



Sitara Chemical Industries Limited

Annual Report 2018





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FINANCIAL PERFORMANCE 2018



Sales
+21.75%
Rs. 12,265M
(2017: Rs. 10,074M)

Profit Before Tax %
10.70%
(2017:11.71%)

Cash Dividend
130%
(2017:125%)

Market Value Per Share
Rs. 368.32
(2017:Rs.444.62)

Earning Per Share
Rs. 50.69
(2017:Rs.54.43)

Gross Profit %
21.47%
(2017:22.95%)

Profit After Tax %
8.86%
(2017:11.58%)

Operating Profit %
14.27%
(2017:15.40%)





Vision

Strive to develop and employ innovative technological solutions to add value to business with progressive and proactive approach.

Mission

Continuing growth and diversification for bottom line results with risk well contained.

CODE OF ETHICS AND BUSINESS PRACTICES

We believe in stimulating and challenging team oriented work environment that encourage, develops and reward excellence and diligently serve communities, maintaining high standards of moral and ethical values



COMPANY INFORMATION

Board of Directors

Chairman	Mr. Muhammad Khalil
Chief Executive Officer	Mr. Muhammad Adrees
Directors	Mr. Haseeb Ahmed Mr. Waheed Akhter Sher Mr. Abdul Awal Mr. Muneeb-ul-Haq Mr. Ahmad Nawaz

Company Secretary

Mr. Mazhar Ali Khan

Chief Financial Officer

Mr. Anwar-ul-Haq (FCA)

Audit Committee

Chairman	Mr. Abdul Awal
Member	Mr. Muhammad Khalil Mr. Muneeb-ul-Haq

Human Resource and Remuneration Committee

Chairman	Mr. Muhammad Khalil
Member	Mr. Muhammad Adrees Mr. Abdul Awal

Head of Internal Audit

Mr. Zakir Hussain (FCA)

Auditors

Deloitte Yousuf Adil
Chartered Accountants

Legal Advisor

Mr. Sahibzada Muhammad Arif

Bankers

Meezan Bank Limited
Bank Alfalah Limited
Habib Bank Limited
Standard Chartered Bank (Pakistan) Ltd
Albaraka Bank (Pakistan) Limited
Faysal Bank Ltd
National Bank Of Pakistan
Mcb Bank Ltd
Dubai Islamic Bank Pakistan Ltd
Bank Islami Pakistan Ltd
The Bank Of Punjab
The Bank Of Khyber
United Bank Limited
Askari Bank Islamic Banking
The Bank Of Punjab, taqwa Islamic Banking
Hbl Islamic Banking
United Bank Limited Ameen Islamic Banking

Website of the Company

www.sitara.com.pk

Shares Registrar Address

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

Registered Office

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

Factories

28/32 KM, Faisalabad-Sheikhupura
Road, Faisalabad

CHAIRMAN'S MESSAGE



In the name of Allah, the Most Beneficent, the Most Gracious, the Most Merciful. On behalf of the Board of Directors of Sitara Chemical Industries Limited, I am pleased to present the audited financial statements of the Company together with Auditors' Report thereon for the year ended June 30, 2018.

Economy

Pakistan's economy has witnessed a growth of 5.79% during the fiscal year 2018 as compared with 5.37% in last fiscal year. Large Scale Manufacturing (LSM) recorded a growth of 6.24% against 5.06% last year. Further analysis of industry data shows that textile sector witnessed a growth of 0.47% as against 0.78% last year and paper & board industry witnessed a growth of 8.06% as against 5.08% last year. However, in later half of fiscal year 2018, imbalances in economy in the form ballooning current account deficit and depletion of foreign exchange reserves cropped up. To curb these imbalances, Govt. resorted to tightening measures including PKR depreciation and policy rate increase.

Operating Performance

Financial year 2017-18 proved another successful year showing growth in net sales of 21.75% and growth of 11.19% in profit before tax. This growth is attributed to enhanced sale of caustic soda liquid both in local and export market. Earnings per share for the year 2017-18 is reported Rs. 50.69 as compared with Rs 54.43 last year.

In line with company's vision and mission, the focus of company's management will remain on sound business plans for the overall success of the company. The Company is fueled by the quality of its devoted workforce and effective risk management and management information system. I am confident that the Company will be successful in meeting the future challenges and targets.

Performance of the Board

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

of Sitara Chemical Industries Limited (the "Company") is carried out.

For the financial year ended June 30, 2018, 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 meets frequently enough to adequately discharge its responsibilities. The independent and non-executive directors are equally involved in important decisions.

A handwritten signature in black ink, appearing to read 'M Khalil'.

Muhammad Khalil
Chairman

Date: September 25, 2018

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 for the year ended June 30, 2018.

Business Overview:

It is pleasing that national economy has grown more than 5% in second consecutive year. The economic growth positively impacted all sectors of economy. During the financial year 2018, your Company has posted net sales of Rs.12,265/- million as against Rs. 10,074/- million last year, representing a growth of 21.75%. Profit before tax stood at Rs. 1,312/- million during the year 2017-18 as against Rs. 1,180/- million last year giving a growth of 11.19%. Earning per share was recorded at Rs.50.69/- during the as against Rs.54.43/- last financial year. Fall in EPS is attributable to recording of tax provisions during the year after taking into account recognition of taxable temporary differences as against last year when deferred tax assets were recognized on tax credits available under section 65B of income Tax Ordinance 2001 on BMR/investment in plant & machinery.

Overall improved economic environment of the country and stable international caustic prices resulted in capitalization of export opportunities for caustic flakes, and thus, resulted in better financial performance of your Company. Average yarn prices and yarn volumetric sales during the year 2017-18 also remained better as compared with last year.

Production Operations:

Description	2018 (M. Ton)	2017 (M. Ton)
Caustic Soda (Liquid & Flakes)	141,563	127,464
Sodium Hypochlorite	35,748	29,525
Bleaching Powder	4,492	4,263
Liquid Chlorine	7,851	7,765
Hydrochloric Acid	117,056	109,407
CO2	8,456	10,255
Calcium Chloride	3,929	1,774
Cotton Yarn converted into 20/S count	10,853	9,312

Brick Making Plant:

Alhamdulillah, company has successfully commissioned its brick making plant which uses fly ash as raw material, produced from coal fired power plant as waste, to produce bricks. These bricks carry better strength and thermal insulation than red clay bricks. This plant will add value addition in company in years to come.



DIRECTORS' REPORT

Significant event occurred during the year:

Agreement made in financial year 2015 with a cooperative housing society for the sale of land (investment property) was cancelled amicably after some litigation due to certain unresolved procedural issues. However in March 2018, Company entered into a fresh agreement for the sale of land of 1510K-10M situated at 199 RB with M/s Sitara Developers (Pvt.) Limited for an aggregate price of Rs 2,190/- million. The transaction was entered at fair market rate on an arm's length basis. An advance amount of Rs. 438 million, being 20% of contractual amount, has also been received and balance of Rs. 1,752/- million will be received over a period of 6 years. The balance receivable amount has been recorded in books at amortized cost of Rs. 1,317/- million.

Research & Development:

Your company continued its research and development activities at its exclusive R&D department that constitutes highly qualified professional and fully dedicated staff. R&D department has done good job in introducing new products in the past and we hope that further achievements will be made in coming years.

Information Technology:

Sitara Chemical Industries Ltd. (SCIL) immensely values its information resources which are reflected in its continuously growing information technology framework to suit its business needs. During the year 2017-18, following developments in information technology (IT) framework were made:

We have upgraded hardware based firewall i.e. SOPHOS. Now, we are well equipped to control all the user access authentications including secured connectivity with zonal sales offices in different cities in Pakistan. On top of this we are now enabled to block different types of malware attacking SCIL network via web, email or other connectivity.

SCIL has been running SAP ERP ECC 6.0 since implementation nearly 7 years ago. We decided to incorporate the business processes of Coal Fired Power Plant (CFPP) and the associated brick making plant in SAP ERP. All the SAP business processes implemented in SCIL i.e. Operations (Sales & Distribution, Materials Management, Production Planning, Logistics Execution, and Quality Management), Financials (Financial Accounting, Management Accounting, Financial Supply Chain Management) and Human Capital Management (e-Recruiting) were comprehensively extended to CFPP as well by SCIL IT team.

Environment, Health and Safety:

Your company is very much conscious about health and safety matters of our people recognized to international standards.

Al-Hamdullilah during the year 2017-18, your company has attained another milestone i.e. Certification of ISO 50001 Energy Management System, which provides a framework for establishing energy management best practice to help company improve its energy efficiency plus make a return on investment by implementing ISO 50001.

Furthermore, your company has also attained The FSSC 22000 Food Safety System Certification for our CO2 Plant. It provides a framework for effectively managing food safety responsibilities. FSSC 22000 is fully recognized by the Global Food Safety Initiative (GFSI) and is based on existing ISO Standards.

Your company is strongly committed to continued improvement of its environmental management system by adaptation of appropriate pollution prevention measures and complying with all relevant legislation and standards especially ISO 9001, ISO 14001 and OHSAS 18001. Company is also committed to the slogan of "safety starts from the entrance". Trainings, awareness sessions and workshops are held continually at the plant for safety measures, emergency response and preparedness, chemical spillages, chlorine leakage, security and fire fighting drills etc. During the year under review various courses / workshops / awareness sessions were held at the site. 1834 Persons were trained during the year on the above mentioned subjects as against 971 persons last year.



HSE Activity



HSE Activity

DIRECTORS' REPORT

Human Resource Development:

Human Resource planning and management is one of the most focused point at the highest management level. The company has a Human Resource and Management committee which is involved in selection, evaluation, compensation and succession planning of the key management personnel. It is also involved in recommending improvement in human resource policy and its periodic review. Your company always welcomes the opportunities for staff training, broadening their knowledge, vision and skill and awareness about changing technological and learning developments. For this purpose multiple workshops / courses / seminars were held wherein renowned consultants were called for to train the staff. During the year 2017-18, company trained 900 employees both in-house/outside company through in-house/external trainers as against 142 employees last year.



Human Resource Development activity through external trainer



In-house employees' training session

Staff Retirement Benefits:

Company has maintained a recognized provident fund, and based on unaudited accounts as at June 30, 2018, value of investment thereof was Rs. 48,468,255/- as against last year Rs.56,131,344/-. Employees of Textile Division are entitled to gratuity as per law and appropriate provision has been made in accordance with IAS-19 in the accounts.

Contribution to National Exchequer:

During the year 2017-18, Company's contribution to the national exchequer is amounting 2,198/- million towards payment of income tax and sales tax as against Rs. 1,846 million last year. This does not include the import duties, withholding tax deducted by the company from employees, suppliers and contractors and deposited into the treasury.

JCR-VIS Credit Rating

During the year 2017-18, credit rating of the Company was reassessed by JCR-VIS Credit Rating Co. Ltd., and your company has been able to maintain its long term entity's rating as A+ (Single A Plus) and short term rating as A-1 (A one) while outlook on the assigned ratings has been revised from 'Stable to Positive'. This rating depicts a good credit quality along with adequate protection factors on medium to long term basis, and on short term basis depicts high certainty of timely payments along with excellent liquidity factors supported with good fundamental protection factors.

Corporate Social Responsibility:

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

Board of Directors:

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

During the year 2017-18, 04 board meetings were held and attendance of Directors is as follows:

Sr.#	Name	Category	No. of Meetings Attended
1	Mr. Muhammad Khalil	Non-executive Director	04
2	Mr. Muhammad Adrees	Executive Director	04
3	Mr. Haseeb Ahmed	Executive Director	04
4	Mr. Waheed Akhtar Sher	Non-executive Director	04
5	Mr. Muneeb ul Haq	Non-executive Director	04
6	Mr. Ahmad Nawaz	Non-executive Director	04
7	Mr. Abdul Awal	Independent Director	04

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 2017-18, 07 meetings were held and attendance of members of audit committee is as follows:

Sr.#	Name	No. of Meetings Attended
1	Mr. Muhammad Khalil	07
2	Mr. Muneeb ul Haq	07
3	Mr. Abdul Awal	07

Human Resource and Remuneration Committee:

Human Resource and Remuneration Committee was formed to monitor the procedure of section, evaluation, compensation and succession planning of the key management personals. The committee comprises of three members. During the year 04 meetings were held and attendance of members is as follows:

Sr.#	Name	No. of Meetings Attended
1	Mr. Muhammad Khalil	04
2	Mr. Muhammad Adrees	04
3	Mr. Abdul Awal	04

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 will not pay any remuneration to independent directors except fees for attending the meetings of the Board and its committees. Remuneration of executive directors shall be approved by the Board, as recommended by the Human Resource and Remuneration Committee.

CORPORATE GOVERNANCE

Statement of Compliance of Corporate Governance is separately annexed.

Pattern of Shareholding:

The pattern of shareholding of the Company is annexed along with trading in shares of the Company by its Directors, their spouse and minor children, CEO, CFO, Head of internal audit and Company Secretary.

Corporate and Financial Reporting:

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

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

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

Auditors:

The existing auditors M/s. Deloitte Yousuf Adil, Chartered Accountants, shall retire on the conclusion of 37th Annual General Meeting. Being eligible, they have offered themselves for re-appointment as Auditors of the Company from conclusion of the 37th Annual General Meeting until the conclusion of 38th Annual General Meeting. The Audit Committee has recommended the appointment of aforesaid M/s. Deloitte Yousuf Adil, as external auditors for the year ending June 30, 2019. 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, 2018 were made:

Description	Rupees
Net profit for the year after tax before WPPF and WWF	1,183,629,587
Workers Welfare Fund (WWF) and Workers Profit Participation Fund (WPPF)	(97,444,887)
Net Profit for the year	1,086,184,700
Incremental depreciation (net of deferred tax)	66,738,501
Final dividend for the year ended June 30, 2017 @ Rs 12.5 per share	(267,868,029)
Un-appropriated profit brought forward	7,007,851,217
Amount available for appropriation	7,892,906,389
Proposed dividend for the year ended June 30, 2018 @ Rs 13 per share	(278,582,291)
Earnings per share- basic and diluted	50.69

Dividend:

In view of the financial results of the Company for the year ended June 30, 2018, the Board of Directors of the Company have recommended a cash dividend of 130% i.e. Rs.13 per share.

Future Outlook:

Based on stable international prices coupled with PKR depreciation against foreign currencies, we have undertaken BMR of one of our old membrane cell at approximate cost of Rs 500 million. This BMR will result in increased production of caustic at reduced electricity cost per ton. Excess production of caustic soda will be available to export to neighboring countries. LC has been established and the project has been planned to be completed by the end of third quarter of current financial year (INSHA'ALLAH).

After installation of 04 new Ring frames of 552 spindles each in textile division of the company we have reduced our overhead cost, we have further planned for some major BMR / replacement of old machinery with latest Swiss machinery at all back process in textile division at approximate cost of Rs. 350 million, which will improve not only quality of yarn but efficiency as well. This project is planned to be completed by the end of financial year 2018-19 Inshallah.

Furthermore, we are actively pursuing our agenda of diversification and induction of new product lines that will create shareholders' value on sustainable basis.

Rising international coal prices, increase in electricity and natural gas tariff, and cost of imported RLNG along with adverse exchange rate parity are key challenges being faced by the Company.

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



Haseeb Ahmed
Director

تخصیص (Appropriation):

30 جون 2018 کو ختم ہونے والے سال کے منافع کی مندرجہ ذیل تخصیص کی گئی ہے۔

روپے	تفصیل
1,183,629,587	ٹیکس کے بعد سال کا خالص منافع، (WPPF اور WFF سے پہلے)
(97,444,88)	ورکرز ویلفیئر فنڈ اور ورکرز منافع شمولیت فنڈ
1,086,184,700	سال کا خالص منافع
66,738,501	Incremental Depreciation
(267,868,029)	30 جون 2017 کے اختتام پر تجویز کردہ منافع 12.5 روپے فی شیئر
7,007,851,217	پچھلے سال کا جمع شدہ منافع
7,892,906,389	تخصیص کاری کے لیے دستیاب رقم
278,582,291	30 جون 2018 کے اختتام پر تجویز کردہ منافع 13 روپے فی شیئر
50.69	سالانہ فی حصص آمدنی

Dividend:

کمپنی نے 30 جون 2018 کو ختم ہونے والے سال کے مالی نتیجہ کے تحت، بورڈ آف ڈائریکٹرز نے 130% کیس Dividend کی سفارش کی ہے جو کہ 13 روپے فی شیئر بنتا ہے۔

مستقبل پر نظر:

بین الاقوامی قیمتوں میں استحکام اور پاکستانی روپیہ کی قدر میں کمی کے ساتھ ساتھ، ہم نے اپنے پرائیمری ممبرین سیل کی 500 ملین روپے کی لاگت سے BMR کر رہے ہیں۔ یہ BMR بجلی کی کم قیمت پر ہماری کاسٹک کی فی ٹن پیداوار میں اضافہ کریگی۔ کاسٹک سوڈا کی اضافی پیداوار ہمسایہ ممالک کو برآمد کرنے کے لیے دستیاب ہوگی۔ LC کا قیام عمل میں لایا جا چکا ہے اور منصوبہ کو موجودہ مالی سال کی تیسری سہ ماہی کے اختتام تک مکمل کرنے کی منصوبہ بندی کی گئی ہے (انشاء اللہ)۔ کمپنی کی ٹیکسٹائل ڈویژن میں 552 اسپنڈل کے 04 نئے رنگ فریمز کی تنصیب کے بعد ہماری Our Head Cost میں کمی آئی ہے۔ ہم اپنی ٹیکسٹائل ڈویژن میں تقریباً 350 ملین روپے کی لاگت سے کچھ اہم BMR اور پرانی مشینری کو جدید سٹکس مشینری سے تبدیل کرنے کا منصوبہ ہے جس سے ہماری یارن کی کوالٹی بہتر ہوگی بلکہ کارکردگی بھی بہتر ہوگی۔ یہ منصوبہ مالی سال 2017-18 کے اختتام پر مکمل ہو جائے گا (انشاء اللہ)۔

ہم توجہ مرکوز کر رہے ہیں اور ہماری ترقی کا ایجنڈا مزید متنوع اور نئی مصنوعات کی لائنوں کو شامل ہونے پر ہے جو حصہ داروں کی مالیت پائیدار بنیادوں پر پیدا کرتی ہے۔ بین الاقوامی مارکیٹ میں کونکے کی بڑھتی ہوئی قیمتیں، بجلی اور قدرتی گیس کی قیمت میں بڑھتا ہوا اضافہ، اور درآمد کی گئی RLNG کی قیمت کے ساتھ اکیچینج ریٹ میں ناموافق رد و بدل یہ وہ عوامل ہیں جن کا کمپنی کو سامنا ہے۔

اعترافات:

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

محمد ادریس

چیف ایگزیکٹو آفیسر
ستارہ میمیکل انڈسٹریز لمیٹڈ فیصل آباد
25 ستمبر 2018ء

حبیب احمد
ڈائریکٹر

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 ہوئیں جس میں اراکین کی حاضری کچھ اس طرح رہی:

سیریل نمبر	نام	میٹنگز میں شرکت کی تعداد
1	محمد غلیل	04
2	محمد ادریس	04
3	عبدالاول	04

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 کی سطح اور کمپنی کو کامیابی سے چلانے سے مطابقت رکھتا 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۔

کارپوریٹ گورننس:

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

شیئر ہولڈنگ کی ترتیب:

کمپنی کے شیئر ہولڈنگ کی ترتیب کو کمپنی کی شیئرز کی لین دین کی معلومات کے ساتھ شامل کیا گیا ہے جن میں ڈائریکٹرز، ان کی بیویاں اور چھوٹے بچوں، بی ای او، سی ایف او، اندرونی آڈٹ کے سربراہ اور کمپنی سیکرٹری شامل ہیں۔

کارپوریٹ اور مالیاتی رپورٹنگ:

آپ کی کمپنی اچھی کارپوریٹ گورننس کے لیے مصروف عمل ہے۔ بورڈ کارپوریٹ اور مالیاتی رپورٹنگ کے فریم ورک کے حوالے سے اس کی ذمہ داری کو تسلیم کرتا ہے۔ یہ Financial Statements اور ان کے Notes کمپنی ایکٹ 2017 کے مطابق لکھے گئے ہیں۔ ان کی تیاری میں جہاں قابل اطلاق ہیں بین الاقوامی مالیاتی رپورٹنگ کے معیارات کو اختیار کیا گیا ہے۔ اکاؤنٹس کی ضروری کتابوں کو برقرار رکھا گیا ہے اور کمپنی نے ان Financial Statements کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو مسلسل لاگو کیا ہوا ہے۔ اور اکاؤنٹنگ تخمینے مناسب اور محتاط فیصلوں کی بنیاد پر کیے گئے ہیں۔ کمپنی کے جاری رہنے کی قابلیت پر کوئی شک نہیں ہے۔ کوڈ آف کارپوریٹ گورننس کے بہترین طریقوں سے کوئی قابل ذکر شے کو نہیں چھوڑا، جیسا کہ اسٹاک ایکسچینج کی لسٹنگ کے قواعد میں وضاحت کی گئی ہے۔ اندرونی کنٹرول کا نظام مضبوط ہے اور اسکی موثر طریقے سے لاگو اور نگرانی کی جاتی ہے۔ بورڈ آف ڈائریکٹرز اس بات کی تصدیق کرتے ہیں کہ Financial Statements بشمول کیش فلو سٹیٹمنٹ اور سٹیٹمنٹ آف ایکویٹی میں تبدیلی صحیح طور پر کمپنی کے کاروبار اور آپریشنز کو ظاہر کرتے ہیں۔

آڈیٹرز:

کمپنی کے موجودہ آڈیٹرز M/s Deloitte Yousuf Adil چارٹرڈ اکاؤنٹنٹس 37th سالانہ اجلاس عام کے ساتھ ریٹائر ہو جائیں گے۔ اہل ہونے کے ساتھ، انہوں نے اپنے آپ کو بطور آڈیٹرز 37th سالانہ اجلاس عام سے 38th سالانہ اجلاس عام تک دوبارہ مقرر کرنے کے لیے پیش کیا ہے۔ آڈٹ کمیٹی نے مذکورہ بیان کردہ M/s Deloitte Yousuf Adil چارٹرڈ اکاؤنٹنٹس کو بطور بیرونی آڈیٹرز 30 جون 2019 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۔

اسٹاف ریٹائرمنٹ فوائد:

کمپنی نے ایک تسلیم شدہ Provident Fund قائم رکھا ہے، اور 30 جون 2018 کو غیر آڈٹ شدہ اکاؤنٹس پر مبنی سرمایہ کاری کی Market Value 48,468,255/- روپے رہی جو گزشتہ سال -/56,131,344 روپے تھی۔ ٹیکسٹائل ڈویژن کے ملازمین قانون کے مطابق Gratuity کے حقدار ہیں اور اکاؤنٹس میں IAS-19 کے مطابق مناسب رقم مختص کی گئی ہے۔

قومی خزانہ میں حصہ:

سال 2017-18 کے دوران، کمپنی نے قومی خزانہ میں انکم ٹیکس اور سیلز ٹیکس کی مد میں 2,198 ملین روپے جمع کروائے جو گزشتہ سال 1,846 ملین روپے تھے۔ اس میں درآمدی ڈیوٹیاں، ملازمین، سپلائرز اور ٹھیکیداروں سے وولونڈنگ ٹیکس کی کوئی شامل نہیں ہے۔

JCR-VIS کی درجہ بندی:

سال 2017-18 کے دوران کمپنی کی کریڈٹ کی درجہ بندی JCR-VIS کریڈٹ ریٹنگ کمپنی لیمیٹڈ نے دوبارہ جانچا اور آپ کی کمپنی نے اپنی طویل مدتی ادارے کی درجہ بندی A+ اور مختصر مدت کی درجہ بندی کو A-1 (A one) کے طور پر برقرار رکھا۔ جبکہ مقرر کردہ درجہ بندی کو Stable to Positive سے نظر ثانی کی گئی۔ یہ درجہ بندی مختصر اور طویل مدتی بنیاد پر تحفظ کے عوامل کے ساتھ اچھی کریڈٹ کی کیفیت کو ظاہر کرتا ہے، اور مختصر مدت کے لحاظ سے بروقت ادائیگیوں کے اعلیٰ یقین کو ظاہر کرتا ہے۔

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۔

بورڈ آف ڈائریکٹر:

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

سال 2017-18 کے دوران چار بورڈ ممبران منعقد ہوئیں جس میں ڈائریکٹر کی حاضری کچھ اس طرح رہی:

سیریل نمبر	نام	کمپنی	مینگلز میں شرکت کی تعداد
1	محمد خلیل	نان ایگزیکٹو ڈائریکٹر	04
2	محمد ادریس	ایگزیکٹو ڈائریکٹر	04
3	حسب احمد	ایگزیکٹو ڈائریکٹر	04
4	وحید اختر شیر	نان ایگزیکٹو ڈائریکٹر	04
5	منیب الحق	نان ایگزیکٹو ڈائریکٹر	04
6	احمد نواز	نان ایگزیکٹو ڈائریکٹر	04
7	عبدالاول	خود مختار ڈائریکٹر	04

آڈٹ کمیٹی مینگلز:

آڈٹ کمیٹی بورڈ کی معاونت کے لیے قائم کی گئی جو کہ کاروباری نظم ضبط کے ضابطے (Code of Corporate Governance)، فنانشل رپورٹنگ، کارپوریٹ کنٹرول کے لیے ان کی ذمہ داریوں سے آگاہ کرتی ہے کمیٹی تین اراکین پر مشتمل ہے۔ سال 2017-18 کے دوران سات مینگلز منعقد ہوئیں جس میں آڈٹ کمیٹی کے اراکین کی حاضری کچھ اس طرح رہی:

سیریل نمبر	نام	مینگلز میں شرکت کی تعداد
1	محمد خلیل	07
2	منیب الحق	07
3	عبدالاول	07

تحقیق و ترقی:

آپ کی کمپنی نے اپنی ریسرچ اینڈ ڈیولپمنٹ کی سرگرمیوں کو اپنے خصوصی آر اینڈ ڈی ڈیپارٹمنٹ میں جاری رکھا جو انتہائی قابل پیشہ ورانہ اور مکمل طور پر سرشار عملے پر مشتمل ہے۔ ماضی میں نئی مصنوعات متعارف کرانے میں آر اینڈ ڈی ڈیپارٹمنٹ نے اچھا کام کیا ہے اور ہم امید کرتے ہیں کہ آنے والے سالوں میں مزید کامیابیاں حاصل ہوں گی۔

انفارمیشن ٹیکنالوجی:

ستارہ کیمیکل انڈسٹریز لمیٹڈ اپنے معلومات کے وسائل کو انتہائی اہمیت دیتا ہے جو اس کی کاروباری ضروریات کے مطابق مسلسل بڑھتے ہوئے انفارمیشن ٹیکنالوجی کے فریم ورک میں ظاہر ہوتا ہے۔ سال 2017-18 کے دوران، انفارمیشن ٹیکنالوجی کے فریم ورک میں مندرجہ ذیل پیش رفت کی گئی:

(a) ہم نے ہارڈ ویئر کی بنیاد پر فائروال SOPHOS کو اپ گریڈ کیا ہے۔ اب ہم پاکستان کے مختلف شہروں میں زوئل سیلز کے دفاتر کے ساتھ محفوظ رابطے سمیت تمام صارف کی رسائی کو کنٹرول کرنے کے لیے اچھی طرح سے لیس ہیں۔ ان میں سرفہرست یہ ہے کہ اب ہم اس قابل ہو گئے ہیں کہ مختلف اقسام کے Malware جو ستارہ کیمیکل انڈسٹریز لمیٹڈ کی نیٹ ورک حملہ آور تھے ان کو روک سکیں۔

(b) ستارہ کیمیکل انڈسٹریز لمیٹڈ SAP ERP ECC 6.0 پر چل رہی ہے جو 7 سال قبل لاگو کیا گیا تھا۔ ہم نے فیصلہ کیا کہ نئے والے پاور پلانٹ اور اس سے متصل اینٹ بنانے والے پلانٹ کے بزنس پروسز کو SAP ERP میں شامل کیا جائے۔ SAP کے تمام بزنس پروسز جیسا کہ سیلز اینڈ ڈسٹری بیوشن، میٹریل مینجمنٹ، پروڈکشن پلاننگ، لاجسٹکس، کوالٹی مینجمنٹ، فنانس مینجمنٹ، اکاؤنٹنگ، سپلائی چین مینجمنٹ اور ہیومن ریسورس مینجمنٹ کو ہماری IT ٹیم نے جامع طریقے سے CFPP تک بڑھایا گیا۔

ماحولیات، صحت اور حفاظت:

آپ کی کمپنی کے لوگوں کی صحت اور حفاظت کے معاملات بین الاقوامی معیار کے مطابق ہیں۔

الحمد للہ 2017-18 کے دوران آپ کی کمپنی نے ایک اور سنگ میل ISO 50001 Energy Management System کا سرٹیفکیٹ حاصل کیا ہے۔ جس میں کمپنی کو اپنی توانائی کی کارکردگی کو بہتر بنانے اور لاگو کرنے سے سرمایہ کاری کو منافع بخش کرنے کے لیے توانائی کے انتظام کو بہتر بنانے کے لیے ایک بہترین فریم ورک فراہم کرتا ہے۔ اس کے علاوہ ہماری کمپنی نے اپنے کاربن ڈائی آکسائیڈ پلانٹ کے لیے FSSC 22000 Food Safety System Certification بھی حاصل کر لیا ہے۔ یہ Food Safety کی ذمہ داریوں کو منظم طریقے سے سرانجام دینے کے لیے ایک فریم ورک فراہم کرتا ہے۔ FSSC 22000 Global Food Safety Initiative (GFSI) کی طرف سے مکمل طور پر تسلیم کیا جاتا ہے اور موجودہ ISO معیار پر مبنی ہے۔

آپ کی کمپنی کو ماحولیاتی انتظام کے نظام کے مسلسل اصلاحات کی طرف سے اپنے ماحولیاتی انتظام کے نظام کے مسلسل بہتری پر زور دیتی ہے۔ اور تمام متعلقہ قوانین اور معیارات کو خاص طور پر ISO 9001, ISO 14001 اور OHSAS 18001 کے ساتھ تعمیل کرتے ہیں۔

ہمارا منشور ہے ملازمین کا تحفظ کمپنی کے داخلی راستے سے شروع ہو جاتا ہے آگاہی کے سیشن اور ورکشاپس باقاعدہ طور پر حفاظتی اقدامات، ہنگامی رد عمل اور تیاری، کیمیکل سپیلجر، کلورین ہواؤ، سلامتی اور آگ سے لڑنے کی مشقوں کے لئے پلانٹ پر منعقد کی جاتی ہیں۔ زیر جائزہ سال کے دوران مختلف کورسوں، ورکشاپوں، آگاہی کے سیشن منعقد کیے گئے ہیں۔ سال کے دوران 1834 افراد کو مندرجہ بالا مضامین میں تربیت دی گئی جبکہ گزشتہ سال ان کی تعداد 971 تھی۔

انسانی وسائل کی ترقی:

انسانی وسائل کی منصوبہ بندی اور انتظام سب سے زیادہ مینجمنٹ سطح پر ایک توجہ طلب معاملہ ہے۔ کمپنی میں ایک انسانی وسائل اور مینجمنٹ کمیٹی ہے جس میں کلیدی مینجمنٹ کے انتخاب، تشخیص، معاوضہ اور کامیابی کی منصوبہ بندی میں شامل ہے۔ انسانی وسائل کی پالیسی اور اس کے دورانیاتی جائزہ میں بہتری کی سفارش میں یہ بھی شامل ہے۔ آپ کی کمپنی ہمیشہ اسٹاف ٹریننگ کے مواقع کا خیر مقدم کرتی ہے۔ ان کے علم کو وسیع، تکنیکی اور سیکھنے کی ترقی کو تہدیل کرنے کے بارے میں مہارت اور شعور کو بڑھانے۔ اس مقصد کے لیے کئی ورکشاپ، نصاب، سیمینار منعقد کیے گئے جہاں عمل کو تربیت دینے کے لیے نامزد کنسلٹنٹ کو مدعو کیا جاتا ہے۔ سال 2017-18 کے دوران کمپنی نے 900 ملازمین کو تربیت دی جن کو کمپنی کے اپنے اور بیرونی کنسلٹنٹ نے تربیت دی جبکہ گزشتہ سال ملازمین کی تعداد 142 تھی۔

ڈائریکٹر رپورٹ

اللہ تعالیٰ کے بابرکت نام سے جو بڑا مہربان اور رحم کرنے والا ہے۔ ستارہ کیمیکل انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 جون 2018 کو ختم ہونے والے مالی سال کے لیے آڈٹ شدہ مالی گوشوارے بمعہ آڈٹ رپورٹ پیش کر رہے ہیں۔

کاروباری جائزہ:

قومی معیشت میں مسلسل دوسرے سال 5 فیصد سے زائد اضافہ خوش آئند ہے۔ اقتصادی ترقی نے معیشت کے تمام شعبوں پر مثبت اثر ڈالا ہے۔ مالی سال 2018 کے دوران آپ کی کمپنی کی خالص فروخت 12,265 ملین روپے رہی جبکہ گزشتہ سال یہ فروخت 10,074 ملین روپے تھی، جس میں 21.75% اضافہ ہوا۔ مالی سال 2017-18 کے دوران ٹیکس سے پہلے کمایا گیا منافع 1312 ملین روپے رہا جبکہ گزشتہ سال یہ منافع 1180 ملین روپے تھا، جس میں 11.19% اضافہ ہوا۔ موجودہ سال 2018ء میں فی ہیکٹر آمدنی 50.69 روپے رہی جبکہ پچھلے سال 54.43 روپے تھی۔ فی ہیکٹر آمدنی میں کمی کی وجہ ٹیکس کی وہ مجوزات ہیں جو گزشتہ سال کے مالی ٹیکس عارضی فرق کو شامل کیا گیا جبکہ پچھلے سال انکم ٹیکس آرڈیننس 2001 کی شق 65B کے تحت پلانٹ اور مشینری کی بی ایم آر/اور انویسٹمنٹ پر ٹیکس کریڈٹ حاصل تھا۔

ملک کے مجموعی طور پر معاشی ماحول اور بین الاقوامی سطح پر کاسٹک سوڈا کی مستحکم قیمت برآمدات کے مواقع کیے گئے جو کمپنی کی مالی کارکردگی کو بہتر کرنے کا باعث بنا۔ دھاگہ کی اوسط قیمت میں اور فروخت میں بھی اس سال 2017-18 میں پچھلے سال کی نسبت بہتری آئی۔

پیداواری کارکردگی:

سال 2017-18 کے دوران کمپنی کی مختلف مصنوعات گزشتہ سال کے مقابلے میں مندرجہ ذیل ہے:

2017 (میٹرک ٹن)	2018 (میٹرک ٹن)	تفصیل مصنوعات
127,464	141,563	کاسٹک سوڈا (مائع اور فلیکس)
29,525	35,748	سوڈیم ہائیڈروکسائیڈ
4,263	4,492	ہائیڈروکسائیڈ
7,765	7,851	مائع کلورین
109,407	117,056	ہائیڈروکسائیڈ
10,255	8,456	کاربن ڈائی آکسائیڈ
1,774	3,929	کلیشیم کلورائیڈ
9,312	10,853	کاشن یاران (20/S Count)

اینٹیٹس بنانے والا پلانٹ:

الحمد للہ، کمپنی نے اپنا اینٹیٹس بنانے والا پلانٹ لگا لیا ہے جس میں فلاحی ایش جو کونسل والے پلانٹ کی ویسٹ کو اینٹیٹس بنانے کے لیے بطور خام مال استعمال کیا جاتا ہے۔ ان اینٹیٹس کی بہتر مضبوطی اور تھرمل موصلیت عام مٹی کی اینٹیٹس سے بہتر ہے۔ یہ پلانٹ آنے والے سالوں میں کمپنی کی مالیاتی اہمیت میں اضافہ ہوگا۔

سال کے اہم واقعات:

مالی سال 2015 میں ایک کواپریٹو ہاؤسنگ سوسائٹی کے ساتھ زمین کی فروخت (سرمایہ کاری کی جائیداد) کا معاہدہ باہمی رضامندی سے کچھ قانونی غیر حل شدہ معاملات کی بنا پر منسوخ کر دیا گیا۔ تاہم مارچ 2018 میں کمپنی نے 1510K-10M زمین جو RB 199 میں واقع ہے ستارہ ڈویلپر (پرائیویٹ) لمیٹڈ کے ساتھ 2,190 ملین روپے کے عوض فروخت کے ایک نئے معاہدے میں داخل ہوئی ہے۔ یہ کارروائی منصفانہ مارکیٹ کی شرح کی بنیاد پر کی گئی۔ معاہدے کی 20% رقم، 438 ملین روپے بطور ایڈوانس بھی موصول ہو چکی ہے اور بقید رقم 1752 ملین روپے 6 سال کی مدت میں موصول ہوگی۔ بقیہ موصول کی جانے والی رقم کا اندراج بعوض 1317 ملین روپے Amortized Cost پر کتابوں میں درج کیا گیا ہے۔

SIX YEARS AT A GLANCE

Operating results (Rs. In Million)	2018	2017	2016	2015	2014	2013
Sales	12,265	10,074	9,814	8,723	8,807	8,100
Gross profit	2,633	2,312	2,129	1,572	2,139	2,505
Operating profit	1,751	1,551	1,374	1,446	1,551	1,863
Profit before tax	1,312	1,180	1,123	1,112	1,146	1,376

Financial ratios						
Gross Profit %	21.47	22.95	21.69	18.02	24.29	30.93
Operating Profit %	14.28	15.40	14.00	16.57	17.61	23.00
Profit before tax %	10.70	11.71	11.44	12.75	13.01	16.99
Earnings per share - Basic (Rs.)	50.69	54.43	35.90	46.03	40.19	48.40
Market value per share - (Rs.)	368.32	444.62	364.00	300.20	296.50	199.99
Cash Dividend Per Share - (Rs.)	13.00	12.50	11.50	9.00	10.50	10.00
Inventory turn over (times)	8.98	6.76	8.44	8.94	7.05	5.85
Current ratio	0.84:1	0.88:1	0.75:1	1.04:1	0.87:1	0.73:1
Fixed assets turn over (times)	1.28	1.07	1.12	1.51	1.53	1.36
Price earning ratio	7.27	8.17	10.14	6.52	7.38	4.14
Return on capital employed %	9.20	9.72	7.29	10.89	10.74	13.81
Debt equity	18:82	24:76	23:77	19:81	19:81	23:77

Sales
(Rs. In Million)



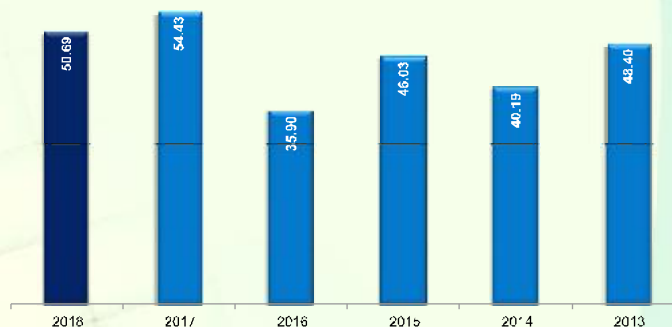
Gross Profit, Operating Profit & Profit before Tax
(Rupees in Millions)



Market Value Per Share (Rs)



Earnings Per Share (Rs)

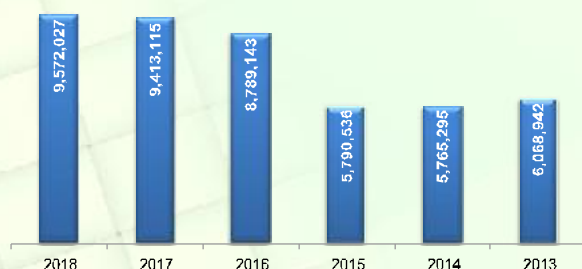


SIX YEARS AT A GLANCE

Assets employed	2018	2017	2016	2015	2014	2013
(Rupees '000')						
Property, Plant and equipment	9,572,027	9,413,115	8,789,143	5,790,536	5,765,295	6,068,942
Intangible assets	11,780	13,089	14,544	16,159	17,955	19,950
Investment property	3,033,968	2,926,570	2,872,992	2,716,463	3,004,815	2,868,379
Long Term Investment	25,039	31,579	100,125	99,192	68,280	63,431
Advances and deposits	1,460,320	1,379,061	1,376,035	1,375,492	928,309	929,735
Current assets	5,693,967	5,761,477	4,702,364	4,446,080	3,601,755	3,008,549
Current liabilities	(6,770,386)	(6,523,898)	(6,286,868)	(4,293,654)	(4,160,633)	(4,135,006)
	13,026,715	13,000,993	11,568,335	10,150,268	9,225,776	8,823,980

Financed by	2018	2017	2016	2015	2014	2013
Ordinary capital	214,294	214,294	214,294	214,294	214,294	214,294
Reserves	9,258,403	8,410,668	7,321,113	6,677,893	5,887,795	5,132,874
Shareholders' equity	9,472,697	8,624,962	7,535,407	6,892,187	6,102,089	5,347,168
Surplus on revaluation	1,164,731	1,226,133	1,355,695	1,305,696	1,347,409	1,429,501
Long term and deferred liabilities	2,389,287	3,149,898	2,677,233	1,952,385	1,776,278	2,047,311
	13,026,715	13,000,993	11,568,335	10,150,268	9,225,776	8,823,980

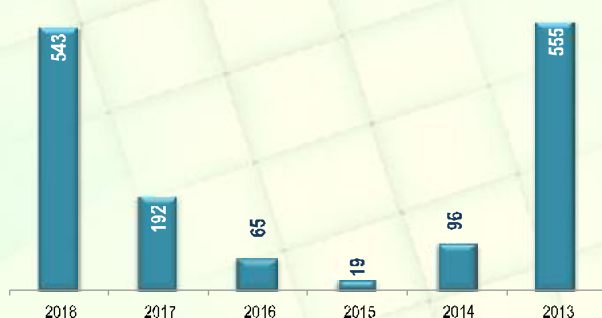
Fixed Assets
(Rupees "000")



Shareholders' Equity
(Rupees "000")



Export Sales
(Rupees in Million)



Current Assets & Current Liabilities
(Rupees "000")



CORPORATE GOVERNANCE

Statement of Director's Responsibility

Board of Directors is mindful of its responsibilities and duties under legal and corporate framework. The Board defines and establishes Company's overall objectives and directions and monitors status thereof. Short term and long term plans and business performance targets are set by Chief Executive Officer under overall policy framework of the Board.

There has been no-material departure from the best practices of the corporate Governance, as detailed in the listing regulation.

Presentation of Financial Statements

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

Books of Accounts

Company has maintained proper books of account.

Accounting Policies

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

Application of International Accounting Standards

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

Internal Control System

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

Taxation

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

Going Concerns

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

Audit Committee

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

Human Resource and Remuneration Committee

Human Resource and Remuneration Committee was formed to monitor the procedure of selection, evaluation, compensation and succession planning of the key management personal along with designing and implementation of Human Resource Policy of the company. This committee comprises of Three members.

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 For the year ended June 30, 2018

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	7
Female	Nil

In accordance with the contents of Regulation 7 of the Code of Corporate Governance Regulations, 2017, grace period is available to the Company in appointing female director.

2. The composition of the Board of Directors as at June 30, 2018 is as follows:

Category	Names
Independent Director	Mr. Abdul Awal
Executive Directors	Mr. Muhammad Adrees Mr. Haseeb Ahmad
Non-executive Directors	Mr. Waheed Akhter Sher Mr. Ahmad Nawaz Mr. Muhammad Khalil Mr. Muneeb ul Haq

Further, as per the proviso to Regulation 6 of the COCG Code 2017, grace period has been prescribed in respect of transition phase for composition of the Board with respect to minimum number of independent directors as specified in the 2017 Code, presently, it is lesser than the required number of Independent Directors, however it will be complied with upon expiry of its current board of directors term which will end in July 2019.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. In terms of Regulation 20 of the 2017 Code, the Companies are required to ensure that all the directors on their board have acquired the prescribed certification under Director Training Program by June 30, 2021. Five (5) directors have already completed this program. The remaining two (2) directors

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE
For the year ended June 30, 2018

Shall obtain certification under the DTP in due course of time.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
 - a. Audit Committee
 - Mr. Abdul Awal, Independent Director (Chairman)
 - Mr. Muhammad Khalil, Non-Executive Director (Member)
 - Mr. Muneeb ul Haq, Non-Executive Director (Member)
 - B. Human Resource & Remuneration Committee
 - Mr. Muhammad Khalil, Non-Executive Director (Chairman)
 - Mr. Muhammad Adrees, Executive Director (Member)
 - Mr. Abdul Awal, Non-Executive Director (Member)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
 - a Audit Committee: Seven meetings during the financial year ended June 30, 2018
 - b HR and Remuneration Committee: Four quarterly meetings during the financial year ended June 30, 2018
15. The board has set up an effective internal audit function who are 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 ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

Date: September 25, 2018

On behalf of the Board



Muhammad Khalil
Chairman

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2018

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
967	1	100	26,554
543	101	500	137,188
187	501	1,000	136,469
156	1,001	5,000	364,154
42	5,001	10,000	305,158
14	10,001	15,000	181,860
4	15,001	20,000	69,024
4	20,001	25,000	90,213
2	25,001	30,000	55,950
6	30,001	35,000	187,636
1	35,001	40,000	36,600
2	40,001	45,000	86,200
2	45,001	50,000	95,465
2	50,001	55,000	103,109
3	55,001	60,000	174,114
2	65,001	70,000	130,764
1	80,001	85,000	81,600
2	85,001	90,000	171,766
1	100,001	105,000	102,200
2	110,001	115,000	227,525
2	120,001	125,000	246,064
1	125,001	130,000	126,654
2	160,001	165,000	328,744
1	310,001	315,000	314,555
1	370,001	375,000	373,346
1	375,001	380,000	375,540
1	630,001	635,000	634,416
1	900,001	905,000	904,386
1	1,720,001	1,725,000	1,724,750
1	13,635,001	13,640,000	13,637,402
1955			21,429,406

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2018

	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	375,540	1.75
Mr. Muhammad Khalil	1	525	0.00
Mr. Abdul Awal	1	500	0.00
Mr. Muneeb-ul Haq	1	500	0.00
Mr. Waheed Akhter Sher	1	500	0.00
Mr. Ahmad Nawaz	1	500	0.00
Bank, Development Finance Institutions, Non Banking Finance Institutions.	8	1,915,853	8.94
Insurance Companies	2	1,006,586	4.70
Mutual Funds	17	1,285,166	6.00
Modarabas	2	16,050	0.08
Foreign Companies	1	300	0.00
General Public (Local)	1838	2,178,102	10.17
General Public (Foreign)	34	167,583	0.78
Associated Companies, Undertaking and Related Parties	1	163,944	0.77
Joint Stock Companies, others, etc.	24	493,464	2.30
Others	19	135,585	0.63
	1,955	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 2017-2018.

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

a	Mr. Muhammad Adrees, Chief Executive	13,637,402
b	JS Bank Limited	1,724,750

The Board has determined threshold in respect of trading of Company's shares by executives and employees who are drawing annual basic salary of Rs. 5 Million or more.

None of the employee of the company has made any trade of shares of the company who falls beyond the threshold of Rs. 5 Million annual basic salary.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 37th Annual General Meeting of Sitara Chemical Industries Limited will be held at The Institute of Chartered Accountants of Pakistan (ICAP) Auditorium Hall, Chartered Accountants Avenue, Clifton, Karachi, on Saturday, October 27, 2018 at 6:45 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of Annual General Meeting held on October 25, 2017.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2018 together with the Reports of Auditors and Directors thereon.
3. To approve payment of Cash Dividend at the rate of 130% (Rs. 13/- per share) as recommended by the Board of Directors.
4. To appoint auditors and to fix their remuneration for the year ending June 30, 2019. The present auditors M/s. Deloitte Yousuf Adil, Chartered Accountants, retire and being eligible, have offered themselves for reappointment.
5. To transact any other business of the Company with the permission of the Chair.

Karachi

Dated : September 25, 2018

By order of the Board

MAZHAR ALI KHAN
Company Secretary

1. CLOSURE OF SHARE TRANSFER BOOKS.

The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from October 20, 2018 to October 27, 2018 (both days inclusive). Transfers received in order at Company's Share Registrar's Office by the close of business on October 19, 2018 will be treated in time for the purpose of payment of cash dividend, if approved by the shareholders.

2. PARTICIPATION IN THE ANNUAL GENERAL MEETING.

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

3. CDC ACCOUNT HOLDERS WILL HAVE TO FOLLOW FURTHER UNDER MENTIONED GUIDELINES AS LAID DOWN BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN.

a) For attending the meeting:

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

NOTICE OF ANNUAL GENERAL MEETING

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

b) For appointing proxies:

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

4. WITHHOLDING TAX ON DIVIDEND INCOME

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

1. Filer of Income Tax Returns	15.0%
2. Non-Filer of Income Tax Returns	20.0%

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

5. PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE:

The provisions of Section 242 of the Companies Act, 2017 and Regulation 4 of The Companies (Distribution of Dividend) Regulations 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the designated bank account by the entitled shareholders. Accordingly, the shareholders holding physical shares are requested to provide the Company's Share Registrar at the address given herein above, electronic dividend mandate on E-Dividend form available on website of the company and also specimen attached herewith. In the case of shares held in CDC, the same information should be provided to the CDS participants for updating and forwarding to the Company.

6. SUBMISSION OF COPIES OF CNIC NOT PROVIDED EARLIER

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

7. UNCLAIMED DIVIDEND

As per the provision of section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company which have remained unclaimed/unpaid for a period of three years from the date on which it was due and payable are required to be deposited with Securities and Exchange Commission of Pakistan for the credit of Federal Government after issuance of notices to the Shareholders to file their claim. The details of the shares issued and dividend declared by the Company which have remained due for more than three years are available on the Company's website www.sitara.com.pk. Shareholders are requested to ensure that their claims for unclaimed dividend and shares are lodged promptly. In case, no claim is lodged, the Company shall proceed to deposit the unclaimed/unpaid amount and shares with the Federal Government pursuant to the provision of Section 244(2) of Companies Act, 2017.

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

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

However, shareholders who wish to receive hard copy 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.

NOTICE OF ANNUAL GENERAL MEETING

9. **CONSENT FOR VIDEO CONFERENCE FACILITY:**

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

I/We, being a member of Sitara Chemical Industries Limited, holder of _____ Ordinary Share(s) as per Registered Folio/CDC Account No. _____, hereby opt for video conference facility at _____.
(Please Insert Name of the City)

Signature of member:

10. **PLACEMENT OF FINANCIAL STATEMENTS:**

The audited financial statements of the Company for the year ended June 30, 2018 have been placed at the Company's website: www.sitara.com.pk.

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

Auditors' Report & Financial Statements

2018



AUDITORS' 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, 2018, the statement of profit or loss, the 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, the 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, 2018 and of the profit other 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 year. 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.

AUDITORS' REPORT

To the members

Following are the key audit matters:

Key audit matter	How the matter was addressed in our audit
<p>Revenue Recognition</p> <p>The Company's sales comprise of revenue from the sale of chemicals and textiles (note 30) to the financial statements</p> <p>Revenue from the sale is recognized, when significant risks and rewards of ownership are transferred to the customer i.e. on dispatch of goods and transfer of risk and rewards of ownership (note 5.17).</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company considering its monetary value, because of the potential risk that revenue transactions may not have been recognized based on transfer of risk and rewards to the customers, in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<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 and implementation and operating effectiveness of controls around recognition of revenue ; assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; checked on sample basis the recorded sales transactions based on underlying supporting documents; and tested timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying supporting documents.
<p>Sale of investment property</p> <p>The Company holds land as investment property valued using the cost method i.e. at cost less any identified impairment loss (note 5.3).</p> <p>The Company had entered into an agreement for sale of land in financial year 2015 with a Cooperative Housing Society which was cancelled during the year due to certain unresolved issues and the Company took over the possession of such land. Further, in March 2018, the Company entered into a fresh agreement for sale of same land with an associated undertaking (note 11.1).</p> <p>In view of the estimates of monetary values involved, compliance of legal requirements, along with accounting of the resulting transactions, we have identified this area as a Key Audit Matter.</p>	<p>Our audit procedures to address the Key Audit Matter included the following:</p> <ul style="list-style-type: none"> made inquiries with the management to understand the underlying transactions; reviewed analysis of transactions, related vouchers, legal advices and receipts of monies received by management; read relevant documents such as new sales agreement, valuation report, board minutes, to verify facts and circumstances stated by management; and assessed the reasonableness of assumptions used in computing the discounted cash flows to arrive at the amounts to be incorporated in the financial statements and adequacy of the related disclosures in the financial statements.

AUDITORS' REPORT

To the members

Key audit matter	How the matter was addressed in our audit
<p>Change in accounting policy as a result of changes in the Companies Act 2017</p> <p>As referred to in note 3.1 to the accompanying financial statements, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018 due to which the Company has changed its accounting policy to account for surplus on revaluation of fixed assets (refer note 6) with retrospective effect. Previously, surplus on revaluation was presented in the financial statements below the equity and changes in surplus was taken directly to equity. Due to change in accounting policy, surplus on revaluation will be part of the equity and revaluation changes will be taken through other comprehensive income.</p> <p>We have considered the above as a Key Audit Matter due to the significant amount of surplus on revaluation of fixed assets, the complexity involved in the calculations for retrospective application and compliance with the disclosure requirements of IAS 8 Accounting Policies and Changes in Accounting Estimates and Errors.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> obtained workings for retrospective accounting of surplus on revaluation of fixed assets; re-performed the calculations based on the working and valuation reports of the respective years; reviewed that values of fixed assets, surplus on revaluation of fixed assets and gain / loss on assets disposed-off have been properly restated in the financial statements; and assessed if the change in accounting policy has been properly disclosed by the management in the financial statements of the Company in accordance with IAS-8.

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, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the 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.

AUDITORS' REPORT

To the members

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 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 the 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 the 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 the 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 the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITORS' REPORT

To the members

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 year 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss, the 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

Deloitte Young & Adil

Chartered Accountants

Engagement Partner: Rana M. Usman Khan

Lahore

Dated: September 25, 2018

REVIEW REPORT

To The Members on Statement of Compliance with Best Practice Of Code Of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Sitara Chemical Industries Limited for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulation is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.



Chartered Accountants

Engagement Partner: Rana M. Usman Khan
Lahore

Dated: September 25, 2018

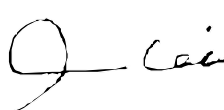
BALANCE SHEET

AS AT JUNE 30, 2018

	NOTE	2018 Rupees	2017 Rupees (Restated)	July 01, 2016 Rupees (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	7	9,572,026,860	9,413,115,264	8,789,142,634
Intangible assets	8	11,780,275	13,089,195	14,543,550
Investment property	9	3,033,967,813	2,926,570,048	2,872,992,031
Long term investments	10	25,038,687	31,579,359	100,125,447
Long term loans and advances	11	1,349,111,151	1,267,851,503	1,265,176,666
Long term deposits	12	111,209,478	111,209,478	110,858,087
		14,103,134,264	13,763,414,847	13,152,838,415
Current assets				
Stores, spare parts and loose tools	13	744,642,450	644,412,208	413,630,215
Stock in trade	14	950,647,289	1,194,326,880	1,103,513,578
Trade debts	15	1,137,767,758	1,163,484,992	1,124,985,220
Advance sales tax		-	-	61,213,694
Loans and advances	16	2,414,017,943	2,335,623,120	1,597,383,728
Trade deposits and prepayments	17	4,998,084	5,691,809	6,579,875
Other receivables	18	9,975,716	12,053,307	9,563,828
Other financial assets	19	352,254,323	274,882,920	197,069,564
Cash and bank balances	20	79,663,148	131,002,031	188,424,647
		5,693,966,711	5,761,477,267	4,702,364,349
Total assets		19,797,100,975	19,524,892,114	17,855,202,764



Muhammad Adrees
Chief Executive Officer



Anwar-ul-Haq
Chief Financial Officer



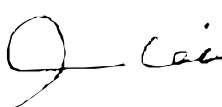
Haseeb Ahmed
Director

	NOTE	2018 Rupees	2017 Rupees (Restated)	July 01, 2016 Rupees (Restated)
EQUITY AND LIABILITIES				
Share capital and reserves				
Share capital	21	214,294,070	214,294,070	214,294,070
Reserves	22	1,365,496,630	1,402,817,034	1,362,766,177
Unappropriated profit		7,892,906,389	7,007,851,217	5,958,346,996
Surplus on revaluation of property, plant and equipment		1,164,730,520	1,226,133,404	1,355,694,582
Total equity		10,637,427,609	9,851,095,725	8,891,101,825
LIABILITIES				
Non-current liabilities				
Long term financing	23	1,174,946,885	2,143,016,525	1,655,406,665
Long term deposits	24	30,442,791	23,742,791	3,885,303
Deferred liabilities	25	1,183,897,453	983,138,661	1,017,941,285
		2,389,287,129	3,149,897,977	2,677,233,253
Current liabilities				
Trade and other payables	26	2,293,218,533	2,537,365,442	2,776,104,719
Sales tax payable		8,498,670	40,126,176	-
Profit / financial charges payable	27	76,973,355	82,219,754	82,952,314
Short term borrowings	28	3,525,026,677	2,976,169,744	2,672,033,974
Unclaimed dividend		21,775,238	15,997,160	14,660,494
Current portion of long term financing	23	844,893,764	872,020,136	741,116,185
		6,770,386,237	6,523,898,412	6,286,867,686
Contingencies and commitments				
	29			
Total equity and liabilities		19,797,100,975	19,524,892,114	17,855,202,764

The annexed notes from 1 to 51 form an integral part of these financial statements.



Muhammad Adrees
Chief Executive Officer



Anwar-ul-Haq
Chief Financial Officer



Haseeb Ahmed
Director

STATEMENT OF PROFIT & LOSS

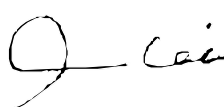
FOR THE YEAR ENDED JUNE 30, 2018

	NOTE	2018 Rupees	2017 Rupees
Sales - net	30	12,264,826,597	10,074,067,654
Cost of sales	31	(9,632,096,101)	(7,762,170,677)
Gross profit		2,632,730,496	2,311,896,977
Distribution cost	32	(269,014,032)	(205,502,071)
Administrative expenses	33	(607,541,270)	(579,700,037)
Other expenses	34	(114,497,501)	(67,508,185)
Finance cost	35	(439,420,093)	(370,921,238)
		(1,430,472,896)	(1,223,631,531)
		1,202,257,600	1,088,265,446
Other income	36	109,743,117	98,658,807
		1,312,000,717	1,186,924,253
Share of loss of associates - net of tax		(57,645)	(6,915,659)
Profit before taxation		1,311,943,072	1,180,008,594
Provision for taxation	37	(225,758,372)	(13,626,906)
Profit for the year		1,086,184,700	1,166,381,688
Earnings per share - basic and diluted	38	50.69	54.43

The annexed notes from 1 to 51 form an integral part of these financial statements.



Muhammad Adrees
Chief Executive Officer



Anwar-ul-Haq
Chief Financial Officer



Haseeb Ahmed
Director

STATEMENT OF COMPREHENSIVE INCOME

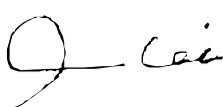
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Profit for the year		1,086,184,700	1,166,381,688
Items that may be reclassified subsequently to profit and loss:			
(Loss)/ Surplus on re-measurement of investments available for sale to fair value		(36,122,234)	43,872,464
Reclassification adjustments relating to available-for-sale Investments assets disposed off during the year		(173,345)	(3,873,801)
Total items that may be reclassified subsequently to profit and (loss)		(36,295,579)	39,998,663
Item that will not be reclassified to profit or loss:			
Remeasurement of post retirement benefits obligation 25.2		(1,443,416)	74,563
Impact of deferred tax		418,591	(22,369)
Total items that will not be reclassified to profit and (loss)		(1,024,825)	52,194
Total comprehensive income for the year		<u>1,048,864,296</u>	<u>1,206,432,545</u>

The annexed notes from 1 to 51 form an integral part of these financial statements.



Muhammad Adrees
Chief Executive Officer



Anwar-ul-Haq
Chief Financial Officer



Haseeb Ahmed
Director

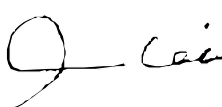
STATEMENT OF CASH FLOW

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,311,943,072	1,180,008,594
Adjustments for:			
Depreciation on property, plant and equipment		922,250,616	696,269,231
Depreciation on investment property		6,802,534	5,549,844
Amortization on intangible assets		1,308,920	1,454,355
Finance cost		439,420,093	370,921,238
Share of loss from associate - net of tax		57,645	6,915,659
Gain on disposal of property, plant and equipment		(3,396,397)	(3,070,903)
Gain on disposal of investment property		(30,529,200)	-
Gain on sale of available for sale investments		(491,350)	(3,412,258)
Loss/ (Gain) on deemed disposal on investment in associate		6,483,027	(31,679,568)
Exchange gain		(5,621,511)	-
Provision for employee benefits		9,490,011	8,383,420
Provision for doubtful debts		17,524,352	39,908,885
Profit on bank deposits		(8,229,608)	(8,875,802)
Dividend income		(6,340,705)	(5,940,341)
Operating cash flows before changes in working capital		2,660,671,499	2,256,432,354
Working capital changes	44	(182,410,798)	(254,529,303)
Cash generated from operations		2,478,260,701	2,001,903,051
Finance cost paid		(444,666,492)	(371,653,798)
Employee benefits paid		(5,610,468)	(8,697,708)
Taxes paid		(411,714,096)	(385,367,686)
		(861,991,056)	(765,719,192)
Net cash generated from operating activities		1,616,269,645	1,236,183,859



Muhammad Adrees
Chief Executive Officer



Anwar-ul-Haq
Chief Financial Officer



Haseeb Ahmed
Director

STATEMENT OF CASH FLOW

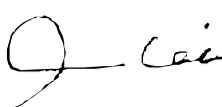
FOR THE YEAR ENDED JUNE 30, 2018 - Continued

	Note	2018 Rupees	2017 Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		6,006,197	7,410,416
Proceeds from disposal of available for sale investments		2,770,350	77,545,139
Additions to property, plant and equipment		(1,083,772,012)	(1,324,581,374)
Purchase of available for sale investments		(115,945,982)	(18,637,597)
Purchase of investment property		(155,250,152)	(59,127,861)
Advance received on sale of investment property		438,000,000	-
Long-term loans and advances		(72,258,212)	(2,674,837)
Long term deposits paid		-	(351,391)
Dividend received		6,340,705	5,940,341
Profit received		8,229,608	8,875,802
Net cash used in investing activities		(965,879,498)	(1,305,601,362)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		-	1,342,907,495
Payment of long term financing		(995,196,012)	(724,393,684)
Short term borrowings-net		548,856,933	(381,274,433)
Long term deposits		6,700,000	19,857,488
Dividend paid		(262,089,951)	(245,101,979)
Net cash (used in)/ generated from financing activities		(701,729,030)	11,994,887
Net decrease in cash and cash equivalents (A+B+C)		(51,338,883)	(57,422,616)
Cash and cash equivalents at beginning of the year		131,002,031	188,424,647
Cash and cash equivalents at end of the year	20	79,663,148	131,002,031

The annexed notes from 1 to 51 form an integral part of these financial statements.



Muhammad Adrees
Chief Executive Officer



Anwar-ul-Haq
Chief Financial Officer



Haseeb Ahmed
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2018

	Capital reserves			Revenue reserves		
	Share capital	Share premium	Reserve on re-measurement of available for sale investments	Re-measurement on post retirement benefits obligation - net of tax	Surplus on revaluation of property, plant and equipment	Un-appropriated profit
Balance at July 01, 2016	214,294,070	97,490,410	46,641,863	(6,366,036)	-	1,225,000,000
Impact of restatement - Note 6	-	-	-	-	1,355,694,582	5,958,346,996
Balance at July 01, 2016- Restated	214,294,070	97,490,410	46,641,863	(6,366,036)	1,355,694,582	7,535,407,243
Total comprehensive income	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	1,355,694,582
Other comprehensive income	-	-	-	-	-	8,891,101,825
Other comprehensive income during the year- net of tax	-	-	39,998,663	-	(56,451,713)	-
Transfer of revaluation surplus on disposal of investment in associates to unappropriated profits	-	-	-	-	-	52,194
Remeasurement of post retirement benefits - net of tax	-	-	-	52,194	-	-
Total other comprehensive income	-	-	39,998,663	52,194	(56,451,713)	56,451,713
Total comprehensive income	-	-	39,998,663	52,194	(56,451,713)	40,050,857
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	-	39,998,663	52,194	(56,451,713)	1,222,833,401
Transactions with owners	-	-	-	-	(73,109,465)	-
Final dividend for the year ended June 30, 2016 @ Rs. 11.5 per share	-	-	-	-	-	-
Balance as at June 30, 2017 - Restated	214,294,070	97,490,410	86,640,526	(6,313,932)	1,226,133,404	1,225,000,000
Balance at July 01, 2017 - Restated	214,294,070	97,490,410	86,640,526	(6,313,932)	1,226,133,404	1,225,000,000
Total comprehensive income	-	-	-	-	-	1,086,184,700
Profit for the year	-	-	-	-	-	1,086,184,700
Other comprehensive income	-	-	-	-	-	-
Other comprehensive income during the year- net of tax	-	-	(36,295,579)	-	-	-
Remeasurement of post retirement benefits - net of tax	-	-	-	(1,024,825)	-	-
Total other comprehensive income	-	-	(36,295,579)	(1,024,825)	-	(37,320,404)
Total comprehensive income	-	-	(36,295,579)	(1,024,825)	-	1,048,864,296
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(66,738,501)	-
Remeasurement of post retirement benefits - net of tax	-	-	-	-	5,335,617	-
Transactions with owners	-	-	-	-	-	5,335,617
Final dividend for the year ended June 30, 2017 @ Rs. 12.5 per share	-	-	-	-	-	-
Balance as at June 30, 2018	214,294,070	97,490,410	50,344,947	(7,338,777)	1,164,730,520	1,225,000,000
The annexed notes from 1 to 51 form an integral part of these financial statements.	-	-	-	-	-	(267,868,029)
	214,294,070	97,490,410	50,344,947	(7,338,777)	1,164,730,520	7,891,906,389
	-	-	-	-	-	1,637,427,609

Haseeb Ahmed
Director

Anwar-ul-Haq
Chief Financial Officer

Muhammad Adrees
Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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 principal activities of the Company are operation of Chlor Alkali plant and yarn spinning unit. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hasan Road, Karachi, in the province of Sindh and the manufacturing facilities are located at 28/32 K.M., Faisalabad - Sheikhpura Road, Faisalabad, in the province of Punjab.

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

Principal business activities are as follows:

Chemical Division

Manufacturing of caustic soda and allied products

Textile Division

Manufacturing of yarn and trading of fabric

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

2. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

During the year, the Company terminated its agreement for sale of land measuring 1474 Kanals with cooperative housing society and entered into an agreement for sale of land to M/s Sitara Developers (Private) Limited measuring 1510 Kanals for an aggregate amount of Rs. 2,190 million.

Further to above, the Company completed brick making plants, which has been capitalized at the cost of Rs. 300 million.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

3.2 Accounting Convention

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

- revaluation of certain property, plant and equipment;
- investments in associate valued on equity method;
- financial instruments at fair value;
- recognition of certain employee retirement benefits at present value.

3.3 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Effective from accounting period beginning on or after:

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

January 01, 2017

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

January 01, 2017

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

The Act has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in respect of recognition criteria of surplus on revaluation of fixed assets as more fully explained in note 6, change in nomenclature of primary statements, etc.

Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

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

Effective from accounting period beginning on or after:

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

January 01, 2018

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

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

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

July 01, 2018

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities

January 01, 2019

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

July 01, 2018

IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.

January 01, 2019

Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.

January 01, 2019

Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

January 01, 2019

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

January 01, 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Effective from accounting period beginning on or after:

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

January 01, 2018

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

January 01, 2019

In addition to above, the management of the Company is in process of assessing the implications of the following standards in the financial statements of the Company:

Effective from accounting period beginning on or after:

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities

January 01, 2019

IFRS 15 'Revenue from Contracts with Customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.

July 01, 2018

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

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

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

4. SIGNIFICANT ESTIMATES

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are set out below :

5.1 Property, plant and equipment

Property, plant and equipment and capital work in progress are stated at cost except free hold land, building on freehold land (factory) and plant & machinery less accumulated depreciation and accumulated impairment losses, if any. Building on freehold land (factory) and plant and machinery are stated at revalued amount less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at revalued amount. Capital work-in-progress is stated at cost less impairment in value, if any. Cost includes borrowing cost as referred in accounting policy of borrowing cost.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

When significant parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment. Repair and maintenance costs are charged to income during the year in which they are incurred.

Depreciation is charged to income applying the reducing balance method at the rates specified in Property, plant and equipment note to these financial statements. Depreciation on additions and disposals during the year is charged on the basis of proportionate period of use.

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

Gains or losses on disposal of assets, if any, are recognized as and when incurred. Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its un-appropriated profit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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.

5.2 Intangible Assets

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

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

5.3 Investment property

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

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

5.4 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.

Investment in associates

Associates are all entities over which the Company has significant influence, but not control, generally accompanying a shareholding of 20% or more of the voting rights or common directorship. These investments are initially recognized at cost and are subsequently valued using equity method less impairment losses, if any. Disposal of investment in associates is recognized by the Company on ceasing to have significant influence on associates.

At each reporting date, the Company reviews the carrying amounts of the investments in associates to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. In making an estimate of recoverable amount of these investments, the management considers future stream of cash flows and an estimate of the terminal value of these investments. Impairment losses are recognised as expense in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Available for sale

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

De-recognition

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

5.5 Stores, spare parts and loose tools

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

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

5.6 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.

5.7 Trade debts and other receivables

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

5.8 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

5.9 Impairment

Non Financial Assets

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

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

Financial Assets

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

5.10 Borrowings

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

5.11 Employee retirement benefits

Defined contribution plan - Chemical division

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Defined benefit plan - Textile division

The Company operates an unfunded gratuity scheme for all those permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provision is made to cover the obligation under scheme on the basis of actuarial valuation and is charged to income. The most recent Actuarial Valuation was carried out at June 30, 2018 using "Projected Unit Credit Method". The amount recognized in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

5.12 Trade and other payables

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

5.13 Provisions

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

5.14 Taxation

Current

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

Deferred

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

5.15 Dividend and other appropriations

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

5.16 Financial instruments

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

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

5.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business.

- Sales of goods are recognized when goods are delivered and titles have passed.
- Export rebate is recognized on accrual basis at the time of making the export sale.
- Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

5.18 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

5.19 Foreign currencies

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

5.20 Segment Reporting

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

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

5.21 Offsetting of financial assets and financial liabilities

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

5.22 Earnings per share

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

6. CHANGE IN ACCOUNTING POLICY

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, surplus on revaluation of fixed assets would now be presented under equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of land and building stands amended as follows:

Increases in the carrying amounts arising on revaluation of land, buildings and plant and machinery are recognised, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognised in the statement of profit or loss, the increase is first recognised in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset. All other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarised below:

	As at June 30, 2017			As at July 01, 2016		
	As previously reported	As restated	Restatement	As previously reported	As restated	Restatement
	Rs.					
Effect on statement of financial position						
Surplus on revaluation of property, plant and equipment	1,226,133,404	-	(1,226,133,404)	1,355,694,582	-	(1,355,694,582)
Share capital and reserves	-	1,226,133,404	1,226,133,404	-	1,355,694,582	1,355,694,582
Effect on statement of changes in equity						
Surplus on revaluation of property, plant and equipment	-	1,226,133,404	1,226,133,404	-	1,355,694,582	1,355,694,582

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

7. PROPERTY, PLANT AND EQUIPMENT

Note **2018** **2017**
Rupees **Rupees**

Operating assets	7.1	9,492,027,088	9,227,921,543
Capital work-in-progress	7.8	79,999,772	185,193,721
		<u>9,572,026,860</u>	<u>9,413,115,264</u>

7.1 Operating assets - as at June 30, 2018

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Operating assets - as at June 30, 2017

Description	Cost / evaluated amount		Accumulated depreciation			Rate (%)
	At July 01, 2016	Additions / (disposals)	At June 30, 2017	At July 01, 2016	Charge for the year / (on disposals)	At June 30, 2017
			Rupees			Book value as at June 30, 2017
Freehold land	673,431,000	94,588,499	768,019,499	-	-	768,019,499
Building on freehold land:						
Mile	726,419,566	946,175,900	1,672,595,466	213,302,663	101,730,343	315,033,006
Head office	12,238,041	-	12,238,041	10,428,944	180,909	10,609,853
Plant and machinery	5,468,106,396	2,751,791,131	8,219,897,527	1,617,673,396	519,432,874	2,137,106,270
Grid station and electric installation	217,777,237	-	217,777,237	151,661,451	6,647,779	158,309,230
Containers and cylinders	69,779,834	-	69,399,454	37,779,462	3,195,532	40,763,207
Factory equipment	66,577,351	(380,380)	70,361,631	36,289,600	(211,787)	39,309,928
Electric equipment	79,549,754	(476,500)	862,243,040	26,431,554	(172,995)	71,979,916
Office equipment	50,081,671	3,825,374	52,649,492	26,716,924	46,268,709	28,246,574
Furniture and fittings	26,223,866	(1,257,553)	30,235,289	13,653,730	(720,347)	15,105,307
Vehicles	159,326,879	4,055,584	177,805,954	108,341,242	1,493,538	68,968,158
		(44,161)			(41,961)	
		32,742,888			11,582,446	
		(14,263,813)			(11,085,892)	
	7,549,511,595	4,621,297,658	12,153,222,630	2,242,278,966	696,269,231	2,925,301,087
		(17,586,623)			(13,247,110)	9,227,921,543

7.2 Depreciation for the year has been allocated as under:

	2018	2017
	Rupees	Rupees
Cost of sales	31	885,202,518
Administrative expenses	33	660,922,520
		35,346,711
		696,269,231

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

Location	Usage of immovable property	Total area (Square feet)	Covered Area (Square feet)
Chak# 61- RB, Faisalabad	Manufacturing unit	7,335,667	499,100
Chak# 97- RB, Faisalabad	Power Generation Unit (CFPP)	3,611,941	253,668
Chak# 204- RB, Faisalabad	Guest House	9,720	*16,851
Sitara Tower, Civil Line, Faisalabad	Site Office	9,210	9,210
Flat No.7, 2nd Floor, Malik Complex, Jinnah Avenue, Blue Area, Islamabad	Site Office	1,344	1,344
Vehari Road, Multan	Site Office	5,436	2,700
110-A Siddique Trade Center, Lahore	Site Office	1,194	1,194
Business Center, Mumtaz Hassan Road, Karachi	Site Office	1,640	1,640

*The covered area includes double storey buildings.

7.4 The Company had revalued its freehold land, building and plant & machinery at June 30, 2016. The revaluation had been carried out by Hamid Mukhtar & Company (Private) Limited, an independent valuer not connected to the Company and is on the panel of Pakistan Banks Association as 'Any Amount' asset valuer. It is also on the panel of State Bank of Pakistan and possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations. The basis used for the revaluation of freehold land, buildings and machinery were as follows:

Land

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

Buildings

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

Machinery (Textile)

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

Machinery (Chemical)

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

7.5 Forced Sales Value (FSV) of land, buildings and machinery is Rs. 538.74 million, Rs. 411.94 million and Rs. 2,887.82 million respectively as at June 30, 2016.

7.6 Out of the total revaluation surplus of Rs. 1,299.24 million, Rs. 1,164.73 million net of tax (2017: Rs. 1,226.13 million) remains undepreciated as at June 30, 2018.

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

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

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

	Level 1	Level 2	Level 3	Total
	Rupees			
Land - freehold	-	768,019,499	-	768,019,499
Buildings on freehold land	-	1,359,190,648	-	1,359,190,648
Plant and machinery	-	6,082,791,257	-	6,082,791,257

7.7 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at June 30, 2018 would have been as follows:

	Cost	Accumulated depreciation	Book Value
	Rupees		
Land	321,796,428	-	321,796,428
Buildings on free hold land	1,800,273,917	458,547,393	1,341,726,524
Plant and Machinery	8,186,269,903	2,712,255,162	5,474,014,741
2018	<u>10,308,340,248</u>	<u>3,170,802,555</u>	<u>7,137,537,693</u>
2017	<u>9,286,548,620</u>	<u>2,462,749,129</u>	<u>6,823,799,491</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	NOTE	2018 Rupees	2017 Rupees
7.8 Capital work-in-progress			
Civil work		1,083,679	11,674,455
Plant and machinery including in transit		54,229,345	115,166,442
Advance for property, plant and equipment		3,406,126	18,288,599
Major spare parts and stand-by equipment qualifying as property, plant and equipment		21,280,622	40,064,225
		<u>79,999,772</u>	<u>185,193,721</u>
8. INTANGIBLE ASSETS			
Computer software		21,000,000	21,000,000
Accumulated amortization		(9,219,725)	(7,910,805)
	8.1	<u>11,780,275</u>	<u>13,089,195</u>
8.1	Computer software are being amortized at 10% using reducing balance method.		
9. INVESTMENT PROPERTY			
Land	9.1	2,979,387,948	2,854,288,282
Building	9.2	54,579,865	72,281,766
		<u>3,033,967,813</u>	<u>2,926,570,048</u>
9.1 Land			
Balance at the beginning of the year		2,854,288,282	2,819,104,635
Add: Acquisitions during the year	9.3	1,813,047,693	35,183,647
Less: Disposal during the year	11.1	(1,687,948,027)	-
Balance at the end of the year		<u>2,979,387,948</u>	<u>2,854,288,282</u>
9.2 Buildings			
Cost			
Balance at the beginning of the year		101,864,880	77,920,666
Add: Transferred from capital work in progress		5,426,410	23,944,214
Less: Disposal during the year		(18,014,525)	-
Balance at the end of the year		<u>89,276,765</u>	<u>101,864,880</u>
Accumulated depreciation			
At the beginning of the year		29,583,114	24,033,270
For the year		6,802,534	5,549,844
Less: Accumulated depreciation on disposed asset	33	(1,688,748)	-
At the end of the year		<u>34,696,900</u>	<u>29,583,114</u>
Written down value at the end of year		<u>54,579,865</u>	<u>72,281,766</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

The Company has invested in freehold land, residential plots and building portions covering area of 3,294 kanals for the purpose of capital appreciation and earning rental income. These properties are situated within the Province of Punjab.

The rental income earned by the Company from its investment property amounted to Rs. 30.10 million (2017: Rs. 32.32 million).

- 9.3 This includes an amount aggregating to Rs. 1,663 million in respect of land repossessed due to cancellation of sale transaction as mentioned in note 11.1.

	NOTE	2018 Rupees	2017 Rupees
10. LONG TERM INVESTMENTS			
Investments in associates	10.1	-	26,579,359
Other investment	10.2	25,038,687	5,000,000
		<u>25,038,687</u>	<u>31,579,359</u>
10.1. Investments in associates			
Unquoted company			
Takaful Pakistan Limited	10.1.1	-	26,579,359
		<u>-</u>	<u>26,579,359</u>

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

There are no contingent liabilities relating to the Company's interest in the associate.

- 10.1.1 During the year, the Company has ceased to apply equity method on its investment in Takaful Pakistan Limited (TPL) due to resignation of common director from TPL on March 9, 2018 and reclassified its investment to cost. The Company's share of post acquisition loss from TPL, before reclassification, recognized during the year was Rs. 0.058 million. The Company has recognized loss on reclassification amounting to Rs. 6.48 million during the year.

	NOTE	2018 Rupees	2017 Rupees
10.2 Other investment			
Unquoted - available for cost			
Dawood Family Takaful Limited 500,000 (2017: 500,000)			
fully paid ordinary shares of Rs.10/- each		5,000,000	5,000,000
Takaful Pakistan Limited 3,000,000		20,038,687	-
ordinary shares of Rs. 10/- each		<u>25,038,687</u>	<u>5,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	NOTE	2018 Rupees	2017 Rupees
11. LONG TERM LOANS AND ADVANCES			
Deferred consideration on sale of investment property	11.1	1,316,803,005	1,263,223,951
Loans and advances	11.2	32,308,146	4,627,552
		<u>1,349,111,151</u>	<u>1,267,851,503</u>
11.1	During the year the sale agreement of investment property land, between the Company and a Cooperative Housing Society entered in July 2014, was cancelled due to certain unresolved issues and the Company took over the possession of such land. Further, in March 2018, the Company entered into a fresh agreement for sale of investment property land measuring 1,510 kanals situated at 199 RB Faisalabad to M/s Sitara Developers (Private) Limited, at an aggregate sale price of Rs. 2,190 million. Twenty percent advance amount of total sale price of Rs. 438 million has also been received and balance receivable amounting to Rs. 1,752 million will be received from M/s Sitara Developers (Private) Limited, over a period of 6 years which has been recorded in the financial statements at amortized cost.		
11.2 Loans and advances	NOTE	2018 Rupees	2017 Rupees
Considered good			
Secured			
Staff		25,981,929	5,846,439
Unsecured			
Staff		32,171,546	48,825
		<u>58,153,475</u>	<u>5,895,264</u>
Less: current portion shown in current assets	16	(25,845,329)	(1,267,712)
	11.2.1	<u>32,308,146</u>	<u>4,627,552</u>
11.2.1	The maximum aggregate amount due at the end of any month during the year was Rs. 60.28 million (2017: Rs. 4.08 million).		
12. LONG TERM DEPOSITS			
Security deposits for:			
Electricity		38,775,110	38,775,110
Gas		71,951,168	71,951,168
Others		483,200	483,200
		<u>111,209,478</u>	<u>111,209,478</u>
13. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		561,527,008	538,099,489
Spare parts		179,032,860	103,423,793
Loose tools		4,082,582	2,888,926
		<u>744,642,450</u>	<u>644,412,208</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	NOTE	2018 Rupees	2017 Rupees
14. STOCK IN TRADE			
Raw and packing material		300,918,880	628,634,121
Work in process		14,928,200	11,629,718
Finished goods		625,032,718	552,492,588
Waste		9,767,491	1,570,453
		<u>950,647,289</u>	<u>1,194,326,880</u>
15. TRADE DEBTS			
Related parties - considered good:			
Aziz Fatima Hospital	15.1	-	323,993
Others		-	323,993
-Considered good:			
Local - unsecured		1,129,901,750	1,156,919,422
Foreign-secured	15.2	7,866,008	6,241,577
-Considered doubtful			
Unsecured		93,345,213	75,820,861
		1,231,112,971	1,238,981,860
Provision for doubtful debts	15.6	(93,345,213)	(75,820,861)
		<u>1,137,767,758</u>	<u>1,163,160,999</u>
		<u>1,137,767,758</u>	<u>1,163,484,992</u>

- 15.1** The maximum aggregate amount of receivable due from related party at the end of any month during the year was Rs. 0.65 million (2017: Rs 0.22 million).
- 15.2** This represent receivable against export sales to Sri Lanka amounting to Rs 23.98 million (2017: Rs. 39.83) against letter of credit.
- 15.3** Trade receivables are non-interest bearing and relate to different products being sold on credit to customers. The credit period allowed on these products are generally on fifteen (15) days terms for dealers and twenty five (25) days terms for institutions.
- 15.4** The Company has fully provided for receivables over three years except where recoveries are still expected. Trade debts between one year and three years are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.
- 15.5** Before accepting any new customer, the Company makes its own survey to assess the potential customer's credit quality and defines credit limits for customer. Limits attributed to customers are reviewed once a year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	NOTE	2018 Rupees	2017 Rupees
15.6 Movement in provision for doubtful debts			
At beginning of the year		75,820,861	35,911,976
Charged during the year	33	17,524,352	39,908,885
At end of the year	15.6.1	<u>93,345,213</u>	<u>75,820,861</u>

15.6.1 In determining the recoverability of a trade debt, the Company considers any change in the credit quality of the trade debt from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that no further provision is required.

	NOTE	2018 Rupees	2017 Rupees
16. LOANS AND ADVANCES			
Current portion of long term loans and advances	11.2	25,845,329	1,267,712
Deferred consideration on sale of investment property		-	400,000,000
		<u>25,845,329</u>	<u>401,267,712</u>
Advance tax		882,857,644	495,711,879
Advances - considered good			
For expenses		12,271,720	13,053,085
Letters of credit fee, margin and expenses		678,050,142	746,945,633
Suppliers and contractors		814,993,108	678,644,811
		<u>1,505,314,970</u>	<u>1,438,643,529</u>
Advances - considered doubtful			
For expenses		42,589	49,203
Suppliers and contractors		599,955	1,876,227
Provision for doubtful advances	16.1	(642,544)	(1,925,430)
		<u>-</u>	<u>-</u>
		<u>2,414,017,943</u>	<u>2,335,623,120</u>
16.1 Movement in provision for doubtful advances			
At beginning of the year		1,925,430	1,925,430
Reversed during the year		(1,282,886)	-
At end of the year		<u>642,544</u>	<u>1,925,430</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	NOTE	2018 Rupees	2017 Rupees
17. TRADE DEPOSITS AND PREPAYMENTS			
Trade deposits		3,799,970	4,493,961
Prepayments		1,198,114	1,197,848
		<u>4,998,084</u>	<u>5,691,809</u>
18. OTHER RECEIVABLES			
Unsecured - considered good			
Related party	18.1	-	2,901
Others		9,975,716	12,050,406
		<u>9,975,716</u>	<u>12,053,307</u>

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

	NOTE	2018 Rupees	2017 Rupees
19. OTHER FINANCIAL ASSETS			
Available for sale financial assets	19.1	352,254,323	274,882,920
		<u>352,254,323</u>	<u>274,882,920</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

19.1 Available for sale financial assets

Fully paid ordinary shares of Rs. 10 each (unless otherwise stated)

2018 No. of shares / units	2017 No. of shares / units		2018 Rupees	2017 Rupees
3,480,000	3,480,000	Sitara Peroxide Limited	60,412,800	108,228,000
577,176	519,506	Meezan Bank Limited	47,166,823	41,040,975
674,661	774,661	Sitara Energy Limited	15,375,524	22,387,703
72,000	72,000	D.G Khan Cement Company Limited	8,243,280	15,347,520
82,197	60,000	Engro Polymer & Chemical Limited	2,577,698	2,190,000
76,999	65,000	Ittehad Chemicals Limited	2,671,602	2,408,528
40,000	40,000	Fauji Cement Company Limited	914,000	1,641,200
22,500	20,000	Maple Leaf Cement Factory Limited	1,141,650	2,227,200
55,000	55,000	Pakistan Oilfield Limited	36,948,450	25,198,250
30,000	30,000	Hub Power Company Limited	2,764,800	3,522,900
25,000	25,000	Engro Corporation Limited	7,846,500	8,147,750
35,000	35,000	Kot Addu Power Company Limited	1,886,850	2,520,700
		Al-Meezan Investment Management Limited		
1,243,760	443	(Units having face value of Rs. 50 each)	66,291,070	22,194
		Meezan Islamic Income Fund		
1,261,670	607,630	(Units having face value of Rs. 50 each)	67,880,024	30,000,000
-	1,065,354	NAFA Islamic Aggressive Income Fund	-	10,000,000
2,314,116	-	NAFA Islamic Income Fund	23,122,642	-
25,000	-	Engro Fertilizers Limited	1,872,750	-
100,000	-	Fauji Foods Limited	3,228,000	-
6,000	-	Pakistan State Oil Company Limited	1,909,860	-
			<u>352,254,323</u>	<u>274,882,920</u>

NOTE

20. CASH AND BANK BALANCES

Cash in hand		16,918,895	16,546,051
Cash at banks			
In current accounts		35,519,255	50,542,281
In saving accounts	20.1	27,224,998	63,913,699
		62,744,253	114,455,980
		<u>79,663,148</u>	<u>131,002,031</u>

20.1 Effective mark-up rate in respect of deposit accounts ranges from 2.40% to 4.27% (2017: 2.40% to 4.81%) per annum.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

21. SHARE CAPITAL

2018 No. of Shares	2017 No. of Shares		2018 Rupees	2017 Rupees
		Authorized		
		Ordinary shares of Rs. 10 each		
40,000,000	40,000,000	Class "A"	400,000,000	400,000,000
20,000,000	20,000,000	Class "B"	200,000,000	200,000,000
		Issued, subscribed and paid up		
		Class "A" ordinary shares of Rs.10/- each		
8,640,000	8,640,000	- fully paid in cash	86,400,000	86,400,000
10,804,398	10,804,398	- issued as fully paid bonus shares	108,043,980	108,043,980
1,985,009	1,985,009	- issued as fully paid under scheme of arrangement for amalgamation	19,850,090	19,850,090
21,429,407	21,429,407		214,294,070	214,294,070

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

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

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

21.4 Rights and previllages of Board of Directors

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

	NOTE	2018 Rupees	2017 Rupees
22. RESERVES			
Capital			
Share premium	22.1	97,490,410	97,490,410
Surplus on revaluation of property, plant and equipment		1,164,730,520	1,226,133,404
Revenue			
General reserve	22.2	1,225,000,000	1,225,000,000
Other			
Reserve on re-measurement of available for sale investments	22.3	50,344,947	86,640,526
Reserve on re-measurement of post retirement benefits net of tax		(7,338,727)	(6,313,902)
		2,530,227,150	2,628,950,438

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

- 22.1** 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 rates 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.
- 22.2** The general reserve is used from time to time to transfer profits from un-appropriated profit. There is no policy of regular transfer.
- 22.3** This reserve represents the unrealized surplus on remeasurement of available for sale investments as at June 30, 2018.

	NOTE	2018 Rupees	2017 Rupees
23. LONG TERM FINANCING			
From banking companies and other financial institutions - secured			
Diminishing Musharka (from financial institutions - secured)	23.1	1,174,946,885	2,143,016,525
		<u>1,174,946,885</u>	<u>2,143,016,525</u>

23.1 Diminishing Musharka (from financial institutions - secured)

Description	Profit	Security	Repayment	2018 Rupees	2017 Rupees
Dubai Islamic Bank Limited	Three months KIBOR plus 1.25% per annum payable on quarterly basis.	1st Exclusive charge of Rs.667 million over Plant and Machinery of Company's BMR-II Caustic Soda plant.	This Shirkat-ul- Milk (Musharka) facility was sanctioned for an amount of Rs.500 million. Facility is repayable in 14 quarterly installments commencing from March 26, 2015 and repaid on April 30, 2018 before maturity date falling on June 26, 2018.	-	142,857,142
MCB Syndicated Diminishing Musharka Facility	Three months KIBOR plus 1.15% per annum payable on quarterly basis.	a) Exclusive hypothecation charge over all the Present and Future Fixed Assets (Excluding Land and Building) of the Customer in respect of the CFPP project of the Customer Located on land measuring 444 Kanals and 06 Marla's situated at Chak No. 97 R.B, Tehsil Jaranwala, District Faisalabad. b) Specific/ exclusive mortgage charge over Project Land and Building.	This syndicated Diminishing Musharka finance facility was sanctioned for amount of Rs. 2,000 million arranged by MCB Bank and Meezan Bank. Other participants are United Bank, Faysal Bank, Albaraka Bank and The Bank of Khyber. However, withdrawn amount is approx. Rs. 1,957 million upto June 30, 2017. Facility is repayable in 14 Quarterly installments commenced from July 10, 2016 and ending on October 10, 2019.	839,840,649	1,399,734,407
Soneri Bank Limited.	Three months KIBOR plus 1% per annum payable on quarterly basis. (2017: KIBOR plus 1%)	Specific /exclusive charge amounting to Rs. 467 Million on following present and future plant machinery and building (excluding land) of the Company: a) Plant machinery and equipment for calcium chloride plant. b) Power plant including two Gensets. along with accessories, machinery and building with estimated values aggregating to Rs. 320 million.	This Diminishing Musharka finance facility was sanctioned for amount Rs. 350 million. However, withdrawn amount is Rs. 197.080 million upto June 30, 2017. Facility is repayable in sixteen equal quarterly installments commenced from December 31, 2016. However, the company availed call option for early maturity of the said facility and repaid outstanding amount on March 30, 2018.	-	172,445,112

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Description	Profit	Security	Repayment	2018	2017
				Rupees	
Faysal Bank	Three months KIBOR plus 1.15% per annum (to be reset quarterly). The applicable profit rate is payable on quarterly basis. (2017: KIBOR plus 1.15%)	First exclusive charge of PKR 1,066.67 Million 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 (Mill premise)	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 will start from November 15, 2017 and ending on August 15, 2022.	680,000,000	800,000,000
MCB Islamic Bank	Three months KIBOR plus 1.00% per annum payable on quarterly basis. (2017: 1.00%)	Ranking charge on all the company's present and future fixed assets of Caustic Soda plant named as membrane III, installed 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.	500,000,000	500,000,000
				2,019,840,649	3,015,036,661
				(844,893,764)	(872,020,136)
				1,174,946,885	2,143,016,525

23.1.1 Effective rate of profit for the year is ranging from 7.13% to 7.92% (2017 : 7.13% to 7.48%) per annum.

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

	NOTE	2018 Rupees	2017 Rupees
Maturity			
6 months or less		422,446,882	416,010,070
6 - 12 months		422,446,882	456,010,066
1 - 5 years		1,174,946,885	2,143,016,518
		<u>2,019,840,649</u>	<u>3,015,036,654</u>

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

24. LONG TERM DEPOSITS

From customers	29,272,791	22,572,791
Others	1,170,000	1,170,000
	<u>30,442,791</u>	<u>23,742,791</u>

24.1 As per the requirements of section 217 of the Companies Act, 2017 deposits amounting to Rs. 29.27 million (2017: Rs. 22.57 million) are utilised for the purpose of business as per the written agreements and deposits amounting to Rs. 1.17 million (2017: Rs. 1.17 million) are kept in separate bank account.

25. DEFERRED LIABILITIES

	NOTE	2018 Rupees	2017 Rupees
Deferred taxation	25.1	1,151,409,559	955,973,726
Staff retirement benefits - gratuity	25.2	32,487,894	27,164,935
		<u>1,183,897,453</u>	<u>983,138,661</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

25.1 Deferred taxation

This comprises the following:

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

Tax depreciation allowance

Surplus on revaluation of property, plant and equipment

Deferred tax asset on deductible temporary differences arising in respect of:

Provision for employee benefits

Provision for doubtful debts

Unused tax credits

2018
Rupees

2017
Rupees

1,075,680,822	1,101,393,050
127,473,503	160,068,508
1,203,154,325	1,261,461,558
(8,994,225)	(7,994,640)
(25,842,482)	(22,314,079)
(16,908,059)	(275,179,113)
(51,744,766)	(305,487,832)
1,151,409,559	955,973,726

25.2 Staff retirement benefits - gratuity

Movement in liability

At beginning of the year

Charge for the year

Remeasurement (income) / loss recognized in other comprehensive income

Benefits paid during the year

At end of the year

27,164,935	27,553,785
9,490,011	8,383,420
1,443,416	(74,563)
(5,610,468)	(8,697,707)
32,487,894	27,164,935

Statement of Financial Position reconciliation as at June 30
Present value of unfunded obligation

32,487,894	27,164,935
------------	------------

Net liability recognized in the balance sheet

32,487,894	27,164,935
------------	------------

Charge to profit and loss account:

Current service cost

Interest cost

7,602,134	6,294,975
1,887,877	2,088,445
9,490,011	8,383,420

Risk associated with defined benefit plans

Investment risks

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

Longevity risks

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

		Impact on defined benefit obligation		
		Change in assumption	Increase in assumption	Decrease in assumption
Discount rate		1%	28,879,110	35,202,390
Salary growth		1%	35,364,989	28,695,305
	NOTE	2018 Rupees	2017 Rupees	

26. TRADE AND OTHER PAYABLES

Creditors		833,965,974	1,306,570,536
Accrued liabilities		1,342,985,183	1,009,781,424
Advances from customers		22,163,595	63,753,815
Payable to provident fund - related party	26.1	958,307	1,896,035
Retentions / security deposits		61,287,474	74,132,399
Withholding tax		2,831,667	1,753,314
Workers' profit participation fund	26.2	910,648	197,739
Workers' welfare fund		25,164,485	79,217,368
Others		2,951,200	62,812
		<u>2,293,218,533</u>	<u>2,537,365,442</u>

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

	NOTE	2018 Rupees	2017 Rupees
26.2 Workers' profit participation fund			
Workers' profit participation fund	26.2.1	910,648	(336,149)
Unclaimed Workers' profit participation fund		-	533,888
		<u>910,648</u>	<u>197,739</u>

26.2.1 Movement

At beginning of the year		(336,149)	2,320,338
Less: amount paid to workers on behalf of the fund		71,033,605	65,032,326
		<u>(71,369,754)</u>	<u>(62,711,988)</u>
Allocation for the year	34	72,280,402	62,375,839
At end of the year		<u>910,648</u>	<u>(336,149)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	NOTE	2018 Rupees	2017 Rupees
27. PROFIT / FINANCIAL CHARGES PAYABLE			
Long term financing		26,981,707	39,819,164
Murabaha financing / short term borrowings		49,991,648	42,400,590
		<u>76,973,355</u>	<u>82,219,754</u>
28. SHORT TERM BORROWINGS			
Secured			
From banking companies		3,525,026,677	2,976,169,744
		<u>3,525,026,677</u>	<u>2,976,169,744</u>
28.1	The aggregate unavailed facilities from banking companies amounted to Rs. 1,775 million (2017: Rs. 2,224 million). These are subject to profit margin ranging from 6.81% to 7.78% (2017: 6.71% to 7.89%) per annum and are secured against joint pari-passu charge over present and future current assets of the chemical division and textile division.		
29. CONTINGENCIES AND COMMITMENTS			
29.1 Contingencies			
Guarantees issued by banks on behalf of the Company		310,703,832	210,300,200
29.2 Commitments			
Outstanding letters of credit for raw material and spare parts		516,465,946	176,600,255
30. SALES - NET			
Chemical		12,296,380,019	10,144,422,606
		<u>2,205,720,371</u>	<u>1,887,201,802</u>
Textile		14,502,100,390	12,031,624,408
Less:			
Commission and discount		(527,682,409)	(496,570,702)
Sales tax		(1,709,591,384)	(1,460,986,052)
Sales - net		<u>12,264,826,597</u>	<u>10,074,067,654</u>
31. COST OF SALES			
Raw material consumed	31.1	2,713,057,076	2,150,395,217
Fuel and power		5,273,698,604	3,945,058,168
Salaries, wages and benefits	31.2	511,064,068	406,307,145
Stores and spares		211,822,991	384,552,462
Repair and maintenance		56,452,602	59,457,856
Vehicle running and maintenance		2,795,940	1,829,385
Travelling and conveyance		29,146,956	28,116,819
Insurance		25,781,568	21,742,916
Depreciation	7.2	885,202,518	660,922,520
Amortization	8	1,308,920	1,454,355
Others		5,800,509	5,646,468
		<u>9,716,131,752</u>	<u>7,665,483,311</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	NOTE	2018 Rupees	2017 Rupees
Work in process			
Opening stock		11,629,718	9,670,181
Closing stock		(14,928,200)	(11,629,718)
		(3,298,482)	(1,959,537)
Cost of goods manufactured		9,712,833,270	7,663,523,774
Finished stocks			
Opening stock - including waste		554,063,040	652,709,943
Closing stock - including waste		(634,800,209)	(554,063,040)
		(80,737,169)	98,646,903
		9,632,096,101	7,762,170,677
31.1 Raw material consumed			
Opening stock		628,634,121	441,133,453
Purchases		2,385,341,835	2,337,895,885
		3,013,975,956	2,779,029,338
Closing stock		(300,918,880)	(628,634,121)
		2,713,057,076	2,150,395,217

31.2 Salaries, wages and benefits include Rs. 6.46 million (2017: Rs. 6.06 million) in respect of employee retirement benefits.

	NOTE	2018 Rupees	2017 Rupees
32. DISTRIBUTION COST			
Staff salaries and benefits		25,871,628	22,970,024
Freight, octroi and insurance		208,601,939	148,757,554
Advertisement		22,396,590	22,570,014
Vehicles running and maintenance		2,120,290	1,505,787
Travelling and conveyance		5,374,247	5,497,564
Postage and telephone		1,429,178	885,548
Printing and stationery		647,778	181,057
Others		2,572,382	3,134,523
		269,014,032	205,502,071

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	NOTE	2018 Rupees	2017 Rupees
33. ADMINISTRATIVE EXPENSES			
Directors' remuneration		41,594,689	33,790,540
Staff salaries and benefits	33.1	272,200,315	251,806,450
Postage, telephone and telex		4,370,413	4,689,049
Vehicles running and maintenance		16,984,484	15,397,399
Printing and stationery		5,560,658	2,215,904
Electricity		52,779,017	48,517,492
Rent, rates and taxes		6,114,345	6,495,191
Travelling and conveyance		30,486,872	15,805,335
Advertisement		27,657,359	15,454,139
Books and periodicals		126,342	413,907
Fees and subscription		9,651,769	6,971,148
Legal and professional		2,063,503	7,074,708
Repairs and maintenance		17,174,309	26,885,083
Auditors' remuneration	33.2	2,820,000	2,820,000
Entertainment		12,629,372	12,485,403
Donations	33.3	39,055,177	41,599,444
Insurance		2,183,558	3,970,407
Depreciation	7.2	37,048,098	35,346,711
Depreciation on investment property	9.2	6,802,534	5,549,844
Provision for bad debts and doubtful advances		17,524,352	39,908,885
Others		2,714,104	2,502,998
		<u>607,541,270</u>	<u>579,700,037</u>

33.1 Staff salaries and benefits include Rs. 2.78 million (2017: Rs. 2.32 million) in respect of employee retirement benefits.

	NOTE	2018 Rupees	2017 Rupees
33.2 Auditors' remuneration			
Annual statutory audit		1,650,000	1,650,000
Half yearly and COCG compliance reviews		550,000	550,000
Out of pocket expenses		120,000	120,000
Tax advisory services		500,000	500,000
		<u>2,820,000</u>	<u>2,820,000</u>

33.3 It includes Rs. 23.09 million (2017: Rs. 21.10 million) donated to Aziz Fatima Trust (AFT), Faisalabad which is primarily running a charitable hospital for needy and poor people. Mr. Muhammad Adrees, the director of the Company is also Trustee of the AFT.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	NOTE	2018 Rupees	2017 Rupees
34. OTHER OPERATING EXPENSES			
Workers' profit participation fund	26.2.1	72,280,402	62,375,839
Workers' welfare fund		25,164,485	5,110,802
Exchange loss		-	21,544
Loss on reclassification of investment in associate	10.1.1	6,483,027	-
Impairment of Available For Sale securities		10,569,587	-
		<u>114,497,501</u>	<u>67,508,185</u>
35. FINANCE COST			
Long term financing		184,139,634	127,332,660
Murabaha payable / short term borrowings		243,686,291	237,948,338
Bank charges and commission		11,594,168	5,640,240
		<u>439,420,093</u>	<u>370,921,238</u>
36. OTHER INCOME			
Income from financial assets			
Profit on investments		-	3,412,258
Profit on bank deposits		8,229,608	8,875,802
Dividend income		6,340,705	5,940,341
Exchange gain		5,621,511	-
Gain on sale of available for sale investments		491,350	36,609,881
		<u>20,683,174</u>	<u>54,838,282</u>
Income from other than financial assets			
Gain on disposal of property, plant and equipment		3,396,397	3,070,903
Gain on disposal of investment property- net		30,529,200	-
Sale of scrap and waste		7,237,610	5,717,503
Rent income		30,099,821	32,321,105
Others		17,796,915	2,711,014
		<u>89,059,943</u>	<u>43,820,525</u>
		<u>109,743,117</u>	<u>98,658,807</u>
37. PROVISION FOR TAXATION			
Current			
For the year		6,312,636	47,913,273
For prior year		18,255,695	127,407
		<u>24,568,331</u>	<u>48,040,680</u>
Deferred		201,190,041	(34,413,774)
		<u>225,758,372</u>	<u>13,626,906</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	2018 %	2017 %		
37.1 Numerical reconciliation between the applicable and effective tax rate				
Applicable tax rate	30.00	31.00		
Prior year adjustments	1.39	0.01		
Lower rate applicable to certain income	(2.31)	(1.57)		
Effect of tax credits	(7.26)	(25.00)		
Effect of change in statutory rate change	(3.15)	(2.77)		
Income taxed at different rates	(1.17)	(0.49)		
Others	(0.29)	-		
Effective tax rate	17.21	1.18		
37.2 As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:				
	2017	2016	2015	
Rupees.....			
Provision as per financial statements	47,913,273	462,561,700	247,210,052	
Tax assessment	48,460,233	462,689,107	271,816,928	
Shortage	(546,960)	(127,407)	(24,606,876)	
38. EARNINGS PER SHARE - BASIC AND DILUTED				
There is no dilutive effect on basic earnings per share of the Company, basic is computed as follows:				
		2018	2017	
Profit for the year	Rupees	1,086,184,700	1,166,381,688	
Weighted average number of ordinary shares outstanding during the year	Number	21,429,407	21,429,407	
Earnings per share	Rupees	50.69	54.43	
39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES				
	At July 01, 2017	Availed during the year	Repaid during the year	At June 30, 2018
Rupees.....			
Long term financing	3,015,036,661	-	(995,196,012)	2,019,840,649
Short term borrowings	2,976,169,744	6,674,884,387	(6,126,027,454)	3,525,026,677
	5,991,206,405	6,674,884,387	(7,121,223,466)	5,544,867,326

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

40. FINANCIAL RISK MANAGEMENT

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

Credit risk

Liquidity risk

Market risk

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

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

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

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

40.1 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:

40.1.1 Counterparties

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Trade debts

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

Bank and investments

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

40.1.2 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:

	2018 Rupees	2017 Rupees
Financial assets at amortised cost:		
Trade debts	1,137,767,758	1,163,484,992
Loans and advances	1,752,225,000	1,663,223,951
Other receivables	9,975,716	12,053,307
Bank balances	62,744,253	114,455,980
	<u>2,962,712,727</u>	<u>2,953,218,230</u>

Geographically there is no concentration of credit risk.

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

	2018 Rupees	2017 Rupees
Chemical - local	674,126,120	646,689,126
Textile - local	463,641,638	516,795,866
	<u>1,137,767,758</u>	<u>1,163,484,992</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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:

	2018 Rupees	2017 Rupees
Chemicals	674,126,120	646,689,126
Textile	463,641,638	516,795,866
	<u>1,137,767,758</u>	<u>1,163,484,992</u>

40.1.3 Impairment losses

The aging of trade receivables at the reporting date is:

	Gross 2018	Impairment 2018	Gross 2017	Impairment 2017
	Rupees			
Not past due	493,979,273	-	373,223,394	-
Past due 0-30 days	170,304,172	-	253,141,972	-
Past due 30-60 days	79,633,038	-	25,518,136	-
Past due 60-90 days	55,657,521	-	147,929,540	-
Over 90 days	431,538,967	93,345,213	439,492,811	75,820,861
	<u>1,231,112,971</u>	<u>93,345,213</u>	<u>1,239,305,853</u>	<u>75,820,861</u>

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

Balance at July 01, 2017	75,820,861	35,911,976
Charge for the period	17,524,352	39,908,885
Balance at 30 June, 2018	<u>93,345,213</u>	<u>75,820,861</u>

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

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

	2018 Rupees	2017 Rupees
At beginning of year	1,925,430	1,925,430
Reversed during the year	(1,282,886)	-
At end of year	<u>642,544</u>	<u>1,925,430</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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.

40.2 Liquidity risk management

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 27.1 to these financial statements is the amount of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

40.2.1 Liquidity and interest risk table

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

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

	Carrying Amount	
	2018 Rupees	2017 Rupees
Trade and other payables		
Maturity up to one year	2,241,189,831	2,390,547,171
Short term borrowings		
Maturity up to one year	3,525,026,677	2,976,169,744
Long term financing		
Maturity up to one year	844,893,764	872,020,136
Maturity after one year and up to five years	1,174,946,885	2,143,016,525
	7,786,057,157	8,381,753,576

NOTES TO THE FINANCIAL STATEMENTS

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40.3 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.

40.3.1 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:

	2018 (USD)	2017 (USD)
Trade Debts	64,741	59,455

Commitments outstanding at year end amounted to Rs. 516.46 million (2017: Rs. 176.6 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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
Rupees per USD		
Average rate	113.24	104.90
Reporting date rate	121.50	104.98

Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2018 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, 2017.

	2018 Rupees	2017 Rupees
Decrease in profit and loss account	786,603	624,159

A 5 percent strengthening of the Pak Rupee against the USD at June 30, 2018 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

40.3.2 Other price risk

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

40.3.3 Interest rate risk

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

Profile of financial instruments at amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	2018 %	2017 %	2018 Rupees	2017 Rupees
Floating rate instruments				
Financial liabilities				
Short term borrowings	6.81% to 7.78%	6.71% to 7.89%	(3,525,026,677)	(2,976,169,744)
Long term financing	7.13% to 7.92%	7.13% to 7.48%	(2,019,840,649)	(3,015,036,654)
			<u>(5,517,642,328)</u>	<u>(5,927,292,699)</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 Rupees
2018		
Short term borrowings	1.00%	(35,250,267)
Long term financing		(20,198,406)
		<u>(55,448,673)</u>
2017		
Short term borrowings	1.00%	(29,761,697)
Long term financing		(30,150,367)
		<u>(59,912,064)</u>

40.4 Equity Price Risk Management

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

At the reporting date, the exposure to unlisted equity securities at fair value was Rs 25.04 million (2017: 5 Million).

NOTES TO THE FINANCIAL STATEMENTS

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At the reporting date, the exposure to listed equity securities at fair value was Rs. 352.25 million (2017: Rs. 274.88 million). An increase of 25% on the KSE market index would have an impact of approximately Rs. 88.06 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.

40.4.1 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			
Available-for-sale financial assets as at June 30, 2018				
Quoted equity securities	352,254,323	-	-	352,254,323
Total	352,254,323	-	-	352,254,323
Available-for-sale financial assets as at June 30, 2017				
Quoted equity securities	274,882,920	-	-	274,882,920
Total	274,882,920	-	-	274,882,920

There were no transfers between the levels during the year.

40.5 Determination of fair values

Fair value of financial instruments

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

Available for sale investments as disclosed in other financial assets in listed entities, are presented at fair value by using quoted prices at Pakistan Stock Exchange as at June 30, 2018, and investment in other than listed entities are presented at fair value in reference to breakup value of shares. The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

40.6 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.

	2018 Rupees	2017 Rupees
Total Borrowings	5,544,867,326	5,991,206,405
Less: Cash and bank balances	79,663,148	131,002,031
Net debt	5,465,204,178	5,860,204,374
Total equity including revaluation on land,	10,637,427,609	9,851,095,725
Total capital	16,102,631,787	15,711,300,099
Gearing ratio	33.94%	37.30%

41. 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:

	2018			2017		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Remuneration	14,400,000	4,000,008	61,452,947	12,000,000	3,500,004	34,896,179
Perquisites						
House rent	5,760,000	1,599,996	17,627,697	4,800,000	1,400,004	9,726,334
Utilities	1,440,000	399,996	5,735,986	1,200,000	349,992	3,489,575
Medical allowance	-	-	6,136,054	-	-	3,489,580
Special allowance	-	-	227,205	-	-	164,708
Income tax	5,000,000	1,326,034	-	4,744,500	961,375	-
Reimbursement of expenses	-	-	4,690,864	-	-	4,267,225
	26,600,000	7,326,034	95,870,753	22,744,500	6,211,375	56,033,601
Number of Persons	1	1	33	1	1	32

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

41.1 The Chief Executive, certain Directors and Executives are provided with free use of Company maintained cars and telephone etc. having value amounting to Rs. 3.46 million (2017: Rs 3.45 million).

41.2 Directors have waived their meeting fees.

41.3 * Comparative figures have been restated to reflect changes in the definition of executive as per Companies Act, 2017

42. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise holding company, subsidiary and associated undertakings, other related group companies, directors of the company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with its related parties. Amounts due from related parties are shown under receivables. Details of transactions with related parties for the year are as follows:

42.1 Transaction with related parties

Relationship with the Company	Nature of transactions	2018 Rupees	2017 Rupees
Associated undertakings	Sales	82,975	95,542
	Donation	23,086,165	21,100,359
	Sale of Investment property	2,190,225,000	
Key management personnel	Remuneration to Executives	129,796,787	84,989,476

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

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

42.2.1 The Company does not hold any shares in the abovementioned companies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

43. PLANT CAPACITY AND PRODUCTION

Chemical Division	Designed Capacity		Actual Production		Reason of Variation
	2018	2017	2018	2017	
Caustic soda	201,300	201,300	141,563	127,464	Demand based production
Sodium hypochlorite	66,000	66,000	35,748	29,525	Demand based production
Liquid chlorine	11,550	9,900	7,851	7,765	Demand based production
Bleaching powder	7,920	7,500	4,492	4,236	Demand based production
Hydrochloric acid	363,000	363,000	117,056	109,407	Demand based production
Calcium Chloride Prill	13,200	13,200	3,173	1,238	Demand based production

Textile Division	2018	2017
Ring Spinning		
Number of spindles installed	28,512	26,304
Number of spindles worked	28,512	26,304
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	10,885,413	10,207,021
Actual production of yarn after conversion into 20/s count (Kgs)	10,853,414	9,311,573
	2018 Rupees	2017 Rupees

44. WORKING CAPITAL CHANGES

(Increase)/ decrease in current assets		
Stores, spare parts and loose tools	(100,230,242)	(230,781,993)
Stock in trade	243,679,591	(90,813,302)
Trade debts	13,814,393	(78,408,657)
Advance Sales Tax	-	61,213,694
Loans and advances	(66,671,441)	(401,381,546)
Trade deposits and short-term prepayments	693,725	888,066
Other receivables	2,077,591	(2,489,479)
	93,363,617	(741,773,217)
Increase/ (decrease) in current liabilities		
Trade and other payables	(244,146,909)	447,117,738
Sales tax payable	(31,627,506)	40,126,176
	<u>(182,410,798)</u>	<u>(254,529,303)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

45. 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.

46 The average and total number of employees during year ended June 30, 2018 and June 30, 2017 are as follows:

	2018	2017
Total number of employees as at June 30	2,327	2,017
Total number of employees at factory as at June 30	1,707	1,513
Average number of employees during the year	2,264	1,912
Average number of employees at factory during the year	1,607	1,358

47. RECLASSIFICATION

Following corresponding figures have been reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison:

<i>From</i>	<i>To</i>	<i>Reason</i>	<i>Rupees</i>
Trade and other payables	Statement Of Financial Position	As required by the Act	15,997,160
Trade and other payables	Short term borrowings	For better presentation	685,410,203

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

48. OPERATING RESULTS

	Chemical		Textile		Total	
	2018	2017	2018	2017	2018	2017
			Rupees			
Sales:						
Local						
Caustic soda	9,464,985,737	7,761,516,940	-	-	9,464,985,737	7,761,516,940
Sodium hypochlorite	835,538,176	676,290,517	-	-	835,538,176	676,290,517
Bleaching powder	214,032,842	200,343,348	-	-	214,032,842	200,343,348
Liquid chlorine	233,403,091	224,569,498	-	-	233,403,091	224,569,498
Hydrochloric acid	785,670,007	744,430,075	-	-	785,670,007	744,430,075
Magnesium chloride and others	206,531,732	344,818,936	-	-	206,531,732	344,818,936
Yarn	-	-	1,775,243,654	1,241,796,681	1,775,243,654	1,241,796,681
Waste	-	-	11,731,393	7,767,814	11,731,393	7,767,814
Fabrics	-	-	418,745,324	637,637,307	418,745,324	637,637,307
Export						
Caustic soda flakes	457,723,810	186,082,360	-	-	457,723,810	186,082,360
Others	98,494,624	6,370,932	-	-	98,494,624	6,370,932
	12,296,380,019	10,144,422,606	2,205,720,371	1,887,201,802	14,502,100,390	12,031,624,408
Less:						
Commission and discount	517,706,548	490,371,184	9,975,861	6,199,519	527,682,409	496,570,703
Sales tax	1,685,996,872	1,421,229,892	23,594,512	39,756,159	1,709,591,384	1,460,986,051
Sales - net	10,092,676,599	8,232,821,530	2,172,149,998	1,841,246,124	12,264,826,597	10,074,067,654
Sales - net	10,092,676,599	8,232,821,530	2,172,149,998	1,841,246,124	12,264,826,597	10,074,067,654
Cost of sales	(7,631,722,381)	(6,109,615,697)	(2,000,373,720)	(1,652,554,980)	(9,632,096,101)	(7,762,170,677)
Gross profit	2,460,954,218	2,123,205,833	171,776,278	188,691,144	2,632,730,496	2,311,896,977
Other income	94,134,452	81,718,743	15,608,665	16,940,064	109,743,117	98,658,807
Distribution cost	(241,299,913)	(178,956,618)	(27,714,119)	(26,545,453)	(269,014,032)	(205,502,071)
Administrative expenses	(536,771,942)	(517,647,991)	(67,949,328)	(59,232,046)	(604,721,270)	(576,880,037)
Finance cost	(436,026,603)	(363,520,459)	(3,393,490)	(7,400,779)	(439,420,093)	(370,921,238)
	(1,119,964,006)	(978,406,325)	(83,448,272)	(76,238,214)	(1,203,412,278)	(1,054,644,539)
Reportable segments profit before tax	1,340,990,212	1,144,799,508	88,328,006	112,452,930	1,429,318,218	1,257,252,438
Unallocated income / (expenses)						
Administrative expenses					(2,820,000)	(2,820,000)
Other operating expenses					(114,497,501)	(67,508,188)
Share of income / (loss) of associated company					(57,645)	(6,915,656)
					1,311,943,072	1,180,008,594
Provision for taxation					(225,758,372)	(13,626,906)
Profit for the year					1,086,184,700	1,166,381,688

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	Chemical		Textile		Total	
	2018	2017	2018	2017	2018	2017
Other information						
Segment assets	13,574,258,161	12,965,279,228	1,417,913,493	1,905,012,905	14,992,171,654	14,870,292,133
Unallocated corporate assets					4,804,929,321	4,654,599,981
					19,797,100,975	19,524,892,114
Segment liabilities	1,233,492,468	2,339,161,362	1,170,000	158,545,333	1,234,662,468	2,497,706,695
Unallocated corporate liabilities					7,925,010,898	7,176,089,694
					9,159,673,366	9,673,796,389
Capital expenditure	1,149,546,562	4,587,304,439	39,419,399	33,993,219	1,188,965,961	4,621,297,658
Depreciation	878,391,352	651,694,937	43,859,264	44,574,294	922,250,616	696,269,231

48.1 Inter-segment pricing / sales

There is no purchase and sale between the segments.

48.2 Products and services from which reportable segments derive their revenues

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

The Chemicals segment produces and supplies various chemicals used in textile and fertilizer industry.

The textile segment is a spinning unit which produces yarn and also trading of fabric.

The Company does not have any geographical segment.

48.3 For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than investments in associates, and tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments and all liabilities are allocated to reportable segments other than current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

49 EVENTS AFTER THE STATEMENT OF FINANCIAL DATE

In respect of current year, the directors have proposed to pay final cash dividend of Rs. 278.58 million (2017: Rs. 267.87 million) at Rs. 13 (2017: Rs. 12.50) 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.

50 DATE OF AUTHORIZATION FOR ISSUE


These financial statements were authorized for issue on by the Board of September 25, 2018 Directors of the Company.

51 GENERAL

Figures have been rounded off to the nearest Rupee.



Muhammad Adrees
Chief Executive Officer



Anwar-ul-Haq
Chief Financial Officer










Haseeb Ahmed
Director



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**FORM OF PROXY
ANNUAL GENERAL MEETING**

I / We _____ S / o / D / o / W / o

of _____ being
a member of **SITARA CHEMICAL INDUSTRIES LIMITED** and holder of _____
Ordinary Shares as per Share Register Folio No. _____ and/or CDC Participant ID No.
_____ and Account / Sub Account No. _____ do hereby appoint
Mr./Mrs./Miss _____
_____ Folio No./CDC No. _____ of _____ failing
him/her, Mr./Mrs./Miss _____ Folio No./CDC
No. _____ of _____ as my/our proxy to attend, act and vote for
me/us on my/our behalf at Annual General Meeting of the Company to be held on Saturday October 27,
2018 at 6:45 pm at the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue,
Clifton, Karachi and at any adjournment thereof in the same manner as I/we myself/ourselves would
vote if personally present at such meeting.

Signature of Shareholder
Folio / CDC A/C No.

Signature of Proxy

Five Rupees
Revenue Stamp

Dated this _____ day of _____ 2018

Witness:

Witness:

1. Signature _____
Name _____
Address _____

CNIC or _____
Passport No. _____

2. Signature _____
Name _____
Address _____

CNIC or _____
Passport No. _____

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on member's behalf..
2. If a member is unable to attend the meeting. He/She may complete and sign this form and send it to the Company's Share Registrar M/s. THK Associates (Pvt) Limited 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi so as to reach not less than 48 hours before the time appointed for holding the Meeting.
3. For CDC Account Holders / Corporate Entities; in addition to the above, the following requirements have to be met:
 - (a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers be stated on the form.
 - (b) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
 - (c) The proxy shall produce his original CNIC or original passport at the time of the meeting. In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

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

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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 شیئرز رکھتے ہیں بذریعہ ہذا کو تقرر کرتے ہیں۔ رجسٹرڈ فوئیو نمبر شرکاء کی آئی ڈی سی ڈی سب اکاؤنٹ نمبر کو بطور پراکسی 27 اکتوبر 2018 بوقت 6:45 بجے سہ پہر بمقام انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان چارٹرڈ اکاؤنٹنٹس ایسوسی ایشن کراچی کمپنی کے منعقد ہونے والے اجلاس عام اور اس کے سہی التواء تک میری رہماری جانب سے ووٹ دینا اور اجلاس میں شرکت کرنے کا حق دیتا ہوں۔

ریونیو اسٹامپ - 5 روپے

دستخط شیئر ہولڈر

دستخط پراکسی

بتاریخ _____ سہ ۲۰۱۸

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 میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مکمل اور تصدیق شدہ کمپنی کے شیئر رجسٹرار میسرز TIK ایسوسی ایٹس پرائیویٹ لمیٹڈ کے پاس پیش کرے گا۔

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

(a) پراکسی فارم میں دو گواہان کے دستخط نیز ان کے پتے اور شناختی کارڈ نمبر کا اندراج بھی لازمی ہے۔

(b) رکن اور پراکسی کے تصدیق شدہ قومی شناختی کارڈ یا پاسپورٹ کی نقول کی فراہمی

(c) پراکسی کے لیے لازم ہے کہ وہ اجلاس کے وقت اپنا اصل قومی شناختی کارڈ یا پاسپورٹ تصدیق کے لیے فراہم کرے۔ Corporate Entity کی صورت میں بورڈ آف ڈائریکٹرز کی تصدیق شدہ قرارداد کی نقول بشمول Power of Attorney دستخط کے ساتھ (بجز اگر پہلے ہی جمع کرادی گئی ہے۔) پراکسی فارم کے ہمراہ کمپنی کے شیئر رجسٹرار کو جمع کروائے۔

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

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DIVIDEND MANDATE (MANDATORY)

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

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

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

Name of Shareholder _____

Folio Number _____

Contact Number of Shareholder _____

Bank Account No. _____

IBAN _____

Title of Account _____

Type of Account _____

Name of Bank _____

Bank Branch & full Mailing Address _____

Contact No. of Bank _____

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

Shareholder's signature

Date

CNIC No. (Copy attached)

SITARA CHEMICAL INDUSTRIES LIMITED

CIRCULATION OF ANNUAL AUDITED ACCOUNTS

The Company Secretary
Sitara Chemical Industries Limited
601-602, Business Centre,
Mumtaz Hasan Road,
Karachi

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

I/We, hereby consent Option 1 or Option 2 for Audited Financial Statements and Notice of Annual General Meeting delivered to me instead of CD / DVD / USB.

☐ Option 1 Via Email

Name of the Members/Shareholders

CNIC NO.

Folio / CDC Account Number

Valid Email Address

(to receive Financial Statements 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.

Shareholders who wish to receive the hardcopy of Financial Statements shall have to fill the above form and send to Company address.



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

📍 601-602 Business Centre, Mumtaz Hassan Road,
Off. I.I Chundrigar Road, Karachi-74000

☎ Tel: 021-32420620, 32413944