



**Sitara Chemical
Industries Limited**



**ANNUAL
REPORT
2020**

CONTENTS

04	Vision and Mission	36	Independent Auditor's Report
05	Code of Ethics and Business Practices	39	Review Report of Code of Corporate Governance
06	Company Information	40	Assurance Report on Shariah Compliance
07	Chairman's Review Report	42	Statement of Financial Position
08	Directors' Report	44	Statement of Profit or Loss
21	Six Years at Glance	45	Statement of Comprehensive Income
23	Corporate Governance	46	Statement of Cash Flows
24	Statement of Compliance with Best Practices of Code of Corporate Governance	48	Statement of Changes in Equity
28	Shariah Compliance Review Report	49	Notes to the Financial Statement
29	Pattern of Shareholding	103	Form of Proxy
31	Notice of Annual General Meeting	107	Dividend Mandate Form
		109	Circulation of Annual Audited Accounts

FINANCIAL PERFORMANCE 2020





Sales

-7.13%

Rs. 11,793M

(2019: Rs. 12,698M)



Profit

Before Tax %

3.47%

(2019: 8.39%)



Cash

Dividend %

100%

(2019: 100%)



Market Value

Per Share

Rs. 277.11

(2019: Rs. 305.87)



Earning Per Share

Rs. 13.94

(2019: Rs. 41.32)



Gross Profit %

19.33%

(2019: 21.74%)



Profit After Tax %

2.53%

(2019: 6.97%)



Operating Profit %

11.91%

(2019: 13.44%)



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. Zakir Hussain (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. Asghar Ali (ACMA)

Auditors

Deloitte Yousuf Adil
Chartered Accountants

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

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

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

Factories
28/32 KM, Faisalabad-
Sheikhupura
Road, Faisalabad

REVIEW REPORT BY THE CHAIRMAN

(On the overall performance of Board 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, 2019 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, 2020, 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 22, 2020

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 and report of external Shariah auditors for the year ended June 30, 2020.

BUSINESS OVERVIEW:

Overall economic environment of the country remained significantly depressed during the year majorly due to outbreak of COVID-19 pandemic and consequent lock down of the country during the fourth quarter of the year, resulting into an overall decline of GDP which ended up with negative growth of 0.38% at year end as compared with positive GDP growth of 1.91% last year. Large Scale Manufacturing Industry (LSM) also witnessed significant decline in GDP i.e. 7.78% as compared with decline of 2.56% last year. Similarly, performance of textile sector in the country also remained negative witnessing a decline of 2.57% as compared with decline of 0.17% last year. Overall average bank borrowing rate has remained higher during the year compared with last year's average rate, resulting into higher financial cost during the year.

The above stated economic environment that remained prevalent during the year has impacted the businesses of the country and of your company as well in terms of lesser quantitative sale during the year. During the year under review, net sales of the company has remained at Rs. 11,793 million as compared with Rs. 12,698 million last year depicting a decline of 7.1%. Gross profits remained at Rs. 2,279 million as compared with Rs. 2,760 million last year. Gross profits in percentage terms of net sales during the year remained low due to increase in cost of sales, witnessed after increase of electricity prices, RLNG tariff, coal prices, higher cotton bales prices etc. Another reason of increase in cost of sales during the year is because of the fact that during the first two quarters of last year, industrial gas tariff was available at the combination of natural gas and RLNG tariff; which later on was changed to RLNG tariff only. RLNG tariff is pegged to crude oil prices in US\$ resulting in considerable appreciation to input cost of gas during the year under review. Though selling prices of caustic and yarn were increased during the year to compensate against the incremental cost of production, yet the same could not be fully recovered due to prevalent economic conditions of the industries being not conducive enough to warrant such decision.

Profit after tax and earning per share stood at Rs. 299 million and Rs. 13.94 per share respectively as compared with profit after tax of Rs. 885 million and earning per share of Rs. 41.32 last year.

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) On October 16, 2019, company approved setting up of soap noodles plant based on European technology having production capacity of 34,000 M. Ton per annum with an estimated project cost of Rs. 1.75 billion. Work is in progress in this direction and major LCs of plant & machinery have been opened with banks and civil work is also in progress. We are hopeful that project will be completed in its due timelines Insha'Allah.
- b) On June 22, 2020, company approved setting up of Linear Alkyl Benzene Sulphonic Acid (LABSA) plant based on European technology having production capacity of 30,000 M. Ton per annum with an estimated project cost of Rs. 650 million. Commercial negotiations with foreign vendor are underway.

COVID-19 EFFECTS AND MEASURES:

The Government of Pakistan, keeping in view the global pandemic situation, locked-down entire Pakistan from 24th March 2020 as a safety measure to stop its spread. Accordingly, our factory was also hit by this decision; however, immediately your management got special approvals from the Government to keep its operations continued while taking special measures to comply with all the Government's provided SOP's. Despite the additional costs of these safety measures, your Company continues to keep the health and safety of our employees as its top priority. We will continue to adopt these measures till the Pandemic is fully eradicated.



Disinfection Activity



Briefing of social distance about Covid-19

ENVIRONMENT, HEALTH AND SAFETY:

Alhamdulillah, during the year 2020, your company has achieved another milestone by qualifying URSA (Understanding Responsible Sourcing Audit); it is an audit protocol which enables an independent assessment of a supplier's performance and compliance against all applicable laws and regulations and the additional requirements of Unilever's Responsible Sourcing Policy.



Clean and Green Sitara



Chemical Spillage Drill



HSE - First aid activity

Moreover, with the unanticipated outbreak of COVID-19 your Company has taken timely and proactive HSE measures to combat COVID-19. Specific SOPs related to social distancing, essential hygiene and health checks were developed and implemented. Furthermore, infrared thermometer, sanitizing gates, handwashing basins at the entrance and PPEs have already been installed / procured subsequent to your Company's HSE policies for the safeguard of its employees and associates and enabling it to resume business operation with due preparation. Moreover, awareness campaigns and use of different social media platforms remained operational for disseminating best practices related to COVID-19 to our stakeholders.



Maintaining Social Distance



Checking Temperature at Entrance



Wash Basins Stations

Your company is strongly committed to continual improvement of its Environmental Management System by adaption of appropriate pollution prevention measures and complying with all relevant legislation and International standards like ISO 9001, ISO 14001, ISO 50001, FSSC 22000, PS 3733 i.e. Halal Food Management System and OSHAS 18001. Company is also committed to the slogan of “safety starts from the entrance”.

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 in-house workshops / training sessions were held during the year to train the staff while ensuring social distancing during COVID-19 period. During the year 2019-20, company trained 806 employees as against 1,344 employees last year.



HRD activity through external trainer

INFORMATION TECHNOLOGY:

Information Technology is of a paramount importance for the growth of any industry, now particularly under the current COVID-19 scenario. Likewise your company immensely values its information technology resources, and we continuously endeavor to upgrade our IT infrastructure and resources to meet the growing business needs.

STAFF RETIREMENT BENEFITS:

Company has maintained a recognized provident fund, and based on audited accounts as at June 30, 2020, value of investment thereof was 43,947,862 as against Rs. 43,446,249/- last year. 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 2019-20, Company's contribution to the national exchequer amounts to Rs.2,262/- million towards payment of income tax and sales tax as against Rs. 2,242/- 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.

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 as a part of its CSR activities.



Free Medical Camp



Free Medical Testing Services



Water Treatment Plant

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. The Company does not pay any remuneration to non-executive and independent directors except fees for attending the meetings of the Board. Remuneration of executive directors is approved by the Board as recommended by the Human Resource and Remuneration Committee.

Aggregate amount of the remuneration paid to chief executive and executive director has been disclosed in note 40 of the annexed financial statements.

BOARD OF DIRECTORS:

The Board comprises of two executive directors, two independent, two non-executive male directors and one non-executive female director. 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 2019-20, 06 board meetings were held and attendance of Directors is as follows:

Sr.#	Name	Category	No. of Meetings Attended
1	Mr. Abdul Awal	Independent Director	05
2	Mr. Muhammad Adrees	Executive Director	06
3	Mr. Haseeb Ahmed	Executive Director	05
4	Mr. Haroon Ahmad Zuberi	Independent Director	06
5	Mr. Ahmad Nawaz	Non-executive Director	05
6	Mr. Ashraf Shahzad Ahmad	Non-executive Director	06
7	Mrs. Shala Waheed Sher	Non-executive Director	04

Leave of absence was granted to the members of Board, who did not attend the meetings.

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 2019-20, 06 meetings were held and attendance of members of audit committee is as follows:

Sr.#	Name	Category	No. of Meetings Attended
1	Mr. Haroon Ahmad Zuberi	Chairman Audit Committee	06
2	Mr. Abdul Awal	Member Audit Committee	06
3	Mr. Ahmad Nawaz	Member Audit Committee	06

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 personals. The committee comprises of three members. During the year 04 meetings were held and attendance of members is as follows:

Sr.#	Name	Category	No. of Meetings Attended
1	Mr. Abdul Awal	Chairman HR&RC Committee	04
2	Mr. Muhammad Adrees	Member HR&RC Committee	04
3	Mr. Shala Waheed Sher	Member HR&RC Committee	04

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 spouses 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 39th Annual General Meeting. Being eligible, they have offered themselves for re-appointment as Auditors of the Company from conclusion of the 39th Annual General Meeting until the conclusion of 40th 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, 2021. 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, 2020 were made:

Description	Rupees
Net profit for the year after tax before WPPF and WWF	325,447,133
Workers Welfare Fund (WWF) and Workers Profit Participation Fund (WPPF)	(26,683,706)
Net Profit for the year	298,763,427
Incremental depreciation (net of deferred tax)	275,929,329
Un-appropriated profit brought forward	8,522,363,987
Final dividend for the year ended June 30, 2019 @ Rs. 10 per share	(214,294,070)
Amount available for appropriation	8,882,762,673
Proposed dividend for the year ended June 30, 2020 @ Rs. 10 per share	(214,294,070)
Earnings per share - basic and diluted	13.94

DIVIDEND:

In view of the financial results of the Company for the year ended June 30, 2020; the Board of Directors of the Company have recommended a cash dividend of 100% i.e. Rs.10 per share.

FUTURE OUTLOOK:

Our R&D department is working with full dedications and exploring all the opportunities to fulfill our agenda of economically efficient operations, diversification and induction of new product lines etc., which will create shareholders' value and enhance shareholders' wealth 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. Any probable increase in Govt. electricity prices, RLNG tariff, devaluation of Pak rupee against US\$, increase in SBP policy rates, and risk of resurgence of COVID-19 till such time that vaccine is developed and is widely available in the country, could happen to be the key challenges for the Company.

It is also pertinent to mention here that Govt. of Pakistan, after the outbreak of COVID-19 pandemic, has taken number of measures including reduction in policy interest rate and provision of term loans to industry at subsidized rates to spur economic growth and promote new projects and industrialization in the country. These initiatives have provided some breathing space to the industries of the country in general and your company as well, particularly in terms of reduction of finance cost. Furthermore soon after lifting of lock down in the country, your company witnessed some recovery in the sales both in chemical division and in textile division, and we expect that these initiatives of the Govt., will bring some positive changes in the next year's financial results of the company. We hope that Pakistan and your company will come out of COVID-19 crisis very soon (INSHALLAH).

ACKNOWLEDGMENTS:

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



Muhammad Adrees
Chief Executive Officer
September 22, 2020
Faisalabad.



Haseeb Ahmad
Director

منافع:

کمپنی نے 30 جون 2020 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 آرائل 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۔ حکومت کی جانب سے کسی بھی ممکنہ بجلی کی قیمت میں اضافہ، RLNG ٹیرف میں اضافہ، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی، سٹیٹ بینک کا منافع کی شرح میں اضافہ اور COVID-19 کے دوبارہ پھیلنے کا خدشہ جب تک اس کی ویکسین تیار نہیں ہوتی اور ملک میں وسیع پیمانے پر دستیاب نہیں ہوتی یہ وہ عوامل ہیں جن کا کمپنی کو چیلنج ہے۔

یہاں یہ بات بھی قابل ذکر ہے کہ حکومت پاکستان نے COVID-19 عالمی وباء کے پھیلنے کے بعد معاشی ترقی کو فروغ دینے کے لیے کئی اقدامات اٹھائے ہیں جیسا کہ شرح منافع میں کمی اور انڈسٹری کو کم شرح پر قرضوں کی فراہمی۔ ان اقدامات سے ملک کی صنعتوں کو عام طور پر اور آپ کی کمپنی کو بھی سہارا ملا ہے جن میں خاص طور فنانس لاگت میں تخفیف ہے۔ مزید برآں، ملک میں لاک ڈاؤن کو اٹھانے کے فوراً بعد آپ کی کمپنی نے کیمیکل اور ٹیکسٹائل ڈویژن کی فروخت میں بہتری دیکھی ہے۔ اور ہم توقع کرتے ہیں کہ حکومت کے ان اقدامات سے اگلے سال کے مالی نتائج میں مثبت تبدیلی آئے گی۔ ہمیں امید ہے کہ پاکستان اور آپ کی کمپنی COVID-19 کی آزمائش سے بہت جلد چھٹکارہ حاصل کر لیں گے (انشاء اللہ)۔

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 اریس

چیف ایگزیکٹو آفیسر

ستارہ کیمیکل انڈسٹریز لمیٹڈ فیصل آباد

22 ستمبر 2020ء



حبیب احمد

ڈائریکٹر

کارپوریٹ گورننس:

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

شینیر ہولڈنگ کی شکل:

کمپنی کے شینیر ہولڈنگ کی شکل کو 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 سیکرٹری 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 39th سالانہ اجلاس عام کے ساتھ ریٹائر ہو جائیں گے۔ اہل ہونے کے ساتھ، انہوں نے اپنے آپ کو بطور آڈیٹرز 39th سالانہ اجلاس عام سے 40th 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 2021 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 الاقوامی فیڈریشن آف اکاؤنٹنٹس کے اخلاق کے اصول جو ICAP نے اپنائے ہیں سے مطابقت رکھتے ہیں۔

تخصیص:

30 جون 2020 کو ختم ہونے والے سال کے منافع کی مندرجہ ذیل تقسیم کاری کی گئی ہے۔

روپے	تفصیل
325,447,133/-	ٹیکس کے بعد سال کا خالص منافع، (WPPF اور WWF سے پہلے)
(26,683,706)	ورکرز ویلفیئر فنڈ اور ورکرز منافع شمولیت فنڈ
298,763,427/-	سال کا خالص منافع
275,929,329/-	Incremental Depreciation - Net of Tax
8,522,363,987/-	پچھلے سال کا جمع شدہ منافع
(214,294,070)	30 جون 2019 کے اختتام پر منافع 10 روپے فی شئیر
8,882,762,673/-	تقسیم کاری کے لیے دستیاب رقم
(214,294,070)	30 جون 2020 کے اختتام پر تجویز کردہ منافع 10 روپے فی شئیر
13.94	سالانہ فی حصص آمدنی

ڈائریکٹرز کی معاوضہ کی پالیسی کی اہم خصوصیات:

بورڈ آف ڈائریکٹرز نے کمپنی کے ایگزیکٹو ڈائریکٹرز کے معاوضے کی پالیسی کی منظوری ان کی کمپنی میں ذمہ داری اور تجربہ کے مطابق تشکیل دی ہے۔ کمپنی آزاد اور نان ایگزیکٹو ڈائریکٹرز کو بورڈ اور اس کی کمیٹیوں کی میٹنگ میں حاضری کی فیس کے علاوہ اور کوئی معاوضہ ادا نہیں کرتی۔ ایگزیکٹو ڈائریکٹرز کا معاوضہ انسانی وسائل اور معاوضے کی کمیٹی کی سفارش پر بورڈ منظور کرتا ہے۔

چیف ایگزیکٹو اور ایگزیکٹو ڈائریکٹر کے معاوضے کی مجموعی رقم کو مالیاتی گوشوارے کے نوٹ نمبر 40 میں دکھایا گیا ہے۔

بورڈ آف ڈائریکٹرز:

بورڈ دو ایگزیکٹو ڈائریکٹرز، دو آزاد ڈائریکٹرز اور دو نان ایگزیکٹو ڈائریکٹرز (مرد اور ایک نان ایگزیکٹو ڈائریکٹر خاتون) 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 2019-20 کے دوران چھ بورڈ میٹنگز منعقد ہوئیں جس میں ڈائریکٹرز کی حاضری مندرجہ ذیل رہی:

سیریل نمبر	نام	کیٹیگری	میٹنگز میں شرکت کی تعداد
1	محترم عبدالاول	آزاد ڈائریکٹر	05
2	محترم محمد ادریس	ایگزیکٹو ڈائریکٹر	06
3	محترم حبیب احمد	ایگزیکٹو ڈائریکٹر	05
4	محترم ہارون احمد زبیری	آزاد ڈائریکٹر	06
5	محترم احمد نواز	نان ایگزیکٹو ڈائریکٹر	05
6	محترم اشرف شہزاد احمد	نان ایگزیکٹو ڈائریکٹر	06
7	مسز شہلا وحید شیر	نان ایگزیکٹو ڈائریکٹر	04

بورڈ کے ممبر جنہوں نے میٹنگز میں شمولیت نہیں کی ان کو غیر حاضری کی چھٹی دی گئی 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 2019-20 کے دوران چھ میٹنگز منعقد ہوئیں جس میں آڈٹ کمیٹی کے اراکین کی حاضری کچھ اس طرح رہی:

سیریل نمبر	نام	کیٹیگری	میٹنگز میں شرکت کی تعداد
1	محترم ہارون احمد زبیری	چئیرمین آڈٹ کمیٹی	06
2	محترم عبدالاول	ممبر آڈٹ کمیٹی	06
3	محترم احمد نواز	ممبر آڈٹ کمیٹی	06

انسانی وسائل اور معاوضہ کی کمیٹی:

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

سیریل نمبر	نام	کیٹیگری	میٹنگز میں شرکت کی تعداد
1	محترم عبدالاول	چئیرمین HRR کمیٹی	04
2	محترم محمد ادریس	ممبر HRR کمیٹی	04
3	مسز شہلا وحید شیر	ممبر HRR کمیٹی	04

اور سنگ میل حاصل کیا ہے۔ یہ ایک آڈٹ کا طریقہ ہے جو سپلائر کی کارکردگی اور تمام قابل اطلاق قوانین اور ضوابط کے مطابق تعمیل اور یونیورسٹی کی ذمہ دار سونگ پالیسی کی اضافی تقاضوں کا خود مختار جائزہ لینے کے قابل بناتا ہے۔

مزید یہ کہ COVID-19 کے غیر متوقع وباء کے پھیلاؤ کے ساتھ، آپ کی کمپنی نے COVID-19 کا مقابلہ کرنے کے لیے بروقت اور فعال HSE کے اقدامات لیے ہیں۔ سماجی دوری، ضروری حفظان صحت اور صحت کی جانچ سے متعلق مخصوص ایس او پیز تیار کی گئیں۔ مزید برآں، آپ کی کمپنی نے اپنی HSE کی پالیسیوں کے تحت اپنے ملازمین اور ساتھیوں کی حفاظت کے پیش نظر پہلے ہی انفریڈ تھرمامیٹر، داخلی راستوں پر جراثیم کش گیٹ اور ہاتھ دھونے والے مینس اور پی پی ای کی خریداری کی جانچ کی ہے تاکہ مناسب تیاری کے ساتھ اپنی کاروباری سرگرمیوں کو جاری رکھا جاسکے۔ مزید یہ کہ اپنے حصہ داران تک COVID-19 سے متعلق بہترین طریقوں کو پھیلانے کے لیے آگاہی مہم اور مختلف سوشل میڈیا کا استعمال کا راز مد رہا۔

آپ کی کمپنی ماحولیاتی انتظام کے نظام کے مسلسل اصلاحات کی طرف سے اپنے ماحولیاتی انتظام کے نظام کی مسلسل بہتری پر زور دیتی ہے۔ اور تمام متعلقہ قوانین اور معیارات کو خاص طور پر ISO 9001, ISO 14001, ISO 50001, FSSC 22000 اور OHSAS 18001 کے ساتھ تعمیل کرتے ہیں۔ کمپنی اپنے اس نعرے "داخلے سے ہی حفاظت شروع ہوتی ہے" کے ساتھ پُر 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 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 دوران سال عمل کو تربیت دینے کے لیے کئی ورکشاپس، سیمینار، COVID-19 کی مدت میں سماجی فاصلے کو مد نظر رکھتے ہوئے منعقد کیے گئے۔ سال 2019-20 کے دوران کمپنی نے 806 ملازمین کو تربیت دی جبکہ گزشتہ سال ملازمین کی تعداد 1,344 تھی۔

انفارمیشن ٹیکنالوجی:

کسی بھی صنعت کی نشوونما کے لیے انفارمیشن ٹیکنالوجی ایک خاص اہمیت کی حامل ہے۔ خاص طور پر COVID-19 کے منظر نامے میں اسی طرح آپ کی کمپنی اپنے انفارمیشن ٹیکنالوجی کے وسائل کو بے حد قدر کی نگاہ سے دیکھتی ہے۔ اور ہم بڑھتی ہوئی کاروباری ضروریات کو پورا کرنے کے لیے اپنے آئی ٹی انفراسٹرکچر اور وسائل کو اپ گریڈ کرنے کی مستقل کوشش کرتے ہیں۔

اسٹاف ریٹائرمنٹ فوائد:

کمپنی نے ایک تسلیم شدہ Provident Fund قائم کیا ہوا ہے، اور 30 جون 2020 کو آڈٹ شدہ اکاؤنٹس پر مبنی سرمایہ کاری کی Market Value 43,947,862/- روپے رہی جو گزشتہ سال -43,446,249/ 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 2019-20 کے دوران، کمپنی نے قومی مالیات میں انکم ٹیکس اور سیلز ٹیکس کی مد میں -2,262/ ملین روپے جمع کروائے جو گزشتہ سال -2,242/ ملین روپے تھے۔ اس میں درآمدی ڈیوٹیاں، ملازمین، سپلائرز اور ٹھیکیداروں سے وڈ ہولڈنگ ٹیکس کی کٹوتی شامل نہیں ہے۔

کارپوریٹ سماجی ذمہ داری:

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

ڈائریکٹرز رپورٹ

اللہ تعالیٰ کے بابرکت نام سے جو بڑا مہربان اور نہایت رحم کرنے والا ہے۔ ستارہ کیمیکل انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 جون 2020 کو ختم ہونے والے مالی سال کے لیے آڈٹ شدہ مالی گوشوارے بمعہ آڈٹ رپورٹ اور بیرونی شرعی آڈیٹرز کی رپورٹ کے ساتھ پیش کر رہے ہیں۔

کاروباری جائزہ:

ملک کی مجموعی معاشی صورتحال دوران سال نمایاں طور پر سست روی کا شکار رہی خاص طور پر COVID-19 وباء کے پھوٹنے اور اس کے باعث سال کی چوتھی سہ ماہی کے دوران لاک ڈاؤن کی وجہ سے مجموعی طور پر جی ڈی پی کی شرح نمو میں کمی رہی جو گزشتہ سال مثبت جی ڈی پی 1.91 فیصد کے مقابلے میں منفی 0.38 فیصد رہی۔ بڑی مینوفیکچرنگ انڈسٹری (LSM) کی صنعتی نمو میں بھی گزشتہ سال 2.56 فیصد کی کمی کے مقابلے میں جی ڈی پی میں 7.78 فیصد کی نمایاں کمی دیکھنے میں آئی۔ اسی طرح، ملک میں ٹیکسٹائل کے شعبے کی کارکردگی بھی منفی رہی جس میں گزشتہ سال 0.17 فیصد شرح نمو میں کمی کے مقابلے میں 2.57 فیصد کی کمی ہوئی۔ سال کے دوران بینک سے قرض ریٹ کی شرح میں پچھلے سال کی اوسط شرح کے مقابلے 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 ملکی کاروبار کے ساتھ ساتھ آپ کی کمپنی کے کاروبار کو بھی متاثر کیا ہے جس سے سال کے دوران شرح فروخت میں واضح کمی ہوئی۔ زیر جائزہ مالی سال 2020 کے دوران آپ کی کمپنی کی خالص فروخت 11,793 ملین روپے رہی جبکہ گزشتہ سال یہ فروخت 12,698 ملین روپے تھی، جو 7.1 فیصد کی کوٹا ہر کرتی ہے۔ مجموعی منافع 2,279 ملین روپے رہا جبکہ گزشتہ سال یہ منافع 2,760 ملین روپے تھا۔ سال کے دوران مجموعی منافع خالص فروخت کی شرح کے لحاظ سے کم رہا جس کی وجہ فروخت کی لاگت میں اضافہ، بجلی کی قیمت میں اضافہ، RLNG کارڈ، کولنگ کی قیمت اور کٹن کی بیلز کی زیادہ قیمت وغیرہ ہیں۔ دوران سال فروخت کی لاگت میں اضافے کی ایک اور وجہ یہ حقیقت بھی ہے کہ گزشتہ سال کی پہلی دوسہ ماہیوں کے دوران انڈسٹریل گیس کا ٹیرف قدرتی گیس اور RLNG کے ملے ہوئے ٹیرف پر دستیاب رہی جو بعد میں صرف RLNG ٹیرف میں تبدیل کر دی گئی۔ RLNG ٹیرف کو خام تیل کی امریکی ڈالر قیمت کے ساتھ منسلک کر دیا گیا جو کہ دوران سال لاگت میں نمایاں اضافے کا سبب بنا۔ اگرچہ دوران سال اضافی پیداواری لاگت کو پورا کرنے کے لیے کاسٹک اور کٹن کی قیمتوں میں اضافہ کیا گیا۔ لیکن صنعتوں کی مروجہ معاشی حالات کی وجہ سے مکمل طور پر تلافی نہ کی جاسکی۔

ٹیکس کے بعد کمایا گیا منافع 299 ملین روپے اور فی حصص آمدنی 13.94 روپے رہی۔ جبکہ گزشتہ سال یہ منافع 885 ملین روپے اور فی حصص آمدنی 41.32 روپے تھی۔

سال کے اہم واقعات:

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

(ا) آپ کی کمپنی نے 16 اکتوبر 2019 کو یورپی ٹیکنالوجی پر مبنی Soap Noodles Plant کی تشکیل کی منظوری دی۔ جس کی پیداواری صلاحیت سالانہ 34,000 میٹرک ٹن اور منصوبے کی تخمینہ لاگت 1.75 بلین روپے ہے۔ اس سمت میں کام جاری ہے۔ پلانٹ اور مشینری کے بڑے LCs بینکوں کے ساتھ کھول دیے گئے ہیں اور تعمیراتی کام بھی جاری ہے۔ ہم امید کرتے ہیں کہ یہ منصوبہ اپنی مقررہ مدت تک مکمل ہو جائے گا (انشاء اللہ)۔

(ب) آپ کی کمپنی نے 22 جون 2020 کو یورپی ٹیکنالوجی پر مبنی LABSA Plant کی تشکیل کی منظوری دے دی ہے۔ جس کی پیداواری صلاحیت سالانہ 30,000 میٹرک ٹن اور منصوبے کی تخمینہ لاگت 650 ملین روپے ہے۔ جس کے لیے غیر ملکی فروخت کنندگان کے ساتھ تجارتی معاملات طے کیے جا رہے ہیں۔

COVID-19 کے اثرات اور اقدامات:

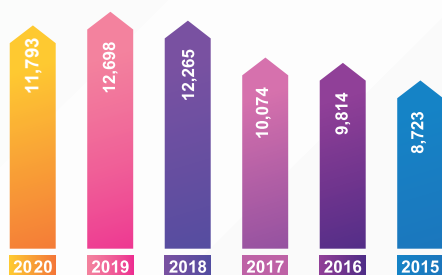
حکومت پاکستان نے عالمی وبائی صورتحال کے پیش نظر، اس کے پھیلاؤ کو روکنے کے لیے حفاظتی اقدام کے طور پر 24 مارچ 2020 کو پورے پاکستان میں لاک ڈاؤن لگا دیا۔ جس کے مطابق، ہماری فیکٹری کو بھی اس فیصلے کا سامنا کرنا پڑا۔ تاہم، فوری طور پر آپ کی انتظامیہ نے حکومت سے فراہم کردہ ایس او بیز کی تعمیل کے تحت اپنی سرگرمیوں کو جاری رکھنے کی خصوصی اجازت لی۔ ان حفاظتی اقدامات کے اضافی اخراجات کے باوجود، آپ کی کمپنی اپنے ملازمین کی صحت اور حفاظت کو اپنی اولین ترجیح کے طور پر برقرار رکھا۔ ہم ان اقدامات کو اپناتے رہیں گے جب تک کہ وباء کا مکمل خاتمہ نہیں ہو جاتا۔

ماحولیات، صحت اور حفاظت:

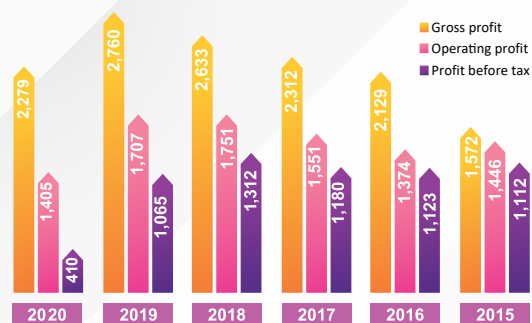
الحمد للہ، سال 2020 کے دوران، آپ کی کمپنی نے URSA (Understanding Responsible Sourcing Audit) کو کو ایفائی کر کے ایک

SIX YEARS AT A GLANCE

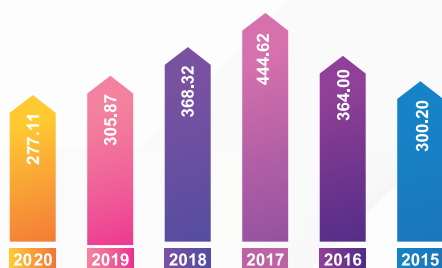
Operating results	2020	2019	2018	2017	2016	2015
(Rs. In Million)						
Sales	11,793	12,698	12,265	10,074	9,814	8,723
Gross profit	2,279	2,760	2,633	2,312	2,129	1,572
Operating profit	1,405	1,707	1,751	1,551	1,374	1,446
Profit before tax	410	1,065	1,312	1,180	1,123	1,112
Financial ratios	2020	2019	2018	2017	2016	2015
Gross Profit %	19.33	21.74	21.47	22.95	21.69	18.02
Operating Profit %	11.91	13.44	14.28	15.40	14.00	16.57
Profit before tax %	3.48	8.39	10.70	11.71	11.44	12.75
Earnings per share - Basic (Rs.)	13.94	41.32	50.69	54.43	35.90	46.03
Market value per share - (Rs.)	277.11	305.87	368.32	444.62	364.00	300.20
Cash Dividend Per Share - (Rs.)	10.00	10.00	13.00	12.50	11.50	9.00
Inventory turn over (times)	5.21	8.72	8.98	6.76	8.44	8.94
Current ratio	0.88:1	0.88:1	0.84:1	0.88:1	0.75:1	1.04:1
Fixed assets turn over (times)	0.79	0.82	1.28	1.07	1.12	1.51
Price earning ratio	19.88	7.40	7.27	8.17	10.14	6.52
Return to capital employed %	1.86	5.31	9.20	9.72	7.29	10.89
Debt equity	21:79	24:76	18:82	24:76	23:77	19:81



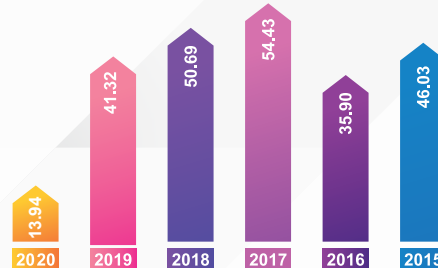
Sales (Rs. In Million)



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



Market value per share - (Rs.)

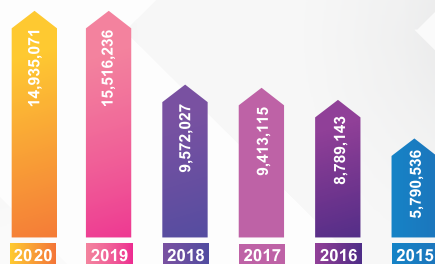


Earnings per share - Basic (Rs.)

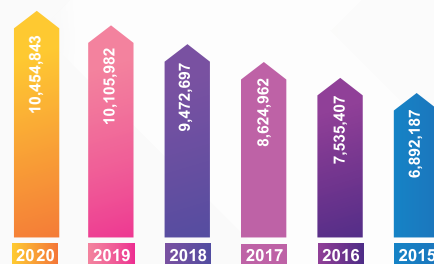
SIX YEARS AT A GLANCE

Operating results	2020	2019	2018	2017	2016	2015
(Rupees '000')						
Property, Plant and equipment	14,935,071	15,516,236	9,572,027	9,413,115	8,789,143	5,790,536
Intangible assets	10,008	11,120	11,780	13,089	14,544	16,159
Investment property	3,315,540	3,296,505	3,033,968	2,926,570	2,872,992	2,716,463
Long Term Investment	25,039	19,640	25,039	31,579	100,125	99,192
Advances and deposits	1,230,254	1,193,934	1,460,320	1,379,061	1,376,035	1,375,492
Current Assets	6,914,791	6,790,055	5,693,967	5,761,477	4,702,364	4,446,080
Current Liabilities	(7,891,779)	(7,677,633)	(6,770,386)	(6,523,898)	(6,286,868)	(4,293,654)
	18,538,923	19,149,857	13,026,715	13,000,993	11,568,335	10,150,268

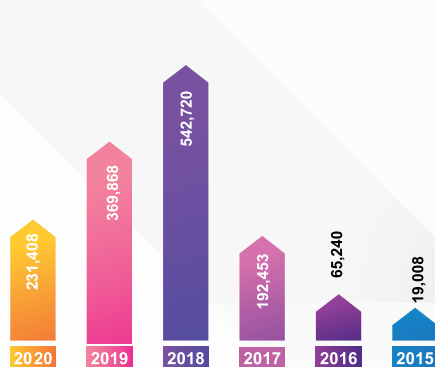
Financed by	2020	2019	2018	2017	2016	2015
(Rupees '000')						
Ordinary capital	214,294	214,294	214,294	214,294	214,294	214,294
Reserves	10,240,549	9,891,688	9,258,403	8,410,668	7,321,113	6,677,893
Shareholders' equity	10,454,843	10,105,982	9,472,697	8,624,962	7,535,407	6,892,187
Surplus on revaluation	4,237,712	4,513,641	1,164,731	1,226,133	1,355,695	1,305,696
Long term and deferred liabilities	3,846,368	4,530,234	2,389,287	3,149,898	2,677,233	1,952,385
	18,538,923	19,149,857	13,026,715	13,000,993	11,568,335	10,150,268



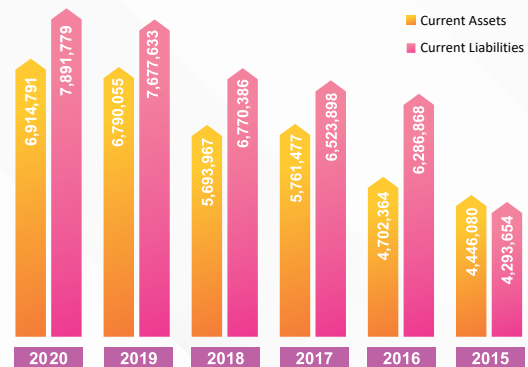
Property, Plant and equipment
(Rupees "000")



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 consists 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, 2019

Name of Company: **SITARA CHEMICAL INDUSTRIES LIMITED**

Year Ended: **June 30, 2020**

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 is as follows:

Category	Names
Independent Directors	Mr. Abdul Awal 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

* As per section 6 (2) of COCG regulations 2019, the requirement for minimum 2.33 independent directors would be applicable from the completion of existing term. The existing Board will complete its 3 year term in June 2022. Therefore, the company is compliant as regards to the requirement of independent directors with 2 independent directors.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
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. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the 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 have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. Four (04) directors have already completed directors' training program in prior years. However, Mr. Haroon Ahmad Zuberi (Independent Director) has completed this program during the year ended June 30, 2020. The remaining Two (02) directors shall obtain certification under the DTP in due course of time;

10. The board has approved appointment of Chief Financial Officer, 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. Chief Financial Officer and Chief Executive Officer 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 (quarterly/half yearly/yearly) of the committee were as per following:
 - a. **Audit Committee:** Six meetings during the financial year ended June 30, 2020
 - b. **HR and Remuneration Committee:** Four quarterly meetings during the financial year ended June 30, 2020
15. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are 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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
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 requirements of the regulations 3, 6, 7, 8, 27, 32 and 36 of the Regulations have been complied with.

On behalf of the Board

Abdul Awal
Chairman

Faisalabad
September 22, 2020





Shariah Compliance Review Report 2020



ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

22 Sep 2020

نحمده و نصلى على رسوله الكريم

Shariah Review Report

For the period ended June 30, 2020

We have conducted the Shariah review of **Sitara Chemical Industries Limited (SCIL)** for the financial year ended on June 30, 2020 in accordance with the provisions of Shariah Governance Regulations, 2018 and in our opinion:

- the transactions, the documentations and the procedures adopted have been in accordance with principles of Shariah;
- the business affairs have been carried out in accordance with rules and principles of Shariah;
- the dividend income received during the year was purified where necessary, and was treated in accordance with the requirements of Shariah Governance Regulations, 2018;

Conclusion:

Based on the Review of Company's operations, transactions, related documentation, processes, policies, legal agreements and management's representation, in our opinion, the affairs of SCIL have been carried out in accordance with the rules and principles of Shariah, and therefore, we are of the view that **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.

Mufti Muhammad Ibrahim Essa
Chief Executive Officer
Alhamd Shariah Advisory Services (Pvt.) Limited

Mufti Ubaid Ur Rahman Zubairi
Director
Alhamd Shariah Advisory Services (Pvt.) Limited



Address: Flat 503, 8th Floor Ibrahim Residency, C.P & Berar Society, Karachi.

☎ +92 322 2671867 | 🌐 www.alhamdshariahadvisory.com | ✉ info@alhamdshariahadvisory.com

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2020

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
924	1	100	25,747
515	101	500	128,069
172	501	1,000	124,887
136	1,001	5,000	318,992
41	5,001	10,000	303,112
13	10,001	15,000	169,408
4	15,001	20,000	67,247
5	20,001	25,000	118,013
3	25,001	30,000	81,574
4	30,001	35,000	123,736
1	35,001	40,000	36,600
2	40,001	45,000	86,025
1	45,001	50,000	45,565
2	50,001	55,000	105,109
2	55,001	60,000	116,364
3	60,001	65,000	188,200
2	65,001	70,000	130,764
2	80,001	85,000	167,350
2	85,001	90,000	173,866
1	95,001	100,000	95,600
1	105,001	110,000	105,700
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
1847			21,429,406

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2020

	Number	Share Held	Percentage
NIT & ICP			
National Bank of Pakistan - Trustee Department			
Investment Corporation of Pakistan	2	51,306	0.24
Directors, CEO & their Spouse and Minor Children			
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 Shahzad Ahmad	1	4	0.00
Bank, Development Finance Institutions, Non Banking Finance Institutions.	7	1,956,353	9.13
Insurance Companies	1	904,386	4.22
Mutual Funds	21	1,376,566	6.43
Modarabas	2	16,050	0.07
General Public (Local)	1735	1,803,501	8.42
General Public (Foreign)	34	166,244	0.78
Associated Companies, Undertaking and Related Parties	1	478,499	2.23
Joint Stock Companies, others, etc.	27	550,264	2.57
Others	10	112,289	0.52
	1,847	21,429,406	100.00

No trade in the shares of the company was carried out by its directors, CEO, CFO, Company Secretary and their spouses and minor children during the year 2019-2020.

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 |

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 39th Annual General Meeting of the shareholders of Sitara Chemical Industries Limited (the "Company") will be held on Monday, 26th day of October 2020 at 1:00 p.m. via Zoom video link, to transact the following business:

ORDINARY BUSINESS

- i. To confirm the minutes of the Annual General Meeting held on October 28, 2019.
- ii. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2020 together with the Reports of the Directors and Auditors thereon.
- iii. To approve payment of Cash Dividend at the rate of 100% (Rs.10/- per share) as recommended by the Board of Directors.
- iv. To appoint Auditors and to fix their remuneration for the year ending June 30, 2021. The present auditors, M/s. Deloitte Yousuf Adil, Chartered Accountants, have retired and being eligible, have offered themselves for re-appointment. The Board of Directors recommends, based on the recommendation of the Board Audit Committee, the appointment of M/s. Deloitte Yousuf Adil as auditors for the ensuing year.
- v. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

KARACHI
September 22, 2020

Mazhar Ali Khan
Company Secretary

NOTES:

CORONA VIRUS CONTINGENCY PLANNING FOR ANNUAL GENERAL MEETING OF SHAREHOLDERS

Due to current COVID-19 situation, as per the advice of the Government and directives of the Securities and Exchange Commission of Pakistan ("SECP") in terms of its Circular No.5 of 2020 dated March 17, 2020 and circular No. 25 of 2020 dated August 31, 2020 and Pakistan Stock Exchange Limited ("PSX") through its notice Ref: PSX/N-372 dated March 19, 2020 has advised companies to modify their usual planning for general meetings for the safety and well-being of shareholders and the public at large.

Considering the SECP's directives, the Company intends to convene this AGM with minimal physical interaction of shareholders while ensuring compliance with the quorum requirements and requests the members to consolidate their attendance and voting at the AGM through proxies.

NOTICE OF ANNUAL GENERAL MEETING

Accordingly, the Company has made arrangements to ensure that all participants, including shareholders, can now participate in the AGM proceedings via video link. Those members who are willing to attend and participate in the AGM are requested to register themselves by sending an email along with following particulars and valid copy of both sides of Computerized National Identity Card (CNIC) at agm2020@sitara.com.pk with subject of 'Registration for AGM' not less than 48 hours before the time of the meeting:

Name of Shareholder	CNIC Number	CDC Account No./Folio No.	Cell Number	Email Address

AGM will be held through Zoom application - a video link facility.

Members who will be registered, after necessary verification as per the above requirement, will be provided a password protected video link by the Company via email. The said link will remain open from 12:30 p.m. on the date of AGM till the end of the meeting. Members may send their comments and suggestions relating to the agenda items of the AGM at least two (2) working days before the AGM at agm2020comments@sitara.com.pk. Shareholders are requested to mention their full name, CNIC No. and folio/CDC account No. for this purpose.

Members are therefore, encouraged to attend the AGM through video link or by consolidating their attendance through proxies.

CLOSURE OF SHARE TRANSFER BOOKS

The Share Transfer Books of the Company will remain closed from October 20, 2020 to October 26, 2020 (both days inclusive). Transfers received in order at the office of Share Registrar M/s. THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi before the close of business on October 19, 2020 will be considered in time for entitlement of the dividend.

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.

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

NOTICE OF ANNUAL GENERAL MEETING

identity by showing their original Computerized National Identity Card (CNIC), or Original Passport at the time of attending the meeting.

- ii) In case of Corporate Entities, the Board of Directors' resolution/power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.
- b) **For appointing proxies:**
 - i) In case of individuals, the account holders or sub account holders and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form. The proxies shall produce their original CNIC or original passport at the time of meeting.
 - ii) In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the company's registrar.
 - iii) Form of proxy is attached to the notice of meeting being sent to the members. Proxy Form may also be downloaded from the Company's website i.e. www.sitara.com.pk

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:

Filer of Income Tax Returns	15.00%
Non-Filer of Income Tax Returns	30.00%

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

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

The shareholders who have joint shareholdings held by Filers and Non-Filers shall be dealt with separately and in such particular situation, each account holder is to be treated as either a Filer or a Non-Filer and tax will be deducted according to his shareholding. If the share is not ascertainable then each account holder will be assumed to hold equal

NOTICE OF ANNUAL GENERAL MEETING

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.

Folio/ CDC A/c No.	Name of Shareholders	No. of Shares or percentage (Proportion)	CNIC No.	(Principal/Joint Shareholders)

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 attached with the notice of meeting being sent to the shareholders. In case of shares held in CDC, the same information should be provided to the CDS participants for updating and forwarding to the Company.

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.

ELECTRONIC CIRCULATION OF ANNUAL REPORTS VIA EMAIL OR CD/DVD:

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

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

PLACEMENT OF FINANCIAL STATEMENTS:

The audited financial statements of the Company for the year ended June 30, 2020 have been placed at the Company's website: www.sitara.com.pk.

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



Auditor's Report & Financial Statements 2020

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, 2020, 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, 2020 and of the profit, its 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 is the Key audit matter:

Key audit matter	How matter was addressed in our audit report
Revenue Recognition	
<p>The Company's sales comprise of revenue from the sale of chemicals and textile products as disclosed in note 29 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 4.19).</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicator of the Company and because of the potential risk that revenue transactions may not have been recognized based on transfer of control to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to address the Key Audit Matter included the following:</p> <ul style="list-style-type: none"> Obtaining an understanding of and assessing the design, implementation and operating effectiveness of controls over recognition of revenue; Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with the accounting standards; 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.

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.

Deloitte Usman Khan

Chartered Accountants

Engagement Partner:

Rana M. Usman Khan

Lahore

September 22, 2020



INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS

ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Sitara Chemical Industries Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 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. 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.

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, 2020.

Deloitte Young & Abil

Chartered Accountants

Engagement Partner:

Rana M. Usman Khan

Lahore

September 22, 2020

INDEPENDENT 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 July 01, 2019 to June 30, 2020.

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 July 01, 2019 to June 30, 2020) 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, 2020.

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 July 01, 2019 to June 30, 2020 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 July 01, 2019 to June 30, 2020 are in compliance with the Shariah principles (criteria specified in paragraph 2 above), in all material respects.

Deloitte Usman Khan

Chartered Accountants

Engagement Partner:

Rana M. Usman Khan

Lahore

September 22, 2020

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	5	14,935,071,355	15,516,236,992
Intangible assets	6	10,007,614	11,119,571
Investment property	7	3,315,539,542	3,296,505,403
Long term investments	8	25,038,687	19,640,181
Long term loans and advances	9	1,106,764,300	1,082,125,074
Long term deposits	10	123,489,334	111,809,332
		19,515,910,832	20,037,436,553
<i>Current assets</i>			
Stores, spare parts and loose tools	11	860,466,081	950,071,186
Stock in trade	12	2,326,955,413	1,328,480,329
Trade debts	13	1,201,405,892	1,176,875,910
Loans and advances	14	2,224,221,481	2,876,503,605
Trade deposits and prepayments	15	7,655,535	4,862,552
Other receivables	16	15,874,764	14,576,026
Other financial assets	17	196,568,603	336,175,104
Cash and bank balances	18	81,643,197	102,509,993
		6,914,790,966	6,790,054,705
Total assets		26,430,701,798	26,827,491,258



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Haseeb Ahmad
Director

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
EQUITY AND LIABILITIES			
<i>Share capital and reserves</i>			
Share capital	19	214,294,070	214,294,070
Reserves	20	1,357,786,277	1,369,324,352
Unappropriated profit		8,882,762,673	8,522,363,987
Surplus on revaluation of property, plant and equipment	21	4,237,711,730	4,513,641,059
Total equity		14,692,554,750	14,619,623,468
LIABILITIES			
<i>Non-current liabilities</i>			
Long term financing	22	1,375,943,084	2,054,446,636
Long term deposits	23	52,547,093	39,787,093
Deferred liabilities	24	2,417,877,849	2,436,000,612
		3,846,368,026	4,530,234,341
<i>Current liabilities</i>			
Trade and other payables	25	1,991,302,301	2,416,097,017
Profit / financial charges payable	26	171,286,214	186,353,883
Short term borrowings	27	4,983,544,432	4,333,342,248
Unclaimed dividend		21,608,951	19,823,931
Current portion of long term financing	22	724,037,124	722,016,370
		7,891,779,022	7,677,633,449
<i>Contingencies and commitments</i>	28		
Total equity and liabilities		26,430,701,798	26,827,491,258

The annexed notes from 1 to 50 form an integral part of these financial statements.



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Haseeb Ahmad
Director

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Sales - net	29	11,792,672,025	12,698,107,030
Cost of sales	30	(9,513,537,908)	(9,938,577,050)
Gross profit		2,279,134,117	2,759,529,980
Distribution cost	31	(317,837,963)	(343,178,557)
Administrative expenses	32	(626,211,798)	(660,168,458)
Impairment loss on financial assets	13.4	(27,652,065)	(25,779,669)
Other expenses	33	(86,317,021)	(190,552,622)
Finance cost	34	(994,985,687)	(641,593,283)
		(2,053,004,534)	(1,861,272,589)
Other income	35	226,129,583	898,257,391
		183,414,265	166,746,020
Profit before taxation		409,543,848	1,065,003,411
Provision for taxation	36	(110,780,421)	(179,545,004)
Profit for the year		298,763,427	885,458,407
Earnings per share - basic and diluted	37	13.94	41.32

The annexed notes from 1 to 50 form an integral part of these financial statements.



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Haseeb Ahmad
Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Profit for the year		298,763,427	885,458,407
<i>Items that may be reclassified subsequently to profit or loss</i>		-	-
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of post retirement benefits obligation	24.3	(228,650)	3,790,916
Related tax impact		65,007	(1,067,344)
Loss on re-measurement of equity instruments as at FVTOCI		(11,374,432)	(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		(11,538,075)	3,415,682,933
Total comprehensive income for the year		287,225,352	4,301,141,340

The annexed notes from 1 to 50 form an integral part of these financial statements.



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Haseeb Ahmad
Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

A. CASH FLOWS FROM OPERATING ACTIVITIES	Note	2020 Rupees	2019 Rupees
Profit before taxation		409,543,848	1,065,003,411
Adjustments for:			
Depreciation on property, plant and equipment		1,172,377,148	967,587,086
Depreciation on investment property		4,561,686	4,786,380
Amortization on intangible assets		1,111,957	1,210,960
Finance cost		994,985,687	641,593,283
Amortization of deferred grant		(493,138)	-
Remeasurement loss / (gain) on short term investments measured at FVTPL		25,270	(4,248,701)
(Gain) / loss on disposal of property, plant and equipment		(7,069,528)	106,222,607
(Gain) / loss on sale of investments measured at FVTPL		(1,310,859)	55,882
Exchange gain		(2,164,172)	(6,299,133)
Provision for employee benefits		13,324,946	11,071,307
Impairment loss on financial assets		27,652,065	25,779,669
(Reversal) / Impairment of long term investments		(5,398,506)	5,398,506
Unwinding of discount on deferred consideration due		(102,527,323)	(97,706,782)
Modification loss on financial asset		65,006,551	-
Markup on bank deposits		(8,776,814)	(7,567,793)
Dividend income		(16,470,897)	(7,113,259)
Operating cash flows before changes in working capital		2,544,377,921	2,705,773,423
Working capital changes	43	(867,496,552)	(327,185,656)
Cash generated from operations		1,676,881,369	2,378,587,767
Finance cost paid		(1,010,053,356)	(532,212,755)
Employee benefits paid		(5,515,698)	(9,053,170)
Taxes paid		(196,923,069)	(426,948,352)
		(1,212,492,123)	(968,214,277)
Net cash generated from operating activities		464,389,246	1,410,373,490



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Haseeb Ahmad
Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

		2020 Rupees	2019 Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES	Note		
Proceeds from disposal of property, plant and equipment		26,749,726	44,194,260
Proceeds from disposal of other financial assets		563,514,002	557,733,541
Additions to property, plant and equipment including capital work in progress		(610,891,709)	(2,512,305,196)
Additions to intangibles		-	(550,256)
Purchase of other financial assets		(425,085,730)	(533,477,329)
Purchase of investment property		(23,595,825)	(267,323,970)
Long-term loans and advances		194,779,281	16,372,465
Long term deposits paid		(11,680,002)	(599,854)
Dividend received		7,560,283	7,113,259
Profit received on bank deposits		8,776,814	7,567,793
Net cash used in investing activities		(269,873,160)	(2,681,275,287)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		86,937,216	1,570,266,122
Repayment of long term financing		(752,773,232)	(813,643,765)
Short term borrowings		650,202,184	808,315,571
Long term deposits		12,760,000	9,344,302
Dividend paid		(212,509,050)	(280,533,588)
Net cash (used in) / generated from financing activities		(215,382,882)	1,293,748,642
Net (decrease) / increase in cash and cash equivalents (A+B+C)		(20,866,796)	22,846,845
Cash and cash equivalents at beginning of the year		102,509,993	79,663,148
Cash and cash equivalents at end of the year	18	81,643,197	102,509,993

The annexed notes from 1 to 50 form an integral part of these financial statements.



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Haseeb Ahmad
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2020

	Capital reserves					Revenue reserves		
	Share capital	Share premium	Reserve on re-measurement of equity instruments as at FVTOCI	Remeasurement on post retirement benefits obligation - net of tax	Surplus on revaluation of property, plant and equipment	General reserve	Unappropriated profit	Total
	Rupees							
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
Profit for the year	-	-	-	-	-	-	885,458,407	885,458,407
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	-
Transactions with owners								
Final dividend for the year ended June 30, 2018 @ Rs. 12.5 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
Profit for the year	-	-	-	-	-	-	298,763,427	298,763,427
Other comprehensive income	-	-	(11,374,432)	(163,643)	-	-	-	(11,538,075)
Total comprehensive income	-	-	(11,374,432)	(163,643)	-	-	298,763,427	287,225,352
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(275,929,329)	-	275,929,329	-
Transactions with owners								
Final dividend for the year ended June 30, 2019 @ Rs. 10 per share	-	-	-	-	-	-	(214,294,070)	(214,294,070)
Balance as at June 30, 2020	214,294,070	97,490,410	40,074,665	(4,778,798)	4,237,711,730	1,225,000,000	8,882,762,673	14,692,554,750

The annexed notes from 1 to 50 form an integral part of these financial statements.



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Haseeb Ahmad
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2.3 *Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan which are effective in current period*

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, interpretations and 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:

2.3.1 *Standards or Interpretations with no significant impact*

Effective from annual period beginning on or after:

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
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS 14 'Regulatory deferral accounts.	July 01, 2019
Annual improvements to IFRS standards 2015-2017 cycle amendments to:	
IFRS 3 Business Combinations;	
IFRS 11 Joint Arrangements; and	January 01, 2019
IAS 12 Income Taxes	
IAS 23 Borrowing Costs.	

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Standards or Interpretations

Effective from annual period beginning on or after:

Amendments to References to the Conceptual Framework in IFRS Standards.	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to IAS 39, IFRS 7 and IFRS 9 – The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform.	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
Amendment to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendment regarding Definition of Material.	January 01, 2020
Amendment to IFRS 16 'Leases' - Provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	June 01, 2020
Amendments to IAS 16 'Property, Plant and Equipment', prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.	January 01, 2022
Amendment to IFRS 16 'Leases' - Provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	January 01, 2020
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1).	January 01, 2022
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.	January 01, 2020
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding the costs to include when assessing whether a contract is onerous.	January 01, 2022
Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards.	January 01, 2020

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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 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 are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for free hold land, building on freehold land (factory), plant & machinery and capital work in progress. 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, 2020

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 *Change in accounting estimate*

The Company has carried out the revaluation of its Land, Building, Plant and machinery as at June 30, 2019. Upon consultation with the valuer, the management realized that the useful life of plant and machinery have increased. Keeping in consideration the assessed useful life of these assets, the depreciation rates have been revised to 7.5% from 10%. Management believes that the said change in estimate more accurately reflects the pattern of consumption of economic benefits of the respective assets.

The aforesaid mentioned revision has been accounted for as change in accounting estimate in accordance with the requirement of IAS 08 (Accounting Policies, Change in Accounting Estimates and Errors). The effects of this change in accounting estimate has been recognised prospectively in the profit or loss account of the current year. Had there been no revision, profit before taxation for the current year would have been decreased by Rs. 279.27 million whereas the carrying value of operating assets would have been reduced by same amount. Impact of change in accounting estimate on future period has not been disclosed because it can not be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

4.3 *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.

4.4 *Investment property*

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

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

4.5 *Investments*

Regular way purchase or sale of investments

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

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 recognized 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

- 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 recognized 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.

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 recognized 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.

4.6 *Stores, spare parts and loose tools*

These are valued at lower of cost and net realizable value less allowance for the obsolete and slow moving items. Cost is determined using 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, 2020

4.7 *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.

4.8 *Trade debts and other receivables*

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

4.9 *Cash and cash equivalents*

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

4.10 *Impairment*

Non Financial Assets

The Company assesses at each 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Financial Assets

The Company recognizes 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 recognizes 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.

For all other financial instruments, the Company recognizes 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.

4.11 *Borrowings*

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

4.12 *Employee retirement benefits*

Defined contribution plan - Chemical division

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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.

4.13 *Deferred grant*

This represents deferred grant on subsidized rate loan obtained under the Refinance Scheme from State Bank of Pakistan. The loan carries markup at a rate of 1%. Loan obtained under the Refinance Scheme is recognized at its fair value which would be the present value of loan proceeds received, discounted using prevailing market rates of interest for a similar instrument. The differential between the loan proceeds and fair value of the loan is recorded as deferred grant. The deferred grant is amortized over the term of the loan.

4.14 *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.

4.15 *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.

4.16 *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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Deferred tax liabilities are generally recognized 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.

4.17 *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.

4.18 *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.

4.19 *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.
- Dividend income from investments is recognized when the company's rights to receive payment have been established.

4.20 *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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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.

4.21 *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.

4.22 *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.

4.23 *Off setting 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.

4.24 *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, 2020

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2020 Rupees	2019 Rupees
Operating assets	5.1	14,798,050,669	15,429,125,965
Capital work-in-progress	5.3	137,020,686	87,111,027
		<u>14,935,071,355</u>	<u>15,516,236,992</u>

5.1 Operating assets - as at June 30, 2020

Description	Cost / revalued amount		Accumulated depreciation			Book value as at June 30, 2020	Dep. Rate (%)
	At July 01, 2019	Additions / (disposals)	At June 30, 2020	At July 01, 2019	Charge for the year / (on disposals)		
Rupees							
Freehold land	1,271,108,000	16,297,429	1,287,405,429	-	-	1,287,405,429	-
Building on freehold land: Mill	1,767,686,296	70,775,352	1,838,461,648	-	180,704,556	1,657,757,092	10
Head office	12,238,041	-	12,238,041	10,864,337	131,883	1,241,821	10
Plant and machinery	11,035,400,000	343,180,071 (22,990,085)	11,355,589,986	-	837,820,500 (17,274,782)	10,535,044,268	7.5
Grid station and electric installation	218,991,528	23,077,522 (113,697)	241,955,353	169,794,942	5,923,354 (110,837)	66,347,894	10
Containers and cylinders	69,399,454	- (8,814,203)	60,585,251	46,204,198	2,269,495 (8,223,195)	20,334,753	10
Factory equipment	169,443,612	38,168,914 (133,000)	207,479,526	55,250,834	13,184,249 (63,301)	139,107,744	10
Electric equipment	1,235,875,759	47,211,963 (2,438,048)	1,280,649,674	240,451,643	102,599,053 (1,262,601)	938,861,579	10
Office equipment	69,673,709	3,316,055 (475,967)	72,513,797	32,042,069	4,008,277 (298,236)	36,761,687	10
Furniture and fittings	41,750,052	3,062,906	44,812,958	18,860,207	2,396,064	23,556,687	10
Vehicles	231,860,060	15,891,838 (35,691,748)	212,060,150	120,832,316	23,339,717 (23,743,598)	91,631,715	20
	16,123,426,511	560,982,050 (70,656,748)	16,613,751,813	694,300,546	1,172,377,148 (50,976,550)	14,798,050,669	

62

5.2 Depreciation for the year has been allocated as under:

Cost of sales
Administrative expenses

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

5.3 Capital work-in-progress

2020

Description	At July 01, 2019	Additions	Transfers	At June 30, 2020
Rupees				
Civil	27,700,699	73,861,431	(71,936,413)	29,625,717
Mechanical	57,159,866	400,323,917	(352,339,276)	105,144,507
Advance for property, plant and equipment	2,250,462	-	-	2,250,462
	87,111,027	474,185,348	(424,275,689)	137,020,686

2019

Description	At July 01, 2018	Additions	Transfers	At June 30, 2019
Rupees				
Civil	35,675,131	322,682,191	(336,069,233)	22,288,089
Mechanical	40,918,515	1,076,137,382	(1,054,483,421)	62,572,476
Advance for property, plant and equipment	3,406,126	-	(1,155,664)	2,250,462
	79,999,772	1,398,819,573	(1,391,708,318)	87,111,027

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

5.4 Disposal of property, plant and equipment of book value exceeding Rs. 500,000

2020

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain / (loss)	Mode of disposal
	Third party			Rupees			
Pay Loader	Muhammad Javaid	4,540,000	(3,243,685)	1,296,315	841,667	(454,648)	Negotiation
Toyota Land Cruiser	Nadeem Mushtaq	16,930,000	(13,844,996)	3,085,004	10,350,000	7,264,996	Negotiation
Honda Odyssey	K.B Enterprises	9,462,885	(2,079,206)	7,383,679	5,000,000	(2,383,679)	Negotiation
		30,932,885	(19,167,887)	11,764,998	16,191,667	4,426,669	

2019

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain / (loss)	Mode of disposal
	Third party			Rupees			
Pusher Centrifuge Machine	M. Basheer	14,653,396	(9,252,634)	5,400,762	210,000	(5,190,762)	Negotiation
Heli Fork lifter	M. Javaid	1,733,588	(889,063)	844,525	195,833	(648,692)	Negotiation
Welding Plant	Imran Asif	560,000	(50,400)	509,600	17,083	(492,517)	Negotiation
	Employees						
Toyota Corolla Altis	Mehmood Ul Hassan	1,995,330	(1,475,899)	519,431	1,400,000	880,569	Negotiation
		18,942,314	(11,667,996)	7,274,318	1,822,916	(5,451,402)	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

Location	Usage of immovable property	Total area (Square feet)	Covered area (Square feet)
Chak# 61 - RB, Faisalabad	Manufacturing unit	7,359,642	506,877
Chak# 97 - RB, Faisalabad	Power Generation Unit (CFPP)	3,915,772	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.

5.6 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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.

Foreign Values:

The 70% of original capitalized cost in Pak Rupee is converted to USD prices by dividing the USD rate of the year of procurement. This USD price of each equipment is then converted into current Rupees price by multiplying the original USD price by current USD 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 7.5% per annum on written down value basis to arrive at a fair present / depreciated market value of the assets.

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

5.8 Details of the Company's revalued assets and information about fair value hierarchy, as at June 30, 2019 were 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 were 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, 2020

- 5.9 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at June 30, 2020 would have been as follows:

	Cost	Accumulated depreciation Rupees	Book Value
Land	343,561,966	-	343,561,966
Buildings on free hold land	2,000,950,046	734,218,557	1,266,731,489
Plant and Machinery	9,988,296,511	3,501,792,719	6,486,503,792
2020	12,332,808,523	4,236,011,276	8,096,797,247
2019	11,925,545,756	3,607,713,871	8,317,831,885

6. INTANGIBLE ASSETS

Cost	Note	2020 Rupees	2019 Rupees
As at July 01		21,550,256	21,000,000
Additions		-	550,256
As at June 30		21,550,256	21,550,256
Accumulated amortization			
As at July 01		10,430,685	9,219,725
Amortization during the year	30	1,111,957	1,210,960
As at June 30		11,542,642	10,430,685
	6.1	10,007,614	11,119,571

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

	Note	2020 Rupees	2019 Rupees
7. INVESTMENT PROPERTY			
Land	7.1	3,269,146,682	3,246,711,918
Buildings	7.2	46,392,860	49,793,485
		3,315,539,542	3,296,505,403
7.1 Land			
Balance at the beginning of the year		3,246,711,918	2,979,387,948
Acquisitions during the year		22,434,764	267,323,970
Balance at the end of the year		3,269,146,682	3,246,711,918

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
7.2 Buildings			
Cost			
Balance at the beginning of the year		89,276,765	89,276,765
Additions during the year		1,161,061	-
Balance at the end of the year		90,437,826	89,276,765
Accumulated depreciation			
At the beginning of the year		39,483,280	34,696,900
For the year	32	4,561,686	4,786,380
At the end of the year		44,044,966	39,483,280
Written down value at the end of year		46,392,860	49,793,485

The Company has invested in freehold land, residential plots and building portions covering area of 3,423 kanals and 19 marla for the purpose of capital appreciation and earning rental income. These properties are situated within the Province of Punjab. Management estimates fair value of investment property is equal to its carrying value.

The rental income earned by the Company from its investment property amounted to Rs. 33.57 million (2019: Rs. 30.17 million).

8. LONG TERM INVESTMENTS

8.1 These includes investments in Dawood Family Takaful Limited and Takaful Pakistan Limited. The Company has elected to designate these investments in equity instruments as at FVTPL.

8.2 Details of the Company's investments and information about fair value hierarchy, as at June 30, 2020 is as follows.

	Level 1	Level 2 Rupees	Level 3
Long term investments	-	-	25,038,687

Details of the Company's investments and information about fair value hierarchy, as at June 30, 2019 was as follows.

	Level 1	Level 2 Rupees	Level 3
Long term investments	-	-	19,640,181

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
9. LONG TERM LOANS AND ADVANCES			
Deferred consideration on sale of investment property	9.1	1,102,030,559	1,064,509,787
Loans and advances	9.2	4,733,741	17,615,287
		<u>1,106,764,300</u>	<u>1,082,125,074</u>
9.1 Deferred consideration on sale of investment property			
Deferred consideration on sale of investment property		1,277,030,559	1,414,509,787
Current portion shown in current assets	14	(175,000,000)	(350,000,000)
	9.1.1	<u>1,102,030,559</u>	<u>1,064,509,787</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 of total sale price amounting to Rs. 438 million has been received as an advance and balance receivable amounting to Rs. 1,752 million to be received from M/s Sitara Developers (Private) Limited over a period of 6 years (5 installments). During the year Rs. 175 million have been received and both the parties have agreed to defer the remaining consideration by one year. Above represents the amortized cost of remaining consideration as per amended repayment schedule.		
9.2 Loans and advances	Note	2020 Rupees	2019 Rupees
<i>Considered good</i>			
<i>Secured</i>			
Staff		3,257,554	3,882,504
<i>Unsecured</i>			
Staff		18,744,175	37,898,506
		<u>22,001,729</u>	<u>41,781,010</u>
Current portion shown in current assets	14	(17,267,988)	(24,165,723)
	9.2.1	<u>4,733,741</u>	<u>17,615,287</u>
9.2.1	The maximum aggregate amount due at the end of any month during the year was Rs. 37.81 million (2019: Rs. 56.91 million).		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

			2020 Rupees	2019 Rupees
10.	LONG TERM DEPOSITS	Note		
	Security deposits for:			
	Electricity		38,903,990	38,903,990
	Gas		83,971,590	72,291,588
	Water and Sanitation Agency		155,354	155,354
	Others		458,400	458,400
			<u>123,489,334</u>	<u>111,809,332</u>
11.	STORES, SPARE PARTS AND LOOSE TOOLS			
	Stores		825,286,302	910,633,084
	Spare parts		30,683,738	35,180,900
	Loose tools		4,496,041	4,257,202
			<u>860,466,081</u>	<u>950,071,186</u>
12.	STOCK IN TRADE			
	Raw and packing material		1,283,735,642	423,564,494
	Work in process		27,136,232	-
	Finished goods		1,005,303,661	899,807,416
	Waste		10,779,878	5,108,419
			<u>2,326,955,413</u>	<u>1,328,480,329</u>
13.	TRADE DEBTS			
	Related parties - considered good			
	Aziz Fatima Trust Hospital	13.1	-	477,468
	Others			
	Local - unsecured		1,337,984,865	1,310,583,610
	Foreign-secured		50,984,633	41,219,950
			<u>1,388,969,498</u>	<u>1,351,803,560</u>
	Allowance for expected credit losses	13.4	(187,563,606)	(175,306,056)
	Directly written off during the year	32	-	(99,062)
			<u>1,201,405,892</u>	<u>1,176,398,442</u>
			<u>1,201,405,892</u>	<u>1,176,875,910</u>

13.1 The maximum aggregate amount of receivable due from related party at the end of any month during the year was Rs. 0.74 million (2019: Rs 0.48 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, 2020

		2020 Rupees	2019 Rupees
13.4	<i>Movement in allowance for expected credit losses</i>		
	At beginning of the year	175,306,056	93,345,213
	Effect of implementation of IFRS 9	-	56,181,174
	Adjusted balance as at beginning of the year	175,306,056	149,526,387
	Impairment losses on financial assets	27,652,065	25,779,669
	Written off during the year	(15,394,515)	-
	At end of the year	187,563,606	175,306,056
14.	LOANS AND ADVANCES		
	Current portion of long term loans and advances	9.2 17,267,988	24,165,723
	Current portion of deferred consideration on sale of investment property	9.1 175,000,000	350,000,000
		192,267,988	374,165,723
	Advance income tax	1,307,440,005	1,257,590,686
	Advance sales tax	-	4,525,546
	Related parties - considered good Sitara Developer Private Limited	14.1 2,204,833	-
	Advances - considered good		
	For office expenses	12,047,981	12,748,789
	Letters of credit fee, margin and expenses	168,527,988	520,930,576
	Suppliers and contractors	541,732,686	706,542,285
		722,308,655	1,240,221,650
	Advances - considered doubtful		
	For expenses	42,589	42,589
	Suppliers and contractors	599,955	599,955
	Provision for doubtful advances	14.2 (642,544)	(642,544)
		-	-
		2,224,221,481	2,876,503,605
14.1	The maximum aggregate amount of receivable due from related party at the end of any month during the year was Rs. 2.67 million (2019: NIL).		
14.2	<i>Movement in provision for doubtful advances</i>	2020 Rupees	2019 Rupees
	At beginning of the year	642,544	642,544
	Reversed during the year	-	-
	At end of the year	642,544	642,544

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

15.	TRADE DEPOSITS AND PREPAYMENTS	Note	2020 Rupees	2019 Rupees
	Trade deposits		6,583,802	3,473,802
	Prepayments		1,071,733	1,388,750
			<u>7,655,535</u>	<u>4,862,552</u>
16.	OTHER RECEIVABLES			
	Receivable from provident fund - related party 16.1		3,408,419	3,584,275
	Unsecured - considered good			
	Others		12,466,345	10,991,751
			<u>15,874,764</u>	<u>14,576,026</u>

- 16.1 This represents contribution of the Company and employees in respect of provident fund. The maximum aggregate amount of receivable due from related party at the end of any month during the year was Rs. 4.51 million (2019: 5.74 million).

17.	OTHER FINANCIAL ASSETS	Note	2020 Rupees	2019 Rupees
	Investments measured at fair value through profit or loss (FVTPL)			
	Mutual funds	17.1	6,986,504	135,448,070
	Investments designated as at fair value through other comprehensive income (FVTOCI)			
	Equity investments	17.2	189,582,099	200,727,034
			<u>196,568,603</u>	<u>336,175,104</u>

17.1 Investments measured at FVTPL

Units having face value of Rs. 50 each.

2020 No. of units	2019		2020 Rupees	2019 Rupees
444	296,935	Al-Meezan Investment Management Limited	22,200	15,255,165
134,452	2,203,077	Meezan Rozana Amdani Fund	6,722,614	110,153,874
4,581	98,745	Meezan Sovereign Fund (MSF) (T.D)	236,135	5,083,966
119	97,506	Meezan Islamic Income Fund	5,555	4,955,065
			<u>6,986,504</u>	<u>135,448,070</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

17.1.2 Amounts recognized in profit or loss

During the year, the following gains / (losses) were recognized in profit or loss:

	Note	2020 Rupees	2019 Rupees
Remeasurement (loss) / gain on short term investments recognized in profit or loss (FVTPL)	35	(25,270)	4,248,701
Gain / (loss) on sale of investments recognized in profit or loss (FVTPL)	35	1,310,859	(55,882)

17.1.3 Disposals of equity investments measured at FVTPL

17.1.3.1 During the period, the Company sold its investment in equity instruments measured at FVTPL. The shares sold had a fair value of 563.51 million at the time of sale and the Company realized a gain of 1.31 million which was realized in profit or loss.

17.1.3.2 In the previous financial period, the Company sold its investment in equity instruments measured at FVTPL. The shares sold had a fair value of 557.73 million at the time of sale and the Company realized a gain of 0.06 million which was realized in profit or loss.

17.2 Investments designated as at FVTOCI

Fully paid ordinary shares of Rs. 10 each.

2020 No. of shares	2019 No. of shares		2020 Rupees	2019 Rupees
3,220,000	3,220,000	Sitara Peroxide Limited	65,720,200	61,759,596
753,382	753,382	Meezan Bank Limited	51,870,351	65,664,775
674,661	674,661	Sitara Energy Limited	14,572,678	17,473,720
72,000	72,000	D.G Khan Cement Company Limited	6,143,760	4,070,880
82,197	82,197	Engro Polymer & Chemical Limited	2,053,281	2,216,031
84,698	84,698	Ittehad Chemicals Limited	2,231,792	2,283,458
40,000	40,000	Fauji Cement Company Limited	675,200	629,200
41,624	22,500	Maple Leaf Cement Factory Limited	1,081,392	537,525
66,000	66,000	Pakistan Oilfield Limited	23,141,580	26,788,740
33,629	33,629	Hub Power Company Limited	2,438,103	2,648,283
27,500	27,500	Engro Corporation Limited	8,055,300	7,304,000
25,000	25,000	Engro Fertilizers Limited	1,507,000	1,599,250
160,000	160,000	Fauji Foods Limited	1,512,000	2,110,400
28,800	24,000	National Foods Limited	7,212,960	4,419,840
8,640	7,200	Pakistan State Oil Company Limited	1,366,502	1,221,336
			<u>189,582,099</u>	<u>200,727,034</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

17.2.1 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 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.

17.2.2 Amounts recognized in other comprehensive income

During the year, the following gains / (losses) were recognized in other comprehensive income:

	2020 Rupees	2019 Rupees
Loss on re-measurement of equity instruments recognized in other comprehensive income (FVTOCI)	(11,374,432)	(673,131)

17.2.3 Disposals of equity investments measured at FVTOCI

17.2.3.1 During the period there were no additions or disposals in Investments designated at FVTOCI.

17.2.3.2 In the previous financial period, the Company sold its investment in equity instruments measured at FVTOCI. The shares sold had a fair value of 11.06 million at the time of sale and the Company realized a gain of 4.66 million which was realized in OCI.

18.	CASH AND BANK BALANCES	Note	2020 Rupees	2019 Rupees
	Cash in hand		15,044,310	16,204,772
	Cash at banks			
	In current accounts		50,877,023	53,343,784
	In saving accounts	18.1	15,721,864	32,961,437
			66,598,887	86,305,221
			81,643,197	102,509,993

18.1 These are shariah compliant bank balances and carry profits at rates ranging from 3.25% to 5.32% (2019: 4.26% to 7.26%) 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, 2020

19. SHARE CAPITAL

2020	2019		2020	2019
No. of shares			Rupees	
		Authorized		
		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
2020	2019		2020	2019
No. of shares			Rupees	
		Issued, subscribed and paid up		
		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
		- issued as fully paid under scheme of arrangement for amalgamation		
1,985,009	1,985,009		19,850,090	19,850,090
21,429,407	21,429,407		214,294,070	214,294,070

- 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 (2019: 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 are elected 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.

20.	RESERVES	Note	2020 Rupees	2019 Rupees
	Capital			
	Share premium	20.1	97,490,410	97,490,410
	Revenue			
	General reserve	20.2	1,225,000,000	1,225,000,000
	Other			
	Reserve on re-measurement of equity instruments at FVTOCI	20.3	40,074,665	51,449,097
	Reserve on re-measurement of post retirement benefits net of tax		(4,778,798)	(4,615,155)
			1,357,786,277	1,369,324,352

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

- 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.

	2020	2019
	Rupees	Rupees
21. Surplus on revaluation of property, plant and equipment		
Opening balance	5,782,048,264	1,292,204,023
Addition during the year	-	4,549,908,889
Transferred to unappropriated profit on account of Incremental depreciation - net of deferred tax	(275,929,329)	(60,064,648)
Related deferred tax liability due to incremental depreciation	(63,586,280)	-
	(339,515,609)	(60,064,648)
Closing balance	5,442,532,655	5,782,048,264
Related deferred tax liability		
Opening balance	(1,268,407,205)	(127,473,503)
Addition during the year	-	(1,140,933,702)
Transferred to unappropriated profit on account of Deferred tax on incremental depreciation	63,586,280	-
	(1,204,820,925)	(1,268,407,205)
Closing balance	4,237,711,730	4,513,641,059

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

22.	LONG TERM FINANCING	Note	2020 Rupees	2019 Rupees	
From banking companies and other financial institutions - secured					
Diminishing Musharka (from financial institutions - secured)			22.1	1,375,943,084	2,054,446,636
Description	Profit	Security	Repayment	2020	2019
Askari Bank Limited	Three months KIBOR plus 1.00 % (2019: Three months KIBOR plus 1.00 %) per annum payable on quarterly basis.	1st pari Passu charge over Caustic Soda-Liquid-BMR-II plant with 25% Margin.	This Diminishing Musharka 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.	142,857,144	200,000,000
Askari Bank Limited	Three months KIBOR plus 1.00 % (2019: Three months KIBOR plus 1.00 %) per annum payable on quarterly basis.	a) 1st pari passu charge of Rs. 267m including 25% margin over Caustic Soda-Liquid-BMR-II plant. b) 1st exclusive charge of Rs. 133 million over Caustic Soda flake Plant (CSP-III) with 25% margin.	This Diminishing Musharka 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.	235,714,287	300,000,000
Meezan Bank Limited	Three months KIBOR plus 1.00 % (2019: Three months KIBOR plus 1.00 %) 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 Musharka 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.	463,331,910	498,972,826
Meezan Bank Limited	Three months KIBOR plus 1.15 % (2019: Three months KIBOR plus 1.15 %) 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 Musharka 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	175,000,000
Meezan Bank Limited	Three months KIBOR plus 1.15 % (2019: Three months KIBOR plus 1.15 %) 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 Musharka 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	396,293,295

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

MCB Bank Limited Syndicated Diminishing Musharka Facility	Three months KIBOR plus 1.15 % (2019: Three Month 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
Faysal Bank Limited	Three months KIBOR plus 1.00 % (2019: Three Month Kibor Plus 1.00%) 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 Sheikhpura 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.	360,000,000	520,000,000
MCB Islamic Bank Limited	Three months KIBOR plus 1.00 % (2019: Three Month Kibor Plus 1.00%) per annum payable on quarterly basis.	pari passu charge Over present & future fixed assets of Membrane Unit III (M-III) Plant with 25% margin situated at 32-KM Sheikhpura 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.	250,000,000	406,250,000
Faysal Bank Limited	SBP rate plus 1.00 % (2019: Nil) per annum payable on quarterly basis.	First exclusive charge with 25% margin over fixed assets of client comprising land measuring 7.54 Acres, building & Membrane Unit-IV (M-IV) situated at 32-KM Sheikhpura Road, Faisalabad.	This Diminishing Musharka finance facility was sanctioned for an amount of Rs.200 million. Facility is repayable in Eight equal quarterly installments commencing from March 31, 2021 and ending on December 31, 2022.	76,783,572	-
				2,099,980,208	2,776,463,006
				(724,037,124)	722,016,370)
				1,375,943,084	2,054,446,636

22.1.1 Effective rate of profit for the year is ranging from 8.25% to 15.00% (2019 : 7.41% to 13.97%) per annum.

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

	2020 Rupees	2019 Rupees
Maturity		
6 months or less	345,684,660	472,446,884
6 - 12 months	378,352,464	249,569,486
1 - 5 years	1,375,943,084	2,054,446,636
	2,099,980,208	2,776,463,006

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

22.4 Markup paid on these Islamic mode facilities amounted to Rs. 358.85 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

23. LONG TERM DEPOSITS		2020 Rupees	2019 Rupees			
	From customers	51,377,093	38,617,093			
	Others	1,170,000	1,170,000			
		<u>52,547,093</u>	<u>39,787,093</u>			
23.1	As per the requirements of section 217 of the Companies Act, 2017 deposits amounting to Rs. 51.38 million (2019: Rs. 38.62 million) are utilized for the purpose of business as per the written agreements and deposits amounting to Rs. 1.17 million (2019: Rs. 1.17 million) are kept in separate bank account.					
24. DEFERRED LIABILITIES		2020 Rupees	2019 Rupees			
	Deferred taxation	24.1 2,368,971,192	2,405,285,497			
	Deferred grant	24.2 10,153,644	-			
	Staff retirement benefits - gratuity	24.3 38,753,013	30,715,115			
		<u>2,417,877,849</u>	<u>2,436,000,612</u>			
24.1	Deferred taxation					
	This comprises the following:					
	Deferred tax liability on taxable temporary differences arising in respect of:					
	Tax depreciation allowance	1,228,494,189	1,210,702,131			
	Surplus on revaluation of property, plant and equipment	1,204,820,925	1,268,407,205			
		<u>2,433,315,114</u>	<u>2,479,109,336</u>			
	Deferred tax asset on deductible temporary differences arising in respect of:					
	Provision for employee benefits	(11,017,841)	(8,647,931)			
	Allowance for expected credit losses	(53,326,081)	(65,175,908)			
	Unused tax credits	-	-			
		<u>(64,343,922)</u>	<u>(73,823,839)</u>			
		<u>2,368,971,192</u>	<u>2,405,285,497</u>			
24.1.1	Movement in temporary differences for the year	Balance as at July 1, 2019	Recognized in equity	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2020
	Taxable temporary difference					
	Tax depreciation allowance	1,210,702,130	-	17,792,059	-	1,228,494,189
	Surplus on revaluation of property, plant and equipment	1,268,407,205	-	(63,586,280)	-	1,204,820,925
	Deductible temporary difference					
	Provision for employee benefits	(8,647,930)	-	(2,304,904)	(65,007)	(11,017,841)
	Allowance for expected credit losses	(65,175,908)	-	11,849,827	-	(53,326,081)
		<u>2,405,285,497</u>	-	<u>(36,249,298)</u>	<u>(65,007)</u>	<u>2,368,971,192</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	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				
<i>Taxable temporary difference</i>					
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
<i>Deductible temporary difference</i>					
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	-	-
	1,151,409,559	(15,817,974)	127,692,866	1,142,001,046	2,405,285,497

	2020 Rupees	2019 Rupees
24.2 Deferred grant		
As at June 30, 2019	-	-
Deferred grant recognized on subsidized rate long term loan	10,646,782	-
Amortization of deferred grant	(493,138)	-
As at June 30, 2020	10,153,644	-

24.2.1 The Company will not lay off their workers/employees at least during three months from the date of first disbursement except in case of any disciplinary action.

	2020 Rupees	2019 Rupees
24.3 Staff retirement benefits - gratuity		
<i>Movement in liability</i>		
At beginning of the year	30,715,115	32,487,894
Charge for the year	13,324,946	11,071,307
Remeasurement (income) / loss recognized in other comprehensive income	228,650	(3,790,916)
Benefits paid during the year	(5,515,698)	(9,053,170)
At the end of the year	38,753,013	30,715,115

24.3.1 Movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation as at July 01	30,715,115	32,487,894
Current service cost	9,453,415	8,618,213
Interest cost	3,871,531	2,453,094
Benefits paid	(5,515,698)	(9,053,170)
Remeasurements:		
Actuarial losses / (gain) from changes in financial assumptions	228,650	(3,790,916)
Present value of defined benefit obligation as at June 30	38,753,013	30,715,115

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
24.3.2 Expense recognized in profit and loss account is as follows		
Current service cost	9,453,415	8,618,213
Interest cost	3,871,531	2,453,094
	<u>13,324,946</u>	<u>11,071,307</u>
24.3.3 Charge for the year has been allocated as follows:		
Cost of sales	9,327,462	7,749,915
Administrative expenses	3,997,484	3,321,392
	<u>13,324,946</u>	<u>11,071,307</u>
24.3.4 Total remeasurement chargeable to other comprehensive income:		
Remeasurement of defined benefit obligation:		
Actuarial (gain) / losses from changes in financial assumptions	228,650	(3,790,916)
	<u>228,650</u>	<u>(3,790,916)</u>

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

	2020	2019
Discount rate	8.25%	14.25%
Expected rate of salary increase	12.51%	12.25%
Average retirement age of employee	60 years	60 years

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	35,616,871	42,436,324
Salary growth	1%	42,665,005	35,374,916

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
24.3.7 Maturity profile of the defined benefit obligation		
24.3.7.1 Weighted average duration of the benefit (Years)	9.18	8.78
24.3.7.2 Distribution of timing of benefit payments (time in years)	2020 Rupees	2019 Rupees
1	2,281,276	2,413,216
2	3,088,663	1,939,451
3	5,434,892	2,541,623
4	1,818,855	6,031,488
5	4,142,728	1,603,739
6 to 10	15,722,900	19,790,649
11 and above	75,846,489	203,524,583

24.3.8 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.

		2020 Rupees	2019 Rupees
25. TRADE AND OTHER PAYABLES	Note		
Creditors		552,780,394	855,669,839
Accrued liabilities	25.1	1,243,841,872	1,389,925,462
Advances from customers		48,977,306	56,834,046
Sales tax payable		73,908,646	-
Retentions / security deposits		48,546,606	57,584,251
Withholding tax		2,424,464	2,468,495
Workers' profit participation fund	25.2	8,444,481	6,574,834
Workers' welfare fund		12,251,893	46,899,249
Others		126,639	140,841
		1,991,302,301	2,416,097,017

- 25.1** This includes an amount of Rs. 873.44 million (2019 : Rs. 945.84 million) in respect of Gas Infrastructure Development Cess (GIDC). GIDC was imposed by the government in December 2011, to raise funds for development of gas infrastructure in the country. GIDC Act provides legal framework which allows government to levy and collect the cess from gas consumers other than the domestic sector consumers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The Supreme Court (SC) announced its decision pertaining to Gas Infrastructure Development Cess (GIDC), directing recovery of Rs 417 billion GIDC payables from the industries. According to the court decision, the amount is receivable in twenty-four equal monthly installments starting from August 01, 2020 without the component of late payment surcharge. The late payment surcharge shall only become payable for the delays that may occur in the payment of any of the twenty-four installments.

The GIDC expense is charged to profit and loss in prior years. The company has reversed the late payment surcharge amounting to Rs. 72.40 million after the decision and meanwhile the company is considering to file the review petition in the Supreme Court of Pakistan against the above said decision.

		2020 Rupees	2019 Rupees
25.2	Movement in workers' profit participation fund		
	Note		
	At beginning of the year	6,574,834	910,648
	Amount paid to workers on behalf of the fund	(19,941,731)	(51,532,560)
		(13,366,897)	(50,621,912)
	Allocation for the year	21,811,378	57,196,746
	At end of the year	8,444,481	6,574,834
26.	PROFIT / FINANCIAL CHARGES PAYABLE		
	Long term financing	32,860,287	66,951,417
	Murabaha financing / short term borrowings	138,425,927	119,402,466
		171,286,214	186,353,883
27.	SHORT TERM BORROWINGS		
	<i>Secured</i>		
	From banking companies - Islamic financing facilities	4,983,544,432	4,333,342,248
27.1	The Company has obtained Islamic financing facilities of Rs. 750 million from Meezan Bank Limited - Islamic, Rs. 100 million from Bank Alfalah Limited - Islamic, Rs. 400 million from Dubai Islamic Bank - Islamic, Rs. 250 million from Bank Islami - Islamic, Rs. 500 million from Askari Bank Limited - Islamic, Rs. 550 million from Habib Bank Limited - Islamic, Rs. 650 million from The Bank of Punjab - Islamic, Rs. 350 million from Faysal Bank Limited - Islamic, Rs. 300 million from UBL Ameen - Islamic, Rs. 200 million from Soneri Bank Limited - Islamic, Rs. 500 million from The Bank Of Khyber - Islamic, Rs. 281.31 million from MCB - Islamic and Rs. 150 million from Bank Islami - Islamic. Markup paid during the year on these facilities amounted to Rs. 644.36 million.		
27.2	The aggregate unavailed facilities from banking companies amounted to Rs. 1,919 million (2019: Rs. 1,767 million). These are subject to profit margin ranging from 7.92% to 14.78% (2019: 6.90% to 13.82%) per annum and are secured against joint pari-passu charge over present and future current assets of the chemical division and textile division.		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

		2020 Rupees	2019 Rupees
28.	CONTINGENCIES AND COMMITMENTS		
28.1	Contingencies		
	Guarantees issued by banks on behalf of the Company	262,517,192	259,984,467
28.2	Commitments		
	Outstanding letters of credit for raw material and spare parts	1,125,850,448	268,872,532
29.	SALES - NET	2020 Rupees	2019 Rupees
	<i>Chemical</i>	12,098,694,357	12,526,718,410
	<i>Textile</i>	2,191,850,072	2,372,857,620
		14,290,544,429	14,899,576,030
	Less:		
	Commission and discount	(456,517,718)	(509,489,101)
	Sales tax	(2,041,354,686)	(1,691,979,899)
	Sales - net	11,792,672,025	12,698,107,030
29.1	All revenue earned by the Company is shariah compliant.		
30.	COST OF SALES		
	Raw material consumed	30.1 2,566,785,815	2,714,106,083
	Fuel and power	4,877,053,897	5,415,708,365
	Salaries, wages and benefits	30.2 521,552,777	513,554,450
	Stores and spares	437,083,836	492,078,989
	Repair and maintenance	56,167,633	64,193,630
	Vehicle running and maintenance	1,633,938	1,676,053
	Travelling and conveyance	31,729,724	36,119,615
	Insurance	34,389,431	29,052,728
	Depreciation	5.2 1,117,893,882	918,893,599
	Amortization	6 1,111,957	1,210,960
	Others	6,438,954	7,170,004
		9,651,841,844	10,193,764,476
	Work in process		
	Opening stock	-	14,928,200
	Closing stock	(27,136,232)	-
		(27,136,232)	14,928,200
	Cost of goods manufactured	9,624,705,612	10,208,692,676
	Finished stocks		
	Opening stock - including waste	904,915,835	634,800,209
	Closing stock - including waste	(1,016,083,539)	(904,915,835)
		(111,167,704)	(270,115,626)
		9,513,537,908	9,938,577,050

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

		2020 Rupees	2019 Rupees	
30.1	Raw material consumed			
	Opening stock	423,564,494	300,918,880	
	Purchases	3,426,956,963	2,836,751,697	
		3,850,521,457	3,137,670,577	
	Closing stock	(1,283,735,642)	(423,564,494)	
		2,566,785,815	2,714,106,083	
30.2	Salaries, wages and benefits include Rs. 9.33 million (2019: Rs. 7.75 million) in respect of employee retirement benefits.			
31.	DISTRIBUTION COST	Note	2020 Rupees	2019 Rupees
	Salaries, wages and benefits		29,687,630	28,781,962
	Freight, octroi and insurance		268,498,431	277,227,963
	Advertisement		9,072,890	25,156,267
	Vehicles running and maintenance		3,928,081	3,764,026
	Travelling and conveyance		3,750,031	5,089,003
	Postage and telephone		1,073,506	1,199,327
	Printing and stationery		300,852	476,841
	Others		1,526,542	1,483,168
			317,837,963	343,178,557
32.	ADMINISTRATIVE EXPENSES			
	Directors' remuneration		47,853,063	36,085,320
	Salaries, wages and benefits	32.1	312,952,601	312,227,048
	Postage and telephone		5,089,961	4,216,769
	Vehicles running and maintenance		24,912,723	24,292,247
	Printing and stationery		2,620,008	5,598,464
	Electricity		43,599,000	53,610,939
	Rent, rates and taxes		5,461,273	7,017,919
	Travelling and conveyance	32.2	22,751,316	29,010,327
	Advertisement		13,040,077	11,745,265
	Books and periodicals		152,366	138,711
	Fees and subscription		10,243,296	10,363,518
	Legal and professional	32.3	3,789,572	4,308,564
	Repairs and maintenance		12,009,835	16,122,143
	Auditors' remuneration	32.4	2,820,000	2,820,000
	Entertainment		18,228,606	11,125,046
	Donations	32.5	35,215,952	73,053,124
	Insurance		4,373,657	2,915,828
	Depreciation	5.2	54,483,266	48,693,487
	Depreciation on investment property	7.2	4,561,686	4,786,380
	Bad debts directly written off during the year	13	-	99,062
	Others		2,053,540	1,938,297
			626,211,798	660,168,458

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

32.1 Staff salaries and benefits include Rs. 3.40 million (2019: Rs. 3.32 million) in respect of employee retirement benefits.

32.2 Travelling and conveyance include Rs. 0.04 million (2019: Rs. 0.05 million) paid to Shariah Advisor.

32.3 Legal and professional include Rs. 0.60 million (2019: Rs. 0.20 million) paid to Shariah Advisor.

32.4	Auditors' remuneration	2020 Rupees	2019 Rupees
	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
		2,820,000	2,820,000

32.5 It includes Rs. 21.76 million (2019: Rs. 21.24 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.

33.	OTHER EXPENSES	Note	2020 Rupees	2019 Rupees
	Workers' profit participation fund	25.2	21,811,378	57,196,746
	Workers' welfare fund		4,872,328	21,734,763
	(Reversal) / impairment on long term investments		(5,398,506)	5,398,506
	Loss on disposal of property, plant and equipment		-	106,222,607
	Loss on modification of financial asset		65,006,551	-
	Remeasurement loss on short term investments measured at FVTPL		25,270	-
			86,317,021	190,552,622

34. FINANCE COST

Long term financing	325,247,561	203,456,131
Murabaha payable / short term borrowings	662,531,056	428,532,447
Bank charges and commission	7,207,070	9,604,705
	994,985,687	641,593,283

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

35.	OTHER INCOME	Note	2020 Rupees	2019 Rupees
	<i>Income from financial assets</i>			
	Markup on bank deposits	35.1	8,776,814	7,567,793
	Dividend income	35.2	16,470,897	7,113,259
	Exchange gain	35.3	2,164,172	6,299,133
	Gain on sale of investments measured at FVTPL		1,310,859	(55,882)
	Remeasurement gain on short term investments measured at FVTPL		-	4,248,701
	Unwinding on deferred consideration receivable		102,527,323	97,706,783
			131,250,065	122,879,787
	<i>Income from other than financial assets</i>			
	Gain on disposal of property, plant and equipment		7,069,528	-
	Sale of scrap and waste		9,271,870	12,353,533
	Rent income		33,572,574	30,165,479
	Amortization of deferred grant	24.2	493,138	-
	Others		1,757,090	1,347,221
			52,164,200	43,866,233
			183,414,265	166,746,020

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

35.2 This represents dividend income from shariah compliant investments.

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

36.	PROVISION FOR TAXATION	2020 Rupees	2019 Rupees
	Current		
	For the current year	151,362,210	49,054,663
	For prior year	(4,332,491)	2,797,475
		147,029,719	51,852,138
	Deferred		
		(36,249,298)	127,692,866
		110,780,421	179,545,004

36.1	Numerical reconciliation between the applicable and effective tax rate	2020 %	2019 %
	Applicable tax rate	29.00	29.00
	Prior year adjustments	(1.06)	0.26
	Lower rate applicable to certain income	(1.17)	(0.86)
	Effect of tax credits	(3.14)	(7.02)
	Effect of change in statutory rate change	-	(3.60)
	Income taxed at different rates	-	(0.42)
	Others	3.35	(0.50)
	Effective tax rate	26.98	16.86

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

37. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2020	2019
Profit for the year	Rupees	298,763,427	885,458,407
Weighted average number of ordinary shares outstanding during the year	Number	21,429,407	21,429,407
Earnings per share	Rupees	13.94	41.32

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At July 01, 2019	Availed during the year	Repaid during the year	At June 30, 2020
			Rupees	
Long term financing	2,776,463,006	76,290,434	(752,773,232)	2,099,980,208
Short term borrowings	4,333,342,248	12,399,456,678	(11,749,254,494)	4,983,544,432
	7,109,805,254	12,475,747,112	(12,502,027,726)	7,083,524,640

39. 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

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

39.1 *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:

39.1.1 *Counterparties*

The Company conducts transactions with the following major types of counterparties for its financial assets at amortized 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

39.1.2 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:

<i>Financial assets at amortized cost:</i>	2020 Rupees	2019 Rupees
Trade debts	1,201,405,892	1,176,875,910
Loans and advances	1,277,030,559	1,414,509,787
Other receivables	15,874,764	14,576,026
Bank balances	66,598,887	86,305,221
	<u>2,560,910,102</u>	<u>2,692,266,944</u>

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

	2020 Rupees	2019 Rupees
Chemical	702,220,320	737,566,473
Textile	499,185,572	439,309,437
	<u>1,201,405,892</u>	<u>1,176,875,910</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:

	2020 Rupees	2019 Rupees
Chemicals	702,220,320	737,566,473
Textile	499,185,572	439,309,437
	<u>1,201,405,892</u>	<u>1,176,875,910</u>

39.1.3 Impairment losses

The aging of trade receivables at the reporting date is:

	Gross 2020	Impairment 2020	Gross 2019	Impairment 2019
	Rupees			
Not past due	459,401,901	-	467,349,966	-
Past due 0-180 days	771,743,262	53,892,954	611,406,228	1,477,783
Past due 181-360 days	6,334,339	5,852,016	40,462,740	7,633,390
Over 360 days	151,489,996	127,818,636	232,584,626	166,194,883
	<u>1,388,969,498</u>	<u>187,563,606</u>	<u>1,351,803,560</u>	<u>175,306,056</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

	2020 Rupees	2019 Rupees
Balance at July 01, 2019	175,306,056	93,345,213
Effect of implementation of IFRS 9	-	56,181,174
Charge for the period	27,652,065	25,779,669
Bad debts written off	(15,394,515)	-
Balance at June 30, 2020	187,563,606	175,306,056

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

	Note	2020 Rupees	2019 Rupees
At beginning of the year		642,544	642,544
Reversed during the year		-	-
At end of the year	14.2	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.

39.2 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 27.2 to these financial statements is the amount of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

39.2.1 Liquidity and interest risk table

The following table details the Company's remaining contractual maturity for its financial liabilities at amortized 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, 2020

	Carrying amount	
	2020 Rupees	2019 Rupees
<i>Trade and other payables</i>		
Maturity up to one year	1,796,748,905	2,303,320,393
<i>Short term borrowings</i>		
Maturity up to one year	4,983,544,432	4,333,342,248
<i>Unclaimed dividend</i>		
Maturity up to one year	4,595,953	2,810,933
Maturity after one year and up to five years	3,670,637	2,704,127
Maturity after five year	13,342,361	14,308,871
<i>Profit / financial charges payable</i>		
Maturity up to one year	171,286,214	171,286,214
<i>Long term financing</i>		
Maturity up to one year	724,037,124	722,016,370
Maturity after one year and up to five years	1,375,943,084	2,054,446,636
	<u>9,073,168,710</u>	<u>9,604,235,792</u>

39.3 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.

39.3.1 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to foreign currency risk

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

	2020 USD	2019 USD
Trade debts	303,390	257,544

Commitments outstanding at year end amounted to Rs. 1,125.85 million (2019: Rs. 268.87 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:

<i>Rupees per USD</i>	2020	2019
Average rate	164.05	140.78
Reporting date rate	168.05	160.05

Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2020 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, 2019.

	2020 Rupees	2019 Rupees
Decrease in profit and loss account	5,098,469	4,121,992

A 10 percent strengthening of the Pak Rupee against the USD at June 30, 2020 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

39.3.2 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.

39.3.3 Interest rate risk

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

Profile of financial instruments at amortized cost

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

	2020 %	2019 %	2020 Rupees	2019 Rupees
<i>Floating rate instruments</i>				
<i>Financial liabilities</i>				
Short term borrowings	7.92% to 14.78%	6.90% to 13.82%	(4,983,544,432)	(4,333,342,248)
Long term financing	8.25% to 15.00%	7.41% to 13.97%	(2,099,980,208)	(2,776,463,006)
			<u>(7,083,524,640)</u>	<u>(7,109,805,254)</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
2020	%	Rupees
Short term borrowings	1.00%	(49,835,444)
Long term financing		(20,999,802)
		<u>(70,835,246)</u>
2019		
Short term borrowings	1.00%	(43,333,422)
Long term financing		(27,764,630)
		<u>(71,098,052)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

39.4 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 (2019: Rs. 19.64 million).

At the reporting date, the exposure to listed equity securities at fair value was Rs. 196.57 million (2019: Rs. 336.18 million). An increase of 25% on the KSE market index would have an impact of approximately Rs. 49.14 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.

39.4.1 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, 2020</i>				
Quoted equity securities	196,568,603	-	-	196,568,603
Un-quoted equity securities	-	25,038,687	-	25,038,687
Total	196,568,603	25,038,687	-	221,607,290
<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
Total	336,175,104	19,640,181	-	355,815,285

There were no transfers between the levels during the year.

The levels and hierarchy of fixed assets at fair values are disclosed in note 5.6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

39.5 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, 2020 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.

39.6 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.

	2020 Rupees	2019 Rupees
Total borrowings	7,083,524,640	7,109,805,254
Less: Cash and bank balances	81,643,197	102,509,993
Net debt	7,001,881,443	7,007,295,261
Total equity including revaluation surplus	14,692,554,750	14,619,623,468
Total capital	21,694,436,193	21,626,918,729
Gearing ratio	32.28%	32.40%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

40. 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:

	2020			2019		
	Chief Executive	Executive Directors	Executives	Chief Executive	Executive Directors	Executive
	Rupees					
Remuneration	18,000,000	5,000,004	59,688,058	14,400,000	4,000,008	55,931,707
<i>Perquisites</i>						
House rent	7,200,000	2,000,004	16,932,747	5,760,000	1,599,996	15,814,706
Utilities	1,800,000	499,992	5,966,763	1,440,000	399,996	5,511,132
Medical allowance	-	-	5,966,624	-	-	5,511,040
Special allowance	-	-	287,005	-	-	279,116
Income tax	5,989,928	1,664,167	-	1,321,736	577,941	-
	32,989,928	9,164,167	88,841,197	22,921,736	6,577,941	83,047,701
Number of persons	1	1	30	1	1	31

40.1 The Chief Executive, certain Directors and Executives are provided with free use of Company maintained cars and telephone etc. having value amounting to Rs. 5.88 million (2019: Rs 5.45 million).

40.2 Directors have waived their meeting fees.

41. 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:

		2020 Rupees	2019 Rupees
41.1	<i>Transactions with related parties</i>		
<i>Relationship with the Company</i>	<i>Nature of transactions</i>		
Associated undertakings	Sale of goods	2,381,970	527,968
	Donation	21,755,092	21,239,161
	Sale of Investment Property	-	-
Key management personnel	Remuneration to Executives	130,995,292	112,402,895

41.1.1 The maximum amount of sale to related party during the year was Rs. 0.74 million (2019: 0.29 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

41.2 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
Aziz Fatima Trust Hospital

Common directorship
Common directorship

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

42. PLANT CAPACITY AND PRODUCTION

Chemical Division	Designed capacity		Actual production		Reason of variation
	2020	2019	2020	2019	
	----- Tons -----				
Caustic soda	207,900	202,950	115,770	133,015	Demand based production
Sodium hypochlorite	66,000	66,000	38,964	42,496	Demand based production
Liquid chlorine	11,550	11,550	7,152	7,994	Demand based production
Bleaching powder	7,920	7,920	3,967	4,129	Demand based production
Hydrochloric acid	363,000	363,000	96,672	109,127	Demand based production
Calcium Chloride prill	13,200	13,200	10,606	9,236	Demand based production
				2020	2019
Textile Division					
Ring Spinning					
Number of spindles installed					28,512
Number of spindles worked					28,052
Number of shifts per day					3
Installed capacity after conversion into 20/s count (Kgs)					11,063,814
Actual production of yarn after conversion into 20/s count (Kgs)					8,937,310

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

43. WORKING CAPITAL CHANGES	2020 Rupees	2019 Rupees
<i>(Increase) / decrease in current assets</i>		
Stores, spare parts and loose tools	89,605,105	(205,428,736)
Stock in trade	(998,475,084)	(377,833,040)
Trade debts	(50,017,875)	(114,769,862)
Advance Sales Tax	4,525,546	(4,525,546)
Loans and advances	515,708,162	265,093,320
Trade deposits and short-term prepayments	(2,792,983)	135,532
Other receivables	(1,298,738)	(4,600,310)
	<u>(442,745,867)</u>	<u>(441,928,642)</u>
<i>(Decrease) / Increase in current liabilities</i>		
Trade and other payables	(498,659,331)	123,241,656
Sales tax payable	73,908,646	(8,498,670)
	<u>(867,496,552)</u>	<u>(327,185,656)</u>

44. **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.

45. The average and total number of employees during year ended June 30, 2020 and June 30, 2019 are as follows:

	2020	2019
Total number of employees as at June 30	2,123	2,172
Average number of employees during the year	2,310	2,250

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

46. OPERATING RESULTS

	Chemical		Textile		Total	
	2020	2019	2020	2019	2020	2019
	----- Rupees -----					
Sales:						
Local						
Caustic soda	9,500,616,645	9,870,772,577	-	-	9,500,616,645	9,870,772,577
Sodium hypochlorite	941,429,068	1,009,214,967	-	-	941,429,068	1,009,214,967
Bleaching powder	187,057,252	194,474,637	-	-	187,057,252	194,474,637
Liquid chlorine	216,079,163	251,850,890	-	-	216,079,163	251,850,890
Hydrochloric acid	630,397,546	587,811,775	-	-	630,397,546	587,811,775
Magnesium chloride and others	391,706,514	305,608,018	-	-	391,706,514	305,608,018
Yarn	-	-	1,844,074,211	1,831,983,019	1,844,074,211	1,831,983,019
Waste	-	-	19,043,474	16,784,712	19,043,474	16,784,712
Fabrics	-	-	328,732,387	578,084,004	328,732,387	578,084,004
Export						
Caustic soda flakes	25,473,516	214,938,435	-	-	25,473,516	214,938,435
Others	205,934,653	165,475,416	-	-	205,934,653	165,475,416
	12,098,694,357	12,600,146,715	2,191,850,072	2,426,851,735	14,290,544,429	15,026,998,450
Less:						
Commission and discount	449,581,564	500,743,491	6,936,154	8,745,610	456,517,718	509,489,101
Sales tax	1,716,284,062	1,765,408,204	325,070,624	53,994,115	2,041,354,686	1,819,402,319
Sales - net	9,932,828,731	10,333,995,020	1,859,843,294	2,364,112,010	11,792,672,025	12,698,107,030
Sales - net	9,932,828,731	10,333,995,020	1,859,843,294	2,364,112,010	11,792,672,025	12,698,107,030
Cost of sales	(7,685,502,652)	(7,788,455,839)	(1,828,035,256)	(2,150,121,211)	(9,513,537,908)	(9,938,577,050)
Gross profit	2,247,326,079	2,545,539,181	31,808,038	213,990,799	2,279,134,117	2,759,529,980
Other income	155,948,754	163,809,244	27,465,511	2,936,776	183,414,265	166,746,020
Distribution cost	(304,930,081)	(312,236,709)	(12,907,882)	(30,941,848)	(317,837,963)	(343,178,557)
Impairment loss on financial assets	(14,731,965)	(9,253,599)	(12,920,100)	(16,526,070)	(27,652,065)	(25,779,669)
Administrative expenses	(550,087,379)	(582,488,931)	(73,304,419)	(74,859,527)	(623,391,798)	(657,348,458)
Finance cost	(916,409,760)	(623,684,718)	(78,575,927)	(17,908,565)	(994,985,687)	(641,593,283)
	(1,630,210,431)	(1,363,854,713)	(150,242,817)	(137,299,234)	(1,780,453,248)	(1,501,153,947)
Reportable segments profit before tax	617,115,648	1,181,684,468	(118,460,049)	76,691,565	498,680,869	1,258,376,033
Unallocated income / (expenses)						
Administrative expenses					(2,820,000)	(2,820,000)
Other operating expenses					(86,317,021)	(190,552,622)
					409,543,848	1,065,003,411
Provision for taxation					(110,780,421)	(179,545,004)
Profit for the year					298,763,427	885,458,407
Other information						
Segment assets	15,040,780,136	15,599,826,057	3,167,196,898	2,151,910,831	18,207,977,034	17,751,736,888
Unallocated corporate assets					8,222,724,764	9,075,754,370
					26,430,701,798	26,827,491,258
Segment liabilities	1,219,725,401	1,735,387,527	298,290,971	397,364,295	1,518,016,372	2,132,751,822
Unallocated corporate liabilities					10,220,130,676	10,075,115,968
					11,738,147,048	12,207,867,790
Capital expenditure	356,941,455	2,058,530,968	204,040,595	446,662,973	560,982,050	2,505,193,941
Depreciation	1,082,584,684	925,966,995	89,792,464	41,620,091	1,172,377,148	967,587,086

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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.

47. *IMPACT OF COVID-19*

The spread of Covid-19 as a pandemic and consequently imposition of lock down by Federal and Provincial Governments of Pakistan has affected the production and sale volumes of the Company due to partly closure of plant during the lock down period.

Due to this, the Company has assessed the accounting implications of these developments on these financial statements, that is the Company's sales has been reduced by approximately Rs. 935.93 million with a loss in contribution of Rs. 350.54 million. However, subsequently sales have been increased as compared to prior period.

48. *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 (2019: Rs. 214.29 million) at Rs. 10 (2019: Rs. 10.00) 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.

49. *DATE OF AUTHORIZATION FOR ISSUE*

These financial statements were authorized for issue on September 22, 2020 by the Board of Directors of the Company.

50. *GENERAL*

Figures have been rounded off to the nearest Rupee.



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer










Haseeb Ahmad
Director



**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

 jamapunji.pk

 @jamapunji_pk

*Mobile apps are also available for download for android and ios devices.

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 26, 2020 at 1:00 pm via
Zoom videolink 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 _____ 2020

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 1st 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.

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

Affix
Correct
Postage

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 26 اکتوبر 2020 بوقت 1:00 بجے سہ پہر بذریعہ ZOOM ویڈیو لنک کے ذریعے منعقد ہونے والے اجلاس عام اور اُس کے کسی التواء تک میری/ہماری 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 _____ سے ۲۰۲۰ء

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 ہولڈر/Corporate Entity مندرجہ بالا کے علاوہ مندرجہ ذیل شقوں پر عمل کریں:
(a) پراکسی فارم میں دو گواہان کے دستخط نیز ان کے پتے اور شناختی کارڈ نمبر کا اندراج بھی لازمی ہے۔
(b) رکن اور پراکسی کے تصدیق شدہ قومی شناختی کارڈ یا پاسپورٹ کی نقول کی فراہمی
(c) 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 نقول 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.

Affix
Correct
Postage

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)



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

Affix
Correct
Postage

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 31ST 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 THK Associates (Pvt) Limited
1st Floor, 40-C, Block-6, P.E.C.H.S.
Karachi.

Affix
Correct
Postage

NOTES

[illegible]

NOTES

This image shows a blank sheet of white paper with horizontal blue ruling lines. The background features a light gray geometric pattern consisting of overlapping diagonal bands. There are no markings or text on the page.



Sitara Chemical Industries Limited

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