



**Sitara Chemical
Industries Limited**

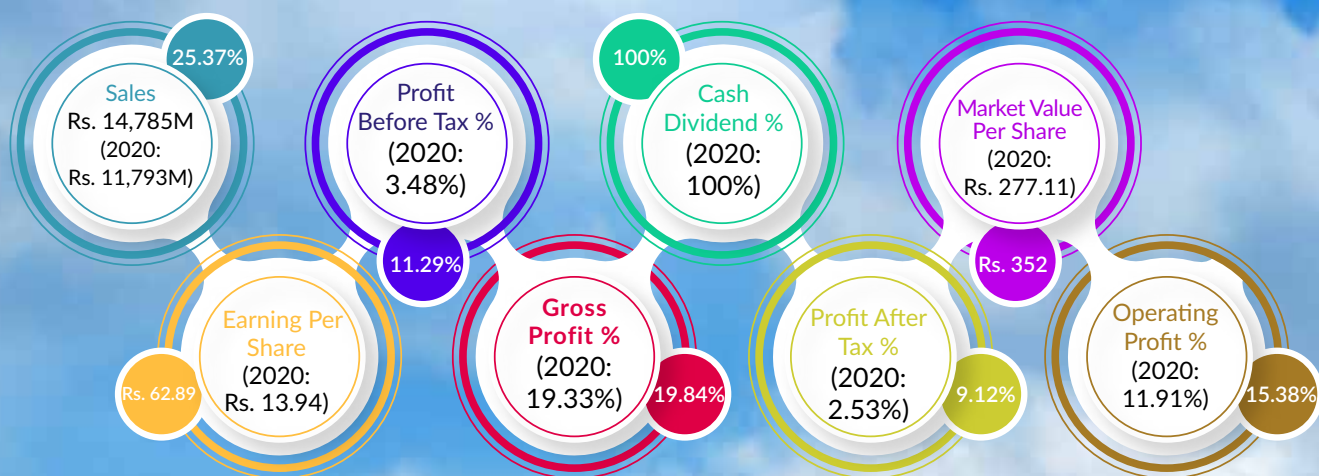


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FINANCIAL PERFORMANCE 2021





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. Ghulam Abbas (ACA)

Auditors

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
Plot No. 32-C, Jami Commercial
Street 2, D.H.A. Phase VII,
Karachi -75500

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, 2021, 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

September 23, 2021

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, 2021.

BUSINESS OVERVIEW:

Alhamdulillah overall economic environment of the country witnessed a significant recovery particularly in textile sector after COVID-19 shock last year. Overall GDP growth of 3.94% was seen in the year 2021 as against expected growth of 2.1% this year. Last year, there was a negative GDP growth of 0.47%. Growth of 9.29% was witnessed in large scale manufacturing sector as against negative growth of 10.12% last year. Similarly, textile sector witnessed a growth of 5.90% as against negative growth of 2.58% last year. SBP kept its policy rate unchanged at 7% throughout the year as against an average rate of 12% last year. Some significant increase in coal prices and RLNG prices was witnessed during the 3rd and 4th quarter of the year 2021 as compared with prevalent prices of previous quarters of the current year. However, overall average energy cost remained stable during the year as compared with energy cost of last year.

In view of the above stated positive economic environment, quantitative sale of both caustic, textile yarn and fabric has increased during the year 2021 compared with quantitative sale figures of last year. Performance of textile division of the company remained significantly better during the year. Consequently, net sales of the company have increased to Rs. 14,784 million as compared with Rs. 11,793 million depicting an increase of 25.36%. Gross profits have also remained higher at Rs. 2,933 million as compared with Rs. 2,279 million last year. Overall gross margins percentage improved during the year compared with gross margin percentage of last year. Financial cost has decreased to Rs. 604 million during the year as compared with Rs. 995 million last year showing a decrease of 39.30%. Decrease in financial cost is attributable to lower interest rate during the year. Your company managed to earn a net profit after tax of Rs. 1,348 million and earnings per share of Rs. 62.89/- as compared with net profit after tax of Rs. 299 million and earnings per share of Rs 13.94 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 20, 2021 Board of Directors of your company approved expansion of existing coal fired power plant of the company by further 50MW. Resultantly, company signed an agreement with a Chinese based Design & Engineering company January 2021. LCs of some major equipments have been opened while LC of boiler is in progress. After opening LC of boiler, LC of rest BOP (Balance of Plant) equipment will be opened after deliberation with Engineering & Design Company.
- b) As approved in meeting of Board of Directors dated 16th October 2019, wherein setting up of soap noodles plant based on European technology having production capacity of 34,000 M. Ton per annum, was approved. We are pleased to inform our valued shareholders that plant has been successfully installed and after trial production run, commercial production has been commenced from June 25, 2021.

JCR-VIS CREDIT RATING:

During the year 2020-21, credit rating of the Company was reassessed by JCR-VIS Credit Rating Co. Ltd., and your company has maintained both its medium to long-term and short-term entity's rating as A+ and A-1 (A one) respectively, while outlook on the assigned ratings has also been maintained as 'Stable'.

Medium to long-term rating of A+ signifies good credit quality with strong and adequate protection factors, while 'A-1' denotes high certainty of timely payments coupled with excellent liquidity supported by good fundamental protection factors.

VACCINATION DRIVE AT COMPANY TO MITIGATE THE EFFECTS OF COVID-19:

In order to mitigate the lethal effects of COVID-19, company persuaded all its employees to get themselves and their families vaccinated for their safety. Moreover, in July & August this year, company also started a mass scale vaccination drive at company site for the vaccination of its employees and their resident families. So far maximum number of employees and their families has been vaccinated.

Apart from the above, all the due measures have been adopted and implementation of COVID SOPs is being ensured.



Covid - 19 Vaccination Drive

ENVIRONMENT, HEALTH AND SAFETY:

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. In addition to the above, Alhamdulillah Company is also a qualified URSA (Understanding Responsible Sourcing Audit), which is an audit protocol enabling an independent assessment of a supplier's performance and compliance against all applicable laws and regulations. Company is also committed to the slogan of "safety starts from the entrance" and is cognizant of its responsibility to the environment as a socially caring organization and thus has taken all adequate and appropriate measures to safeguard its people and environment.



Clean & Green SCIL Environment



HSE - Fire Fighting Drill

HUMAN RESOURCE DEVELOPMENT:

Human Resource department plays a significant role in developing positive culture and improving employee engagement and productivity. The HR function also takes the lead on employee wellness and personal development. Human Resource planning and management is one of the most focused point at the highest management level at the company. Company has a Human Resource & Remuneration 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, skills 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 2020-21, company trained 796 employees as against 806 employees last year.



In House Employees Training

INFORMATION TECHNOLOGY:

Your company immensely values its information technology resources, particularly after COVID-19 outbreak and we are continuously endeavoring 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, 2021, value of investment thereof was zero as against Rs. 43,947,862/- last year. During the year company has entered into an agreement with M/s Pak Qatar Takaful Limited to offer its employee a Family Group Savings Takaful Plan. Under the said Group Savings Takaful Plan, total balance of provident fund goes to employees' individual policies, after getting permanently withdrawn by employees under sub-section (h) of section 103 (Permitted Withdrawals) of Income Tax Rules, 2002.

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 2020-21, Company's contribution to the national exchequer amounts to Rs.2,740/- million towards payment of income tax and sales tax as against Rs. 2,262/- 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:

Welfare and development in our communities and for the underprivileged section of society are at the heart of our values. Therefore, as a part of company's CSR activities your Company continued to donate to charitable hospitals and organizations. Moreover, free medical camps were arranged during the year for the benefit of ailing community. Company also continued to install and run clean water treatment plants at the surrounding areas of Faisalabad on regular basis.



Free Medical Camp



Healthy & Safe Environment

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 or its committees. 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 2020-21, 04 board meetings were held and attendance of Directors is as follows:

Sr.#	Name	Category	No. of Meetings Attended
1	Mr. Abdul Awal	Independent Director	04
2	Mr. Muhammad Adrees	Executive Director	04
3	Mr. Haseeb Ahmed	Executive Director	04
4	Mr. Haroon Ahmad Zuberi	Independent Director	04
5	Mr. Ahmad Nawaz	Non-executive Director	04
6	Mr. Ashraf Shahzad Ahmad	Non-executive Director	04
7	Mrs. Shala Waheed Sher	Non-executive Director	03

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 2020-21, 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	Mrs. 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 Yousuf Adil, Chartered Accountants, shall retire on the conclusion of 40th Annual General Meeting. Being eligible, they have offered themselves for reappointment as auditors of the company from conclusion of 40th annual general meeting until the conclusion of 41st annual general meeting of the company. Audit Committee has recommended the appointment of aforesaid M/s Yousuf Adil, Chartered Accountants, as external auditors for the year ending June 30, 2022. 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, 2021 were made:

Description	Rupees
Net profit for the year after tax before WPPF and WWF	1,456,872,896
Workers Welfare Fund (WWF) and Workers Profit Participation Fund (WPPF)	(109,182,995)
Net Profit for the year	1,347,689,901
Incremental depreciation (net of deferred tax)	254,415,180
Un-appropriated profit brought forward	8,882,762,673
Final dividend for the year ended June 30, 2020 @ Rs. 10 per share	(214,294,070)
Amount available for appropriation	10,270,573,684
Proposed dividend for the year ended June 30, 2021 @ Rs.10 per share	(214,294,070)
Earnings per share- basic and diluted	62.89

DIVIDEND:

In view of the financial results of the Company for the year ended June 30, 2021; the Board of Directors of the Company have recommended a cash dividend of 100% i.e. Rs.10 per share.

FUTURE OUTLOOK:

Alhamdulillah after start of soap noodles plant, our R&D department is still working with full dedications and is exploring the possible opportunities to fulfill our agenda of diversification to create shareholders' value on sustainable basis.

Currently, coal prices in international market is witnessing an upward trend since the last two quarters of the year 2021 due to soaring demand of electricity and power particularly from China and India amid tight supplies. Surge in global gas price has also led some utility companies in Japan and Europe to switch to coal. Increase in coal price is also attributable to rising coal shipment cost to some extent. Thus, increase in coal prices is a key challenge for the company; however, we are foreseeing a gradual decrease in coal prices in the year 2021-22 due to normalization of business and economy of the world after availability of COVID vaccines. Any probable increase in RLNG prices, or increase in SBP policy rate, or devaluations of PKR against US\$, or risk of wide spread of another wave of COVID-19 resulting into lockdown of the country etc. could happen to be the key challenges for the Company. However, your company is resilient enough to cope up such challenges as your company has multiple energy sources at its disposal and a robust management team to take up any challenge.

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 23, 2021
Faisalabad.



Haseeb Ahmad
Director

منافع:

کمپنی نے 30 جون 2021 کو ختم ہونے والے سال کے مالی نتیجہ کے تحت، بورڈ آف ڈائریکٹرز نے 100% کیش Dividend کی سفارش کی ہے جو کہ 10 روپے فی شیئر بنتا ہے۔

مستقبل پر نظر:

الحمد للہ، سوپ نوڈلز پلانٹ کے آغاز کے بعد، ہمارا آراینڈ ڈی ڈیپارٹمنٹ اب بھی پوری لگن کے ساتھ کام کر رہا ہے اور پائیدار بنیادوں پر شیئر ہولڈرز کی قدر پیدا کرنے کے لیے ہمارے تنوع کے ایجنڈے کو پورا کرنے کے ممکنہ مواقع تلاش کر رہا ہے۔ فی الحال، بجلی اور توانائی کی بڑھتی ہوئی مانگ خاص طور پر چین اور بھارت سے سپلائی کی کمی کی وجہ سے بین الاقوامی مارکیٹ میں کونسلے کی قیمتیں سال 2021 کی آخری دوسہ ماہیوں سے مسلسل بڑھ رہی ہیں۔ عالمی گیس کی قیمتوں میں اضافے سے جاپان اور یورپ کی کچھ یوٹیلیٹی کمپنیاں کونسلے پر منتقل ہوئی ہیں۔ کونسلے کی قیمت میں اضافہ کچھ حد تک کونسلے کی بڑھتی ہوئی کھپ سے بھی منسوب ہے۔ لہذا، کونسلے کی قیمتوں میں اضافہ کمپنی کے لیے ایک اہم چیلنج ہے۔ تاہم، ہم کوویڈ ویکسین کی دستیابی کے بعد دنیا کے کاروبار اور معیشت کو معمول پر لانے کی وجہ سے سال 2021-22 میں کونسلے کی قیمتوں میں بتدریج کمی کی توقع کر رہے ہیں۔

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 کورونا وائرس-2019 کی ایک اور لہر کے وسیع پھیلاؤ کا خطرہ جس کے نتیجے میں ملک میں دوبارہ لاک ڈاؤن ہو سکتا ہے، یہ وہ عوامل ہیں جن کا کمپنی کو چیلنج ہے۔ تاہم، آپ کی کمپنی اس طرح کے چیلنجز سے نمٹنے کے لیے ہمہ وقت تیار ہے کیونکہ آپ کی کمپنی کے پاس توانائی کے متعدد ذرائع ہیں اور کسی بھی چیلنج سے نمٹنے کے لیے ایک مضبوط مینجمنٹ ٹیم ہے۔

اعترافات:

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



محمد اریس

چیف ایگزیکٹو آفیسر

ستارہ کیمیکل انڈسٹریز لمیٹڈ فیصل آباد

23 ستمبر 2021ء



حبیب احمد

ڈائریکٹر

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 مالیاتی گوشوارے 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 میسرز یوسف عادل چارٹرڈ اکاؤنٹنٹس 40th سالانہ اجلاس عام کے ساتھ ریٹائر ہو جائیں گے۔ اہل ہونے کے ساتھ، انہوں نے اپنے آپ کو بطور آڈیٹرز 40th سالانہ اجلاس عام سے 41th سالانہ اجلاس عام تک دوبارہ مقرر کرنے کے لیے پیش کیا ہے۔ آڈٹ کمیٹی نے مذکورہ بیان کردہ میسرز یوسف عادل چارٹرڈ اکاؤنٹنٹس کو بطور بیرونی آڈیٹرز 30 جون 2022 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 2021 کو ختم ہونے والے سال کے منافع کی مندرجہ ذیل تقسیم کاری کی گئی ہے۔

روپے	تفصیل
1,456,872,896/-	ٹیکس کے بعد سال کا خالص منافع، (WPPF اور WWF سے پہلے)
(109,182,995)	ورکرز ویلفیئر فنڈ اور ورکرز منافع شمولیت فنڈ
1,347,689,901/-	سال کا خالص منافع
254,415,180/-	Incremental Depreciation - Net of Tax
8,882,762,673/-	پچھلے سال کا جمع شدہ منافع
(214,294,070)	30 جون 2020 کے اختتام پر منافع 10 روپے فی شیئر
10,270,573,684/-	تقسیم کاری کے لیے دستیاب رقم
(214,294,070)	30 جون 2021 کے اختتام پر تجویز کردہ منافع 10 روپے فی شیئر
62.89	سالانہ فی حصص آمدنی

انسانی وسائل اور معاوضہ کی کمیٹی:

انسانی وسائل اور معاوضہ کی کمیٹی سلیکشن طریقے کار، 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 ہوں جس میں اراکین کی حاضری کچھ اس طرح رہی:

سیریل نمبر	نام	کمیٹری	میٹنگز میں شرکت کی تعداد
1	عبدالاول	چیئر مین ایچ آر کمیٹی	04
2	محمد ادریس	ممبر ایچ آر کمیٹی	04
3	مسز شہلا وحید شیر	ممبر ایچ آر کمیٹی	04

کارپوریٹ گورننس:

کارپوریٹ گورننس کی تعمیل کا بیان کو علیحدہ شامل کیا گیا ہے۔

شیر ہولڈنگ کی شکل:

کمپنی کے شیر 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 مالیاتی گوشوارے اور ان کے نوٹس 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 مالیاتی گوشواروں 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

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 ڈائریکٹر، دو آزاد ڈائریکٹر اور دو نان ایگزیکٹو مرد اور ایک نان ایگزیکٹو خاتون ڈائریکٹر پر مشتمل ہے۔ آزاد اور نان ایگزیکٹو ڈائریکٹر منجمنٹ کے انتظامات میں خود مختار ہیں۔ بورڈ نے کمپنی کے روز بروز کے آپریشنز چیف ایگزیکٹو آفیسر کے سپرد کیے ہوئے ہیں۔ سال 2020-21 کے دوران چار بورڈ میٹنگز منعقد ہوئیں جس میں ڈائریکٹرز کی حاضری مندرجہ ذیل رہی:

سیریل نمبر	نام	کیٹگری	میٹنگز میں شرکت کی تعداد
1	عبدالاول	آزاد ڈائریکٹر	04
2	محمد ادریس	ایگزیکٹو ڈائریکٹر	04
3	حسیب احمد	ایگزیکٹو ڈائریکٹر	04
4	ہارون احمد زبیری	آزاد ڈائریکٹر	04
5	احمد نواز	نان ایگزیکٹو ڈائریکٹر	04
6	اشرف شہزاد احمد	نان ایگزیکٹو ڈائریکٹر	04
7	مسز شہلا وحید شیر	نان ایگزیکٹو ڈائریکٹر	03

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 2020-21 کے دوران چھ میٹنگز منعقد ہوئیں جس میں آڈٹ کمیٹی کے اراکین کی حاضری کچھ اس طرح رہی:

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

انفارمیشن ٹیکنالوجی:

کسی بھی صنعت کی نشوونما کے لیے انفارمیشن ٹیکنالوجی ایک خاص اہمیت کی حامل ہے۔ خاص طور پر کورونا وائرس-2019 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 پروویڈنٹ فنڈ قائم کیا ہوا ہے، اور 30 جون 2021 کو آڈٹ شدہ اکاؤنٹس پر مبنی سرمایہ کاری کی مارکیٹ قیمت صفر روپے رہی۔ جو کہ گزشتہ سال 43,947,862 روپے تھی۔ دوران سال کمپنی نے میسرز پاک قطر تکافل لمیٹڈ کے ساتھ معاہدہ کیا تاکہ اپنے ملازم کو فیملی گروپ تکافل پلان پیش کرے۔ مذکورہ گروپ سیونگ تکافل پلان کے تحت انکم ٹیکس رولز، 2002 کے سیکشن 103 (اجازت شدہ انخلاء) کے ذیلی سیکشن (h) کے تحت ملازمین کی طرف سے مستقل طور پر نکالے جانے کے بعد، پروویڈنٹ فنڈ کا کل بیلنس ملازمین کی انفرادی پالیسیوں میں جاتا ہے۔ ٹیکسٹائل ڈویژن کے ملازمین قانون کے مطابق گریجویٹ کے حقدار ہیں اور اکاؤنٹس میں IAS-19 کے مطابق مناسب فراہمی کی گئی ہے۔

قومی خزانہ میں حصہ:

سال 2020-21 کے دوران، کمپنی نے قومی مالیات میں انکم ٹیکس اور سیلز ٹیکس کی مد میں -/2,740 ملین روپے جمع کروائے جو گزشتہ سال -/2,262 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 کیمپوں کا انتظام اور صاف پانی کے پلانٹس کی تنصیب/چلانے کو جاری رکھے ہوئے ہے۔

ڈائریکٹرز کی معاوضہ کی پالیسی کی اہم خصوصیات:

بورڈ آف ڈائریکٹرز نے ایگزیکٹو ڈائریکٹرز کمپنی کے معاملات میں ذمہ داری کے لحاظ سے معاوضے کی ایک رسمی پالیسی منظور کی ہوئی ہے۔ یہ معاوضہ ان کی ذمہ داری اور کمپنی کو کامیابی سے چلانے کی مہارت کے مطابق ہے۔ کمپنی آزاد 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۔

پر مائل کیا ہے۔ مزید یہ کہ اس سال جولائی اور اگست میں، کمپنی نے اپنے ملازمین اور ان کے رہائشی خاندانوں کی ویکسینیشن کے لیے کمپنی سائٹ پر بڑے پیمانے پر ویکسینیشن مہم بھی شروع کی ہے۔ اب تک زیادہ سے زیادہ ملازمین اور ان کے خاندانوں کو ویکسین لگائی جا چکی ہے۔ مذکورہ بالا کے علاوہ، تمام مناسب اقدامات اختیار کیے گئے ہیں اور کورونا وائرس ایس۔ او۔ پیز پر عمل دارآمد کو یقینی بنایا جا رہا ہے۔

ماحول، صحت اور حفاظت:

آپ کی کمپنی اپنے ماحولیاتی انتظامی نظام کی مسلسل بہتری جو مناسب آلودگی سے بچاؤ کے اقدامات کو اپنانے اور تمام متعلقہ قانون سازی اور بین الاقوامی معیارات جیسے ISO 9001, ISO 14001, ISO 50001, FSSC 22000, PS 3733، یعنی حلال فوڈ مینجمنٹ سسٹم اور OSHAS 18001 کے لیے پُر عزم ہے۔

مذکورہ بالا کے علاوہ، الحمد للہ، آپ کی کمپنی نے (Understanding Responsible Sourcing Audit) URSA کو کو ایفائی کر کے ایک اور سنگ میل حاصل کیا ہے۔ یہ ایک آڈٹ کا طریقہ ہے جو سپلائی کی آزادانہ تشخیص اور تمام قابل اطلاق قوانین اور قواعد و ضوابط کے خلاف تعمیل کے قابل بناتا ہے۔

کمپنی "داخلے سے ہی حفاظت شروع ہوتی ہے" کے نعرے کے لیے بھی پُر عزم ہے اور سماجی طور پر دیکھ بھال کرنے والی تنظیم کے طور پر ماحول کے لیے "اپنی ذمہ داری سے آگاہ ہے" اور اس طرح اپنے لوگوں اور ماحول کی حفاظت کے لیے تمام مناسب اقدامات کیے ہیں۔

انسانی وسائل کی ترقی:

انسانی وسائل کا شعبہ مثبت ثقافت کو فروغ دینے اور ملازمین کی مصروفیت اور پیداواری کو بہتر بنانے میں اہم کردار ادا کرتا ہے۔ ایچ آر فنکشن ملازم کی فلاح و بہبود اور ذاتی ترقی میں بھی پیش پیش ہے۔ ہیومن ریسورس پلاننگ اور مینجمنٹ کمپنی میں سب سے زیادہ مینجمنٹ سطح پر ایک توجہ طلب معاملہ ہے۔ کمپنی کے پاس 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، کورونا وائرس-2019 کی مدت میں سماجی فاصلے کو مد نظر رکھتے ہوئے منعقد کیے گئے۔ سال 2020-21 کے دوران کمپنی نے 796 ملازمین کو تربیت دی جبکہ گزشتہ سال ملازمین کی تعداد 806 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 کے بورڈ آف ڈائریکٹرز نے 20 اکتوبر 2021 کو موجودہ کونسل سے چلنے والے پاور پلانٹ کو مزید 50 میگا واٹ تک بڑھانے کی منظوری دی۔ جس کے نتیجے میں آپ کی کمپنی نے جنوری 2021 میں چین کی ایک ڈیزائن اینڈ انجینئرنگ کمپنی کے ساتھ ایک معاہدے پر دستخط کیے۔ انجینئرنگ اینڈ ڈیزائن کمپنی کے ساتھ تکنیکی اور تجارتی معاملات طے کرنے کے بعد آپ کی کمپنی 50 میگا واٹ توسیع منصوبے کا ارادہ رکھتی ہے۔ جس کے لیے اب تک کچھ بڑے آلات کے LCs بینکوں کے ساتھ کھل چکے ہیں جبکہ بوائلر کے LC پر کام جاری ہے۔ بوائلر کے LC کھلنے کے بعد، انجینئرنگ اینڈ ڈیزائن کمپنی کے ساتھ بات چیت کے بعد BOP (پلانٹ کے بقیہ سامان) کے LC کھول دیے جائیں گے۔

(ب) جیسا کہ 16 اکتوبر 2019 کے بورڈ آف ڈائریکٹرز کے اجلاس میں یورپی ٹیکنالوجی پرنٹی سوپ نوڈلر پلانٹ لگانے کی منظوری دی گئی تھی۔ جس کی پیداواری صلاحیت سالانہ 34,000 میٹرک ٹن ہے۔ ہمیں اپنے قابل قدر شیئر ہولڈرز کو یہ بتاتے ہوئے خوشی ہو رہی ہے کہ پلانٹ کامیابی کے ساتھ نصب ہو چکا ہے اور آزمائشی پیداوار کے چلنے کے بعد 25 جون 2021 سے تجارتی پیداوار شروع کر دی گئی ہے۔

JCR-VIS کریڈٹ ریٹنگ:

دوران سال 2020-21 JCR-VIS کریڈٹ ریٹنگ کمپنی لیمیٹڈ کی طرف سے کمپنی کی کریڈٹ ریٹنگ کا دوبارہ جائزہ لیا گیا، اور آپ کی کمپنی نے اپنی درمیانی سے طویل مدتی اور قلیل مدتی دونوں کی درجہ بندی کو A+ اور A-1 کے طور پر برقرار رکھا ہے۔ بالترتیب، جبکہ تفویض کردہ درجہ بندی پر نقطہ نظر کو بھی 'مستحکم' کے طور پر برقرار رکھا گیا ہے۔

A+ کی درمیانی سے طویل مدتی درجہ بندی مضبوط اور مناسب حفاظتی عوامل کے ساتھ اچھے کریڈٹ معیار کی نشاندہی کرتی ہے، جبکہ 'A-1' بروقت ادائیگیوں کے اعلیٰ یقین کے ساتھ ساتھ بہترین لیکویڈیٹی کے ساتھ اچھے بنیادی تحفظ کے عوامل کی حمایت کرتا ہے۔

کورونا وائرس-2019 کے اثرات کو کم کرنے کے لیے کمپنی میں ویکسینیشن ڈرائیو:

کورونا وائرس-2019 کے مہلک اثرات کو کم کرنے کے لیے، کمپنی نے اپنے تمام ملازمین کو اپنی اور اپنے اہل خانہ کی حفاظت کے لیے ویکسین لگانے

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 2021 کو ختم ہونے والے مالی سال کے آڈٹ شدہ مالی گوشوارے بمعہ آڈٹ رپورٹ اور بیرونی شرعی آڈیٹرز کی رپورٹ کے ساتھ پیش کرتے ہوئے پُرمسرت ہیں۔

کاروباری جائزہ:

الحمد للہ، دوران سال ملک کی مجموعی معاشی صورتحال میں گزشتہ سال کو رونا وائرس-2019 وباء کے بعد خاص طور پر ٹیکسٹائل کے شعبے میں بہتری دیکھی گئی۔ مجموعی طور پر سال 2021 میں جی ڈی پی کی شرح نمو 3.94 فیصد رہی جو اس سال کی متوقع شرح کے مقابلے میں 2.1 فیصد رہی۔ گزشتہ سال منفی جی ڈی پی کی شرح نمو 0.47 فیصد تھی۔ بڑی مینوفیکچرنگ انڈسٹری (LSM) کی نمو میں بھی گزشتہ سال منفی 10.12 فیصد کے مقابلے میں جی ڈی پی میں 9.29 فیصد اضافہ دیکھا گیا۔ اسی طرح، ملک میں ٹیکسٹائل کے شعبے میں گزشتہ سال 2.58 فیصد شرح نمو کے مقابلے میں 5.90 فیصد بہتری دیکھنے میں آئی۔ دوران سال اسٹیٹ بینک آف پاکستان نے اپنا پالیسی ریٹ پورے سال کے دوران بغیر تبدیلی کے 7 فیصد پر برقرار رکھا جس کی اوسط شرح پچھلے سال 12 فیصد تھی۔ موجودہ سال کی پچھلی سہ ماہیوں کے مقابلے میں سال کی تیسری اور چوتھی سہ ماہیوں کے دوران کوئلے اور RLNG کی مروجہ قیمتوں میں نمایاں اضافہ دیکھا گیا۔ تاہم، موجودہ سال کے دوران توانائی کی لاگت کی مجموعی اوسط شرح پچھلے سال کے مقابلے میں مستحکم رہی۔

مذکورہ بالا مثبت اقتصادی ماحول کے پیش نظر جو سال کے دوران برقرار رہا، آپ کی کمپنی کے کاروبار دونوں کاسٹک اور ٹیکسٹائل دھاگے اور فیبرک کی مقدار کی فروخت میں پچھلے سال کے مقابلے میں اضافہ ہوا ہے۔ دوران سال آپ کی کمپنی کی ٹیکسٹائل ڈویژن کی کارکردگی نمایاں طور پر بہتر رہی۔ جس کے نتیجے میں کمپنی کی خالص فروخت 14,784 ملین روپے رہی جبکہ گزشتہ سال یہ فروخت 11,793 ملین روپے تھی، جو 25.36 فیصد اضافے کو ظاہر کرتی ہے۔ مجموعی منافع 2,933 ملین روپے رہا جبکہ گزشتہ سال یہ منافع 2,279 ملین روپے تھا۔ سال کے دوران مجموعی منافع میں مارجن کی شرح کے لحاظ سے گزشتہ سال کی نسبت بہتری دیکھی گئی۔ دوران سال فنانشل لاگت جو کہ 604 ملین روپے رہی جبکہ گزشتہ سال یہ 995 ملین روپے تھی، جو 39.30 فیصد کمی کو ظاہر کرتی ہے۔ دوران سال فنانشل لاگت میں کمی کی وجہ منافع کی شرح میں کمی کی وجہ سے ہے۔ آپ کی کمپنی کا ٹیکس کے بعد کمایا گیا منافع 1,348 ملین روپے اور فی حصص آمدنی 62.89 روپے رہی۔ جبکہ گزشتہ سال یہ منافع 299 ملین روپے اور فی حصص آمدنی 13.94 روپے تھی۔

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, 2021**

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 director 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. Five (05) directors have already completed directors' training program in prior years. However, Mrs. Shala Waheed Sher (Director) has completed this program during the year ended June 30, 2021. The remaining One (01) director 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, 2021
 - b. **HR and Remuneration Committee:** Four quarterly meetings during the financial year ended June 30, 2021
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 23, 2021

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2021

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
905	1	100	25,444
508	101	500	126,592
180	501	1,000	130,969
157	1,001	5,000	375,264
35	5,001	10,000	264,584
15	10,001	15,000	198,140
7	15,001	20,000	117,936
6	20,001	25,000	141,146
4	25,001	30,000	110,404
7	30,001	35,000	225,436
2	40,001	45,000	84,025
4	45,001	50,000	190,135
1	50,001	55,000	50,609
1	55,001	60,000	59,364
2	65,001	70,000	130,764
1	80,001	85,000	82,750
1	85,001	90,000	85,966
1	100,001	105,000	105,000
2	110,001	115,000	225,575
2	120,001	125,000	246,064
1	135,001	140,000	140,000
1	200,001	205,000	200,600
1	330,001	335,000	333,840
1	370,001	375,000	373,346
1	475,001	480,000	478,999
1	590,001	595,000	594,416
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
1850			21,429,406

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2021

	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 Ahmed	1	333,840	1.56
Mr. Abdul Awal	1	500	0.00
Mr. Ahmad Nawaz	1	500	0.00
Mr. Haroon Ahmed Zuberi	1	1	0.00
Mrs. Shala Waheed Sher	1	1	0.00
Mr. Ashraf Shazad	1	4	0.00
Bank, Development Finance Institutions, Non Banking Finance Institutions.	7	1,932,016	9.02
Insurance Companies	3	945,386	4.41
Mutual Funds	16	938,586	4.38
Modarabas	2	14,350	0.07
General Public (Local)	1723	2,090,841	9.75
General Public (Foreign)	40	202,271	0.94
Associated Companies, Undertaking and Related Parties	1	478,999	2.24
Joint Stock Companies, others, etc.	29	676,764	3.16
Others	20	126,639	0.59
	1,850	21,429,406	100.00

Detail of purchase/sale of shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses/minor children during 2020-2021.

Mrs. Urousa Zuberi (Director's Spouse) purchased 2,000 shares during the year.

Mr. Haseeb Ahmad (Director) Gifted =41,700= shares to his spouse during the year.

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

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





Shariah Compliance Review Report 2021



ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

September 01, 2021

نحمده و نصلى على رسوله الكريم

Shariah Review Report

For the period ended June 30, 2021

We have conducted the Shariah review of **Sitara Chemical Industries Limited (SCIL)** for the financial year ended on June 30, 2021, 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 the Shariah;
- the business affairs have been carried out in accordance with rules and principles of the Shariah;
- the 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 the Company's operations, transactions, related documentation, processes, 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

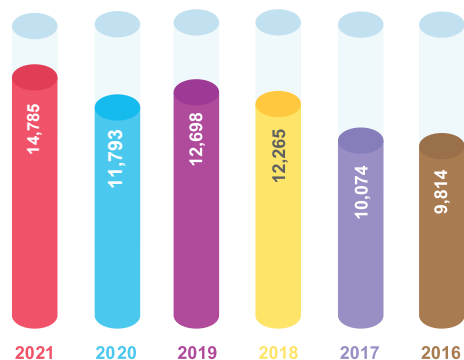


Address: Flat 503, 8th Floor Ibrahim Residency, C.P & Berar Society, Karachi.

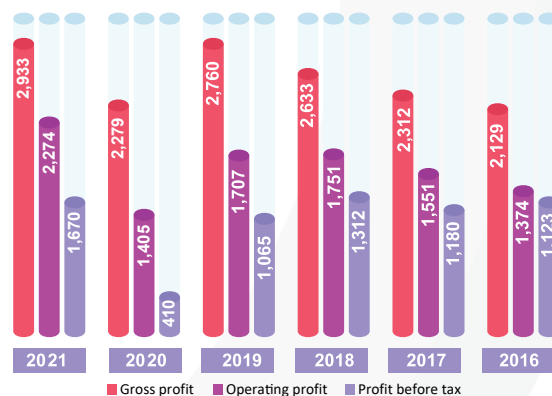
+92 322 2671867 | www.alhamdshariahadvisory.com | info@alhamdshariahadvisory.com

SIX YEARS AT A GLANCE

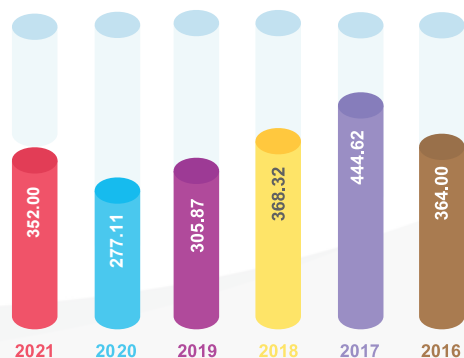
Operating results	2021	2020	2019	2018	2017	2016
(Rs. In Million)						
Sales	14,785	11,793	12,698	12,265	10,074	9,814
Gross profit	2,933	2,279	2,760	2,633	2,312	2,129
Operating profit	2,274	1,405	1,707	1,751	1,551	1,374
Profit before tax	1,670	410	1,065	1,312	1,180	1,123
Financial ratios	2021	2020	2019	2018	2017	2016
Gross Profit %	19.84	19.33	21.74	21.47	22.95	21.69
Operating Profit %	15.38	11.91	13.44	14.28	15.40	14.00
Profit before tax %	11.29	3.48	8.39	10.70	11.71	11.44
Earnings per share - Basic (Rs.)	62.89	13.94	41.32	50.69	54.43	35.90
Market value per share - (Rs.)	352.00	277.11	305.87	368.32	444.62	364.00
Cash Dividend Per Share - (Rs.)	10.00	10.00	10.00	13.00	12.50	11.50
Inventory turn over (times)	4.67	5.21	8.72	8.98	6.76	8.44
Current ratio	0.90:1	0.88:1	0.88:1	0.84:1	0.88:1	0.75:1
Fixed assets turn over (times)	0.87	0.79	0.82	1.28	1.07	1.12
Price earning ratio	5.60	19.88	7.40	7.27	8.17	10.14
Return to capital employed %	7.59	1.86	5.31	9.20	9.72	7.29
Debt equity	22:78	21:79	24:76	18:82	24:76	23:77



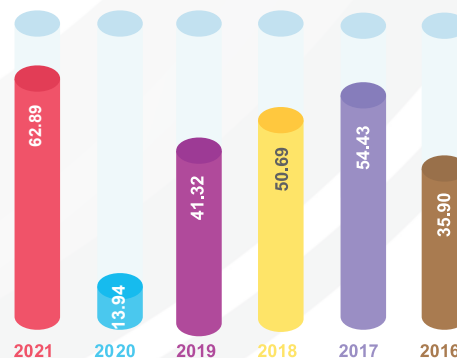
Sales (Rs. In Million)



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



Market value per share - (Rs.)

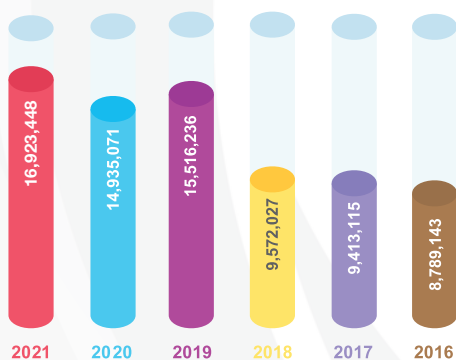


Earnings per share - Basic (Rs.)

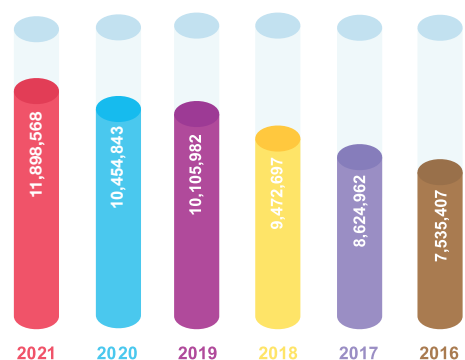
SIX YEARS AT A GLANCE

Operating results	2021	2020	2019	2018	2017	2016
(Rupees '000')						
Property, Plant and equipment	16,923,448	14,935,071	15,516,236	9,572,027	9,413,115	8,789,143
Intangible assets	9,007	10,008	11,120	11,780	13,089	14,544
Investment property	3,312,590	3,315,540	3,296,505	3,033,968	2,926,570	2,872,992
Long Term Investment	25,039	25,039	19,640	25,039	31,579	100,125
Advances and deposits	1,162,720	1,230,254	1,193,934	1,460,320	1,379,061	1,376,035
Current Assets	9,107,225	7,080,100	6,790,055	5,693,967	5,761,477	4,702,364
Current Liabilities	(10,160,187)	(8,057,088)	(7,677,633)	(6,770,386)	(6,523,898)	(6,286,868)
	20,379,842	18,538,923	19,149,857	13,026,715	13,000,993	11,568,335

Financed by	2021	2020	2019	2018	2017	2016
(Rupees '000')						
Ordinary capital	214,294	214,294	214,294	214,294	214,294	214,294
Reserves	11,684,274	10,240,549	9,891,688	9,258,403	8,410,668	7,321,113
Shareholders' equity	11,898,568	10,454,843	10,105,982	9,472,697	8,624,962	7,535,407
Surplus on revaluation	3,983,297	4,237,712	4,513,641	1,164,731	1,226,133	1,355,695
Long term and deferred liabilities	4,497,977	3,846,368	4,530,234	2,389,287	3,149,898	2,677,233
	20,379,842	18,538,923	19,149,857	13,026,715	13,000,993	11,568,335



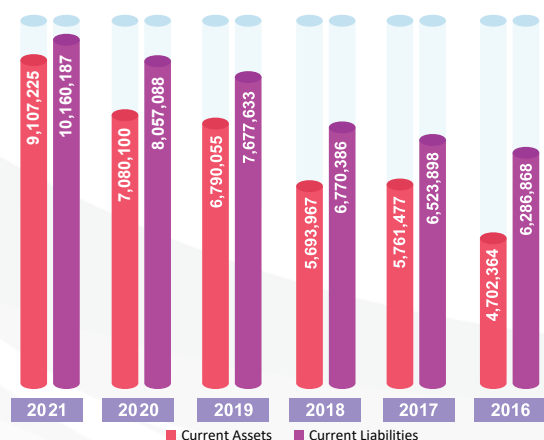
Property, Plant and equipment
(Rupees "000")



Shareholders' equity
(Rupees "000")



Export Sales (Rupees "000")



Current Assets & Current Liabilities
(Rupees "000")

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 40th Annual General Meeting of the shareholders of Sitara Chemical Industries Limited (the “Company”) will be held on Monday, 25th day of October 2021 at 4:00 p.m. via videolink, to transact the following business:

ORDINARY BUSINESS

- i. To confirm the minutes of the Annual General Meeting held on October 26, 2020.
- ii. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2021 together with the Reports of 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, 2022. The present auditors, M/s. 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 Board Audit Committee, appointment of M/s. 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 23, 2021

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.4 of 2021 dated February 15, 2021 and subsequent Circular No.6 of 2021 dated March 3, 2021, the Company intends to convene this AGM virtually via video conference facility while ensuring compliance with the quorum requirements and request to the Members to consolidate their attendance and voting at the AGM through proxies.

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

NOTICE OF ANNUAL GENERAL MEETING

valid copy of both sides of Computerized National Identity Card (CNIC) at reg.agm2021@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

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 3:30 p.m. on the date of AGM till the end of the meeting.

Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address comments.agm2021@sitara.com.pk.

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 19, 2021 to October 25, 2021 (both days inclusive). Transfers received in order at the office of Share Registrar M/s. THK Associates (Pvt.) Limited, Plot no. 32-C, Jami Commercial Street 2, D.H.A Phase VII, Karachi before the close of business on October 18, 2021 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, Plot no. 32-C, Jami Commercial Street 2, D.H.A Phase VII, 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:

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

NOTICE OF ANNUAL GENERAL 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.
- 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 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)

NOTICE OF ANNUAL GENERAL MEETING

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.

CONVERSION OF PHYSICAL SHARES INTO BOOK ENTRY FORM

The Securities and Exchange Commission of Pakistan (SECP) through its letter No.CSD/ED/Misc/2016-639-640 dated March 26, 2021 has advised the Listed Companies to adhere with the provision of the Section 72 of the Companies Act, 2017 (the Act) by replacing shares issued by them in Physical Form with the shares to be issued in the Book-Entry Form. Sitara Chemical Industries Limited (the "Company"), being a listed company is also required to comply with aforesaid provision of Act.

The shareholders of Sitara Chemical Industries Limited having physical folios/share certificates are requested to convert their shares from Physical Form into Book Entry Form as soon as possible. The shareholders may contact their Broker, a PSX Member, CDC Participant or CDC Investor Account Service provider for assistance in opening CDS Account and subsequent induction of the physical shares into Book Entry Form.

It would facilitate the shareholders in many ways including safe custody of shares, no loss of shares, avoidance of formalities required for the issuance of duplicate shares and readily available for sale and purchase in open market at better rates. The shareholders of Company may contact the Share Registrar and Transfer Agent of the Company, namely M/s. THK Associates (Pvt.) Limited, Plot no. 32-C, Jami Commercial Street 2, D.H.A Phase VII, Karachi for the conversion of Physical Shares into Book-Entry Form.

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, 2021 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 2021



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, 2021, 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, 2021 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 are the Key audit matters:

Key audit matter	How matter was addressed in our audit report
1. Revenue Recognition The Company's sales comprise of revenue from the sale of chemicals and textile products as disclosed in note 29 to the financial statements. 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). 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>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.

2. Valuation of stock in trade	
<p>Refer to note 12 to the financial statements.</p> <p>Stock in trade forms a significant part of the Company's assets. As at June 30, 2021, the carrying amount of Company's Stock in trade amounts to Rs 2,745.16 million.</p> <p>We identified valuation of stock in trade as a key audit matter as it involves significant management judgement with respect to standard costs and determination of net realizable value.</p>	<p>In this respect, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of procedures followed by the Company with respect to valuation of stock in trade; • Assessed appropriateness of the Company's accounting policies for valuation of stock in trade and compliance of those policies with accounting and reporting standards as applicable in Pakistan; • On a sample basis, verified supporting documents for purchases of raw materials and the production costs; • Obtained working of variances recorded by management, including changes made in the current year and tested the amounts, which were incurred and retained to actualize the standard cost of stock in trade at year end; • Obtained an understanding and assessed reasonableness of the management's process for determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete and costs necessary to make the sales and their basis; • Compared the NRV, on a sample basis, to the carrying value of stock in trade to assess whether any adjustments were required to carrying value of inventories in accordance with the policy; and • For valuation of goods in transit, verified the supporting documents on sample basis.

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.



Chartered Accountants
Engagement Partner:
Nadeem Yousuf Adil
Lahore
September 23, 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS

Review Report 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 best practices contained in the Code of Corporate Governance Regulations 2019 (the Regulations) prepared by the Board of Directors of Sitara Chemical Industries Limited (the company) for the year ended June 30, 2021, in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations 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 company for the year ended June 30, 2021.



Chartered Accountants

Engagement Partner:

Nadeem Yousuf Adil

Lahore

September 23, 2021

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 (the Company) financial arrangements, contracts and transactions having Shariah implications with the Shariah principles (criteria specified in paragraph 2 below) for the period from July 01, 2020 to June 30, 2021.

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, 2020 to June 30, 2021) 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, 2021.

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, 2020 to June 30, 2021 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, 2020 to June 30, 2021 are in compliance with the Shariah principles (criteria specified in paragraph 2 above), in all material respects.



Chartered Accountants

Engagement Partner:

Nadeem Yousuf Adil

Lahore

September 23, 2021

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	5	16,923,448,466	14,935,071,355
Intangible assets	6	9,006,853	10,007,614
Investment property	7	3,312,589,918	3,315,539,542
Long term investments	8	25,038,687	25,038,687
Long term loans and advances	9	1,038,354,056	1,106,764,300
Long term deposits	10	124,365,729	123,489,334
		21,432,803,709	19,515,910,832
<i>Current assets</i>			
Stores, spare parts and loose tools	11	897,133,210	860,466,081
Stock in trade	12	2,745,163,200	2,326,955,413
Trade debts	13	1,362,775,138	1,201,405,892
Loans and advances	14	3,378,876,262	2,389,530,726
Trade deposits and prepayments	15	7,762,010	7,655,535
Other receivables	16	12,634,633	15,874,764
Other financial assets	17	511,778,193	196,568,603
Cash and bank balances	18	191,102,287	81,643,197
		9,107,224,933	7,080,100,211
Total assets		30,540,028,642	26,596,011,043

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 FINANCIAL POSITION

AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
EQUITY AND LIABILITIES			
<i>Share capital and reserves</i>			
Share capital	19	214,294,070	214,294,070
Reserves	20	1,413,700,273	1,357,786,277
Unappropriated profit		10,270,573,684	8,882,762,673
Surplus on revaluation of property, plant and equipment	21	3,983,296,550	4,237,711,730
<i>Total equity</i>		15,881,864,577	14,692,554,750
LIABILITIES			
<i>Non-current liabilities</i>			
Long term financing	22	1,865,064,862	1,375,943,084
Long term deposits	23	69,047,093	52,547,093
Deferred liabilities	24	2,563,865,063	2,417,877,849
		4,497,977,018	3,846,368,026
<i>Current liabilities</i>			
Trade and other payables	25	2,229,903,822	1,991,302,301
Profit / financial charges payable	26	161,118,389	171,286,214
Short term borrowings	27	6,748,993,811	4,983,544,432
Provision for taxation		278,149,986	165,309,245
Unclaimed dividend		23,499,746	21,608,951
Current portion of long term financing	22	718,521,293	724,037,124
		10,160,187,047	8,057,088,267
<i>Total equity and liabilities</i>		30,540,028,642	26,596,011,043
<i>Contingencies and commitments</i>	28		

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, 2021

	Note	2021 Rupees	2020 Rupees
Sales - net	29	14,784,537,421	11,792,672,025
Cost of sales	30	(11,851,633,946)	(9,513,537,908)
Gross profit		2,932,903,475	2,279,134,117
Distribution cost	31	(288,257,929)	(317,837,963)
Administrative expenses	32	(646,120,967)	(626,211,798)
Impairment loss on financial assets	13.2	(56,696,904)	(27,652,065)
Other expenses	33	(109,885,525)	(86,317,021)
Finance cost	34	(604,306,618)	(994,985,687)
		(1,705,267,943)	(2,053,004,534)
		1,227,635,532	226,129,583
Other income	35	442,160,853	183,414,265
Profit before taxation		1,669,796,385	409,543,848
Provision for taxation	36	(322,106,484)	(110,780,421)
Profit for the year		1,347,689,901	298,763,427
Earnings per share - basic and diluted	37	62.89	13.94

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, 2021

	Note	2021 Rupees	2020 Rupees
Profit for the year		1,347,689,901	298,763,427
<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	(1,725,504)	(228,650)
Related tax impact		490,388	65,007
Gain / (loss) on re-measurement of equity instruments as at FVTOCI		67,234,250	(11,374,432)
Related tax impact		(10,085,138)	-
Total items that will not be reclassified to profit or loss		55,913,996	(11,538,075)
Total comprehensive income for the year		<u>1,403,603,897</u>	<u>287,225,352</u>

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, 2021

	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
Balance as at July 01, 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
Profit for the year	-	-	-	-	-	-	298,763,427
Other comprehensive income	-	-	(11,374,432)	(163,643)	-	-	(11,538,075)
Total comprehensive income	-	-	(11,374,432)	(163,643)	-	-	287,225,352
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(275,929,329)	-	275,929,329
Transactions with owners	-	-	-	-	-	-	(214,294,070)
Final dividend for the year ended June 30, 2019 @ Rs. 10 per share	-	-	-	-	-	-	(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
Profit for the year	-	-	-	-	-	-	1,347,689,901
Other comprehensive income	-	-	57,149,112	(1,235,116)	-	-	55,913,996
Total comprehensive income	-	-	57,149,112	(1,235,116)	-	-	1,403,603,897
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(254,415,180)	-	254,415,180
Transactions with owners	-	-	-	-	-	-	(214,294,070)
Final dividend for the year ended June 30, 2020 @ Rs. 10 per share	-	-	-	-	-	-	(214,294,070)
Balance as at June 30, 2021	214,294,070	97,490,410	97,223,777	(6,013,914)	3,983,296,550	1,225,000,000	10,270,573,684

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, 2021

A. CASH FLOWS FROM OPERATING ACTIVITIES	Note	2021 Rupees	2020 Rupees
Profit before taxation		1,669,796,385	409,543,848
Adjustments for:			
Depreciation on property, plant and equipment		1,096,416,765	1,172,377,148
Depreciation on investment property		4,035,124	4,561,686
Amortization on intangible assets		1,000,761	1,111,957
Finance cost		604,306,618	994,985,687
Amortization of deferred grant		(8,373,938)	(493,138)
Remeasurement (gain) / loss on short term investments measured at FVTPL		(2,893)	25,270
Gain on disposal of property, plant and equipment		(214,379,506)	(7,069,528)
Gain on sale of investments measured at FVTOCI		(14,371,716)	(1,310,859)
Exchange loss / (gain)		702,530	(2,164,172)
Gain on discounting of liability against Gas Infrastructure Development Cess		(37,489,821)	-
Provision for employee benefits		13,012,305	13,324,946
Impairment loss on financial assets		56,696,904	27,652,065
Reversal Impairment of long term investments		-	(5,398,506)
Unwinding of discount on deferred consideration due		(97,612,822)	(102,527,323)
Modification loss on financial asset		-	65,006,551
Markup on bank deposits		(8,196,597)	(8,776,814)
Dividend income		(13,325,790)	(16,470,897)
Operating cash flows before changes in working capital		3,052,214,309	2,544,377,921
Working capital changes	43	(892,185,462)	(867,496,552)
Cash generated from operations		2,160,028,847	1,676,881,369
Finance cost paid		(588,636,495)	(1,010,053,356)
Employee benefits paid		(10,958,348)	(5,515,698)
Taxes paid		(142,458,042)	(196,923,069)
		(742,052,885)	(1,212,492,123)
Net cash generated from operating activities		1,417,975,962	464,389,246



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Haseeb Ahmad
Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

		2021 Rupees	2020 Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES	Note		
Proceeds from disposal of property, plant and equipment		12,271,157	26,749,726
Proceeds from disposal of other financial assets		1,058,257,974	563,514,002
Additions to property, plant and equipment including capital work in progress		(3,175,747,009)	(610,891,709)
Purchase of other financial assets		(1,288,511,757)	(425,085,730)
Payment of Gas Infrastructure Development Cess		(194,743,126)	-
Purchase of investment property		(1,085,500)	(23,595,825)
Realisation of long term loans and advances		206,381,007	194,779,281
Long term deposits paid		(876,395)	(11,680,002)
Dividend received		9,978,842	7,560,283
Profit received on bank deposits		8,196,597	8,776,814
Net cash used in investing activities		(3,365,878,210)	(269,873,160)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		1,519,599,246	86,937,216
Repayment of long term financing		(1,031,784,012)	(752,773,232)
Proceeds from short term borrowings		12,241,769,174	12,399,456,678
Repayment of short term borrowings		(10,476,319,795)	(11,749,254,494)
Long term deposits		16,500,000	12,760,000
Dividend paid		(212,403,275)	(212,509,050)
Net cash generated / (used in) from financing activities		2,057,361,338	(215,382,882)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		109,459,090	(20,866,796)
Cash and cash equivalents at beginning of the year		81,643,197	102,509,993
Cash and cash equivalents at end of the year	18	191,102,287	81,643,197

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, 2021

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 - Sheikhupura Road, Faisalabad, in the province of Punjab.

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

Principal business activities are as follows:

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

- 1.2 These 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;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 and IFAS, the provisions of and directives issued under the Act have been followed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

2.2 Accounting convention

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

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

2.3 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2021

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations 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:

Amendment to IFRS 16 ‘Leases’ - Covid-19 related rent concessions	June 01, 2020
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 ‘Business Combinations’ - Definition of a business	January 01, 2020
Amendments to IAS 1 ‘Presentation of Financial Statements’ and IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ - Definition of material	January 01, 2020
Amendments to IFRS 9 ‘Financial Instruments’, IAS 39 ‘Financial Instruments: Recognition and Measurement’ and IFRS 7 ‘Financial Instruments: Disclosures’ - Interest rate benchmark reform	January 01, 2020

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Standards or Interpretations

Effective from annual period beginning on or after:

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendment to IFRS 16 ‘Leases’ - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
Amendments to IFRS 3 ‘Business Combinations’ - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 ‘Property, Plant and Equipment’ - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’ - Onerous Contracts – cost of fulfilling a contract	January 01, 2022
Amendments to IAS 1 ‘Presentation of Financial Statements’ - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 ‘Presentation of Financial Statements’ - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ - Definition of accounting estimates	January 01, 2023
Amendments to ‘IAS 12 Income Taxes’ - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023

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.

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 statement of profit or loss applying the reducing balance method at the rates specified in note 5 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 statement of 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 transferred by the Company to its unappropriated profit and is presented in 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.

Capital work-in-progress

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

4.2 *Intangible Assets*

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are recognized when it is probable that the expected future economic benefits will flow to the entity and the cost of the asset can be measured reliably. Cost of the intangible asset (i.e. Computer software) includes purchase price and directly attributable expenses incidental to bring the asset for its intended use. Cost associated with maintaining computer software are recognized as an expense as and when incurred.

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged over estimated useful life of the asset on a systematic basis applying the reducing balance method. Useful life of intangible operating assets are reviewed, at each reporting date and adjusted if the impact of amortization is significant.

4.3 *Investment property*

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

Depreciation on buildings is charged to statement of profit or loss 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 statement of profit or loss.

4.4 *Investments*

Regular way purchase or sale of investments

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

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

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration 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
- 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 statement of comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is reclassified to statement of profit or loss on the disposal of equity investments in accordance with the guidance of IFRS 9.

Dividends on these investments in equity instruments are recognized in statement of 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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 statement of profit or loss.

De-recognition

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

4.5 *Stores, spare parts and loose tools*

Stores and spares are valued principally at weighted average cost. Impairment provision is recognised against items determined to be obsolete and / or not expected to be used up future. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

4.6 *Stock-in-trade*

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

Raw and packing materials	Average cost except for those in transit which are stated at invoice price plus other charges paid thereon up to the reporting date.
Work-in-process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realizable value

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

4.7 *Trade debts, other receivables and loans and advances*

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

4.8 *Cash and cash equivalents*

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

4.9 *Impairment*

Non Financial Assets (other than stock in trade and stores, spares and loose tools)

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 statement of profit or loss. 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. A reversal of an impairment loss is recognised immediately in statement of profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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

4.10 *Borrowings*

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

4.11 *Employee retirement benefits*

Defined contribution plan - Chemical division

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

Defined benefit plan - Textile division

The Company operates an unfunded gratuity scheme for all those permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provision is made to cover the obligation under scheme on the basis of actuarial valuation and is charged to statement of profit or loss and statement of comprehensive income. The most recent Actuarial Valuation was carried out at June 30, 2021 using "Projected Unit Credit Method". The amount recognized in the statement of financial position represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

4.12 *Deferred grant*

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in statement of profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to statement of profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in statement of profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

4.13 *Trade and other payables*

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

4.14 *Provisions*

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

4.15 *Taxation*

Current

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

Deferred

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

Deferred tax liabilities are generally 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.

4.16 *Dividend and other appropriations*

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

4.17 *Financial instruments*

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

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

4.18 *Revenue recognition*

Revenue is measured 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.

4.19 *Borrowing costs*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

4.20 *Foreign currencies*

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each 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 statement of profit or loss for the period.

4.21 *Segment Reporting*

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

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

4.22 *Off setting of financial assets and financial liabilities*

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

4.23 *Earnings per share*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2021 Rupees	2020 Rupees
Operating assets	5.1	16,859,587,955	14,798,050,669
Capital work-in-progress	5.3	63,860,511	137,020,686
		<u>16,923,448,466</u>	<u>14,935,071,355</u>

5.1 Operating assets - as at June 30, 2021

Description	Cost / revalued amount			Accumulated depreciation			Book value as at June 30, 2021	Dep. Rate (%)
	At July 01, 2020	Additions / (disposals) / (write off)	Reclassi- fication	At June 30, 2021	At July 01, 2020	Charge for the year / (on disposals)		
Freehold land	1,287,405,429	4,512,922 (65,547,757)	65,547,757	1,291,918,351	-	-	1,291,918,351	-
Building on freehold land: Mill	1,838,461,648	421,723,198 (194,210)	- (65,547,757)	2,194,442,879	180,704,556	172,971,445 (42,686,074)	310,989,927	1,883,452,952
Head office	12,238,041	-	-	12,238,041	10,996,220	118,694	11,114,914	1,123,127
Plant and machinery	11,355,589,986	2,476,064,314 (52,453,558)	- -	13,779,200,742	820,545,718	814,587,097 (33,511,858)	1,601,620,957	12,177,579,785
Grid station and electric installation	241,955,353	18,247,177	-	260,202,530	175,607,459	7,836,086	183,443,545	76,758,985
Containers and cylinders	60,585,251	36,964,014 (3,091,289)	- -	94,457,976	40,250,498	4,977,889 (2,146,576)	43,081,811	51,376,165
Factory equipment	207,479,526	20,166,577 (2,088,936)	- -	225,557,167	68,371,782	14,849,194 (1,398,198)	81,822,778	143,734,389
Electric equipment	1,280,649,674	236,740,028 (2,368,682)	- -	1,515,021,020	341,788,095	96,579,719 (1,401,530)	436,966,284	1,078,054,736
Office equipment	72,513,797	14,613,598 (1,198,009)	- -	85,929,386	35,752,110	4,408,751 (779,722)	39,381,139	46,548,247
Furniture and fittings	44,812,958	9,715,823 (273,622)	- -	54,255,159	21,256,271	3,085,026 (168,423)	24,172,874	30,082,285
Vehicles	212,060,150	10,039,366 (24,569,407)	- -	197,530,109	120,428,435	19,568,771 (21,426,030)	118,571,176	78,958,933
	16,613,751,813	3,248,787,017 (151,785,470)	65,547,757 (65,547,757)	19,710,753,359	1,815,701,144	1,138,982,672 (103,518,411)	2,851,165,405	16,859,587,955

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Operating assets - as at June 30, 2020

Description	Cost / revalued amount			Accumulated depreciation			Dep. Rate (%)
	At July 01, 2019	Additions / (disposals) / (write off)	Reclassification	At June 30, 2020	At July 01, 2019*	Charge for the year / (on disposals)	
Freehold land	1,271,108,000	16,297,429	-	1,287,405,429	-	-	-
Building on freehold land: Mill	1,767,686,296	70,775,352	-	1,838,461,648	-	180,704,556	10
Head office	12,238,041	-	-	12,238,041	10,864,337	131,883	10
Plant and machinery	11,035,400,000	343,180,071 (22,990,085)	-	11,355,589,986	-	837,820,500 (17,274,782)	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)	10
Containers and cylinders	69,399,454	- (8,814,203)	-	60,585,251	46,204,198	2,269,495 (8,223,195)	10
Factory equipment	169,443,612	38,168,914 (133,000)	-	207,479,526	55,250,834	13,184,249 (63,301)	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)	10
Office equipment	69,673,709	3,316,055 (475,967)	-	72,513,797	32,042,069	4,008,277 (298,236)	10
Furniture and fittings	41,750,052	3,062,906	-	44,812,958	18,860,207	2,396,064	10
Vehicles	231,860,060	15,891,838 (35,691,748)	-	212,060,150	120,832,316	23,339,717 (23,743,598)	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)	

5.2 Depreciation for the year has been allocated as under:

	Note	2021 Rupees	2020 Rupees
Cost of sales	30	1,041,800,678	1,117,893,882
Administrative expenses	32	54,616,087	54,483,266
		<u>1,096,416,765</u>	<u>1,172,377,148</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

5.3 Capital work-in-progress

2021

Description	At July 01, 2020	Additions	Transfers	At June 30, 2021
Rupees				
Civil	29,625,717	374,903,090	(371,740,969)	32,787,838
Mechanical	105,144,507	2,487,344,962	(2,561,416,796)	31,072,673
Advance for property, plant and equipment	2,250,462	-	(2,250,462)	-
	<u>137,020,686</u>	<u>2,862,248,052</u>	<u>(2,935,408,227)</u>	<u>63,860,511</u>

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
	<u>87,111,027</u>	<u>474,185,348</u>	<u>(424,275,689)</u>	<u>137,020,686</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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

2021

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain / (loss)	Mode of disposal
	Third party			Rupees			
Distributed control system (DCS)	Muhammad Jawaaid	3,514,992	(2,437,517)	1,077,475	35,000	(1,042,475)	Negotiation
Mercedes Car	Mr. Kamran	14,568,444	(13,689,498)	878,946	5,350,000	4,471,054	Negotiation
Factory Area Godown	Mr. Imran Ghafoor	65,547,757	-	65,547,757	341,000,000	275,452,243	Negotiation
Wheel Loader	Mr. Muzaffar Hussain	7,258,735	(5,320,187)	1,938,548	720,000	(1,218,548)	Negotiation
		90,889,928	(21,447,202)	69,442,726	347,105,000	277,662,274	

2020

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain / (loss)	Mode of disposal
	Third party			Rupees			
Pay Loader	Muhammad Jawaaid	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	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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)	
		2021	2020	2021	2020
Chak# 61 - RB, Faisalabad	Manufacturing unit	7,359,642	7,359,642	506,877	506,877
Chak# 97 - RB, Faisalabad	Power Generation Unit	3,915,772	3,915,772	328,259	253,763
Chak# 204 - RB, Faisalabad	Guest House	9,720	9,720	16,851	16,851
Sitara Tower, Civil Line, Faisalabad	Site Office	9,210	9,210	9,210	9,210
Flat No.7, Malik Complex, Blue Area, Islamabad	Site Office	1,344	1,344	1,344	1,344
Vehari Road, Multan	Site Office	5,436	5,436	2,700	2,700
110-A Siddique Trade Center, Lahore	Site Office	1,194	1,194	1,194	1,194
Business Center, Mumtaz Hassan Road, Karachi	Site Office	1,640	1,640	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 had been carried out by Hamid Mukhtar & Company (Private) Limited, an independent valuer not connected to the Company and was on the panel of approved valuers of Pakistan Banks Association. It was also on the panel of State Bank of Pakistan and possessed 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Machinery (Textile)

Inquiries were made from market to obtain prevalent fair market values of similar local and imported machinery items.

Machinery (Chemical)

For the purpose of valuation, the original cost was divided into two parts i.e. 70% of the value is basic foreign amount of the plant & machinery and 30 % was local component of plant and machinery.

Foreign Values:

The 70% of original capitalized cost in Pak Rupee was converted to USD prices by dividing the USD rate of the year of procurement. The USD price of each equipment was then converted into current Rupees price by multiplying the original USD price by current USD rate (30-06-2019). These were 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 had been fairly escalated by using compounded inflation factor calculated on compounding basis since the year 1990. The actual inflation in Pakistan (CPI) since 1986 till the date of revaluation (i.e. 30-06-2019) had been fluctuating between 4 to 12 % per year (except 20% in the year 2009) as per economic survey of Pakistan. The compounded factor (CIF) was then adjusted for inflation. The re-instatement factor was obtained by discounting the above CIF by 35 % as per Economic Survey of Pakistan.

Thus, after summing the foreign and local amounts, the valuer 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** The fair valuation of revalued assets has been determined using level 2 inputs of fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

- 5.9 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at June 30, 2021 would have been as follows:

	Cost	Accumulated depreciation Rupees	Book Value
Land	413,622,645	-	413,622,645
Buildings on free hold land	2,422,673,244	782,666,067	1,640,007,177
Plant and Machinery	12,239,218,266	3,937,456,943	8,301,761,323
2021	15,075,514,155	4,720,123,010	10,355,391,145
2020	12,332,808,523	4,236,011,276	8,096,797,247
	Note	2021 Rupees	2020 Rupees

6. INTANGIBLE ASSETS

Cost

Balance at the beginning of the year	21,550,256	21,550,256
Additions	-	-
Balance at the end of the year	21,550,256	21,550,256

Accumulated amortization

Balance at the beginning of the year	11,542,642	10,430,685
Amortization during the year	30 1,000,761	1,111,957
Balance at the end of the year	6.1 12,543,403	11,542,642
	9,006,853	10,007,614

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

	Note	2021 Rupees	2020 Rupees
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7. INVESTMENT PROPERTY

Land	7.1	3,270,232,182	3,269,146,682
Buildings	7.2	42,357,736	46,392,860
		3,312,589,918	3,315,539,542

7.1 Land

Balance at the beginning of the year		3,269,146,682	3,246,711,918
Acquisition during the year	7.1.1	1,085,500	22,434,764
Balance at the end of the year		3,270,232,182	3,269,146,682

- 7.1.1 The land acquired is situated at Chak #266, Faisalabad and measures to a total area of 1 kanal and 10 marlas. The land was purchased from Mr. Muhammad Raza.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
7.2 Buildings			
Cost			
Balance at the beginning of the year		90,437,826	89,276,765
Additions during the year		-	1,161,061
Balance at the end of the year		90,437,826	90,437,826
Accumulated depreciation			
At the beginning of the year		44,044,966	39,483,280
Charge for the year	32	4,035,124	4,561,686
At the end of the year		48,080,090	44,044,966
Written down value at the end of year		42,357,736	46,392,860

The Company has invested in freehold, residential plots, land and building covering area of 3,425 kanal and 18 marlas for the purpose of capital appreciation and earning rental income. These properties are situated within the Province of Punjab.

The rental income earned by the Company from its investment property amounted to Rs. 29.85 million (2020: Rs. 33.57 million).

8. LONG TERM INVESTMENTS

8.1 These includes investments in Dawood Family Takaful Limited and Salaam 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, 2021 is as follows.

	2021 Rupees	2020 Rupees
Dawood Family Takaful Limited	20,038,687	20,038,687
Salaam Takaful Pakistan Limited	5,000,000	5,000,000
	25,038,687	25,038,687

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
9. LONG TERM LOANS AND ADVANCES			
Deferred consideration against sale of land	9.1	1,035,930,505	1,102,030,559
Loans and advances	9.2	2,423,551	4,733,741
		<u>1,038,354,056</u>	<u>1,106,764,300</u>
9.1 Deferred consideration against sale of land			
Deferred consideration against sale of land		1,472,685,062	1,277,030,559
Current portion shown in current assets	14	(436,754,557)	(175,000,000)
		<u>1,035,930,505</u>	<u>1,102,030,559</u>
9.1.1 During March 2018, the Company entered into an agreement for sale of 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 was received as an advance and balance receivable amounting to Rs. 1,752 million was to be received from M/s Sitara Developers (Private) Limited over a period of 6 years (5 installments). During March 2020, both parties agreed to defer the consideration then outstanding by one year. Above represents the amortized cost of remaining consideration as per amended repayment schedule.			
During May 2021, the Company entered into another agreement for sale of land measuring 4 kanal and 5 marlas sitauted at Factory Area, Chak # 212 RB, Faisalabad to Mr. Imran Ghaffor, at an aggregate sale price of Rs. 341 million. An advance amounting to Rs. 20 million has been recieved in this regard and balance receivable amounting to Rs. 321 million is to be recieved from Mr. Imran Ghaffor over a period of 2.5 years (4 installements).			
9.2 Loans and advances	Note	2021 Rupees	2020 Rupees
<i>Considered good</i>			
<i>Secured</i>			
Staff		5,125,904	3,257,554
<i>Unsecured</i>			
Staff		5,514,619	18,744,175
		<u>10,640,523</u>	<u>22,001,729</u>
Current portion shown in current assets	14	(8,216,972)	(17,267,988)
	9.2.1	<u>2,423,551</u>	<u>4,733,741</u>
9.2.1 The maximum aggregate amount due at the end of any month during the year was Rs. 16.61 million (2020: Rs. 37.81 million).			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

		2021 Rupees	2020 Rupees
10. LONG TERM DEPOSITS	Note		
Security deposits for:			
Electricity		39,733,670	38,903,990
Gas		84,018,305	83,971,590
Water and sanitation		155,354	155,354
Others		458,400	458,400
		<u>124,365,729</u>	<u>123,489,334</u>
11. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		840,033,961	825,286,302
Spare parts		50,902,443	30,683,738
Loose tools		6,196,806	4,496,041
		<u>897,133,210</u>	<u>860,466,081</u>
12. STOCK IN TRADE			
Raw material		1,266,640,437	1,262,964,716
Packing material		32,126,723	20,770,926
Work in process		23,661,399	27,136,232
Finished goods		1,419,056,219	1,005,303,661
Waste		3,678,422	10,779,878
		<u>2,745,163,200</u>	<u>2,326,955,413</u>
13. TRADE DEBTS			
Local - unsecured		1,579,197,805	1,337,984,865
Foreign-secured		27,837,843	50,984,633
		<u>1,607,035,648</u>	<u>1,388,969,498</u>
Allowance for expected credit losses	13.2	(244,260,510)	(187,563,606)
		<u>1,362,775,138</u>	<u>1,201,405,892</u>

- 13.1** Trade receivables are non-interest bearing and relate to different products being sold on credit to customers. The credit period allowed on these products is generally from five days term for dealers to thirty days term for institutional customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

		2021 Rupees	2020 Rupees
13.2	<i>Movement in allowance for expected credit losses</i>		
	At beginning of the year	187,563,606	175,306,056
	Charge for the year	56,696,904	27,652,065
	Written off during the year	-	(15,394,515)
	At end of the year	244,260,510	187,563,606
	Note		
39.1.3			
14.	LOANS AND ADVANCES		
	Current portion of deferred consideration against sale of land	436,754,557	175,000,000
	Current portion of long term loans and advances- staff	8,216,972	17,267,988
		444,971,529	192,267,988
	Advance income tax	1,514,588,153	1,472,749,250
	Sales tax refundable	254,288,980	-
	Related parties - considered good		
	Sitara Developer Private Limited - advance against expenses	6,970	2,204,833
	Advances - considered good		
	For office expenses	12,002,660	12,047,981
	Letters of credit fee, margin and expenses	519,139,596	168,527,988
	Suppliers and contractors	633,878,374	541,732,686
		1,165,020,630	722,308,655
	Advances - considered doubtful		
	For expenses	42,589	42,589
	Suppliers and contractors	599,955	599,955
	Provision for doubtful advances	(642,544)	(642,544)
		-	-
		3,378,876,262	2,389,530,726
14.1	The maximum aggregate amount of receivable due from related party at the end of any month during the year was Rs. 2.15 million (2020: 2.67 million).		
14.2	<i>Movement in provision for doubtful advances</i>		
	At beginning of the year	642,544	642,544
	Charge during the year	-	-
	At end of the year	642,544	642,544

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

15.	TRADE DEPOSITS AND PREPAYMENTS	Note	2021 Rupees	2020 Rupees
	Trade deposits		6,540,087	6,583,802
	Prepayments		1,221,923	1,071,733
			<u>7,762,010</u>	<u>7,655,535</u>
16.	OTHER RECEIVABLES			
	Receivable from provident fund - related party 16.1		-	3,408,419
	Others		12,634,633	12,466,345
			<u>12,634,633</u>	<u>15,874,764</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. 3.41 (2020: 4.51 million).

17.	OTHER FINANCIAL ASSETS	Note	2021 Rupees	2020 Rupees
	<i>Investments measured at fair value through profit or loss (FVTPL)</i>			
	Mutual funds	17.1	244,903,936	6,986,504
	<i>Investments designated as at fair value through other comprehensive income (FVTOCI)</i>			
	Equity investments	17.2	266,874,257	189,582,099
			<u>511,778,193</u>	<u>196,568,603</u>

17.1 Investments measured at FVTPL

Units having face value of Rs. 50 each.

2021 No. of units	2020		2021 Rupees	2020 Rupees
4,412,200	134,452	Meezan Rozana Amdani Fund	220,610,037	6,722,614
-	444	Al-Meezan Investment Management Limited	-	22,200
470,493	4,581	Meezan Sovereign Fund	24,273,607	236,135
402	-	Meezan Cash Fund	20,292	-
-	119	Meezan Islamic Fund	-	5,555
			<u>244,903,936</u>	<u>6,986,504</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, 2021

17.1.2 Amounts recognized in statement of profit or loss

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

	Note	2021 Rupees	2020 Rupees
Gain / (loss) on remeasurement of investments	35 / 33	2,893	(25,270)
Gain on sale of investments	35	4,257,549	1,310,859

17.1.3 Disposals of mutual funds measured at FVTPL

During the period, the Company sold its investment in mutual funds measured at FVTPL. The units sold had a fair value of Rs. 969.04 million (2020: Rs. 563.51 million) at the time of sale and the Company realized a gain of Rs. 4.26 million (2020: Rs. 1.31 million) which was realized in statement of profit or loss.

17.2 Investments designated as at FVTOCI

Fully paid ordinary shares of Rs. 10 each.

2021 No. of shares	2020 No. of shares		2021 Rupees	2020 Rupees
3,220,000	3,220,000	Sitara Peroxide Limited	91,093,800	65,720,200
768,719	753,382	Meezan Bank Limited	88,740,052	51,870,351
674,661	674,661	Sitara Energy Limited	10,121,221	14,572,678
85,000	72,000	D.G Khan Cement Company Limited	10,023,200	6,143,760
-	82,197	Engro Polymer & Chemicals Limited	-	2,053,281
84,698	84,698	Ittehad Chemicals Limited	3,222,759	2,231,792
40,000	40,000	Fauji Cement Company Limited	920,000	675,200
45,000	22,500	Maple Leaf Cement Factory Limited	2,114,100	1,081,392
66,000	66,000	Pakistan Oilfield Limited	25,994,760	23,141,580
34,000	33,629	Hub Power Company Limited	2,708,780	2,438,103
27,500	27,500	Engro Corporation Limited	8,101,775	8,055,300
25,000	25,000	Engro Fertilizers Limited	1,756,750	1,507,000
160,000	160,000	Fauji Foods Limited	2,889,600	1,512,000
35,000	24,000	National Foods Limited	8,015,700	7,212,960
9,000	7,200	Pakistan State Oil Company Limited	2,018,250	1,366,502
7,000	-	Unity Foods Limited	311,640	-
10,000	-	NetSol Technologies Limited	1,699,800	-
8,000	-	Mughal Iron & Steel Industries Limited	835,200	-
30,000	-	Fauji Fertilizer Bin Qasim Limited	792,300	-
500	-	Flying Cement Company Limited	10,640	-
25,000	-	TRG Pakistan Limited	4,158,250	-
8,000	-	Sazgar Engineering Works Limited	1,345,680	-
			<u>266,874,257</u>	<u>189,582,099</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	2021 Rupees	2020 Rupees
17.2.1 Fair value per share at the period end		
Sitara Peroxide Limited	28.29	20.41
Meezan Bank Limited	115.44	68.85
Sitara Energy Limited	15.00	21.60
D.G Khan Cement Company Limited	117.92	85.33
Engro Polymer & Chemical Limited	47.20	24.98
Ittehad Chemicals Limited	38.05	26.35
Fauji Cement Company Limited	23.00	16.88
Maple Leaf Cement Factory Limited	46.98	48.06
Pakistan Oilfield Limited	393.86	350.63
Hub Power Company Limited	79.67	72.50
Engro Corporation Limited	294.61	292.92
Engro Fertilizers Limited	70.27	60.28
Fauji Foods Limited	18.06	9.45
National Foods Limited	229.02	300.54
Pakistan State Oil Company Limited	224.25	189.79
Unity Foods Limited	44.52	11.00
NetSol Technologies Limited	169.98	49.00
Mughal Iron & Steel Industries Limited	104.40	40.00
Fauji Fertilizer Bin Qasim Limited	26.41	15.00
Flying Cement Company Limited	21.28	9.00
TRG Pakistan Limited	166.33	27.00
Sazgar Engineering Works Limited	168.21	123.00
17.2.2 Movement in investments measured at FVTOCI		
Balance at the beginning of the year	189,582,099	200,749,234
Acquired during the year	89,207,595	229,488
Disposed off / transferred during the year	(79,149,687)	(22,191)
Fair value gain / (loss)	67,234,250	(11,374,432)
Balance at the end of the year	<u>266,874,257</u>	<u>189,582,099</u>
17.2.3 These investments in equity instruments are not held for trading and are instead, 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.		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

17.2.4 Amounts recognized in statement of profit or loss and statement of comprehensive income

	Note	2021 Rupees	2020 Rupees
Gain / (loss) on re-measurement of equity instruments recognized in statement of comprehensive income		67,234,250	(11,374,432)
Gain on disposal of equity instruments recognized in statement of profit or loss	35	10,114,167	-
18. CASH AND BANK BALANCES			
Cash in hand		15,750,992	15,044,310
Cash at banks			
In current accounts		125,150,064	50,877,023
In saving accounts	18.1	50,201,231	15,721,864
		175,351,295	66,598,887
	18.2	191,102,287	81,643,197

18.1 These are shariah compliant bank balances and carry profits at rates ranging from 2.75% to 2.90% (2020: 3.25% to 5.32%) per annum.

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

19. SHARE CAPITAL

2021 No. of shares	2020		2021 Rupees	2020
40,000,000	40,000,000	<i>Authorized</i>	400,000,000	400,000,000
20,000,000	20,000,000	Ordinary shares of Rs. 10 each	200,000,000	200,000,000
		Class "A"		
		Class "B"		
2021 No. of shares	2020		2021 Rupees	2020
8,640,000	8,640,000	<i>Issued, subscribed and paid up</i>	86,400,000	86,400,000
10,804,398	10,804,398	Class "A" ordinary shares of Rs.10/- each	108,043,980	108,043,980
		- fully paid in cash		
		- issued as fully paid bonus shares		
		- 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 (2020: 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

20.	RESERVES	Note	2021 Rupees	2020 Rupees
	<i>Capital</i>			
	Share premium	20.1	97,490,410	97,490,410
	<i>Revenue</i>			
	General reserve	20.2	1,225,000,000	1,225,000,000
	<i>Other</i>			
	Reserve on re-measurement of equity instruments at FVTOCI	20.3	97,223,777	40,074,665
	Reserve on re-measurement of post retirement benefits net of tax		(6,013,914)	(4,778,798)
			<u>1,413,700,273</u>	<u>1,357,786,277</u>

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.

21.	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	2021 Rupees	2020 Rupees
	Opening balance	5,442,532,655	5,782,048,264
	Addition during the year	-	-
	Transferred to unappropriated profit on account of Incremental depreciation - net of deferred tax	(254,415,180)	(275,929,329)
	Related deferred tax liability due to incremental depreciation	(71,238,880)	(63,586,280)
		<u>(325,654,060)</u>	<u>(339,515,609)</u>
	Closing balance	5,116,878,595	5,442,532,655
	<i>Related deferred tax liability</i>		
	Opening balance	(1,204,820,925)	(1,268,407,205)
	Deferred tax on incremental depreciation	71,238,880	63,586,280
		<u>(1,133,582,045)</u>	<u>(1,204,820,925)</u>
	Closing balance	<u>3,983,296,550</u>	<u>4,237,711,730</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

22.	LONG TERM FINANCING	Note	2021 Rupees	2020 Rupees	
	From banking companies and other financial institutions - secured				
	Diminishing Musharka (from financial institutions - secured)	22.1	1,865,064,862	1,375,943,084	
22.1	Diminishing Musharka (from financial institutions - secured)				
Description	Profit	Security	Repayment	2021	2020
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 of Rs. 267 million including 25% margin 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.	85,714,288	142,857,144
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. 267 million 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.	150,000,003	235,714,287
HBL Soap Noodle Plant	Three months KIBOR plus 0.75 % per annum payable on quarterly basis.	a) Joint pari passu charge (JPP) of PKR 667 million (inclusive of 25% risk margin) over current assets of the Company's chemical division. b) Exclusive Hypothecation charge over Fixed assets (Plant and Machinery) of the Company's chemical Division for PKR 267 million (inclusive of 25% risk margin). Specific machinery/plant include CSP-II (Caustic Soda Solidification-II), Multi- Fuel Boiler, Carbon Dioxide (CO2) Plants 1 & 2". c) Enhanced facility of PKR 300 million to be allowed against ranking charge of PKR 400 million over Current assets of the company with 25% risk margin. Ranking charge to be upgraded to JPP within 120 days of the first drawdown in enhanced portion.	This Istisna Finance was sanctioned for amount of Rs. 1,000 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.	398,394,730	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Askari Bank Limited- Soap Noodle Plant Rs.1000(M)	Three months KIBOR plus 1.00 % (2020: Three months KIBOR plus 1.00 %) per annum payable on quarterly basis.	a) 1st pari passu charge of Rs. 1,334 million overall present and future fixed assets (land, building, Plant and machinery) of soap noodle plant with 25% margin of market value. Valuation of Project's land measuring 118 kanals has been carried out by M/s Hamid Mukhtar & Co. (Pvt) Ltd. on 12-Aug-2020 confirming Land's market value of Rs. 88.50 Million and FSV of PKR 70.80 Million 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. 1,000 million. Facility is repayable in 20 equal quarterly installments with grace period of 1 year commencing from November 26, 2020 and ending on November 26, 2024.	937,277,056	-
Dubai Islamic Bank Soap Noodle Plant Rs.500(M)	SBP Rate plus 1.1% p.a payable on quarterly basis	1st Joint Pari Passu Charge of Rs. 667.67 m over all Present and Future Fixed Assets (Land, Building, Plant and Machinery) of Soap Noodles Project of the Company, inclusive of 25% Margin.	This SBP Islamic Temporary Economic Refinance Facility (ITERF) was sanctioned for amount of Rs. 500 million. Facility is repayable in 06 equal half yearly installments including 01 year grace period commencing from March 09, 2020 and ending on March 09, 2026.	141,835,031	-
Meezan Bank Limited	Three months KIBOR plus 1.00 % (2020: Three months KIBOR plus 1.00 %) per annum payable on quarterly basis.	a) Exclusive ownership of PKR 667 million over Plant and Machinery of M-1 unit.	This Diminishing Musharka facility was sanctioned for amount of Rs. 320,768,243 million. Facility is repayable in 05 years inclusive of grace period of 18 months. The repayment will start from April 11, 2020 and ending on July 11, 2023.	320,768,246	463,331,910
Meezan Bank Limited	Three months KIBOR plus 1.15 % (2020: Three months KIBOR plus 1.15 %) per annum payable on quarterly basis.	Exclusive Charge of Rs. 234 million with 25% margin Over specific Generators provided under sale and lease back.	This Diminishing Musharka facility was sanctioned for amount of Rs. 142,187,500 million. The amount is repayable in 16 equal quarterly instalments. The repayment will start from October 04, 2020 and ending on June 27, 2024.	142,187,500	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

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FOR THE YEAR ENDED JUNE 30, 2021

Faysal Bank Limited	Three months KIBOR plus 1.00 % (2019: Three Month Kibor Plus 1.%) 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.	200,000,000	360,000,000
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.	125,000,000	250,000,000
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.	86,618,588	87,430,354
				2,587,795,442	2,110,626,990
Less: Current portion				(718,521,293)	(724,037,124)
Less: Deferred grant		24.2		(4,209,287)	(10,646,782)
				1,865,064,862	1,375,943,084

22.1.1 Effective rate of profit for the year is ranging from 8.00% to 12.00% (2020 : 8.25% to 15.00%) 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:

	2021 Rupees	2020 Rupees
Maturity		
6 months or less	339,342,910	345,684,660
6 - 12 months	379,178,383	378,352,464
1 - 5 years	1,865,064,862	1,375,943,084
	2,583,586,155	2,099,980,208

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. 152.22 million.

NOTES TO THE FINANCIAL STATEMENTS

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		2021 Rupees	2020 Rupees			
23.	LONG TERM DEPOSITS					
	From customers	67,877,093	51,377,093			
	Others	1,170,000	1,170,000			
		<u>69,047,093</u>	<u>52,547,093</u>			
23.1	As per the requirements of section 217 of the Companies Act, 2017 deposits amounting to Rs. 67.88 million (2020: Rs. 51.38 million) are utilized for the purpose of business as per the written agreements and deposits amounting to Rs. 1.17 million (2020: Rs. 1.17 million) are kept in separate bank account.					
		2021 Rupees	2020 Rupees			
24.	DEFERRED LIABILITIES					
	Deferred taxation	24.1 2,488,046,844	2,368,971,192			
	Deferred grant	24.2 5,988,993	10,153,644			
	Gratuity payable	24.3 42,532,474	38,753,013			
	Gas infrastructure development cess liability	24.4 27,296,752	-			
		<u>2,563,865,063</u>	<u>2,417,877,849</u>			
24.1	Deferred taxation					
	<i>This comprises the following:</i>					
	Deferred tax liability on taxable temporary differences arising in respect of:					
	Tax depreciation allowance	1,419,933,903	1,228,494,189			
	Surplus on revaluation of property, plant and equipment	1,133,582,045	1,204,820,925			
	Others	16,147,561	-			
		<u>2,569,663,509</u>	<u>2,433,315,114</u>			
	Deferred tax asset on deductible temporary differences arising in respect of:					
	Provision for employee benefits	(12,104,057)	(11,017,841)			
	Allowance for expected credit losses	(69,512,608)	(53,326,081)			
	Unused tax credits	-	-			
		<u>(81,616,665)</u>	<u>(64,343,922)</u>			
		<u>2,488,046,844</u>	<u>2,368,971,192</u>			
24.1.1	Movement in temporary differences for the year	Balance as at July 1, 2020	Recognized in equity	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2021
	<i>Taxable temporary difference</i>					
	Tax depreciation allowance	1,228,494,189	-	191,439,714	-	1,419,933,903
	Surplus on revaluation of property, plant and equipment	1,204,820,925	-	(71,238,880)	-	1,133,582,045
	Others	-	-	6,062,423	10,085,138	16,147,561
	<i>Deductible temporary difference</i>					
	Provision for employee benefits	(11,017,841)	-	(595,828)	(490,388)	(12,104,057)
	Allowance for expected credit losses	(53,326,081)	-	(16,186,527)	-	(69,512,608)
		-	-	-	-	-
		<u>2,368,971,192</u>	-	<u>109,480,902</u>	<u>9,594,750</u>	<u>2,488,046,844</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	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
	Rupees				
<i>Taxable temporary difference</i>					
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
<i>Deductible temporary difference</i>					
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)
	2,405,285,497	-	(36,249,298)	(65,007)	2,368,971,192

	2021 Rupees	2020 Rupees
24.2 Deferred grant		
At beginning of the year	10,153,644	-
Deferred grant recognized on subsidized rate long term loan	4,209,287	10,646,782
Amortization of deferred grant	(8,373,938)	(493,138)
At the end of the year	5,988,993	10,153,644
24.3 Staff retirement benefits - gratuity		
<i>Movement in liability</i>		
At beginning of the year	38,753,013	30,715,115
Charge for the year	13,012,305	13,324,946
Remeasurement loss recognized in other comprehensive income	1,725,504	228,650
Benefits paid during the year	(10,958,348)	(5,515,698)
At the end of the year	42,532,474	38,753,013
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	38,753,013	30,715,115
Current service cost	10,247,905	9,453,415
Interest cost	2,764,400	3,871,531
Benefits paid	(10,958,350)	(5,515,698)
Remeasurement loss from changes in financial assumptions	1,725,504	228,650
Present value of defined benefit obligation as at June 30	42,532,472	38,753,013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	2021 Rupees	2020 Rupees
24.3.2 Expense recognized in profit and loss account is as follows		
Current service cost	10,247,905	9,453,415
Interest cost	2,764,400	3,871,531
	<u>13,012,305</u>	<u>13,324,946</u>
24.3.3 Charge for the year has been allocated as follows:		
Cost of sales	9,108,613	9,327,462
Administrative expenses	3,903,692	3,997,484
	<u>13,012,305</u>	<u>13,324,946</u>
24.3.4 Total remeasurement chargeable to statement of other comprehensive income:		
Actuarial loss on remeasurement of defined benefit obligation	1,725,504	228,650
	<u>1,725,504</u>	<u>228,650</u>

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

	2021	2020
Discount rate	10.00%	8.25%
Expected rate of salary increase	4.21%	12.51%
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%	40,332,821	45,002,421
Salary growth	1%	45,216,099	40,103,761

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, 2021

	2021	2020
24.3.7 Maturity profile of the defined benefit obligation		
24.3.7.1 Weighted average duration of the benefit (Years)	5.64	9.18
24.3.7.2 Distribution of timing of benefit payments (time in years)	2021 Rupees	2020 Rupees
1	6,407,652	2,281,276
2	9,152,876	3,088,663
3	3,221,833	5,434,892
4	5,282,342	1,818,855
5	3,233,614	4,142,728
6 to 10	18,972,640	15,722,900
11 and above	44,566,188	75,846,489

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.

	2021 Rupees	2020 Rupees
24.4 Gas infrastructure development cess liability		
Balance at the beginning of the year	467,383,503	-
Discounting of GIDC	(37,489,821)	-
Unwinding of interest	25,837,948	-
Payment made during the year	(194,743,126)	-
	260,988,504	-
Less: Payable within one year	(233,691,752)	-
	27,296,752	-

Under the Gas Infrastructure Development Cess (GIDC) Act, 2011, the Government of Pakistan levied GIDC on all industrial gas consumers at the rate of Rs. 13 per MMBTU. Subsequently, the GIDC rate were enhanced through notifications under OGRA Ordinance 2002, Finance Act, 2014 and GIDC Ordinance 2014 against which the Company had obtained ad-interim stay orders from Sindh High Court.

On May 22, 2015, the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby cess rate of Rs. 100 per MMBTU and Rs. 200 per MMBTU were fixed for industrial and captive power consumption respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and GIDC Ordinance, 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Further, the Honourable Sindh High Court granted the Company ad-interim stay order against the GIDC Act, 2015. This stay order had restrained Sui Northern Gas Pipelines Limited (SNGPL) from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on the writ petition. However, on prudence basis, the Company had recognized an aggregate provision of Rs. 945.84 million relating to industrial as well as captive power consumption consumed until December 31, 2019. Further, the Company started to receive gas on the rates of RLNG from January 01, 2020 and no GIDC was applicable / charged on gas received as RLNG, therefore no provision was required / made since January 01, 2020.

On August 13, 2020, the Supreme Court of Pakistan (SCP) announced its decision pertaining to GIDC, directing recovery of Rs. 417 billion GIDC payables from the industries. According to the court decision, the amount is payable in twenty-four equal monthly instalments starting from August 01, 2020 without the component of late payment surcharge.

In accordance with the SCP's decision, the Company reversed the late payment surcharge amounting to Rs. 72.40 million in the prior year leaving a net provision of Rs. 873.33 million.

Furthermore, as per the guidance of IFRS 9 "Financial Instruments", the liability for GIDC that was referred to in the decision of SCP amounting to Rs. 467.38 million was re-measured at fair value and present value of future cash outflows discounted at market rate of interest was recognized at an amount of Rs. 429.80 million. The difference amounting to Rs. 37.49 million between the fair value of GIDC liability (i.e. present value of amount required to be paid to settle the GIDC liability) and transaction price of GIDC liability (i.e. undiscounted amount of GIDC liability) was recognised as a gain on discounting of liability for GIDC in statement of profit or loss. Till the year end, the Company has recorded finance cost of Rs. 25.84 million on the unwinding of the liability in the statement of profit or loss.

The remaining provision of Rs. 406.06 million (out of Rs. 873.44 million recognized in previous years) will also be transferred depending on the decision of the Lahore High Court.

25. TRADE AND OTHER PAYABLES	Note	2021 Rupees	2020 Rupees
Creditors		747,631,863	548,279,525
Accrued liabilities		653,982,475	374,901,260
Advances from customers		81,743,343	48,977,306
Provision for gas infrastructure development cess	24.4	406,057,978	873,441,481
Gas infrastructure development cess liability - current portion		233,691,752	-
Payable to Provident fund- related party	25.1	3,381,985	-
Sales tax payable		-	73,908,646
Retentions / security deposits		66,271,615	48,546,606
Withholding tax		1,590,166	2,424,464
Workers' profit participation fund	25.2	10,575,226	8,444,481
Workers' welfare fund		21,298,974	12,251,893
Others		3,678,445	126,639
		<u>2,229,903,822</u>	<u>1,991,302,301</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

25.1 This represents contribution of the Company and employees in respect of provident fund. The maximum aggregate amount payable to related party at the end of any month during the year was Rs. 4.51 million (2020: Rs. 3.38 million).

25.2	<i>Movement in workers' profit participation fund</i>	Note	2021 Rupees	2020 Rupees
	At beginning of the year		8,444,481	6,574,834
	Amount paid to workers on behalf of the fund		(85,753,276)	(19,941,731)
			(77,308,795)	(13,366,897)
	Allocation for the year	33	87,884,021	21,811,378
	At end of the year		10,575,226	8,444,481
26.	<i>PROFIT / FINANCIAL CHARGES PAYABLE</i>			
	Long term financing		36,715,395	32,860,287
	Murabaha financing / short term borrowings		124,402,994	138,425,927
			161,118,389	171,286,214
27.	<i>SHORT TERM BORROWINGS</i>			
	<i>Secured</i>			
	From banking companies - Islamic financing facilities	27.1	6,748,993,811	4,983,544,432
27.1	<i>Break up of the short term borrowings</i>			
	Meezan Bank Limited		982,308,424	750,000,000
	The Bank of Punjab		700,000,000	650,000,000
	Duabi Islamic Bank		650,000,000	400,000,000
	Habib Bank Limited		650,000,000	550,000,000
	Askari Bank Limited		500,000,000	500,000,000
	Bank Alfalah Limited		492,792,470	100,000,000
	The Bank of Khyber		450,000,000	500,000,000
	Faysal Bank Limited		350,000,000	350,000,000
	Habib Metropolitan Bank		350,000,000	-
	Soneri Bank Limited		346,137,840	200,000,000
	Standard Chartered Pakistan		300,000,000	-
	MCB Bank Limited		281,500,000	281,305,901
	Bank Al Habib Limited		613,405	2,238,531
	United Bank Limited		300,000,000	300,000,000
	BankIslami Pakistan Limited		395,641,672	400,000,000
			6,748,993,811	4,983,544,432

27.2 The aggregate unavailed facilities from banking companies amounted to Rs. 2,088 million (2020: Rs. 1,919 million). These are subject to profit margin ranging from 7.30% to 14.29% (2020: 7.92% to 14.78%) 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

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		2021 Rupees	2020 Rupees
28. CONTINGENCIES AND COMMITMENTS			
28.1 Contingencies			
Contingencies	28.1.1	-	-
28.1.1	There were no contingencies as at period end.		
28.2 Commitments			
Guarantees issued by banks on behalf of the Company		268,814,875	262,517,192
Outstanding letters of credit for raw material and spare parts		601,017,016	1,125,850,448
29. SALES - NET			
Chemical		13,966,017,859	12,098,694,357
Textile		3,921,430,654	2,191,850,072
		17,887,448,513	14,290,544,429
Less:			
Commission and discount		(516,149,147)	(456,517,718)
Sales tax		(2,586,761,945)	(2,041,354,686)
Sales - net	29.1	14,784,537,421	11,792,672,025
29.1	All revenue earned by the Company is shariah compliant.		
30. COST OF SALES			
Raw material consumed	30.1	4,224,403,644	2,566,785,815
Fuel and power		5,754,559,392	4,877,053,897
Salaries, wages and benefits	30.2	557,530,224	521,552,777
Stores and spares		550,899,185	437,083,836
Repair and maintenance		59,879,405	56,167,633
Vehicle running and maintenance		2,321,216	1,633,938
Travelling and conveyance		28,729,936	31,729,724
Insurance		31,454,765	34,389,431
Depreciation	5.2	1,041,800,678	1,117,893,882
Amortization	6	1,000,761	1,111,957
Others		2,231,009	6,438,954
		12,254,810,215	9,651,841,844
Work in process			
Opening stock		27,136,232	-
Closing stock		(23,661,399)	(27,136,232)
		3,474,833	(27,136,232)
Cost of goods manufactured		12,258,285,048	9,624,705,612
Finished stocks			
Opening stock - including waste		1,016,083,539	904,915,835
Closing stock - including waste		(1,422,734,641)	(1,016,083,539)
		(406,651,102)	(111,167,704)
		11,851,633,946	9,513,537,908

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

		2021 Rupees	2020 Rupees
30.1	Raw material consumed		
	Opening stock	1,283,735,642	423,564,494
	Purchases	4,207,308,439	3,426,956,963
		5,491,044,081	3,850,521,457
	Closing stock	(1,266,640,437)	(1,283,735,642)
		4,224,403,644	2,566,785,815
30.2	Salaries, wages and benefits include Rs. 7.05 million (2020: Rs. 9.33 million) in respect of employee retirement benefits.		
31.	DISTRIBUTION COST	2021 Rupees	2020 Rupees
	Salaries, wages and benefits	30,097,610	29,687,630
	Freight, octroi and insurance	243,215,771	268,498,431
	Advertisement	3,144,200	9,072,890
	Vehicles running and maintenance	5,580,253	3,928,081
	Travelling and conveyance	3,169,468	3,750,031
	Postage and telephone	1,120,359	1,073,506
	Printing and stationery	644,159	300,852
	Others	1,286,109	1,526,542
		288,257,929	317,837,963
32.	ADMINISTRATIVE EXPENSES		
	Directors' remuneration	52,696,889	47,853,063
	Salaries, wages and benefits	306,974,642	312,952,601
	Postage and telephone	4,765,937	5,089,961
	Vehicles running and maintenance	27,550,095	24,912,723
	Printing and stationery	1,519,722	2,620,008
	Electricity	32,076,943	43,599,000
	Rent, rates and taxes	2,831,483	5,461,273
	Travelling and conveyance	13,709,137	22,751,316
	Advertisement	15,392,669	13,040,077
	Books and periodicals	150,460	152,366
	Fees and subscription	10,385,997	10,243,296
	Legal and professional	3,143,887	3,789,572
	Repairs and maintenance	15,250,384	12,009,835
	Auditors' remuneration	3,180,000	2,820,000
	Entertainment	13,836,618	18,228,606
	Donations	57,453,960	35,215,952
	Insurance	4,630,116	4,373,657
	Depreciation	54,616,087	54,483,266
	Depreciation on investment property	4,035,124	4,561,686
	Advance to suppliers written off during the year	17,667,492	-
	Others	4,253,325	2,053,540
		646,120,967	626,211,798

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

32.1 Staff salaries and benefits include Rs. 3.02 million (2020: Rs. 3.40 million) in respect of employee retirement benefits.

32.2 Travelling and conveyance include Rs. 0.05 million (2020: Rs. 0.04 million) paid to Shariah Advisor.

32.3 Legal and professional include Rs. 0.60 million (2020: Rs. 0.60 million) paid to Shariah Advisor.

32.4	Auditors' remuneration	2021 Rupees	2020 Rupees
	Annual statutory audit	1,775,000	1,650,000
	Half yearly, COCG and Shariah compliance reviews	775,000	550,000
	Out of pocket expenses	130,000	120,000
	Tax advisory services	500,000	500,000
		3,180,000	2,820,000

32.5 It includes Rs. 13.09 million (Rs. nil) to Sheikh Foundation and Rs. 27.18 million (2020: Rs. 21.76 million) donated to Aziz Fatima Trust (AFT), Faisalabad. Later 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	2021 Rupees	2020 Rupees
	Workers' profit participation fund	25.2	87,884,021	21,811,378
	Workers' welfare fund		21,298,974	4,872,328
	Impairment on long term investments		-	(5,398,506)
	Exchange loss		702,530	-
	Loss on modification of financial asset		-	65,006,551
	Remeasurement loss on short term investments measured at FVTPL		-	25,270
			109,885,525	86,317,021

34.	FINANCE COST	2021 Rupees	2020 Rupees
	Long term financing	144,266,117	325,247,561
	Murabaha payable / short term borrowings	430,649,133	662,531,056
	Interest on unwinding of GIDC liability	25,837,948	-
	Bank charges and commission	3,553,420	7,207,070
		604,306,618	994,985,687

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

35. OTHER INCOME	Note	2021 Rupees	2020 Rupees
<i>Income from financial assets</i>			
Markup on bank deposits	35.1	8,196,597	8,776,814
Dividend income	35.2	13,325,790	16,470,897
Exchange gain	35.3	-	2,164,172
Gain on sale of investments measured at FVTPL		4,257,549	1,310,859
Remeasurement gain on short term investments measured at FVTPL		2,893	-
Gain on sale of investments measured at FVTOCI		10,114,167	-
Unwinding of deferred consideration receivable against sale of land		97,612,822	102,527,323
		133,509,818	131,250,065
<i>Income from other than financial assets</i>			
Gain on disposal of property, plant and equipment		214,379,506	7,069,528
Sale of scrap and waste		12,998,532	9,271,870
Rent income		29,854,886	33,572,574
Amortization of deferred grant	24.2	8,373,938	493,138
Unwinding gain on gas infrastructure development cess provision		37,580,786	-
Others		5,463,387	1,757,090
		308,651,035	52,164,200
		442,160,853	183,414,265

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	2021 Rupees	2020 Rupees
Current		
For the current year	278,289,278	151,362,210
For prior year	(65,663,696)	(4,332,491)
	212,625,582	147,029,719
Deferred		
	109,480,902	(36,249,298)
	322,106,484	110,780,421

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

36.1	<i>Numerical reconciliation between the applicable and effective tax rate</i>	2021 %	2020 %
	Applicable tax rate	29.00	29.00
	Prior year adjustments	(3.93)	(1.06)
	Lower rate applicable to certain income	(0.30)	(1.17)
	Effect of tax credits	(0.90)	(3.14)
	Effect of change in statutory rate change	-	-
	Income taxed at different rates	-	-
	Others	(4.58)	3.35
	Effective tax rate	19.29	26.98

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:

		2021	2020
Profit for the year	Rupees	1,347,689,901	298,763,427
Weighted average number of ordinary shares outstanding during the year	Number	21,429,407	21,429,407
Earnings per share	Rupees	62.89	13.94

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2021 Rupees	2020 Rupees
38.1 <i>Long term finance</i>		
Balance at the beginning of the period	2,099,980,208	2,776,463,006
Availed during the year	1,519,599,246	86,937,216
Recognized as deferred grant	(4,209,287)	(10,646,782)
Repaid during the year	(1,031,784,012)	(752,773,232)
Balance at the end of the period	2,583,586,155	2,099,980,208
38.2 <i>Short term finance</i>		
Balance at the beginning of the period	4,983,544,432	4,333,342,248
Availed during the year	12,241,769,174	12,399,456,678
Repaid during the year	(10,476,319,795)	(11,749,254,494)
Balance at the end of the period	6,748,993,811	4,983,544,432

39. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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.

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:

	2021 Rupees	2020 Rupees
<i>Financial assets at amortized cost:</i>		
Trade debts	1,362,775,138	1,201,405,892
Long term deposits	124,365,729	123,489,334
Loans and advances	4,417,230,318	3,496,295,026
Other receivables	12,634,633	15,874,764
Bank balances	175,351,295	66,598,887
	<u>6,092,357,113</u>	<u>4,903,663,903</u>
<i>Financial assets at fair value:</i>		
Investments measured at fair value through profit or loss (FVTPL)	244,903,936	6,986,504
Investments designated as at fair value through other comprehensive income (FVTOCI)	266,874,257	189,582,099
	<u>511,778,193</u>	<u>196,568,603</u>

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

	2021 Rupees	2020 Rupees
Chemical	840,131,775	702,220,320
Textile	522,643,364	499,185,572
	<u>1,362,775,139</u>	<u>1,201,405,892</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:

	2021 Rupees	2020 Rupees
Chemicals	840,131,774	702,220,320
Textile	522,643,364	499,185,572
	<u>1,362,775,138</u>	<u>1,201,405,892</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

39.1.3 Impairment losses

The aging of trade receivables at the reporting date is:

	Gross 2021	Impairment 2021	Gross 2020	Impairment 2020
	Rupees			
Not past due	510,176,419	-	459,401,901	-
Past due 0-180 days	833,558,340	60,869,720	771,743,262	53,892,954
Past due 181-360 days	37,980,692	31,296,168	6,334,339	5,852,016
Over 360 days	225,320,197	152,094,622	151,489,996	127,818,636
	<u>1,607,035,648</u>	<u>244,260,510</u>	<u>1,388,969,498</u>	<u>187,563,606</u>

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

	2021 Rupees	2020 Rupees
Balance at July 01, 2020	187,563,606	175,306,056
Charge for the period	56,696,904	27,652,065
Bad debts written off	-	(15,394,515)
Balance at June 30, 2021	<u>244,260,510</u>	<u>187,563,606</u>

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

	2021 Rupees	2020 Rupees
At beginning of the year	642,544	642,544
Charge for the period	-	-
At end of the year	<u>642,544</u>	<u>642,544</u>

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.

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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.

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

	Carrying amount	
	2021 Rupees	2020 Rupees
<i>Trade and other payables</i>		
Maturity up to one year	1,405,292,783	1,845,295,511
<i>Short term borrowings</i>		
Maturity up to one year	6,748,993,811	4,983,544,432
<i>Unclaimed dividend</i>		
Maturity up to one year	4,526,137	4,595,953
Maturity after one year and up to five years	4,664,738	3,670,637
Maturity after five year	14,308,871	13,342,361
<i>Profit / financial charges payable</i>		
Maturity up to one year	161,118,389	171,286,214
<i>Long term financing</i>		
Maturity up to one year	718,521,293	724,037,124
Maturity after one year and up to five years	1,865,064,862	1,375,943,084
	<u>2,744,704,544</u>	<u>2,271,266,422</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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.

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:

	2021 USD	2020 USD
Trade debts	15,724	303,390

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FOR THE YEAR ENDED JUNE 30, 2021

Commitments outstanding at year end amounted to Rs. 601.02 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>	2021	2020
Average rate	162.79	164.05
Reporting date rate	157.52	168.05

Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2021 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, 2020.

	2021 Rupees	2020 Rupees
Decrease in profit and loss account	247,684	5,098,469

A 10 percent strengthening of the Pak Rupee against the USD at June 30, 2021 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

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 the Company, on the future profits are 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.

NOTES TO THE FINANCIAL STATEMENTS

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Profile of financial instruments at amortized cost

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

	2021 %	2020 %	2021 Rupees	2020 Rupees
<i>Floating rate instruments</i>				
<i>Financial liabilities</i>				
Short term borrowings	7.30% to 14.29%	7.92% to 14.78%	(6,748,993,811)	(4,983,544,432)
Long term financing	8.00% to 12.00%	8.25% to 15.00%	(2,583,586,155)	(2,099,980,208)
			<u>(9,332,579,966)</u>	<u>(7,083,524,640)</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
2021	%	Rupees
Short term borrowings	1.00%	(67,489,938)
Long term financing		(25,835,862)
		<u>(93,325,800)</u>
2020		
Short term borrowings	1.00%	(49,835,444)
Long term financing		(20,999,802)
		<u>(70,835,246)</u>

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.

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At the reporting date, the exposure to unlisted equity securities at fair value was Rs. 25.04 million (2020: Rs. 25.04 million).

At the reporting date, the exposure to listed equity securities at fair value was Rs. 511.778 million (2020: Rs. 196.57 million). An increase of 25% on the KSE market index would have an impact of approximately Rs. 127.94 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, 2021</i>				
Quoted equity securities	511,778,193	-	-	511,778,193
Un-quoted equity securities	-	25,038,687	-	25,038,687
Total	511,778,193	25,038,687	-	536,816,880
<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

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

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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, 2021 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.

	2021 Rupees	2020 Rupees
Total borrowings	9,332,579,966	7,083,524,640
Less: Cash and bank balances	191,102,287	81,643,197
Net debt	9,141,477,679	7,001,881,443
Total equity including revaluation surplus	15,881,864,577	14,692,554,750
Total capital	25,023,342,256	21,694,436,193
Gearing ratio	36.53%	32.28%

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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:

	2021			2020		
	Chief Executive	Executive Directors	Executives	Chief Executive	Executive Directors	Executive
	Rupees					
Remuneration	18,000,000	5,000,004	58,962,400	18,000,000	5,000,004	59,688,058
<i>Perquisites</i>						
House rent	7,200,000	2,000,004	16,701,930	7,200,000	2,000,004	16,932,747
Utilities	1,800,000	499,992	5,889,825	1,800,000	499,992	5,966,763
Medical allowance	-	-	5,889,697	-	-	5,966,624
Special allowance	-	-	282,900	-	-	287,005
Income tax	5,989,928	1,664,167	-	5,989,928	1,664,167	-
	32,989,928	9,164,167	87,726,752	32,989,928	9,164,167	88,841,197
Number of persons	1	1	31	1	1	30

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. 5.25 million (2020 Rs 5.88 million).

40.2 Non-Executive directors have been paid meeting fee amounting to Rs. 370,000 during the period (2020: Rs. 175,000).

41. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises of 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:

		2021 Rupees	2020 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	178,590	2,381,970
	Purchases	7,302,707	-
	Donation	24,929,535	21,755,092
	Key management personnel		
	Remuneration to Executives	129,881,847	130,995,292

41.1.1 The maximum amount of sale to related party during the year was Rs. 0.11 million (2020: 0.74 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

- 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
	2021	2020	2021	2020	
	----- Tons -----				
Caustic soda	207,900	207,900	139,287	115,770	Demand based production
Sodium hypochlorite	66,000	66,000	44,475	38,964	Demand based production
Liquid chlorine	11,550	11,550	8,183	7,152	Demand based production
Bleaching powder	7,920	7,920	3,857	3,967	Demand based production
Hydrochloric acid	363,000	363,000	106,814	96,672	Demand based production
Calcium Chloride prill	13,200	13,200	2,712	10,606	Demand based production

	2021	2020
Textile Division		
Ring Spinning		
Number of spindles installed	28,512	28,512
Number of spindles worked	28,512	28,512
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	11,063,814	11,063,814
Actual production of yarn after conversion into 20/s count (Kgs)	11,029,453	7,607,659

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

43. WORKING CAPITAL CHANGES	2021 Rupees	2020 Rupees
<i>(Increase) / decrease in current assets</i>		
Stores, spare parts and loose tools	(36,667,129)	89,605,105
Stock in trade	(418,207,787)	(998,475,084)
Trade debts	(218,768,680)	(50,017,875)
Advance Sales Tax	(328,197,626)	4,525,546
Loans and advances	(440,514,112)	515,708,162
Trade deposits and short-term prepayments	(106,475)	(2,792,983)
Other receivables	3,240,131	(1,298,738)
	(1,439,221,678)	(442,745,867)
<i>(Decrease) / Increase in current liabilities</i>		
Trade and other payables	547,036,216	(498,659,331)
Sales tax payable	-	73,908,646
	(892,185,462)	(867,496,552)

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, 2021 and June 30, 2020 are as follows:

	2021	2020
Total number of employees as at June 30	2,280	2,123
Average number of employees during the year	2,183	2,310

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

46. OPERATING RESULTS

	Chemical		Textile		Total	
	2021	2020	2021	2020	2021	2020
	----- Rupees -----					
Sales:						
Local						
Caustic soda	11,003,878,659	9,500,616,645	-	-	11,003,878,659	9,500,616,645
Sodium hypochlorite	1,122,402,958	941,429,068	-	-	1,122,402,958	941,429,068
Bleaching powder	181,982,620	187,057,252	-	-	181,982,620	187,057,252
Liquid chlorine	248,220,061	216,079,163	-	-	248,220,061	216,079,163
Hydrochloric acid	760,120,757	630,397,546	-	-	760,120,757	630,397,546
Magnesium chloride and others	582,148,333	391,706,514	-	-	582,148,333	391,706,514
Yarn	-	-	3,553,272,441	1,844,074,211	3,553,272,441	1,844,074,211
Waste	-	-	34,585,915	19,043,474	34,585,915	19,043,474
Fabrics	-	-	333,572,298	328,732,387	333,572,298	328,732,387
Export						
Caustic soda flakes	-	25,473,516	-	-	-	25,473,516
Others	67,264,471	205,934,653	-	-	67,264,471	205,934,653
	13,966,017,859	12,098,694,357	3,921,430,654	2,191,850,072	17,887,448,513	14,290,544,429
Less:						
Commission and discount	502,425,355	449,581,564	13,723,792	6,936,154	516,149,147	456,517,718
Sales tax	2,009,084,013	1,716,284,062	577,677,932	325,070,624	2,586,761,945	2,041,354,686
Sales - net	11,454,508,491	9,932,828,731	3,330,028,930	1,859,843,294	14,784,537,421	11,792,672,025
Sales - net	11,454,508,491	9,932,828,731	3,330,028,930	1,859,843,294	14,784,537,421	11,792,672,025
Cost of sales	(9,040,286,469)	(7,685,502,652)	(2,811,347,477)	(1,828,035,256)	(11,851,633,946)	(9,513,537,908)
Gross profit	2,414,222,022	2,247,326,079	518,681,453	31,808,038	2,932,903,475	2,279,134,117
Other income	194,548,171	155,948,754	247,612,682	27,465,511	442,160,853	183,414,265
Distribution cost	(281,052,075)	(304,930,081)	(7,205,854)	(12,907,882)	(288,257,929)	(317,837,963)
Impairment loss on financial assets	(15,785,168)	(14,731,965)	(40,911,736)	(12,920,100)	(56,696,904)	(27,652,065)
Administrative expenses	(563,566,251)	(550,087,379)	(79,374,716)	(73,304,419)	(642,940,967)	(623,391,798)
Finance cost	(562,818,593)	(916,409,760)	(41,488,025)	(78,575,927)	(604,306,618)	(994,985,687)
	(1,228,673,916)	(1,630,210,431)	78,632,351	(150,242,817)	(1,150,041,565)	(1,780,453,248)
Reportable segments profit before tax	1,185,548,106	617,115,648	597,313,804	(118,434,779)	1,782,861,910	498,680,869
Unallocated income / (expenses)						
Administrative expenses					(3,180,000)	(2,820,000)
Other operating income / (expenses)					(109,885,525)	(86,317,021)
					1,669,796,385	409,543,848
Provision for taxation					(322,106,484)	(110,780,421)
Profit for the year					1,347,689,901	298,763,427
Other information						
Segment assets	18,787,751,428	15,040,780,136	2,658,993,942	3,167,196,898	21,446,745,370	18,207,977,034
Unallocated corporate assets					9,093,283,272	8,222,724,764
					30,540,028,642	26,430,701,798
Segment liabilities	2,094,653,129	1,219,725,401	1,071,000	298,290,971	2,095,724,129	1,518,016,372
Unallocated corporate liabilities					12,562,439,936	10,220,130,676
					14,658,164,065	11,738,147,048
Capital expenditure	3,104,103,083	356,941,455	144,683,934	204,040,595	3,248,787,017	560,982,050
Depreciation	1,040,654,079	1,082,584,684	55,762,686	89,792,464	1,096,416,765	1,172,377,148

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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 Chemical 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. *CORRESPONDING FIGURES*

Reclassification has been made to the corresponding figures to enhance comparability with the current year's financial statements. As a result, following line items have been amended in the statement of financial position, statement of profit or loss and related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The items are reclassified as follows:

Reclassified from	Reclassified to	Rupees
Creditors	Accrued liabilities	4,500,869
Advance income tax	Provision for taxation	165,309,245

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 (2020: Rs. 214.29 million) at Rs.10.00 (2020: 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 23, 2021 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

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 25, 2021 at 4:00 pm via
Zoom video link 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 _____ 2021

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, Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase VII, Karachi so as to reach not less than 48 hours before the time appointed for holding the Meeting.
3. For CDC Account Holders / Corporate Entities; in addition to the above, the following requirements have to be met:
 - (a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers be stated on the form.
 - (b) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
 - (c) The proxy shall produce his original CNIC or original passport at the time of the meeting. In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

M/s THK Associates (Pvt) Limited
Plot No. 32-C, Jami Commercial
Street 2, D.H.A. Phase VII,
Karachi -75500

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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 25 اکتوبر 2021 بوقت 4:00 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 _____ سہ 2021

گواہان:

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

۱۔ 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۔

۲۔ اگر کوئی رکن اجلاس عام میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مکمل اور تصدیق شدہ کمپنی کے شیئر رجسٹرار میسرز THK ایسوسی ایٹس پلاٹ نمبر: C-32 جمی کمرشل سٹریٹ 2، ڈی۔ ایچ۔ اے۔ فی 7 کراچی-75500 کو اجلاس کے منعقد ہونے سے 48 گھنٹے قبل بھجوائیں۔

۳۔ CDC اکاؤنٹ ہولڈر/Corporate Entity مندرجہ بالا کے علاوہ مندرجہ ذیل شقوں پر عمل کریں:

- پراکسی فارم میں دو گواہان کے دستخط نیز ان کے پتے اور شناختی کارڈ نمبر کا اندراج بھی لازمی ہے۔
- رکن اور پراکسی کے تصدیق شدہ قومی شناختی کارڈ یا پاسپورٹ کی نقول کی فراہمی
- پراکسی کے لیے لازم ہے کہ وہ اجلاس کے وقت اپنا اصل قومی شناختی کارڈ یا پاسپورٹ تصدیق کے لیے فراہم کرے۔ Corporate Entity کی صورت میں بورڈ آف ڈائریکٹرز کی تصدیق شدہ قرارداد کی 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
Plot No. 32-C, Jami Commercial
Street 2, D.H.A. Phase VII,
Karachi -75500

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SITARA CHEMICAL INDUSTRIES LIMITED

DIVIDEND MANDATE (MANDATORY)

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

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

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

Name of Shareholder _____

Folio Number _____

Contact Number of Shareholder _____

Bank Account No. _____

IBAN _____

Title of Account _____

Type of Account _____

Name of Bank _____

Bank Branch & full Mailing Address _____

Contact No. of Bank _____

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

Shareholder's signature

Date

CNIC No. (Copy attached)

M/s THK Associates (Pvt) Limited
Plot No. 32-C, Jami Commercial
Street 2, D.H.A. Phase VII,
Karachi -75500

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








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Sitara Chemical Industries Limited

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Tel: 021-32420620, 32413944