losses on disposal of assets, if any, are recognized as and when incurred in statement of profit or loss and the related asset is derecognized. 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 un-appropriated profit.

### *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.

#### *4.2 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 reliably. 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 reporting date and adjusted if the impact of amortization is significant.

#### *4.3 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 difference between present value of the proceeds from disposal and the carrying amount is recognised in the profit or loss account.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 4.4 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.

#### *Investments designated as at fair value through other comprehensive income (FVTOCI)*

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9 (see note 5.2).

#### *Investments measured at fair value through profit or loss (FVTPL)*

Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Investments measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

#### *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.

### 4.5 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 weighted average method. Items in transit are valued at cost comprising invoice value and other charges incurred thereon, up to reporting 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.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 4.6 *Stock-in-trade*

These are valued at lower of cost and net realizable value. Cost is determined as follows:-

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 reporting 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.

### 4.7 *Trade debts and other receivables*

Trade debts and other receivables are initially recognised at fair value, which is usually the original invoiced amount and subsequently carried at amortised cost using the effective interest method less allowance for expected credit loss.

### 4.8 *Cash and cash equivalents*

Cash and cash equivalents are carried in the statement of financial position at amortised 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.

### 4.9 *Impairment*

#### *Non Financial Assets*

The Company assesses at each statement of financial position 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 or 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*

The Company recognises a loss allowance for expected credit losses on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

### 4.10 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 statement of financial position date.

### 4.11 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 or 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 statement of profit or loss and other comprehensive income. The most recent Actuarial Valuation was carried out at June 30, 2019 using "Projected Unit Credit Method". The amount recognized in the statement of financial position represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

### 4.12 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.

### 4.13 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 reporting date and adjusted to reflect the current best estimate.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 4.14 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 reporting 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 reporting date.

### 4.15 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.

### 4.16 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.

### 4.17 Revenue recognition

Revenue is measured based on consideration to which company expects to be entitled in a contract with customer and excludes amounts collected on behalf of third parties.

- Sales of goods are recognized when control of goods has been transferred to customers and performance obligation is satisfied.
- 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.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

- Dividend income from investments is recognized when the company's rights to receive payment have been established.

### 4.18 *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.

### 4.19 *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 reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting 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 and settlement are included in net profit or loss for the period.

### 4.20 *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.

### 4.21 *Offsetting of financial assets and financial liabilities*

A financial asset and financial liability is offset and the net amount is reported in the statement of financial position 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.

### 4.22 *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

## FOR THE YEAR ENDED JUNE 30, 2019

### 5. PROPERTY, PLANT AND EQUIPMENT

Operating assets  
Capital work-in-progress

Note  
2019  
Rupees  
2018  
Rupees

5.1	15,429,125,965	9,492,027,088
5.8	87,111,027	79,999,772
	<u>15,516,236,992</u>	<u>9,572,026,860</u>

#### 5.1 Operating assets - as at June 30, 2019

Description	Cost / revalued amount			Accumulated depreciation			Book value as at June 30, 2019	Dep. Rate (%)
	At July 01, 2018	Revaluation Adjustments	Additions / (disposals)	At June 30, 2019	At July 01, 2018	Charge for the year / (on disposals)	At June 30, 2019	
					Rupees			
Freehold land	768,019,499	497,620,392	5,468,109	1,271,108,000	-	-	-	-
Building on freehold land:								
Mill	1,860,541,174	383,765,470	129,900,777	2,374,207,421	461,292,381	145,228,744	606,521,125	10
Head office	12,238,041	-	-	12,238,041	10,772,672	91,665	10,864,337	10
Plant and machinery	9,053,743,447	3,668,523,027	1,934,580,020	14,204,103,096	2,792,735,392	684,312,881	3,168,703,096	10
		(452,743,398)				(308,345,177)		
Grid station and electric installation	218,631,528	-	360,000	218,991,528	164,308,913	5,486,029	169,794,942	10
Containers and cylinders	69,399,454	-	-	69,399,454	43,626,887	2,577,311	46,204,198	10
Factory equipment	115,189,878	-	55,155,734	169,443,612	44,338,880	11,282,210	55,250,834	10
			(902,000)			(370,256)		
Electric equipment	931,572,151	-	305,898,376	1,235,875,759	153,610,223	87,823,337	240,451,643	10
			(1,594,768)			(981,917)		
Office equipment	57,570,611	-	15,038,272	69,673,709	30,378,143	3,587,168	32,042,069	10
			(2,935,174)			(1,923,242)		
Furniture and fittings	35,780,847	-	5,969,205	41,750,052	16,853,085	2,007,122	18,860,207	10
Vehicles	207,664,521	-	52,823,448	231,860,060	120,407,487	25,190,619	120,832,316	20
			(28,627,909)			(24,765,790)		
	13,330,351,151	4,549,908,889	2,505,193,941	19,898,650,732	3,838,324,063	967,587,086	4,469,524,767	15,429,125,965
		(486,803,249)				(336,386,382)		

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### Operating assets - as at June 30, 2018

Description	Cost / revalued amount		Accumulated depreciation			Book value as at June 30, 2018	Dep. Rate (%)
	At July 01, 2017	Additions / (disposals)	At June 30, 2018	At July 01, 2017	Charge for the year / (on disposals)	At June 30, 2018	
				Rupees			
Freehold land	768,019,499	-	768,019,499	-	-	768,019,499	-
Building on freehold land:							
Mill	1,672,595,466	187,945,708	1,860,541,174	315,033,006	146,259,375	461,292,381	10
Head office	12,238,041	-	12,238,041	10,609,853	162,819	10,772,672	10
Plant and machinery	8,219,897,527	834,877,920	9,053,743,447	2,137,106,270	656,247,015	2,792,735,392	10
		(1,032,000)			(617,893)	6,261,008,055	10
Grid station and electric installation	217,777,237	854,291	218,631,528	158,309,230	5,999,683	164,308,913	10
Containers and cylinders	69,399,454	-	69,399,454	40,763,207	2,863,680	43,626,887	10
Factory equipment	70,361,631	44,899,147	115,189,878	39,309,928	5,088,748	44,338,880	10
		(70,900)			(59,796)	70,850,998	10
Electric equipment	862,243,040	70,663,722	931,572,151	71,979,916	82,622,634	153,610,223	10
		(1,334,611)			(992,327)	777,961,928	10
Office equipment	52,649,492	5,866,268	57,570,611	28,246,574	2,806,431	30,378,143	10
		(945,149)			(674,862)	27,192,468	10
Furniture and fittings	30,235,289	5,545,558	35,780,847	15,105,307	1,747,778	16,853,085	10
Vehicles	177,805,954	38,313,347	207,664,521	108,837,796	18,452,453	120,407,487	20
		(8,454,780)			(6,882,762)	87,257,034	20
	12,153,222,630	1,188,965,961	13,330,351,151	2,925,301,087	922,250,616	3,838,324,063	9,492,027,088
		(11,837,440)			(9,227,640)		

### 5.2 Depreciation for the year has been allocated as under:

	Note	2019 Rupees	2018 Rupees
Cost of sales	29	918,893,599	885,202,518
Administrative expenses	31	48,693,487	37,048,098
		<u>967,587,086</u>	<u>922,250,616</u>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

5.3 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Location	Usage of immovable property (Square feet)	Total area (Square feet)	Covered area (Square feet)
Chak# 61- RB, Faisalabad	Manufacturing unit	7,359,642	499,100
Chak# 97- RB, Faisalabad	Power Generation Unit (CFPP)	3,645,972	253,763
Chak# 204- RB, Faisalabad	Guest House	9,720	16,851
Sitara Tower, Civil Line, Faisalabad	Site Office	9,210	9,210
Flat No.7, 2nd Floor, Malik Complex, Jinnah Avenue, Blue Area, Islamabad	Site Office	1,344	1,344
Vehari Road, Multan	Site Office	5,436	2,700
110-A Siddique Trade Center, Lahore	Site Office	1,194	1,194
Business Center, Mumtaz Hassan Road, Karachi	Site Office	1,640	1,640

\* The covered area includes double storey building.

5.4 The Company had revalued its freehold land, building and plant & machinery at June 30, 2019. The revaluation has been carried out by Hamid Mukhtar & Company (Private) Limited, an independent valuer not connected to the Company and is on the panel of Pakistan Banks 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 from market to obtain prevalent fair market values of similar local and imported machinery items.

### Machinery (Chemical)

For the purpose of valuation the valuer has taken the capitalized cost of the plant and machinery only (not any electric equipment, grid stations) from the year 1986 till 2013 was capitalized and addition / deletion from the year 2014 to 2019 of the each year is taken since its commissioning from the audited accounts of the Company. The original cost is divided into two parts i.e. 70% of the value is basic foreign amount of the plant & machinery and 30 % is local component of plant and machinery.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### Foreign Values:

The 70% of original capitalized cost in Pak Rupee is converted to USD \$ prices by dividing the \$ rate of the year of procurement. This \$ price of each equipment is then converted into current Rupees price by multiplying the original \$ price by current \$ rate (30-06-2019). These are the basis used by the valuer for valuation of the New Replacement value of plant & machinery in Pak Rupee.

### Local components:

The remaining 30% of original capitalized cost of local purchased machinery equipment have been fairly escalated by using compounded inflation factor calculated on compounding basis since the year 1990. The actual inflation in Pakistan (CPI) since 1986 to date has been fluctuating between 4 to 12 % per year (except 20% in the year 2009) as per economic survey of Pakistan. The compounded factor (CIF) is the adjusted for inflation. The re-instatement factor is obtained by discounting the above CIF by 35 % as per Economic Survey of Pakistan.

Thus after summing the foreign and local amounts the valuer has arrived to New Replacement Value of Plant & machinery.

Depreciation due to usage has been applied on all assets of machinery at 5% to 10% per annum on written down value basis to arrive at a fair present / depreciated market value of the assets.

5.5 Forced Sales Value (FSV) of land, buildings and machinery is Rs. 1,016.89 million, Rs. 1,415.25 million and Rs. 8,276.55 million respectively as at June 30, 2019.

5.6 Details of the Company's revalued assets and information about fair value hierarchy, as at June 30, 2019 are as follows.

	Level 1	Level 2	Level 3	Total
	Rupees			
Land - freehold	-	1,271,108,000	-	1,271,108,000
Buildings on freehold land	-	1,769,060,000	-	1,769,060,000
Plant and machinery	-	11,035,400,000	-	11,035,400,000

Details of the Company's revalued assets and information about fair value hierarchy, as at June 30, 2018 are as follows.

	Level 1	Level 2	Level 3	Total
	Rupees			
Land - freehold	-	768,019,499	-	768,019,499
Buildings on freehold land	-	1,400,714,162	-	1,400,714,162
Plant and machinery	-	6,261,008,055	-	6,261,008,055

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

5.7 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at June 30, 2019 would have been as follows:

	Cost	Accumulated depreciation Rupees	Book Value
Land	327,264,537	-	327,264,537
Buildings on free hold land	1,930,174,694	597,747,320	1,332,427,374
Plant and Machinery	9,668,106,525	3,009,966,551	6,658,139,974
2019	11,925,545,756	3,607,713,871	8,317,831,885
2018	10,308,340,248	3,170,802,555	7,137,537,693
	Note	2019 Rupees	2018 Rupees

### 5.8 Capital work-in-progress

Civil work	2,213,000	1,083,679
Plant and machinery including in transit	49,404,824	54,229,345
Advance for property, plant and equipment	2,250,462	3,406,126
Major spare parts and stand-by equipment qualifying as property, plant and equipment	33,242,741	21,280,622
	87,111,027	79,999,772

## 6. INTANGIBLE ASSETS

### Cost

As at July 01	21,000,000	21,000,000
Additions	550,256	-
As at June 30	21,550,256	21,000,000

### Accumulated amortization

As at July 01	9,219,725	7,910,805
Amortization during the year	1,210,960	1,308,920
As at June 30	10,430,685	9,219,725
	11,119,571	11,780,275

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

	Note	2019 Rupees	2018 Rupees
7. INVESTMENT PROPERTY			
Land	7.1	3,246,711,918	2,979,387,948
Buildings	7.2	49,793,485	54,579,865
		3,296,505,403	3,033,967,813



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>7.1 Land</b>			
Balance at the beginning of the year		2,979,387,948	2,854,288,282
Add: Acquisitions during the year		267,323,970	1,813,047,693
Less: Disposal during the year		-	(1,687,948,027)
Balance at the end of the year		<u>3,246,711,918</u>	<u>2,979,387,948</u>
<b>7.2 Buildings</b>			
<b>Cost</b>			
Balance at the beginning of the year		89,276,765	101,864,880
Add: Addition during the year		-	5,426,410
Less: Disposal during the year		-	(18,014,525)
Balance at the end of the year		<u>89,276,765</u>	<u>89,276,765</u>
<b>Accumulated depreciation</b>			
At the beginning of the year		34,696,900	29,583,114
For the year	31	4,786,380	6,802,534
Less: Accumulated depreciation on disposed asset		-	(1,688,748)
At the end of the year		<u>39,483,280</u>	<u>34,696,900</u>
Written down value at the end of year		<u>49,793,485</u>	<u>54,579,865</u>

The Company has invested in freehold land, residential plots and building portions covering area of 3,407 kanals and 11 marla 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. 30.17 million (2018: Rs. 30.10 million).

### 8. LONG TERM INVESTMENTS

These includes investments in Dawood Family Takaful Limited and Takaful Pakistan Limited. These investments in equity instruments are not held for trading. Instead, they are held for long-term strategic purposes. Accordingly, the Company has elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>9. LONG TERM LOANS AND ADVANCES</b>			
Deferred consideration on sale of investment property	9.1	1,064,509,787	1,316,803,005
Loans and advances	9.2	17,615,287	32,308,146
		<u>1,082,125,074</u>	<u>1,349,111,151</u>

### 9.1 Deferred consideration on sale of investment property

Deferred consideration on sale of investment property	14	1,414,509,787 (350,000,000)	1,316,803,005 -
Less: current portion shown in current assets	9.1.1	<u>1,064,509,787</u>	<u>1,316,803,005</u>

**9.1.1** During March 2018, the Company entered into an agreement for sale of investment property land measuring 1,510 kanals situated at 199 RB Faisalabad to M/s Sitara Developers (Private) Limited, at an aggregate sale price of Rs. 2,190 million. Twenty percent advance amount of total sale price amounting to Rs. 438 million has been received and balance receivable amounting to Rs. 1,752 million will be received from M/s Sitara Developers (Private) Limited over a period of 6 years (5 installments) which has been recorded in the financial statements at amortised cost.

	Note	2019 Rupees	2018 Rupees
<b>9.2 Loans and advances</b>			
<i>Considered good</i>			
<i>Secured</i>			
Staff		3,882,504	25,981,929
<i>Unsecured</i>			
Staff		37,898,506	32,171,546
		<u>41,781,010</u>	<u>58,153,475</u>
Less: current portion shown in current assets	14	(24,165,723)	(25,845,329)
	9.2.1	<u>17,615,287</u>	<u>32,308,146</u>

**9.2.1** The maximum aggregate amount due at the end of any month during the year was Rs. 56.91 million (2018: Rs. 60.28 million).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

		2019 Rupees	2018 Rupees
<b>10. LONG TERM DEPOSITS</b>	<i>Note</i>		
Security deposits for:			
Electricity		38,903,990	38,775,110
Gas		72,291,588	71,951,168
WASA		155,354	-
Others		458,400	483,200
		<u>111,809,332</u>	<u>111,209,478</u>
<b>11. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		910,633,084	561,527,008
Spare parts		35,180,900	179,032,860
Loose tools		4,257,202	4,082,582
		<u>950,071,186</u>	<u>744,642,450</u>
<b>12. STOCK IN TRADE</b>			
Raw and packing material		423,564,494	300,918,880
Work in process		-	14,928,200
Finished goods		899,807,416	625,032,718
Waste		5,108,419	9,767,491
		<u>1,328,480,329</u>	<u>950,647,289</u>
<b>13. TRADE DEBTS</b>			
<i>Related parties - considered good</i>			
Aziz Fatima Trust Hospital	13.1	477,468	-
<i>Others</i>			
- Considered good			
Local - unsecured		1,296,683,138	1,129,901,750
Foreign-secured		41,219,950	7,866,008
- Considered doubtful			
Unsecured		13,900,472	93,345,213
		<u>1,351,803,560</u>	<u>1,231,112,971</u>
Allowance for expected credit losses	13.4	(175,306,056)	(93,345,213)
Trade debts written off	31	(99,062)	-
		<u>1,176,398,442</u>	<u>1,137,767,758</u>
		<u>1,176,875,910</u>	<u>1,137,767,758</u>

- 13.1** The maximum aggregate amount of receivable due from related party at the end of any month during the year was Rs. 0.48 million (2018: Rs 0.65 million).
- 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** 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.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>13.4 Movement in allowance for expected credit losses</b>			
At beginning of the year		93,345,213	75,820,861
Effect of implementation of IFRS 9		56,181,174	-
Adjusted balance as at beginning of the year		149,526,387	75,820,861
Impairment losses on financial assets		25,779,669	17,524,352
At end of the year		175,306,056	93,345,213
<b>14. LOANS AND ADVANCES</b>			
Current portion of long term loans and advances	9.2	24,165,723	25,845,329
Current portion deferred consideration on sale of investment property	9.1	350,000,000	-
		374,165,723	25,845,329
Advance tax		1,257,590,686	882,857,644
Advances - considered good			
For expenses		12,748,789	12,271,720
Letters of credit fee, margin and expenses		520,930,576	678,050,142
Suppliers and contractors		706,542,285	814,993,108
		1,240,221,650	1,505,314,970
Advances - considered doubtful			
For expenses		42,589	42,589
Suppliers and contractors		599,955	599,955
Provision for doubtful advances	14.1	(642,544)	(642,544)
		-	-
		2,871,978,059	2,414,017,943
<b>14.1 Movement in provision for doubtful advances</b>			
At beginning of the year		642,544	1,925,430
Reversed during the year		-	(1,282,886)
At end of the year		642,544	642,544
<b>15. TRADE DEPOSITS AND PREPAYMENTS</b>			
Trade deposits		3,473,802	3,799,970
Prepayments		1,388,750	1,198,114
		4,862,552	4,998,084

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>16. OTHER RECEIVABLES</b>			
Receivable from provident fund - related party 16.1 <i>Unsecured - considered good</i>		3,584,275	-
Others		10,991,751	9,975,716
		<u>14,576,026</u>	<u>9,975,716</u>

16.1. This represents contribution of the Company and employees in respect of provident fund.

### 17. OTHER FINANCIAL ASSETS

*Investments designated as at fair value through other comprehensive income (FVTOCI)*

Equity investments	17.1	200,727,034	194,960,587
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*Investments measured at fair value through profit or loss (FVTPL)*

Mutual funds	17.2	135,448,070	157,293,736
		<u>336,175,104</u>	<u>352,254,323</u>

#### 17.1 Investments designated as at FVTOCI

Fully paid ordinary shares of Rs. 10 each.

2019 No. of shares	2018		2019 Rupees	2018 Rupees
3,220,000	3,480,000	Sitara Peroxide Limited	61,759,596	60,412,800
753,382	577,176	Meezan Bank Limited	65,664,775	47,166,823
674,661	674,661	Sitara Energy Limited	17,473,720	15,375,524
72,000	72,000	D.G Khan Cement Company Limited	4,070,880	8,243,280
82,197	82,197	Engro Polymer & Chemical Limited	2,216,031	2,577,698
84,698	76,999	Ittehad Chemicals Limited	2,283,458	2,671,602
40,000	40,000	Fauji Cement Company Limited	629,200	914,000
22,500	22,500	Maple Leaf Cement Factory Limited	537,525	1,141,650
66,000	55,000	Pakistan Oilfield Limited	26,788,740	36,948,450
33,629	30,000	Hub Power Company Limited	2,648,283	2,764,800
27,500	25,000	Engro Corporation Limited	7,304,000	7,846,500
-	35,000	Kot Addu Power Company Limited	-	1,886,850
25,000	25,000	Engro Fertilizers Limited	1,599,250	1,872,750
160,000	100,000	Fauji Foods Limited	2,110,400	3,228,000
24,000	-	National Foods Limited	4,419,840	-
7,200	6,000	Pakistan State Oil Company Limited	1,221,336	1,909,860
			<u>200,727,034</u>	<u>194,960,587</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

These investments in equity instruments are not held for trading and are instead, they are held for medium to long-term strategic purposes. Accordingly, the Company has elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

### 17.2 Investments measured at FVTPL

Units having face value of Rs. 50 each.

2019 No. of units	2018		2019 Rupees	2018 Rupees
296,935	1,243,760	Al-Meezan Investment Management Limited	15,255,165	66,291,070
2,203,077	-	- Meezan Rozana Amdani Fund	110,153,874	-
98,745	-	- Meezan Sovereign Fund (MSF) (T.D)	5,083,966	-
97,506	1,261,670	Meezan Islamic Income Fund	4,955,065	67,880,024
-	2,314,116	NAFA Islamic Income Fund	-	23,122,642
			<u>135,448,070</u>	<u>157,293,736</u>

These comprise portfolio of investments acquired principally for sale in the near term and accordingly measured at FVTPL.

	Note	2019 Rupees	2018 Rupees
<b>18. CASH AND BANK BALANCES</b>			
Cash in hand		16,204,772	16,918,895
Cash at banks			
In current accounts		53,343,784	35,519,255
In saving accounts	18.1	32,961,437	27,224,998
		<u>86,305,221</u>	<u>62,744,253</u>
		<u>102,509,993</u>	<u>79,663,148</u>

**18.1** These are shariah compliant bank balances and carry profits at rates ranging from 4.26% to 7.26% (2018: 2.40% to 4.27%) per annum.

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



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 19. SHARE CAPITAL

2019 No. of Shares	2018		2019 Rupees	2018 Rupees
		<i>Authorized</i>		
		Ordinary shares of Rs. 10 each		
40,000,000	40,000,000	Class "A"	400,000,000	400,000,000
20,000,000	20,000,000	Class "B"	200,000,000	200,000,000
<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>
<i>No. of Shares</i>			<i>Rupees</i>	<i>Rupees</i>
		<i>Issued, subscribed and paid up</i>		
		Class "A" ordinary shares of Rs.10/- each		
8,640,000	8,640,000	- fully paid in cash	86,400,000	86,400,000
10,804,398	10,804,398	- issued as fully paid bonus shares	108,043,980	108,043,980
1,985,009	1,985,009	- issued as fully paid under scheme of arrangement for amalgamation	19,850,090	19,850,090
<u>21,429,407</u>	<u>21,429,407</u>		<u>214,294,070</u>	<u>214,294,070</u>

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

19.2 Number of shares held by associated companies or related parties are 478,499.

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

#### 19.4 Rights and privileges of Board of Directors

The Board of Directors of the Company act by majority vote. The membership of the Board of Directors reflects as closely as possible the proportion in which the shares of the Company are held.

	Note	2019 Rupees	2018 Rupees
<b>20. RESERVES</b>			
<i>Capital</i>			
Share premium	20.1	97,490,410	97,490,410
Surplus on revaluation of property			
Plant and equipment		4,513,641,059	1,164,730,520
<i>Revenue</i>			
General reserve	20.2	1,225,000,000	1,225,000,000
<i>Other</i>			
Reserve on re-measurement of equity instruments at FVTOCI	20.3	51,449,097	50,344,947
Reserve on re-measurement of post retirement benefits net of tax		(4,615,155)	(7,338,727)
		<u>5,882,965,411</u>	<u>2,530,227,150</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

- 20.1** This represents premium realized on issue of right shares amounting to Rs. 34.55 million during 1991-92, 1993-94 and 1994-95 at the rate of 10%, 10% and 12.50% respectively and amounting to Rs. 62.94 million on issue of 1,985,009 fully paid ordinary shares to the shareholders of Sitara Spinning Mills Limited 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 equity instruments as at FVTOCI as at June 30, 2019.

### 21. LONG TERM FINANCING

#### From banking companies and other financial institutions - secured

	2019 Rupees	2018 Rupees
Diminishing Musharka (from financial institutions - secured)	2,054,446,636	1,174,946,885
	<u>2,054,446,636</u>	<u>1,174,946,885</u>

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

Description	Profit	Security	Repayment	2019 Rupees	2018 Rupees
Askari Bank Ltd	Three months KIBOR plus 1.00 % (2018: Nil) per annum payable on quarterly basis.	1st Pari Passu charge over Caustic Soda-Liquid-BMR-II plant with 25% Margin.	This Diminishing Musharika Facility was sanctioned for amount of Rs. 200 million. Facility is repayable in 14 equal quarterly installments with grace period of 06 months commencing from September 03, 2019 and ending on December 03, 2022.	200,000,000	-
Askari Bank Ltd	Three months KIBOR plus 1.00 % (2018: Nil) per annum payable on quarterly basis.	a) 1st perpassu charge of Rs. 267m including 25% margin over Caustic Soda-Liquid-BMR-II plant. b) 1st exclusive charge of Rs. 133 million over Caustic Sodaflake Plant (CSP-III) with 25% margin.	This Diminishing Musharika Facility was sanctioned for amount of Rs. 300 million. Facility is repayable in 14 equal quarterly installments with grace period of 06 months commencing from December 27, 2019 and ending on March 27, 2023.	300,000,000	-
Meezan Bank Limited	Three months KIBOR plus 1.00 % (2018: Nil) per annum payable on quarterly basis.	a) Ranking charge by way of hypothecation over plant & machinery of M-III (Membrane-III) plant with 25% margin of Chemical Division. b) 1st exclusive hypothecation charge over all present and future plant and machinery of Membrane-I plant.	This Diminishing Musharika facility was sanctioned for amount of RS. 500 million. Facility is repayable in 14 equal quarterly installments with grace period of 18 months. The repayment will start from April 11, 2020 and ending on July 11, 2023.	498,972,826	-
Meezan Bank Limited	Three months KIBOR plus 1.15 % (2018: Nil) per annum payable on quarterly basis.	1st exclusive and specific charge by way of hypothecation over 04 Gas Fired Generators of Jenbacher GE, pertaining to Gas Fired Power Project, located on Faisalabad-Sheikhupura Road, Faisalabad.	This Diminishing Musharika facility was sanctioned for amount of RS. 175 million. The amount is repayable in 16 equal quarterly instalments with grace period of 12 months. The repayment will start from October 04, 2020 and ending on June 27, 2024.	175,000,000	-

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

Description	Profit	Security	Repayment	2019 Rupees	2018 Rupees
Meezan Bank Limited	Three months KIBOR plus 1.15 % (2018: Nil) per annum payable on quarterly basis.	Ranking charge by way of hypothecation over all present and future plant and machinery of Textile Division, situated at Faisalabad-Sheikhupura Road, Faisalabad.	This Diminishing Musharika Facility was sanctioned for amount of Rs. 400 million. The amount is repayable in 16 equal quarterly instalments with grace period of 12 months. The repayment will start from August 20, 2020 and ending on May 24, 2024.	396,293,295	-
MCB Syndicated Diminishing Musharkah Facility	Three months KIBOR plus 1.15 % (2018: Three Months Kibor plus 1.15%) per annum payable on quarterly basis.	a ) Exclusive hypothecation charge over all Present and Future Fixed Assets ( Excluding Land and Building) of the CFPP project located on land measuring 444 Kanals and 06 Marlas. b) Specific and exclusive mortgage charge over CFPP Project Land and Building.	Syndicated Diminishing Musharka finance facility was sanctioned for amount of Rs. 2,000 million arranged by MCB Bank and Meezan Bank . Other participants are United Bank, Faysal Bank, Albaraka Bank and The Bank of Khyber. Facility is repayable in 14 Quarterly installments commenced from July 10, 2016 and ending on October 10, 2019.	279,946,885	839,840,649
Faysal Bank	Three months KIBOR plus 1.00 % ( 2018: 3 Month Kibor Plus 1.15%) per annum payable on quarterly basis.	First exclusive charge over fixed assets of client, comprising land measuring 7.54 Acres, Building & Membrane unit IV (M-IV) with 25% margin situated at 32-KM Sheikhupura Road, Faisalabad.	This Diminishing Musharka finance facility was sanctioned for an amount of Rs. 800 million. Facility is repayable in Twenty equal quarterly installments with grace period of 01 year. The repayment started from November 15, 2017 and ending on August 15, 2022.	520,000,000	680,000,000
MCB Islamic Bank Limited	Three months KIBOR plus 1.00 % (2018: 3 Month Kibor Plus 1.00%) per annum payable on quarterly basis.	Pari passu charge Over present & future fixrd assets of Membrane Unit III (M-III) Plant with 25% margin situated at 32-KM Sheikhupura Road, Faisalabad.	This Diminishing Musharka finance facility was sanctioned for an amount of Rs. 500 million. Facility is repayable in Sixteen equal quarterly installments commencing from September 29, 2018 and ending on June 29, 2022.	406,250,000	500,000,000
Less: Current portion				2,776,463,006 (722,016,370) 2,054,446,636	2,019,840,649 (844,893,764) 1,174,946,885

**21.1.1** Effective rate of profit for the year is ranging from 7.41% to 13.97% (2018 : 7.13% to 7.92%) per annum.

**21.2** The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the reporting date are as follows:

Maturity	2019 Rupees	2018 Rupees
6 months or less	472,446,884	422,446,882
6 - 12 months	249,569,486	422,446,882
1 - 5 years	2,054,446,636	1,174,946,885
	<u>2,776,463,006</u>	<u>2,019,840,649</u>

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

**21.4** Markup paid on these islamic mode facilities amounted to Rs. 168.75 million



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
<b>22. LONG TERM DEPOSITS</b>		
From customers	38,617,093	29,272,791
Others	1,170,000	1,170,000
	<u>39,787,093</u>	<u>30,442,791</u>

- 22.1** As per the requirements of section 217 of the Companies Act, 2017 deposits amounting to Rs. 38.62 million (2018: Rs. 29.27 million) are utilized for the purpose of business as per the written agreements and deposits amounting to Rs. 1.17 million (2018: Rs. 1.17 million) are kept in separate bank account.

	Note	2019 Rupees	2018 Rupees
<b>23. DEFERRED LIABILITIES</b>			
Deferred taxation	23.1	2,405,285,497	1,151,409,559
Staff retirement benefits - gratuity	23.3	30,715,115	32,487,894
		<u>2,436,000,612</u>	<u>1,183,897,453</u>

### 23.1 Deferred taxation

*This comprises the following:*

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

Tax depreciation allowance	1,210,702,131	1,075,680,822
Surplus on revaluation of property, plant and equipment	1,268,407,205	127,473,503
	<u>2,479,109,336</u>	<u>1,203,154,325</u>

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

Provision for employee benefits	(8,647,931)	(8,994,225)
Provision for doubtful debts	(65,175,908)	(25,842,482)
Unused tax credits	-	(16,908,059)
	<u>(73,823,839)</u>	<u>(51,744,766)</u>
	<u>2,405,285,497</u>	<u>1,151,409,559</u>

### 23.2 Movement in temporary differences for the year

	Balance as at July 1, 2018	Recognized in equity	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2019
	Rupees				
<b>Taxable temporary difference</b>					
Tax depreciation allowance	1,075,680,822	-	135,021,308	-	1,210,702,130
Surplus on revaluation of property, plant and equipment	127,473,503	-	-	1,140,933,702	1,268,407,205
<b>Deductible temporary difference</b>					
Provision for employee benefits	(8,994,225)	-	(721,049)	1,067,344	(8,647,930)
Allowance for expected credit losses	(25,842,482)	(15,817,974)	(23,515,452)	-	(65,175,908)
Unused tax credits	(16,908,059)	-	16,908,059	-	-
	<u>1,151,409,559</u>	<u>(15,817,974)</u>	<u>127,692,866</u>	<u>1,142,001,046</u>	<u>2,405,285,497</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	Balance as at July 1, 2017	Recognized in equity	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2018
	Rupees				
<i>Taxable temporary difference</i>					
Tax depreciation allowance	1,101,393,050	-	(25,712,228)	-	1,075,680,822
Surplus on revaluation of property, plant and equipment	160,068,508	(5,335,617)	(27,259,388)	-	127,473,503
<i>Deductible temporary difference</i>					
Provision for employee benefits	(7,994,640)	-	(580,994)	(418,591)	(8,994,225)
Allowance for expected credit losses	(22,314,079)	-	(3,528,403)	-	(25,842,482)
Unused tax credits	(275,179,113)	-	258,271,054	-	(16,908,059)
	955,973,726	(5,335,617)	201,190,041	(418,591)	1,151,409,559

	2019 Rupees	2018 Rupees
<b>23.3 Staff retirement benefits - gratuity</b>		
<i>Movement in liability</i>		
At beginning of the year	32,487,894	27,164,935
Charge for the year	11,071,307	9,490,011
Remeasurement (income) / loss recognized	(3,790,916)	1,443,416
Benefits paid during the year	(9,053,170)	(5,610,468)
At the end of the year	<u>30,715,115</u>	<u>32,487,894</u>
<b>23.4 Movement in the present value of defined benefit obligation is as follows:</b>		
Present value of defined benefit obligation as at July 01	32,487,894	27,164,935
Current service cost	8,618,213	7,602,134
Interest cost	2,453,094	1,887,877
Benefits paid	(9,053,170)	(5,610,468)
Remeasurements:		
Actuarial gain / (losses) from changes in financial assumptions	(3,790,916)	1,443,416
Present value of defined benefit obligation as at June 30	<u>30,715,115</u>	<u>32,487,894</u>
<b>23.5 Expense recognized in profit and loss account is as follows</b>		
Current service cost	8,618,213	7,602,134
Interest cost	2,453,094	1,887,877
	<u>11,071,307</u>	<u>9,490,011</u>
<b>23.6 Charge for the year has been allocated as follows:</b>		
Cost of sales	7,749,915	6,453,207
Administrative expenses	3,321,392	3,036,804
	<u>11,071,307</u>	<u>9,490,011</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
<b>23.7 Total remeasurement chargeable to other comprehensive income:</b>		
Remeasurement of defined benefit obligation:		
Actuarial gain / (losses) from changes in financial assumptions	(3,790,916)	1,443,416
	<u>(3,790,916)</u>	<u>1,443,416</u>

**23.8** Projected unit credit method, based on the following significant assumptions, is used for valuation of gratuity:

	2019	2018
Discount rate	14.25%	9.00%
Expected rate of salary increase	12.25%	8.00%
Average retirement age of employee	60 years	60 years

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

	<i>Impact on defined benefit obligation</i>		
	<i>Change in assumption</i>	<i>Increase in assumption</i>	<i>Decrease in assumption</i>
Discount rate	1%	28,265,391	33,565,942
Salary growth	1%	33,762,812	28,061,690

The aforementioned sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the balance sheet.

### 23.10 Maturity profile of the defined

<b>23.10.1</b> Weighted average duration of the benefit (Years)	8.78	9.95
<b>23.10.2</b> Distribution of timing of benefit payments (time in years)	2019 Rupees	2018 Rupees
1	2,413,216	1,894,920
2	1,939,451	2,194,606
3	2,541,623	1,614,453
4	6,031,488	2,111,462
5	1,603,739	5,088,231
6 to 10	19,790,649	14,673,859
11 and above	203,524,583	79,938,745

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 23.11 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.

	Note	2019 Rupees	2018 Rupees
<b>24. TRADE AND OTHER PAYABLES</b>			
Creditors		855,669,839	833,965,974
Accrued liabilities		1,389,925,462	1,342,985,183
Advances from customers		56,834,046	22,163,595
Payable to provident fund - related party	24.1	-	958,307
Retentions / security deposits		57,584,251	61,287,474
Withholding tax		2,468,495	2,831,667
Workers' profit participation fund	24.2	6,574,834	910,648
Workers' welfare fund		46,899,249	25,164,485
Others		140,841	2,951,200
		<u>2,416,097,017</u>	<u>2,293,218,533</u>

**24.1** 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.

	Note	2019 Rupees	2018 Rupees
<b>24.2 Workers' profit participation fund</b>			
Workers' profit participation fund	24.2.1	6,574,834	910,648
		<u>6,574,834</u>	<u>910,648</u>

#### 24.2.1 Movement

At beginning of the year		910,648	(336,149)
Less: amount paid to workers on behalf of the fund		51,532,560	71,033,605
		(50,621,912)	(71,369,754)
Allocation for the year	32	57,196,746	72,280,402
At end of the year		<u>6,574,834</u>	<u>910,648</u>

### 25. PROFIT / FINANCIAL CHARGES PAYABLE

Long term financing		66,951,417	26,981,707
Murabaha financing / short term borrowings		119,402,466	49,991,648
		<u>186,353,883</u>	<u>76,973,355</u>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
<b>26. SHORT TERM BORROWINGS</b>		
<i>Secured</i>		
From banking companies - Islamic financing facilities	4,333,342,248	3,525,026,677
	<u>4,333,342,248</u>	<u>3,525,026,677</u>
<b>26.1</b> The Company has obtained Islamic financing facilities of Rs. 50 million from MCB Islamic Bank, Rs. 810 million from Meezan Bank Limited - Islamic, Rs. 500 million from Duabi Islamic Bank - Islamic, Rs. 125 million from Standard Chartered Bank Limited - Islamic, Rs. 200 million from Bank Islami - Islamic, Rs. 400 million from Askri Bank Limited - Islamic, Rs. 370 million from Habib Bank Limited - Islamic, Rs. 700 million from The Bank of Punjab - Islamic, Rs. 150 million from Faysal Bank Limited - Islamic, Rs. 278 million from UBL Ameen - Islamic, Rs. 250 million from Soneri Bank Limited - Islamic and Rs. 500 million from The Bank Of Khyber - Islamic. Markup paid on these facilities amounted to Rs. 353.86 million.		
<b>26.2</b> The aggregate unavailed facilities from banking companies amounted to Rs. 1,767 million (2018: Rs. 1,775 million). These are subject to profit margin ranging from 6.90% to 13.82% (2018: 6.81% to 7.78%) per annum and are secured against joint pari-passu charge over present and future current assets of the chemical division and textile division.		
	2019 Rupees	2018 Rupees
<b>27. CONTINGENCIES AND COMMITMENTS</b>		
<b>27.1 Contingencies</b>		
Guarantees issued by banks on behalf of the Company	259,984,467	310,703,832
	<u>259,984,467</u>	<u>310,703,832</u>
<b>27.2 Commitments</b>		
Outstanding letters of credit for raw material and spare parts	268,872,532	516,465,946
	<u>268,872,532</u>	<u>516,465,946</u>
	2019 Rupees	2018 Rupees
<b>28. SALES - NET</b>		
<i>Chemical</i>	12,526,718,410	12,296,380,019
<i>Textile</i>	2,372,857,620	2,205,720,371
	<u>14,899,576,030</u>	<u>14,502,100,390</u>
Less:		
Commission and discount	(509,489,101)	(527,682,409)
Sales tax	(1,691,979,899)	(1,709,591,384)
<i>Sales - net</i>	<u>12,698,107,030</u>	<u>12,264,826,597</u>
<b>28.1</b> All revenue earned by the Company is shariah compliant.		

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>29. COST OF SALES</b>			
Raw material consumed	29.1	2,714,106,083	2,713,057,076
Fuel and power		5,415,708,365	5,273,698,604
Salaries, wages and benefits	29.2	513,554,450	511,064,068
Stores and spares		492,078,989	211,822,991
Repair and maintenance		64,193,630	56,452,602
Vehicle running and maintenance		1,676,053	2,795,940
Travelling and conveyance		36,119,615	29,146,956
Insurance		29,052,728	25,781,568
Depreciation	5.2	918,893,599	885,202,518
Amortization	6	1,210,960	1,308,920
Others		7,170,004	5,800,509
		<u>10,193,764,476</u>	<u>9,716,131,752</u>
Work in process			
Opening stock		14,928,200	11,629,718
Closing stock		-	(14,928,200)
		<u>14,928,200</u>	<u>(3,298,482)</u>
<i>Cost of goods manufactured</i>		<u>10,208,692,676</u>	<u>9,712,833,270</u>
Finished stocks			
Opening stock - including waste		634,800,209	554,063,040
Closing stock - including waste		(904,915,835)	(634,800,209)
		<u>(270,115,626)</u>	<u>(80,737,169)</u>
		<u>9,938,577,050</u>	<u>9,632,096,101</u>
<b>29.1 Raw material consumed</b>			
Opening stock		300,918,880	628,634,121
Purchases		2,836,751,697	2,385,341,835
		<u>3,137,670,577</u>	<u>3,013,975,956</u>
Closing stock		(423,564,494)	(300,918,880)
		<u>2,714,106,083</u>	<u>2,713,057,076</u>

**29.2** Salaries, wages and benefits include Rs. 7.75 million (2018: Rs. 6.46 million) in respect of employee retirement benefits.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>30. DISTRIBUTION COST</b>			
Staff salaries and benefits		28,781,962	25,871,628
Freight, octroi and insurance		277,227,963	208,601,939
Advertisement		25,156,267	22,396,590
Vehicles running and maintenance		3,764,026	2,120,290
Travelling and conveyance		5,089,003	5,374,247
Postage and telephone		1,199,327	1,429,178
Printing and stationery		476,841	647,778
Others		1,483,168	2,572,382
		<u>343,178,557</u>	<u>269,014,032</u>
<b>31. ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		36,085,320	41,594,689
Staff salaries and benefits	31.1	312,227,048	272,200,315
Postage, telephone and telex		4,216,769	4,370,413
Vehicles running and maintenance		24,292,247	16,984,484
Printing and stationery		5,598,464	5,560,658
Electricity		53,610,939	52,779,017
Rent, rates and taxes		7,017,919	6,114,345
Travelling and conveyance		29,010,327	30,486,872
Advertisement		11,745,265	27,657,359
Books and periodicals		138,711	126,342
Fees and subscription		10,363,518	9,651,769
Legal and professional		4,308,564	2,063,503
Repairs and maintenance		16,122,143	17,174,309
Auditors' remuneration	31.2	2,820,000	2,820,000
Entertainment		11,125,046	12,629,372
Donations	31.3	73,053,124	39,055,177
Insurance		2,915,828	2,183,558
Depreciation	5.2	48,693,487	37,048,098
Depreciation on investment property	7.2	4,786,380	6,802,534
Bad debts written off	13	99,062	-
Others		1,938,297	2,714,104
		<u>660,168,458</u>	<u>590,016,918</u>

**31.1** Staff salaries and benefits include Rs. 3.32 million (2018: Rs. 2.78 million) in respect of employee retirement benefits.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>31.2 Auditors' remuneration</b>			
Annual statutory audit		1,650,000	1,650,000
Half yearly and COCG compliance reviews		550,000	550,000
Out of pocket expenses		120,000	120,000
Tax advisory services		500,000	500,000
		<u>2,820,000</u>	<u>2,820,000</u>
<b>31.3</b>	It includes Rs. 21.24 million (2018: Rs. 23.09 million) donated to Aziz Fatima Trust (AFT), Faisalabad which is primarily running a charitable hospital for needy and poor people. Mr. Muhammad Adrees, the CEO and director of the Company is also Trustee of the AFT.		
	Note	2019 Rupees	2018 Rupees
<b>32. OTHER EXPENSES</b>			
Workers' profit participation fund	24.2.1	57,196,746	72,280,402
Workers' welfare fund		21,734,763	25,164,485
Loss on reclassification of investment in associate		-	6,483,027
Impairment of Available For Sale securities		-	10,569,587
Impairment of long term investments		5,398,506	-
Loss on disposal of property, plant and equipment		106,222,607	-
		<u>190,552,622</u>	<u>114,497,501</u>
<b>33. FINANCE COST</b>			
Long term financing		203,456,131	184,139,634
Murabaha payable / short term borrowings		428,532,447	243,686,291
Bank charges and commission		9,604,705	11,594,168
		<u>641,593,283</u>	<u>439,420,093</u>
<b>34. OTHER INCOME</b>			
<i>Income from financial assets</i>			
Markup on bank deposits	34.1	7,567,793	8,229,608
Dividend income	34.2	7,113,259	6,340,705
Exchange gain	34.3	6,299,133	5,621,511
Gain on sale of investments measured at FVTPL		4,192,819	491,350
Unwinding of discount on deferred consideration receivable		97,706,783	-
		<u>122,879,787</u>	<u>20,683,174</u>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<i>Income from other than financial assets</i>			
Gain on disposal of property, plant and equipment		-	3,396,397
Gain on disposal of investment property- net		-	30,529,200
Sale of scrap and waste		12,353,533	7,237,610
Rent income		30,165,479	30,099,821
Others		1,347,221	17,796,915
		43,866,233	89,059,943
		166,746,020	109,743,117

34.1 This represents profit earned from shariah compliant bank deposits and bank balances.

34.2 This represents dividend income from shariah compliant investments.

34.3 This represents exchange gain earned from actual currency and is shariah compliant.

### 35. PROVISION FOR TAXATION

#### *Current*

For the current year	49,054,663	6,312,636
For prior year	2,797,475	18,255,695
	51,852,138	24,568,331

#### *Deferred*

127,692,866	201,190,041
179,545,004	225,758,372

2019  
%

2018  
%

### 35.1 Numerical reconciliation between the applicable and effective tax rate

Applicable tax rate	29.00	30.00
Prior year adjustments	0.26	1.39
Lower rate applicable to certain income	(0.86)	(2.31)
Effect of tax credits	(7.02)	(7.26)
Effect of change in statutory rate change	(3.60)	(3.15)
Income taxed at different rates	(0.42)	(1.17)
Others	(0.50)	(0.29)
Effective tax rate	16.86	17.21

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 36. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2019	2018
Profit for the year	<i>Rupees</i>	885,458,407	1,086,184,700
Weighted average number of ordinary shares outstanding during the year	<i>Number</i>	21,429,407	21,429,407
Earnings per share	<i>Rupees</i>	41.32	50.69

### 37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At July 01, 2018	Availed during the year	Repaid during the year	At June 30, 2019
	<i>.....Rupees.....</i>			
Long term financing	2,019,840,649	1,570,266,122	(813,643,764)	2,776,463,006
Short term borrowings	3,525,026,677	10,595,885,829	(9,787,570,257)	4,333,342,248
	5,544,867,326	12,166,151,951	(10,601,214,021)	7,109,805,254

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

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 and other allied products and from foreign customers against supply of caustic soda (liquid and flakes) and calcium chloride. 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:

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
<i>Financial assets at amortised cost:</i>		
Trade debts	1,176,875,910	1,137,767,758
Loans and advances	1,414,509,787	1,752,225,000
Other receivables	14,576,026	9,975,716
Bank balances	86,305,221	62,744,253
	<u>2,692,266,944</u>	<u>2,962,712,727</u>

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 as follows:

	2019 Rupees	2018 Rupees
Chemical - local	737,566,473	674,126,120
Textile - local	439,309,437	463,641,638
	<u>1,176,875,910</u>	<u>1,137,767,758</u>

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:

	2019 Rupees	2018 Rupees
Chemicals	737,566,473	674,126,120
Textile	439,309,437	463,641,638
	<u>1,176,875,910</u>	<u>1,137,767,758</u>

### 38.1.3 Impairment losses

The aging of trade receivables at the reporting date is:

	Gross 2019	Impairment 2019	Gross 2018	Impairment 2018
	----- Rupees -----			
Not past due	467,349,966	-	419,010,396	-
Past due 0-180 days	611,406,228	1,477,783	557,951,172	-
Past due 181-360 days	40,462,740	7,633,390	26,095,375	-
Over 360 days	232,584,626	166,194,883	228,056,028	93,345,213
	<u>1,351,803,560</u>	<u>175,306,056</u>	<u>1,231,112,971</u>	<u>93,345,213</u>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

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

	2019 Rupees	2018 Rupees
Balance at July 01, 2018	93,345,213	75,820,861
Effect of implementation of IFRS 9	56,181,174	-
Charge for the period	25,779,669	17,524,352
<b>Balance at June 30, 2019</b>	<b>175,306,056</b>	<b>93,345,213</b>

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

	2019 Rupees	2018 Rupees
At beginning of the year	642,544	1,925,430
Reversed during the year	-	(1,282,886)
At end of the year	642,544	642,544

The allowance 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 statement of financial position 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 26.1 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

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

	<i>Carrying amount</i>	
	<i>2019</i>	<i>2018</i>
	<i>Rupees</i>	<i>Rupees</i>
<i>Trade and other payables</i>		
Maturity up to one year	2,303,320,393	2,241,189,831
<i>Short term borrowings</i>		
Maturity up to one year	4,333,342,248	3,525,026,677
<i>Long term financing</i>		
Maturity up to one year	722,016,370	844,893,764
Maturity after one year and up to five years	2,054,446,636	1,174,946,885
	<u>9,413,125,647</u>	<u>7,786,057,157</u>

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### Exposure to foreign currency risk

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

	2019 USD	2018 USD
Trade debts	257,544	64,741

Commitments outstanding at year end amounted to Rs. 268.87 million (2018: Rs. 516.46 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:

	2019	2018
<i>Rupees per USD</i>		
Average rate	140.78	113.24
Reporting date rate	160.05	121.50

### Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2019 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, 2018.

	2019 Rupees	2018 Rupees
Decrease in profit and loss account	4,121,992	786,603

A 10 percent strengthening of the Pak Rupee against the USD at June 30, 2019 would have had the equal but opposite effect on USD 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 arising 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### Profile of financial instruments at amortised cost

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

	2019 %	2018 %	2019 Rupees	2018 Rupees
<i>Floating rate instruments</i>				
<i>Financial liabilities</i>				
Short term borrowings	6.90% to 13.82%	6.81% to 7.78%	(4,333,342,248)	(3,525,026,677)
Long term financing	7.41% to 13.97%	7.13% to 7.92%	(2,776,463,006)	(2,019,840,649)
			<u>(7,109,805,254)</u>	<u>(5,544,867,326)</u>

### 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.

	Increase / (decrease) in basis points	Effect on profit before tax
2019	%	Rupees
Short term borrowings	1.00%	(43,333,422)
Long term financing		(27,764,630)
		<u>(71,098,052)</u>
2018		
Short term borrowings	1.00%	(35,250,267)
Long term financing		(20,198,406)
		<u>(55,448,673)</u>

### 38.4 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 reporting date, the exposure to unlisted equity securities at fair value was Rs. 25.04 million (2018: Rs. 25.04 million).

At the reporting date, the exposure to listed equity securities at fair value was Rs. 336.18 million (2018: Rs. 352.25 million). An increase of 25% on the KSE market index would have an impact of approximately Rs. 84.04 million 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.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 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)		

	Level 1	Level 2	Level 3	Total
	Rupees			
<i>Equity instruments at FVTOCI as at June 30, 2019</i>				
Quoted equity securities	336,175,104	-	-	336,175,104
Un-quoted equity securities	-	19,640,181	-	19,640,181
<b>Total</b>	<b>336,175,104</b>	<b>19,640,181</b>	<b>-</b>	<b>355,815,285</b>

	Level 1	Level 2	Level 3	Total
	Rupees			
<i>Equity instruments at FVTOCI as at June 30, 2018</i>				
Quoted equity securities	352,254,323	-	-	352,254,323
Un-quoted equity securities	-	25,038,687	-	25,038,687
<b>Total</b>	<b>352,254,323</b>	<b>25,038,687</b>	<b>-</b>	<b>377,293,010</b>

There were no transfers between the levels during the year.

The levels and hierarchy of fixed assets at fair values are disclosed in note 7.6 to the financial statements.

### 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.

Equity instruments at FVTOCI as disclosed in other financial assets in listed entities, are presented at fair value by using quoted prices at Pakistan Stock Exchange as at June 30, 2019 and investment in other than listed entities are presented at fair value in reference to breakup value of shares. The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 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.

	2019 Rupees	2018 Rupees
Total borrowings	7,109,805,254	5,544,867,326
Less: Cash and bank balances	102,509,993	79,663,148
Net debt	7,007,295,261	5,465,204,178
Total equity including revaluation surplus	14,619,623,468	10,637,427,609
Total capital	21,626,918,729	16,102,631,787
Gearing ratio	32.40%	33.94%

### 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:

	2019			2018		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	Rupees					
Remuneration	14,400,000	4,000,008	55,931,707	14,400,000	4,000,008	61,452,947
<i>Perquisites</i>						
House rent	5,760,000	1,599,996	15,814,706	5,760,000	1,599,996	17,627,697
Utilities	1,440,000	399,996	5,511,132	1,440,000	399,996	5,735,986
Medical allowance	-	-	5,511,040	-	-	6,136,054
Special allowance	-	-	279,116	-	-	227,205
Income tax	1,321,736	577,941	-	5,000,000	1,326,034	-
Reimbursement of expenses	-	-	-	-	-	4,690,864
	22,921,736	6,577,941	83,047,701	26,600,000	7,326,034	95,870,753
Number of Persons	1	1	31	1	1	33

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

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. 5.45 million (2018: Rs 3.46 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 its related parties. Amounts due from related parties are shown under receivables. Details of transactions with related parties for the year are as follows:

#### 40.1 Transactions with related parties

Relationship with the Company	Nature of transactions	2019 Rupees	2018 Rupees
Associated undertakings	Sales	527,968	82,975
	Donation	21,239,161	23,086,165
	Sale of Investment property	-	2,190,225,000
Key management personnel	Remuneration to Executives	112,402,895	129,796,787

40.2 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

Company name	Basis of association
Sitara Developers (Private) Limited	Common directorship
Aziz Fatima Trust Hospital	Common directorship

40.2.1 The Company does not hold any shares in the above mentioned companies.

### 41. PLANT CAPACITY AND PRODUCTION

Chemical Division	Designed capacity		Actual production		Reason of Variation
	2019	2018	2019	2018	
	Tons				
Caustic soda	202,950	201,300	133,015	141,563	Demand based production
Sodium hypo chlorite	66,000	66,000	42,496	35,748	Demand based production
Liquid chlorine	11,550	11,550	7,994	7,851	Demand based production
Bleaching powder	7,920	7,920	4,129	4,492	Demand based production
Hydrochloric acid	363,000	363,000	109,127	117,056	Demand based production
Calcium Chloride prill	13,200	13,200	9,236	3,173	Demand based production

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

<i>Textile Division</i>	<u>2019</u>	<u>2018</u>
Ring Spinning		
Number of spindles installed	28,512	28,512
Number of spindles worked	28,512	28,512
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	10,885,413	10,885,413
Actual production of yarn after conversion into 20/s count (Kgs)	8,937,310	10,853,414
	<u>2019</u>	<u>2018</u>
	<i>Rupees</i>	<i>Rupees</i>
<b>42. WORKING CAPITAL CHANGES</b>		
<i>(Increase)/ decrease in current assets</i>		
Stores, spare parts and loose tools	(205,428,736)	(100,230,242)
Stock in trade	(377,833,040)	243,679,591
Trade debts	(114,769,862)	13,814,393
Advance Sales Tax	(4,525,546)	-
Loans and advances	265,093,320	(66,671,441)
Trade deposits and short-term prepayments	135,532	693,725
Other receivables	(4,600,310)	2,077,591
	<u>(441,928,642)</u>	<u>93,363,617</u>
<i>Increase/ (decrease) in current liabilities</i>		
Trade and other payables	123,241,656	(244,146,909)
Sales tax payable	(8,498,670)	(31,627,506)
	<u>(327,185,656)</u>	<u>(182,410,798)</u>

### 43. Provident Fund Related Disclosure

The investments by the provident fund in collective investment schemes, listed equity and debts securities have been made in accordance with the conditions specified in section 218 of the Companies Act, 2017 and rules specified thereunder.

44. The average and total number of employees during year ended June 30, 2019 and June 30, 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Total number of employees as at June 30	2,172	2,327
Average number of employees during the year	2,250	2,264

### 45. RECLASSIFICATION

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, following significant reclassification has been made to reflect more appropriate presentation of events and transactions for the purpose of comparison:

<i>From</i>	<i>To</i>	<i>Reason</i>	<i>Rupees</i>
Administrative expenses	Impairment losses on trade debts (Presented on the face of statement of profit or loss)	Application of IFRS 9	17,524,352



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 46. OPERATING RESULTS

	Chemical		Textile		Total	
	2019	2018	2019	2018	2019	2018
Sales:	Rupees					
Local						
Caustic soda	9,870,772,577	9,464,985,737	-	-	9,870,772,577	9,464,985,737
Sodium hypochlorite	1,009,214,967	835,538,176	-	-	1,009,214,967	835,538,176
Bleaching powder	194,474,637	214,032,842	-	-	194,474,637	214,032,842
Liquid chlorine	251,850,890	233,403,091	-	-	251,850,890	233,403,091
Hydrochloric acid	587,811,775	785,670,007	-	-	587,811,775	785,670,007
Magnesium chloride and others	305,608,018	206,531,732	-	-	305,608,018	206,531,732
Yarn	-	-	1,831,983,019	1,775,243,654	1,831,983,019	1,775,243,654
Waste	-	-	16,784,712	11,731,393	16,784,712	11,731,393
Fabrics	-	-	578,084,004	418,745,324	578,084,004	418,745,324
Export						
Caustic soda flakes	214,938,435	457,723,810	-	-	214,938,435	457,723,810
Others	165,475,416	98,494,624	-	-	165,475,416	98,494,624
	12,600,146,715	12,296,380,019	2,426,851,735	2,205,720,371	15,026,998,450	14,502,100,390
Less:						
Commission and discount	500,743,491	517,706,548	8,745,610	9,975,861	509,489,101	527,682,409
Sales tax	1,765,408,204	1,685,996,872	53,994,115	23,594,512	1,819,402,319	1,709,591,384
Sales - net	10,333,995,020	10,092,676,599	2,364,112,010	2,172,149,998	12,698,107,030	12,264,826,597
Sales - net	10,333,995,020	10,092,676,599	2,364,112,010	2,172,149,998	12,698,107,030	12,264,826,597
Cost of sales	(7,788,455,839)	(7,631,722,381)	(2,150,121,211)	(2,000,373,720)	(9,938,577,050)	(9,632,096,101)
Gross profit	2,545,539,181	2,460,954,218	213,990,799	171,776,278	2,759,529,980	2,632,730,496
Other income	163,809,244	94,134,452	2,936,776	15,608,665	166,746,020	109,743,117
Distribution cost	(312,236,709)	(241,299,913)	(30,941,848)	(27,714,119)	(343,178,557)	(269,014,032)
Impairment loss on financial assets	(9,253,599)	(15,945,324)	(16,526,070)	(1,579,028)	(25,779,669)	(17,524,352)
Administrative expenses	(582,488,931)	(536,771,942)	(74,859,527)	(67,949,328)	(657,348,458)	(587,196,918)
Finance cost	(623,684,718)	(436,026,603)	(17,908,565)	(3,393,490)	(641,593,283)	(439,420,093)
	(1,363,854,713)	(1,135,909,330)	(137,299,234)	(85,027,300)	(1,501,153,947)	(1,203,412,278)
Reportable segments profit before tax	1,181,684,468	1,325,044,888	76,691,565	86,748,978	1,258,376,033	1,429,318,218
Unallocated income/ (expenses)						
Administrative expenses					(2,820,000)	(2,820,000)
Other operating expenses					(190,552,622)	(114,497,501)
Share of loss of associated company					-	(57,645)
Provision for taxation					1,065,003,411	1,311,943,072
					(179,545,004)	(225,758,372)
Profit for the year					885,458,407	1,086,184,700

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	Chemical		Textile		Total	
	2019	2018	2019	2018	2019	2018
	..... Rupees .....					
Other information						
Segment assets	15,599,826,057	13,574,258,161	2,151,910,831	1,417,913,493	17,751,736,888	14,992,171,654
Unallocated corporate assets					9,075,754,370	4,804,929,321
					<u>26,827,491,258</u>	<u>19,797,100,975</u>
Segment liabilities	1,735,387,527	1,233,492,468	397,364,295	1,170,000	2,132,751,822	1,234,662,468
Unallocated corporate liabilities					10,075,115,968	7,925,010,898
					<u>12,207,867,790</u>	<u>9,159,673,366</u>
Capital expenditure	2,058,530,968	1,149,546,562	446,662,973	39,419,399	2,505,193,941	1,188,965,961
Depreciation	925,966,995	878,391,352	41,620,091	43,859,264	967,587,086	922,250,616

### 46.1 Inter-segment pricing / sales

There is no purchase and sale between the segments.

### 46.2 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.

**46.3** 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 other than current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 47. *EVENTS AFTER THE STATEMENT OF FINANCIAL DATE*

In respect of current year, the directors have proposed to pay final cash dividend of Rs. 214.29 million (2018: Rs. 278.58 million) at Rs. 10 (2018: Rs. 13.00) 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.

### 48. *DATE OF AUTHORIZATION FOR ISSUE*

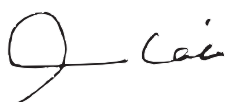
These financial statements were authorized for issue on September 19, 2019 by the Board of Directors of the Company.

### 49. *GENERAL*

Figures have been rounded off to the nearest Rupee.



Muhammad Adrees  
*CHIEF EXECUTIVE OFFICER*



Anwar-ul-Haq  
*CHIEF FINANCIAL OFFICER*










Haseeb Ahmad  
*DIRECTOR*










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**SITARA CHEMICAL INDUSTRIES LIMITED**

**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 / Sub-account No. \_\_\_\_\_ do hereby  
appoint Mr./Mrs./Miss \_\_\_\_\_ of \_\_\_\_\_ failing him/her,  
Mr./Mrs./Miss \_\_\_\_\_ 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  
Monday October 28, 2019 at 5:45 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

Five Rupees  
Revenue Stamp

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

Witness:

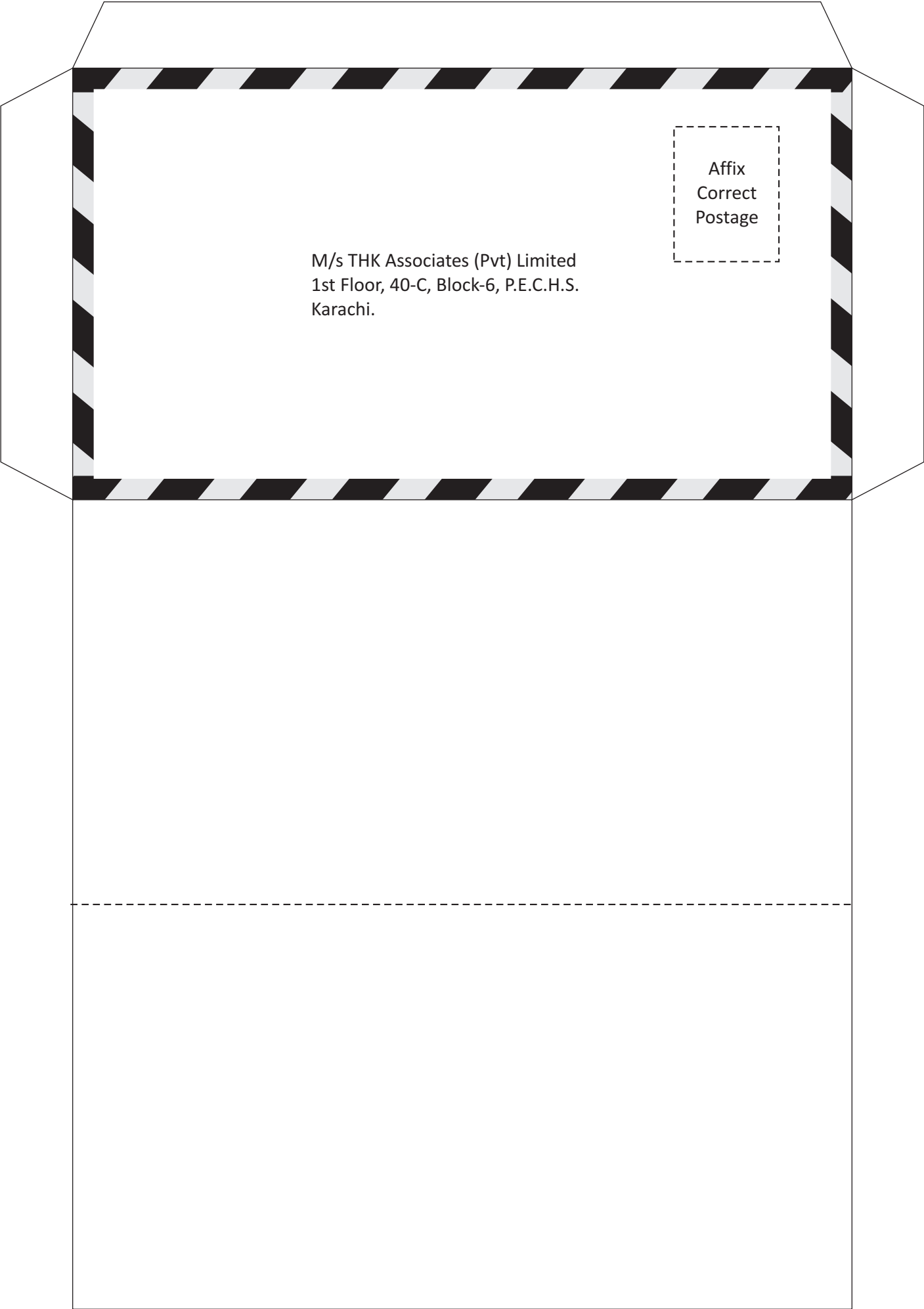
Witness:

1. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
CNIC or \_\_\_\_\_  
Passport No. \_\_\_\_\_

2. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
CNIC or \_\_\_\_\_  
Passport \_\_\_\_\_

**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 1<sup>st</sup> Floor, 40-C, Block-6, P.E.C.H.S., Karachi-75400 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.



# ستاره کیمیکل انڈسٹریز لمیٹڈ

پراکسی فارم

اجلاس عام

میں رہم۔ ستاره کیمیکل انڈسٹریز لمیٹڈ کے ممبر ممبران رجسٹرڈ فوئیو نمبر / شرکاء کی آئی ڈی سی ڈی سب اکاؤنٹ نمبر۔ کے مطابق۔ عمومی شیئرز رکھتے ہیں۔ بذریعہ ہذا۔ یا ان کی عدم موجودگی کی صورت میں۔ پراکسی 28 اکتوبر 2019 بوقت 5:45 بجے سہ پہر بمقام انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹینٹس آف پاکستان چارٹرڈ اکاؤنٹینٹس ایونیو کلفٹن کراچی کمپنی کے منعقد ہونے والے اجلاس عام اور اُس کے کسی التواء تک میری رہماری جانب سے ووٹ دینا اور اجلاس میں شرکت کرنے کا حق دیتا ہوں / دیتے ہیں۔

ریونیو اسٹامپ - 5 روپے

دستخط شیئر ہولڈر

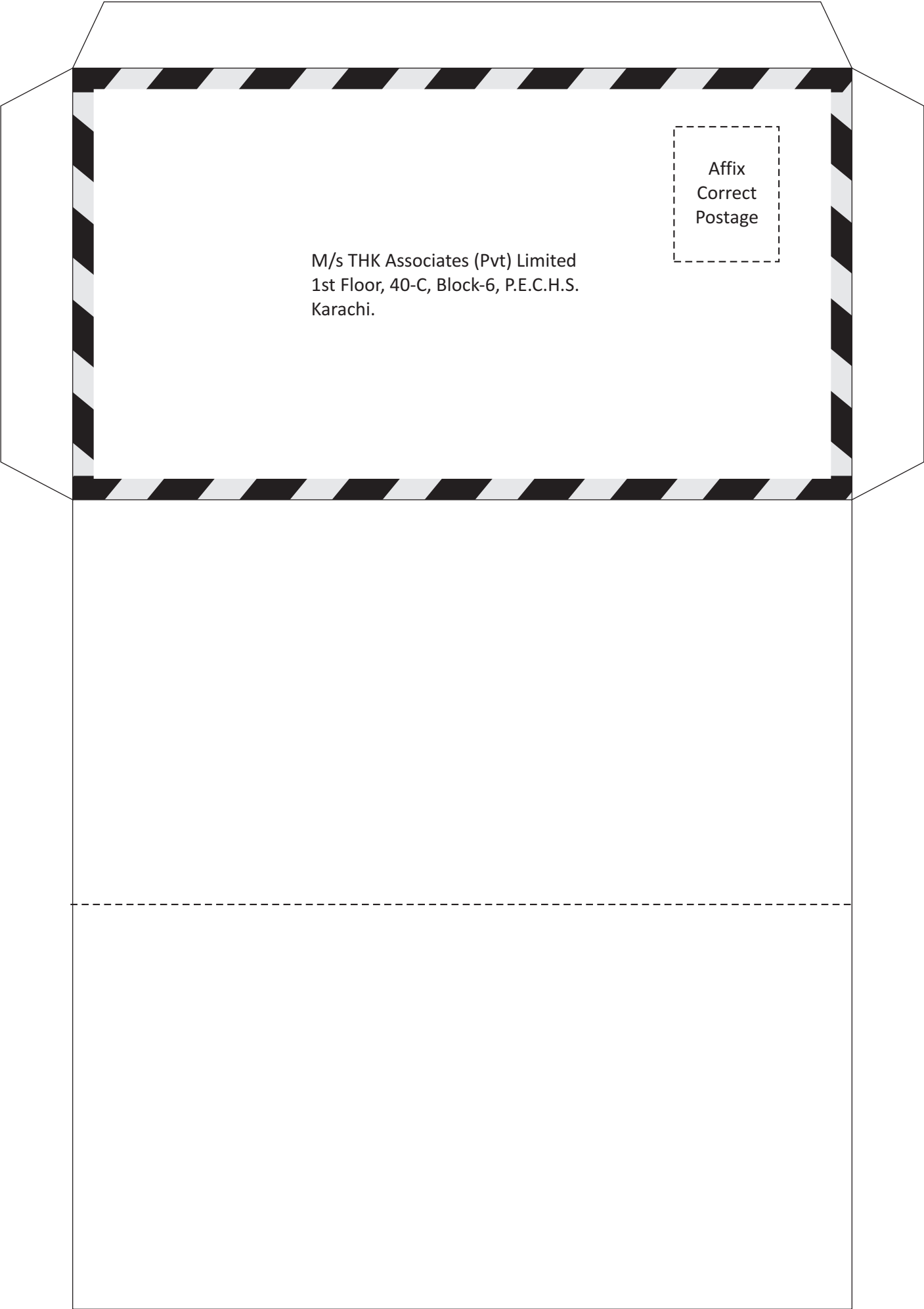
دستخط پراکسی

بتاریخ \_\_\_\_\_ سہ ۲۰۱۹ء

گواہان:

دستخط	دستخط
نام	نام
ایڈریس	ایڈریس
شناختی کارڈ	شناختی کارڈ
پاسپورٹ	پاسپورٹ

- ایک رکن جو اجلاس عام میں شرکت کرنے اور ووٹ دینے کا اہل ہے اس کو حق حاصل ہے کہ وہ کسی دوسرے فرد کو بطور پراکسی اپنی جانب سے شرکت کرنے اور ووٹ دینے کے لیے مقرر کرے۔
- اگر کوئی رکن اجلاس میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مکمل اور تصدیق شدہ کمپنی کے شیئر رجسٹرار میسرز THK ایسوسی ایٹس پبلی منزل 40-C، بلاک 6-P.E.C.H.S. کراچی-75400 کو اجلاس کے منعقد ہونے سے 48 گھنٹے قبل بھجوائیں۔
- CDC اکاؤنٹ ہولڈرز / Corporate Entity مندرجہ بالا کے علاوہ مندرجہ ذیل شقوق پر عمل کریں:
  - پراکسی فارم میں دو گواہان کے دستخط نیز ان کے پتے اور شناختی کارڈ نمبر کا اندراج بھی لازمی ہے۔
  - رکن اور پراکسی کے تصدیق شدہ قومی شناختی کارڈ یا پاسپورٹ کی نقول کی فراہمی
  - پراکسی کے لیے لازم ہے کہ وہ اجلاس کے وقت اپنا اصل قومی شناختی کارڈ یا پاسپورٹ تصدیق کے لیے فراہم کرے۔ Corporate Entity کی صورت میں بورڈ آف ڈائریکٹرز کی تصدیق شدہ قرارداد کی نقل بشمول Power of Attorney دستخط کے ساتھ (بجز اگر پہلے ہی جمع کرا دی گئی ہے)۔ پراکسی فارم کے ہمراہ کمپنی کے شیئر رجسٹرار کو جمع کروائے۔



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

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**SITARA CHEMICAL INDUSTRIES LIMITED**

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

Subject : Circulation of Annual Audited Accounts via Email or any other Media

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its SRO No. 470(I)/2016 dated 31<sup>ST</sup> May, 2016, 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 any other Electronic Media at the registered addresses.

Shareholders who wish to receive the hard copy 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 any other Electronic Media.

☐ Option 1 Via Email

Name of the Members/Shareholders

---

CNIC NO.

---

Folio / CDC Account Number

---

Valid Email Address

---

(to receive Financial Statements alongwith  
Notice of General Meetings instead of  
hardcopy/CD/DVD/USB)

---

☐ Option 2 Via Hard copy

Name of the Members/Shareholders

---

CNIC NO.

---

Folio / CDC Account Number

---

Mailing Address

---

(to receive Financial Statements alongwith  
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, 2017.



M/s Sitara Chemical Industries Ltd.  
601-602 Business Center,  
Mumtaz Hassan Road  
Karachi.

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## Sitara Chemical Industries Limited

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