

ANNUAL REPORT 2022



**EXCELLENCE.
QUALITY. TRUST.**



**Sitara Chemical
Industries Limited**

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FINANCIAL PERFORMANCE 2022

Sales - net

Rs. 21,626M
(2021:
Rs. 14,785M)

+ 46.27%

Profit Before Tax %

(2021:
11.29%)

4.15%

Cash Dividend %

(2021:
100%)

80%

Market Value Per Share

(2021:
Rs. 352)

Rs. 310

Earnings Per Share

(2021:
Rs. 62.89)

Rs. 30.60

Gross Profit %

(2021:
19.84%)

13.28%

Profit After Tax %

(2021:
9.12%)

3.03%

Operating Profit %

(2021:
15.38%)

8.30%

VISION

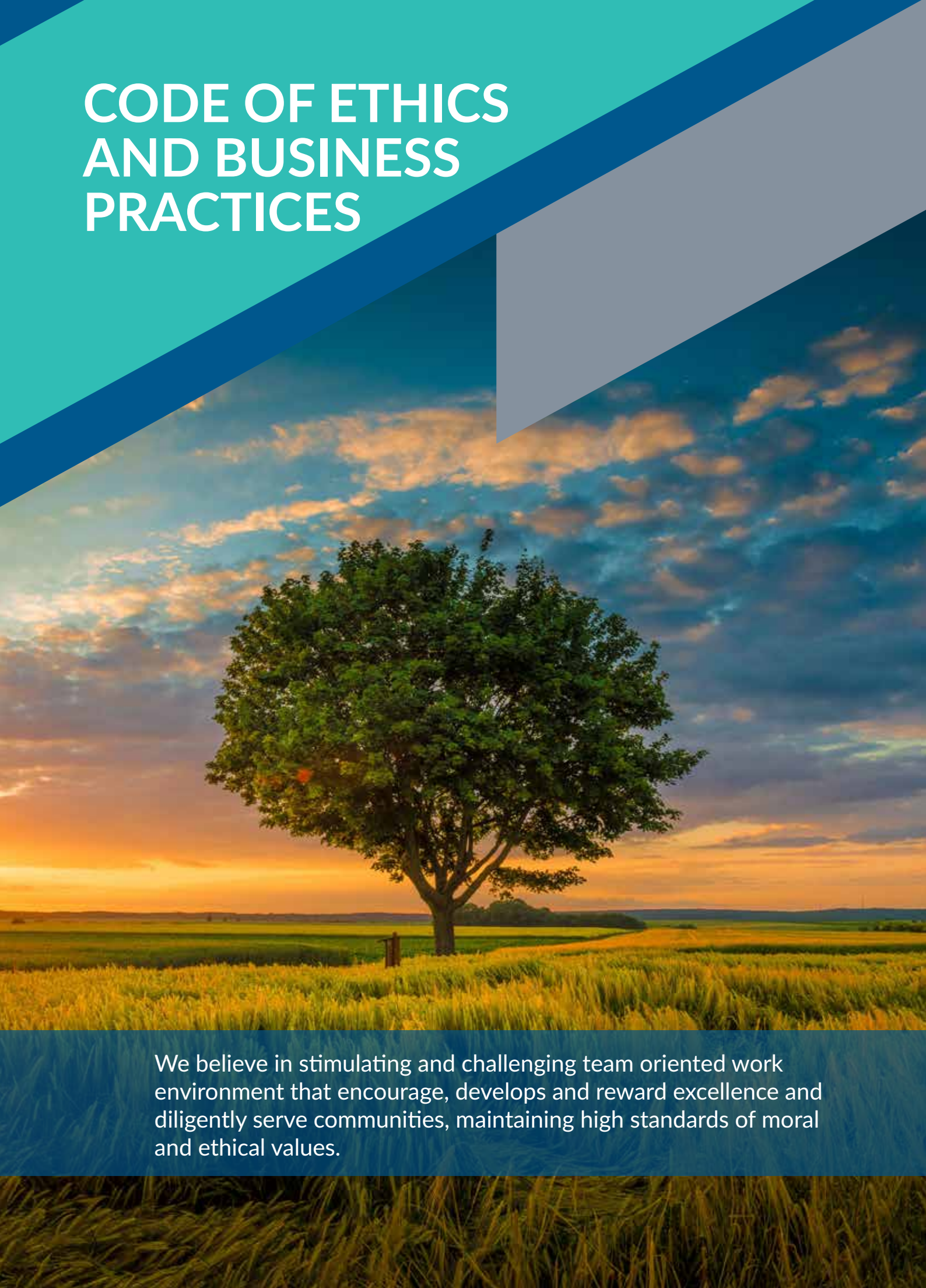
Strive to develop and employ innovation technological solutions to add value to business with progressive and proactive approach.

MISSION

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



CODE OF ETHICS AND BUSINESS PRACTICES



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

COMPANY INFORMATION

Board of Directors

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

Company Secretary

Mr. Mazhar Ali khan

Chief Financial Officer

Mr. Zakir Hussain (FCA)

Audit Committee

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

Human Resource and Remuneration Committee

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

Head of Internal Audit

Mr. Ghulam Abbas (ACA)

External Auditors

M/s. Yousuf Adil
Chartered Accountants

Legal Advisor

Mr. Sahibzada Muhammad Arif

Shariah Advisor

M/s. Alhamd Shariah Advisory Services
(Pvt.) Limited

Bankers

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

Website of the company
www.sitara.com.pk

Registered office

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

Shares Registrar Address

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

Factories

28/32 KM, Faisalabad-
Sheikhupura
Road, Faisalabad

REVIEW REPORT BY THE CHAIRMAN

(On the overall performance of Board u/s 192 of the Companies Act 2017)

Sitara Chemical Industries Limited complies with all the requirements as set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 with respect to the composition, procedures and meetings of the Board of Directors and its committees. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Sitara Chemical Industries Limited is carried out.

For the financial year ended June 30, 2022, Board's overall performance and effectiveness has been assessed as Satisfactory. Improvements are an ongoing process leading to action plans. The overall assessment as satisfactory is based on an evaluation of integral components, which have a direct bearing on the Board's role in achievement of company's objectives, including vision, mission and values, engagement in strategic planning, monitoring the organization's business activities, monitoring financial resource management, effective fiscal oversight, diversity, governance and control environment.

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



Ahmad Hassan

Chairman

Date: September 17, 2022

DIRECTORS' REPORT

Report of the Directors for the year ended June 30, 2022



In the name of Allah, the Most Beneficent, the Most Gracious, the Most Merciful. On behalf of the Board of Directors of Sitara Chemical Industries Limited, we are pleased to present the audited financial statements of the Company together with Auditors' Report thereon and report of external Shariah auditors for the year ended June 30, 2022.

BUSINESS OVERVIEW:

During the year 2022, economy of Pakistan after recovering from the pandemic maintained a V-shaped recovery by posting a real GDP growth of 5.97% as compared with 5.74% last year. Contribution of Industrial sector in real GDP growth remained at 7.2% as compared with 7.8% last year, while growth in textile sector was witnessed at 3.2% as against 5.9% last year. This high growth on the other hand has resulted in financial and macroeconomic imbalances in the country i.e. mounting current account deficit and fiscal deficit, higher imports and pressure on exchange rate etc. International commodity prices responded abruptly to the economic rebound and accelerated inflation globally and Pakistan was no exception. In the February 2022, Russian-Ukraine conflict also elevated global commodity prices and fueled inflation in the economy. To counter inflationary pressure, SBP moved to contractionary monetary policy and Policy Rate was increased by cumulative 675 bps between September-June FY2022.

In view of the above stated economic environment, quantitative sale of both caustic and other allied products increased during the financial year 2022, while quantitative sale of yarn and fabric witnessed some decrease during the year. Net sales of the company increased to Rs. 21,625 million as against Rs. 14,784 last year, witnessing an increase of 46.3%. Gross profits of the company remained at Rs 2,873 million as against Rs. 2,933 million last year, which was due to decrease in gross margins in percentage terms from 19.8% in FY 2021 to 13.3% during the FY 2022. Decrease in gross margins were witnessed in chemical division of the company after increase of electricity tariff coupled with higher fuel cost adjustment in electricity tariff, global increase in commodity prices of coal, RLNG, POL prices etc. PKR depreciation against US\$ also added increase in commodity prices in Pakistan. All these factors increased overall energy cost of the company during the FY 2022 compared with energy cost last year. Increased energy cost could not be fully passed on to customers during the year under review keeping

in view the market conditions. In textile division of your company, besides quantitative decrease in yarn sale during the FY 2022, its gross margins improved due to better yarn prices and timely buying of cotton at competitive rates. Increase in sales and distribution cost is mainly attributable to increase of POL prices during the year. Increase in financial cost during the year is due to increase in policy rate cumulatively by 675 bps by SBP during the FY 2022.

Moreover vide Finance Act 2022, Govt. of Pakistan in addition to normal corporate tax rate has levied an additional super tax at the rate of 10% for tax year 2022 for industries operating in different sectors including chemical sector. For tax year 2023, the same super tax has continued to be levied on graduated rates ranging from 1% to 4% based on graduated income slabs. Given the said imposition of super tax on profits of the company, tax provision of the company for the FY 2022 including deferred tax has increased which also impacted bottom line. At year end, your company has managed to post profit after tax of Rs. 656 million and earnings per share of Rs. 30.60/- as compared with net profit after tax of Rs. 1,348 million and earnings per share of Rs 62.89 last year.

JCR-VIS CREDIT RATING

During the FY 2022, credit rating of the Company was reassessed by JCR-VIS Credit Rating Co. Ltd., which reaffirmed your company's rating at A+ / A-1 (Single A plus / A-One), while outlook on the assigned ratings has also been maintained as 'Stable'.

Medium to long term rating of A+ signifies good credit quality with strong protection factors. The short term rating of A-1 denotes high certainty of timely payments coupled with excellent liquidity.

ENVIRONMENT, HEALTH AND SAFETY:

Your company is strongly committed to continual improvement of its Integrated Management System by adoption of appropriate pollution prevention as well as injury & illness prevention measures and complying with all relevant legislation and International standards like ISO 9001, ISO 14001, ISO 45001, ISO 50001, FSSC 22000, Pakistan Halal Standard PS 3733:2019, UAE.S 2055-1:2015 Halal Food Standard, GSO 2055-1:2015 Halal Food Standard, PS 5319 General Guidelines on Halal Cosmetics & Personal Care Products & UAE.S 2055-4:2014 Halal Cosmetics & Personal Care Products Standard.



Chlorine Leakage Handling Drill

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

HUMAN RESOURCE DEVELOPMENT:

Human Resource Department of Sitara Chemical Industries has a regular capacity development program for their employees. Highly experienced and skill staff share their experience with others. The in-house training program not only provides opportunity to learn from others but also helps team building. In order to ensure that our employees are equipped with the right kind of skills, knowledge and abilities to perform their assigned tasks, training and development plays its pivotal role towards the growth and success of our business. By choosing the right type of training, we ensure that our employees possess the right skills for our business, and the same need to be continuously updated in the follow up of the best and new HR practices. Consistent with our aim of making Sitara Chemical Industries a great place to work, we are continuously working towards enhancing the Knowledge, skills and competencies of our employees. Training allows employees to acquire new skills, sharpen existing ones, perform better, increase productivity and be a better leader.

Sitara Chemical Industries has continuously conducted Training program for their employees. Our company always welcomes the opportunities for staff training, broadening their knowledge, vision, skills and awareness about changing technological and learning developments. For this purpose, multiple in-house workshops / training sessions were held during the year to train the staff. During the year 2021-22, company trained 951 employees as against 796 employees last year.



In-House Training Session



HR Development by External Trainer

INFORMATION TECHNOLOGY:

In order to meet the future challenges of the globally robust economy, your company is going to upgrade its globally top ranking existing SAP version ECC 6.0 to S/4 HANA for better enterprise resource planning, which will enable improved performance by allowing to plan, execute, generate reports and real time analytics based on live data, as well as provides improved forecasts and predictions. Reports and analytics integrated with online Production plants and Quality lab equipment.

STAFF RETIREMENT BENEFITS:

Company has maintained a recognized provident fund for its employees at chemical division and has made an agreement with M/s Pak Qatar Takaful Limited to offer its employee a Family Group Savings Takaful Plan. Group Savings Takaful Plan is a Takaful plan that is issued to each provident fund member, and their total balance of provident fund goes to their individual policies, after getting permanently withdrawn under sub-section (h) of section 103 (Permitted Withdrawals) of Income Tax Rules, 2002.

Employees of Textile Division are entitled to gratuity as per law and appropriate provision has been made in accordance with IAS-19 in the accounts.

CONTRIBUTION TO NATIONAL EXCHEQUER:

During the year 2021-22, Company's contribution to the national exchequer amounts to Rs. 4,012/- million towards payment of income tax and sales tax as against Rs. 2,740/- million last year. This does not include the import duties, withholding tax deducted by the company from employees, suppliers and contractors and deposited into the treasury.

CORPORATE SOCIAL RESPONSIBILITY:

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



Dengue Awareness Campaign



Free Medical Camp

SIGNIFICANT FEATURES OF DIRECTORS' REMUNERATION POLICY:

The Board of Directors has approved a formal policy for remuneration of executive directors depending upon their responsibility in affairs of the Company. The remuneration is commensurate with their level of responsibility and expertise needed to govern the Company successfully and to encourage value addition from them. The Company does not pay any remuneration to non-executive and independent

directors except fees for attending the meetings of the Board or its committees. Remuneration of executive directors is approved by the Board as recommended by the Human Resource and Remuneration Committee.

Aggregate amount of the remuneration paid to chief executive and executive director has been disclosed in note 39 of the annexed financial statements.

BOARD OF DIRECTORS:

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

During the year 2021-22, 04 board meetings were held and attendance of Directors is as follows:

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

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

AUDIT COMMITTEE MEETINGS:

Audit committee was established to assist board in discharging its responsibilities for corporate governance, financial reporting and corporate controls. Committee consists of three members. During the year 2021-22, 05 meetings were held and attendance of members of audit committee is as follows:

Sr.#	Name	Category	No. of Meetings Attended
1	Mr. Haroon Ahmad Zuberi	Chairman Audit Committee	05
2	Mr. Abdul Awal	Member Audit Committee	05
3	Mr. Ahmad Nawaz	Member Audit Committee	05

HUMAN RESOURCE AND REMUNERATION COMMITTEE:

Human Resource and Remuneration Committee was formed to monitor the procedure of selection, evaluation, compensation and succession planning of the key management personals. The committee comprises of three members. During the year 2021-22, 02 meetings were held and attendance of members is as follows:

Sr.#	Name	Category	No. of Meetings Attended
1	Mr. Abdul Awal	Chairman HR&R Committee	02
2	Mr. Muhammad Adrees	Member HR&R Committee	02
3	Mrs. Shala Waheed Sher	Member HR&R Committee	02

CORPORATE GOVERNANCE:

Statement of Compliance of Corporate Governance is separately annexed.

PATTERN OF SHAREHOLDING:

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

CORPORATE AND FINANCIAL REPORTING:

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

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

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

AUDITORS:

The existing auditors M/s Yousuf Adil, Chartered Accountants, shall retire on the conclusion of 41st Annual General Meeting. Being eligible, they have offered themselves for reappointment as auditors of the company from the conclusion of 41st annual general meeting until the conclusion of 42nd annual general meeting of the company. Audit Committee has recommended the appointment of aforesaid M/s Yousuf Adil, Chartered Accountants, as external auditors for the year ending June 30, 2023. 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, 2022 were made:

Description	Rupees
Net profit for the year after tax before WPPF and WWF	719,288,601
Workers Welfare Fund (WWF) and Workers Profit Participation Fund (WPPF)	(63,650,080)
Net Profit for the year	655,638,521
Incremental depreciation (net of deferred tax)	213,791,544
Un-appropriated profit brought forward	10,270,573,684
Final dividend for the year ended June 30, 2021 @ Rs. 10 per share	(214,294,070)
Amount available for appropriation	10,925,709,679
Proposed dividend for the year ended June 30, 2022 @ Rs. 8 per share	(171,435,256)
Earnings per share- basic and diluted	30.60

DIVIDEND:

In view of the financial results of the Company for the year ended June 30, 2022; the Board of Directors of the Company have recommended a cash dividend of 80% i.e. Rs. 8 per share.

FUTURE OUTLOOK:

Alhamdulillah with the changing economic scenario and increase in imported coal prices, your company has managed to redesign its expansion project of coal fired power plant (CFPP) on use of local lignite coal or imported lignite coal as feed stock. Now the operations of our CFPP has the flexibility of using either 100% local lignite Thar coal, the abundant supply of which is available in country, or imported lignite coal from Indonesia, or imported bituminous coal, or at any mix of all these coals keeping in view the economy of the operations. Techno-Commercial negotiations with technology suppliers and Engineering design company have been completed for major BTG Equipment (Boiler, Turbine and Generator) and their LCs have also been established with banks. Civil work of the project has also started which is expected to be completed during the ongoing financial year, while LCs of remaining BoP equipment or their local procurement are expected to be done during the ongoing financial year. To mitigate the impact of rising electricity cost, company is also working to install a 01 MW solar power plant as a pilot project at company site for generation of electricity at lower rate.



Inauguration ceremony of Coal Fired Power Plant Extension

Any further increase in electricity tariff by Govt., withdrawal of relief package already available to industry, availability of local lignite coal at competitive rates, PKR depreciation against US\$, further increase of policy rate by SBP, and any prolonged restriction by SBP on opening letter of credits of goods under chapter 84 and 85 of PCT may remain a key challenge for the company during the ongoing financial year. However, your company is cognizant of all these challenges and will take appropriate measures to mitigate their adverse impact.

ACKNOWLEDGMENTS:

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

Muhammad Adrees
Chief Executive Officer
September 17, 2022
Faisalabad.

Ahmad Hassan
Director

آپ کی کمپنی بجلی کی بڑھتی ہوئی قیمت کے اثرات کو کم کرنے کے لیے کم ریٹ پر بجلی کی پیداوار کے لیے ایک پائلٹ پروجیکٹ کے طور پر 01 میگاواٹ کاسولر پاور پلانٹ لگانے کے لیے بھی کام کر رہی ہے۔

حکومت کی جانب سے بجلی کے نرخوں میں مزید اضافہ، صنعت کے لیے پہلے سے موجود ریلیف پیکیج کی واپسی، مقامی لگنائٹ کوئلے کی مسابقتی نرخوں پر دستیابی، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی، اسٹیٹ بینک کی جانب سے جاری سال کے دوران PCT کے باب 84 اور 85 کے تحت لیٹر آف کریڈٹ جاری کرنے پر طویل پابندی، یہ وہ اہم چیلنجز ہیں جن کا کمپنی کو سامنا ہو سکتا ہے۔ تاہم، آپ کی کمپنی ان تمام چیلنجوں سے باخبر ہے اور ان کے منفی اثرات کو کم کرنے کے لیے مناسب اقدامات کرے گی۔

اعترافات:

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



محمد اریس

چیف ایگزیکٹو آفیسر

ستارہ کیمیکل انڈسٹریز لمیٹڈ فیصل آباد

17 ستمبر 2022ء

Alumadilroam.

احمد حسن

ڈائریکٹر

تخصیص:

30 جون 2022 کو ختم ہونے والے سال کے منافع کی مندرجہ ذیل تقسیم کاری کی گئی ہے۔

روپے	تفصیل
719,288,601/-	ٹیکس کے بعد سال کا خالص منافع، (WPPF اور WWF سے پہلے)
(63,650,080)	ورکرز ویلفیئر فنڈ اور ورکرز منافع شمولیت فنڈ
655,638,521/-	سال کا خالص منافع
213,791,544/-	Incremental Depreciation - Net of Tax
10,270,573,684/-	پچھلے سال کا جمع شدہ منافع
(214,294,070)	30 جون 2021 کے اختتام پر منافع 10 روپے فی شیئر
10,925,709,679/-	تقسیم کاری کے لیے دستیاب رقم
(171,435,256)	30 جون 2022 کے اختتام پر تجویز کردہ منافع 8 روپے فی شیئر
30.60	سالانہ فی حصص آمدنی

منافع:

کمپنی نے 30 جون 2022 کو ختم ہونے والے سال کے مالی نتیجہ کے تحت، بورڈ آف ڈائریکٹرز نے 80% کیش Dividend کی سفارش کی ہے جو کہ 8 روپے فی شیئر بنتا ہے۔

مستقبل پر نظر:

الحمد للہ بدلتے ہوئے معاشی منظر نامے اور درآمدی کونسل کی قیمتوں میں اضافے کے ساتھ آپ کی کمپنی کو نکلے سے چلنے والے پاور پلانٹ (CFPP) کے اپنے توسیعی منصوبے کو مقامی لگنائٹ کونسلے یا درآمدی لگنائٹ کونسلے کو فیڈ اسٹاک کے طور پر استعمال کرنے پر دوبارہ ڈیزائن کرنے میں کامیاب ہو گئی ہے۔ اب ہمارے CFPP کے آپریشنز میں 100% مقامی لگنائٹ تھر کونسلے، جس کی وافر مقدار میں سپلائی ملک میں دستیاب ہے، یا انڈونیشیا سے درآمد لگنائٹ کونسلے، یا ان تمام کونسلوں کے کسی بھی مرکب میں استعمال کرنے کی لچک ہے۔ آپریشن کی معیشت کو دیکھتے ہوئے۔ بڑے BTG آلات (بوائلر، ٹربائن اور جنریٹر) کے لیے ٹیکنالوجی سپلائرز اور انجینئرنگ ڈیزائن کمپنی کے ساتھ ٹیکنو کمرشل مذاکرات مکمل ہو چکے ہیں اور بینکوں کے ساتھ ان کے ایل سی بھی قائم کر دی گئی ہیں۔ پراجیکٹ کا سول ورک بھی شروع ہو چکا ہے جو کہ جاری مالی سال کے دوران مکمل ہونے کی توقع ہے، جبکہ BOP کے بقیہ آلات یا ان کی لوکل پروکیورمنٹ کی ایل سی جاری سال کے دوران ہونے کی توقع ہے۔

کارپوریٹ گورننس:

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

شیر ہولڈنگ کی شکل:

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

کارپوریٹ اور مالیاتی رپورٹنگ:

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

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

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

آڈیٹرز:

کمپنی کے موجودہ آڈیٹرز M/s Yousuf Adil چارٹرڈ اکاؤنٹنٹس 41st سالانہ اجلاس عام کے ساتھ ریٹائر ہو جائیں گے۔ اہل ہونے کے ساتھ، انہوں نے اپنے آپ کو بطور آڈیٹرز 41st سالانہ اجلاس عام سے 42nd سالانہ اجلاس عام تک دوبارہ مقرر کرنے کے لیے پیش کیا ہے۔ آڈٹ کمیٹی نے مذکورہ بیان کردہ M/s Yousuf Adil چارٹرڈ اکاؤنٹنٹس کو بطور بیرونی آڈیٹرز 30 جون 2023 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۔

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

بورڈ کے ممبرز جنہوں نے میٹنگز میں شمولیت نہیں کی ان کو غیر حاضری کی چھٹی دی گئی ہے۔

آڈٹ کمیٹی میٹنگز:

آڈٹ کمیٹی بورڈ کی معاونت کے لیے قائم کی گئی جو کارپوریٹ گورننس، فنانشل رپورٹنگ، کارپوریٹ کنٹرول کے لیے ان کی ذمہ داریوں سے آگاہ کرتی ہے۔ کمیٹی تین اراکین پر مشتمل ہے۔ سال 2021-22 کے دوران پانچ میٹنگز منعقد ہوئیں جس میں آڈٹ کمیٹی کے اراکین کی حاضری کچھ اس طرح رہی:

سیریل نمبر	نام	کیٹگری	میٹنگز میں شرکت کی تعداد
1	ہارون احمد زبیری	چیرمین آڈٹ کمیٹی	05
2	عبدالاول	ممبر آڈٹ کمیٹی	05
3	احمد نواز	ممبر آڈٹ کمیٹی	05

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 دو میٹنگز منعقد ہوئیں جس میں اراکین کی حاضری کچھ اس طرح رہی:

سیریل نمبر	نام	کیٹگری	میٹنگز میں شرکت کی تعداد
1	عبدالاول	چیرمین ایچ آر اینڈ آر کمیٹی	02
2	محمد ادریس	ممبر ایچ آر اینڈ آر کمیٹی	02
3	مسز شہلا وحید شیر	ممبر ایچ آر اینڈ آر کمیٹی	02

کے ذیلی سیکشن (h) کے تحت ملازمین کی طرف سے مستقل طور پر نکالے جانے کے بعد، پروویڈنٹ فنڈ کا کل بیلنس ملازمین کی انفرادی پالیسیوں میں جاتا ہے۔ ٹیکسٹائل ڈویژن کے ملازمین قانون کے مطابق Gratuity کے حقدار ہیں اور اکاؤنٹس میں IAS-19 کے مطابق مناسب فراہمی کی گئی ہے۔

قومی خزانہ میں حصہ:

سال 2021-22 کے دوران، آپ کی کمپنی نے قومی خزانے میں انکم ٹیکس اور سیلز ٹیکس کی مد میں -/4,012 ملین روپے جمع کروائے جو گزشتہ سال -/2,740 ملین روپے تھے۔ اس میں درآمدی ڈیوٹیاں، ملازمین، سپلائرز اور ٹھیکیداروں سے ودہولڈنگ ٹیکس کی کٹوتی شامل نہیں ہے۔

کارپوریٹ سماجی ذمہ داری:

آپ کی کمپنی عوامی فلاح و بہبود کی سرگرمیوں میں حصہ ڈالنے کے لیے ہمیشہ متحرک رہتی ہے۔ ہماری کمیونٹیز اور معاشرے کے پسماندہ طبقے کی فلاح و بہبود اور ترقی ہماری اقدار کا مرکز ہے، لہذا، کمپنی کی CSR سرگرمیوں کے ایک حصے کے طور پر آپ کی کمپنی خیراتی ہسپتالوں اور تنظیموں کو عطیہ دیتی رہتی ہے۔ مزید برآں، بیمار افراد کے فائدے کے لیے سال بھر کے دوران فری میڈیکل کمپ کا اہتمام کیا گیا۔ آپ کی کمپنی فیصل آباد کے گرد و نواح میں صاف پانی کی صفائی کے پلانٹس کی تنصیب/چلانے کا سلسلہ بھی جاری رکھے ہوئے ہے۔

ڈائریکٹرز کی معاوضہ کی پالیسی کی اہم خصوصیات:

بورڈ آف ڈائریکٹرز نے ایگزیکٹو ڈائریکٹرز کے کمپنی کے معاملات میں ذمہ داری کے لحاظ سے معاوضے کی ایک رسمی پالیسی منظور کی ہوئی ہے۔ یہ معاوضہ ان کی ذمہ داری اور کمپنی کو کامیابی سے چلانے کی مہارت کے مطابق ہے۔ کمپنی آزاد ڈائریکٹرز کو بورڈ اور اس کی کمیٹیوں کی میٹنگ میں حاضری کی فیس کے علاوہ اور کوئی معاوضہ ادا نہیں کرتی۔ ایگزیکٹو ڈائریکٹرز کا معاوضہ انسانی وسائل اور معاوضے کی کمیٹی کی سفارش پر بورڈ منظور کرتا ہے۔

چیف ایگزیکٹو اور ایگزیکٹو ڈائریکٹر کے معاوضے کی مجموعی رقم کو مالیاتی گوشوارے کے نوٹ نمبر 39 میں دکھایا گیا ہے۔

بورڈ آف ڈائریکٹرز:

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

سال 2021-22 کے دوران چار بورڈ میٹنگز منعقد ہوئیں جس میں ڈائریکٹرز کی حاضری مندرجہ ذیل رہی:

ماحول کے لیے "اپنی ذمہ داری سے آگاہ ہے" اور اس طرح اپنے لوگوں اور ماحول کی حفاظت کے لیے تمام مناسب اقدامات کیے ہیں۔

انسانی وسائل کی ترقی:

ستارہ کیمیکل انڈسٹریز کے ہیومن ریسورس ڈیپارٹمنٹ کا اپنے ملازمین کے لیے صلاحیتوں کی ترقی کا باقاعدہ پروگرام ہے۔ انتہائی تجربہ کار اور ہنرمند عملہ اپنا تجربہ دوسروں کے ساتھ شیئر کرتا ہے۔ اندرون کمپنی تربیتی پروگرام نہ صرف دوسروں سے سیکھنے کا موقع فراہم کرتا ہے بلکہ ٹیم بنانے میں بھی مدد کرتا ہے۔ اس بات کو یقینی بنانے کے لیے کہ ہمارے ملازمین اپنے تفویض کردہ کاموں کو انجام دینے کے لیے صحیح قسم کی مہارتوں، علم اور صلاحیتوں سے لیس ہیں، تربیت اور ترقی ہمارے کاروبار کی ترقی اور کامیابی میں اہم کردار ادا کرتی ہے۔ صحیح قسم کی تربیت کا انتخاب کر کے، ہم اس بات کو یقینی بناتے ہیں کہ ہمارے ملازمین ہمارے کاروبار کے لیے صحیح مہارتوں کے مالک ہوں اور بہترین اور نئے HR طریقوں کی پیروی میں اسی کو مسلسل اپ ڈیٹ کرنے کی ضرورت ہے۔ ستارہ کیمیکل انڈسٹریز کو کام کرنے کے لیے ایک بہترین جگہ بنانے کے اپنے مقصد سے ہم آہنگ، ہم اپنے ملازمین کے علم، مہارت اور قابلیت کو بڑھانے کے لیے مسلسل کام کر رہے ہیں۔ تربیت ملازمین کو نئی مہارتیں حاصل کرنے، موجودہ مہارتوں کو تیز کرنے، بہتر کارکردگی کو مظاہرہ کرنے، پیداواری صلاحیت بڑھانے اور ایک بہتر رہنما بننے کا موقع دیتی ہے۔

ستارہ کیمیکل انڈسٹریز نے اپنے ملازمین کے لیے مسلسل تربیتی پروگرام کا انعقاد کیا ہے۔ ہماری کمپنی ہمیشہ عملے کی تربیت کے مواقع کا خیر مقدم کرتی ہے، ان کے علم، وژن، مہارتوں اور تکنیکی اور سیکھنے کی تبدیلیوں کے بارے میں آگاہی کو وسیع کرتی ہے۔ اس مقصد کے لیے، عملے کو تربیت دینے کے لیے سال کے دوران متعدد اندرون خانہ ورکشاپس / تربیتی سیشن منعقد کیے گئے۔ سال 2021-22 کے دوران کمپنی نے 951 ملازمین کو تربیت دی جبکہ گزشتہ سال ملازمین کی تعداد 796 تھی۔

انفارمیشن ٹیکنالوجی:

عالمی سطح پر مضبوط معیشت کے مستقبل کے چیلنجوں سے نمٹنے کے لیے، آپ کی کمپنی بہتر انٹرپرائز وسائل کی منصوبہ بندی کے لیے عالمی سطح پر اپنے موجودہ SAP ورژن ECC 6.0 کو S/4 HANA میں اپ گریڈ کرنے جا رہی ہے، جو منصوبہ بندی، عمل درآمد رپورٹس کو بنانے اور حقیقی وقت میں آن لائن ڈیٹا کی بنیاد پر بہتر پیش گوئی کے ساتھ ساتھ کارکردگی کو بہتر بنائیگی۔ رپورٹس اور تجزیات آن لائن پروڈکشن پلانٹس اور معیاری لیب کے آلات کے ساتھ مربوط ہیں۔

اسٹاف ریٹائرمنٹ فوائد:

کمپنی نے کیمیکل ڈویژن میں اپنے ملازمین کے لیے ایک تسلیم شدہ Provident Fund برقرار رکھا ہوا ہے، اور میسرز پاک قطر تکافل لمیٹڈ کے ساتھ اپنے ملازم کو فیملی گروپ سیونگ تکافل پلان پیش کرنے کا معاہدہ کیا ہے۔ گروپ سیونگ تکافل پلان ایک تکافل پلان ہے جو پروویڈنٹ فنڈ کے ہر ممبر کو جاری کیا جاتا ہے۔ جس کے تحت انکم ٹیکس رولز، 2002 کے سیکشن 103 (اجازت شدہ اخلاء)

پی او ایل کی قیمتوں میں اضافے سے منسوب ہے۔ سال کے دوران مالیاتی لاگت میں اضافہ مالی سال 2022 کے دوران SBP کی طرف سے پالیسی کی شرح میں مجموعی طور پر 675 bps اضافے کی وجہ سے ہے۔

مزید یہ کہ فنانس ایکٹ 2022، حکومت پاکستان نے عام کارپوریٹ ٹیکس کی شرح کے علاوہ کیمیکل سیکٹر سمیت مختلف شعبوں میں کام کرنے والی صنعتوں پر ٹیکس سال 2022 کے لیے 10 فیصد کی شرح سے اضافی سپر ٹیکس عائد کیا ہے۔ ٹیکس سال 2023 کے لیے، یہی سپر ٹیکس ریٹ گریجویٹڈ انکم سلیب پر 1% سے 4% تک گریجویٹڈ ریٹ سے لاگو ہے۔ کمپنی کے منافع پر سپر ٹیکس کے مذکورہ نفاذ کے پیش نظر، مالی سال 2022 کے لیے کمپنی کے ٹیکس کی فراہمی بشمول موخر ٹیکس میں اضافہ ہوا ہے جس نے چلی لائن کو بھی متاثر کیا ہے۔ سال کے آخر میں، آپ کی کمپنی کا ٹیکس کے بعد کمایا گیا منافع 656 ملین روپے اور فی حصص آمدنی 30.60 روپے رہی۔ جبکہ گزشتہ سال یہ منافع 1,348 ملین روپے اور فی حصص آمدنی 62.89 روپے تھی۔

JCR-VIS کریڈٹ ریٹنگ:

مالی سال 2022 کے دوران، JCR-VIS کریڈٹ ریٹنگ کمپنی لیمیٹڈ کی طرف سے کمپنی کی کریڈٹ ریٹنگ کا دوبارہ جائزہ لیا گیا، جس نے آپ کی کمپنی کی درجہ بندی کو A+ اور A-1 کے طور پر دوبارہ تصدیق کی، جبکہ تفویض کردہ ریٹنگ پر آؤٹ لک کو بھی 'مستحکم' کے طور پر برقرار رکھا گیا ہے۔

A+ کی درمیانی سے طویل مدتی درجہ بندی مضبوط تحفظ کے عوامل کے ساتھ اچھے کریڈٹ کوالٹی کی نشاندہی کرتی ہے۔ A-1 کی مختصر مدت کی درجہ بندی بہترین لیکویڈیٹی کے ساتھ بروقت ادائیگیوں کے اعلیٰ یقین کی نشاندہی کرتی ہے۔

معیار، ماحول، صحت اور حفاظت:

آپ کی کمپنی مناسب آلودگی کی روک تھام کے ساتھ ساتھ چوٹ اور بیماری سے بچاؤ کے اقدامات کو اپنا کر اور

ISO 9001, ISO 14001, ISO 45001, ISO 50001, FSSC 22000, Pakistan Halal Standard PS 3733:2019, UAE.S 2055-1:2015 Halal Food Standard, GSO 2055-1:2015 Halal Food Standard, PS 5319 General Guidelines on Halal Cosmetics & Personal Care Products & UAE.S 2055-4:2014 Halal Cosmetics & Personal Care Products Standard جیسے تمام متعلقہ قانون سازی اور بین الاقوامی معیارات کی تعمیل کرتے ہوئے اپنے مربوط انتظامی نظام کی مسلسل بہتری کے لیے پُر عزم ہے۔

آپ کی کمپنی ایک کوالیفائیڈ URSA (Understanding Responsible Sourcing Audit) بھی ہے۔ یہ ایک آڈٹ کا طریقہ ہے جو سپلائر کی آزادانہ تشخیص اور تمام قابل اطلاق قوانین اور قواعد و ضوابط کے خلاف تعمیل کے قابل بناتا ہے۔ کمپنی "داخلے سے ہی حفاظت شروع ہوتی ہے" کے نعرے کے لیے بھی پُر عزم ہے اور سماجی طور پر دیکھ بھال کرنے والی تنظیم کے طور پر

ڈائریکٹر رپورٹ

اللہ تعالیٰ کے بابرکت نام سے جو بڑا مہربان اور نہایت رحم کرنے والا ہے۔ ستارہ کیمیکل انڈسٹریز لمیٹیڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 جون 2022 کو ختم ہونے والے مالی سال کے آڈٹ شدہ مالی گوشوارے بمعہ آڈٹ رپورٹ اور بیرونی شرعی آڈیٹرز کی رپورٹ کے ساتھ پیش کرتے ہوئے پُرسرت ہیں۔

کاروباری جائزہ:

سال 2022 کے دوران، پاکستان کی معیشت نے عالمی وباء سے چھٹکارہ پانے کے بعد V کی شکل میں بحالی کو برقرار رکھا جو کہ گزشتہ سال 5.74 فیصد کے مقابلے میں 5.97 فیصد کی حقیقی جی ڈی پی کی شرح نمو کو ظاہر کرتی ہے۔ حقیقی جی ڈی پی نمو میں صنعتی شعبے کا حصہ گزشتہ سال 7.8 فیصد کے مقابلے میں 7.2 فیصد رہا، جبکہ ٹیکسٹائل کے شعبے میں گزشتہ سال 5.9 فیصد کے مقابلے میں 3.2 فیصد اضافہ دیکھا گیا۔ دوسری طرف یہ زیادہ ترقی ملک میں مالیاتی اور میکرو اکنامک عدم توازن کا باعث بنی، جیسا کہ کرنٹ اکاؤنٹ اور مالیاتی خسارے، زیادہ درآمدات اور شرح مبادلہ پر دباؤ وغیرہ۔ بین الاقوامی اشیاء کی قیمتوں نے اچانک معاشی بحالی کا رد عمل ظاہر کیا اور عالمی سطح پر مہنگائی میں تیزی لائی اور پاکستان کو کوئی استثنا حاصل نہیں تھا۔ فروری 2022 میں، روس اور یوکرین کے تنازع نے بھی عالمی اجناس کی قیمتوں میں اضافہ کیا اور معیشت میں افراط زر کو ہوا دی۔ افراط زر کے دباؤ کا مقابلہ کرنے کے لیے، SBP تخفیفی مانیٹری پالیسی پر چلا گیا اور ستمبر سے جون FY2022 کے درمیان پالیسی ریٹ میں مجموعی طور پر 675 bps کا اضافہ کیا گیا۔

مذکورہ بالا معاشی ماحول کے پیش نظر، مالی سال 2022 کے دوران کاسٹک اور دیگر متعلقہ مصنوعات دونوں کی مقداری فروخت میں اضافہ ہوا، جبکہ دھاگے اور فیبرک کی مقداری فروخت میں سال کے دوران کچھ کمی دیکھنے میں آئی۔ کمپنی کی خالص فروخت 21,625 ملین روپے رہی جبکہ گزشتہ سال یہ فروخت 14,784 ملین روپے تھی، جو 46.3 فیصد اضافے کو ظاہر کرتی ہے۔ کمپنی کا مجموعی منافع 2,873 ملین روپے رہا جبکہ گزشتہ سال یہ منافع 2,933 ملین روپے تھا، جو کہ مالی سال 2021 میں 19.8 فیصد سے مالی سال 2022 کے دوران فیصد کے لحاظ سے مجموعی مارجن میں 13.3 فیصد تک کمی کی وجہ سے تھا۔

بجلی کے نرخوں میں فیول لاگت ایڈجسٹمنٹ، کوئلے کی اجناس کی قیمتوں میں عالمی سطح پر اضافہ RLNG, POL کی قیمتیں وغیرہ۔ امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی نے بھی پاکستان میں اشیاء کی قیمتوں میں اضافہ کیا ہے۔ ان تمام عوامل نے گزشتہ سال توانائی کی لاگت کے مقابلے میں مالی سال 2022 کے دوران کمپنی کی توانائی کی مجموعی لاگت میں اضافہ کیا ہے۔ مارکیٹ کے حالات کو مد نظر رکھتے ہوئے سال کے دوران توانائی کی بڑھتی ہوئی قیمت کو مکمل طور پر صارفین تک منتقل نہیں کیا۔ آپ کی کمپنی کے ٹیکسٹائل ڈویژن میں، مالی سال 2022 کے دوران یارن کی فروخت میں مقداری کمی کے علاوہ، یارن کی بہتر قیمتوں اور مسابقتی نرخوں پر روئی کی بروقت خریداری کی وجہ سے اس کے مجموعی مارجن میں بہتری آئی ہے۔ سیلز اور ڈسٹری بیوشن لاگت میں اضافہ بنیادی طور پر سال کے دوران

CORPORATE GOVERNANCE

Statement of Director's Responsibility

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

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

Presentation of Financial Statements

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

Books of Accounts

Company has maintained proper books of account.

Accounting Policies

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

Application of International Accounting Standards

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

Internal Control System

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

Taxation

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

Going Concerns

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

Audit Committee

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

Human Resource and Remuneration Committee

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

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

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

Year Ended: **June 30, 2022**

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

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

Gender	Number
Male	6
Female	1

2. The composition of the Board of Directors is as follows:

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

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board;
8. The board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. Six (06) directors have already completed directors' training program in prior years including Mrs. Shala Waheed Sher (female director). The remaining One (01) director shall obtain certification under the DTP in due course of time;
10. The board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board;

12. The board has formed committees comprising of members given below:

a. **Audit Committee**

- Mr. Haroon Ahmed Zuberi Independent Director (Chairman)
- Mr. Abdul Awal, Independent Director (Member)
- Mr. Ahmad Nawaz, Non-Executive Director (Member)

b. **Human Resource & Remuneration Committee**

- Mr. Abdul Awal Independent Director (Chairman)
- Mr. Muhammad Adrees Chief Executive (Member)
- Mrs. Shala Waheed Sher Non-Executive Director (Member)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly/half yearly/yearly) of the committee were as per following:

- a. **Audit Committee:** Five meetings during the financial year ended June 30, 2022
- b. **HR and Remuneration Committee:** Two meetings during the financial year ended June 30, 2022.

15. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Sr. No	Non-Mandatory Requirement	Explanation	Reg No
1	Nomination Committee: The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors as it may deem appropriate in its circumstances.	Currently, the Board has not constituted a separate Nomination Committee and the functions are being performed by the management itself.	29 (1)
2	Risk Management Committee: The Board may constitute the Risk Management committee of such number and class of directors as it may deem appropriate in its circumstances to carry out a review of effectiveness of risk management procedures and present a report to the Board.	Currently, the Board has not constituted a risk management committee and the company's Chief Internal Auditor performs the requisite functions and appraises the board accordingly.	30 (1)
3	Certification under Directors Training Program It is encouraged that by June 30, 2022 all the directors on their Boards have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.	Presently, Six out of Seven directors on Board have got certified under directors training program. In July 2022, fresh Elections of Board have been held and the newly elected directors will get certification under Directors Training Program.	19(1)



Muhammad Adrees
Chief Executive Officer

Date: September 17, 2022
Place: Faisalabad

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2022

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
883	1	100	23,798
469	101	500	114,317
161	501	1,000	114,935
112	1,001	5,000	263,932
26	5,001	10,000	197,998
12	10,001	15,000	155,440
3	15,001	20,000	54,936
5	20,001	25,000	119,213
3	25,001	30,000	82,604
3	30,001	35,000	94,836
1	35,001	40,000	40,000
4	40,001	45,000	168,225
2	45,001	50,000	91,065
1	50,001	55,000	50,609
1	55,001	60,000	59,364
2	65,001	70,000	130,764
1	80,001	85,000	82,750
1	85,001	90,000	85,966
1	90,001	95,000	93,100
1	110,001	115,000	112,775
2	120,001	125,000	246,064
1	230,001	235,000	230,200
1	330,001	335,000	333,840
2	370,001	375,000	746,946
1	490,001	495,000	490,375
1	590,001	595,000	594,416
1	900,001	905,000	904,386
1	2,105,001	2,110,000	2,109,150
1	13,635,001	13,640,000	13,637,402
1703			21,429,406

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2022

	Number	Share Held	Percentage
NIT & ICP			
National Bank of Pakistan - Trustee Department			
Investment Corporation of Pakistan	2	51,306	0.24
Directors, CEO & their Spouse and Minor Children			
Mr. Muhammad Adrees	1	13,637,402	63.64
Mr. Haseeb Ahmed	1	333,840	1.56
Mr. Abdul Awal	1	500	0.00
Mr. Ahmad Nawaz	1	500	0.00
Mr. Haroon Ahmed Zuberi	1	1	0.00
Mrs. Shala Waheed Sher	1	1	0.00
Mr. Ashraf Shazad Ahmad	1	4	0.00
Mrs. Zomia Anis w/o Mr. Haseeb Ahmed	1	40,700	0.19
Bank, Development Finance Institutions, Non Banking Finance Institutions.	7	2,119,916	9.89
Insurance Companies	1	904,386	4.22
Mutual Funds	4	733,586	3.42
Modarabas	2	12,550	0.06
General Public (Local)	1599	1,838,902	8.58
General Public (Foreign)	37	211,673	0.99
Associated Companies, Undertaking and Related Parties	2	492,736	2.30
Joint Stock Companies, others, etc.	28	959,764	4.48
Others	13	91,639	0.43
	1,703	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 2021-2022.

*Mrs. Urousa Zuberi w/o Mr. Haroon Ahmad Zuberi (Director's Spouse) Sold 2,000 shares during the year.

*Mrs. Zomia Anis w/o Mr. Haseeb Ahmed (Director's Spouse) Sold 1,000 shares during the year.

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

a	Mr. Muhammad Adrees, Chief Executive	13,637,402
b	Jahangir Siddiqui & Company Limited	2,132,450



SHARIAH COMPLIANCE REVIEW REPORT 2022



ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

نحمده و نصلى على رسوله الكريم

August 22, 2022

Shariah Review Report

For the year ended June 30, 2022

We have conducted the Shariah review of **Sitara Chemical Industries Limited (SCIL)** for the financial year ended on June 30, 2022, in accordance with the provisions of Shariah Governance Regulations, 2018 and in our opinion:

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

Conclusion:

Based on the Review of the Company's operations, in our opinion, the affairs of SCIL have been carried out in accordance with the rules and principles of Shariah, and therefore, we are of the view that **Sitara Chemical Industries Limited** is a Shariah Compliant Company.

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

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

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



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FINANCIAL HIGHLIGHTS

SIX YEARS AT A GLANCE

Operating Results (Rupees in thousand)	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Sales - net	21,625,585	14,784,537	11,792,672	12,698,107	12,264,827	10,074,068
Gross profit	2,872,908	2,932,903	2,279,134	2,759,530	2,632,730	2,311,897
Operating profit	1,795,685	2,274,103	1,404,530	1,706,596	1,751,363	1,550,930
Profit before taxation	898,439	1,669,796	409,544	1,065,003	1,311,943	1,180,009
Profit after taxation	655,639	1,347,690	298,763	885,458	1,086,185	1,166,382
Total comprehensive income	370,810	1,403,604	287,225	4,301,141	1,048,864	1,206,433
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	3,111,251	3,375,556	2,582,587	2,680,180	2,681,726	2,254,203

Financial Position (Rupees in thousand)	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Assets employed						
Property, Plant and equipment	17,344,777	16,923,448	14,935,071	15,516,236	9,572,026	9,413,115
Intangible assets	8,379	9,007	10,008	11,120	11,780	13,089
Investment property	3,259,192	3,312,590	3,315,540	3,296,505	3,033,968	2,926,570
Long Term Investment	25,039	25,039	25,039	19,640	25,039	31,579
Advances and deposits	801,853	1,162,720	1,230,254	1,193,934	1,460,320	1,379,060
Current assets	11,115,180	9,107,225	7,080,100	6,790,055	5,693,967	5,761,477
Current liabilities	(11,716,479)	(10,160,187)	(8,057,088)	(7,677,633)	(6,770,386)	(6,523,898)
	20,837,941	20,379,842	18,538,923	19,149,857	13,026,714	13,000,992
Financed by						
Share capital	214,294	214,294	214,294	214,294	214,294	214,294
Reserves	12,298,101	11,684,274	10,240,549	9,891,688	9,258,403	8,410,668
Shareholders' Equity	12,512,395	11,898,568	10,454,843	10,105,982	9,472,697	8,624,962
Surplus on revaluation of PP&E	3,525,985	3,983,297	4,237,712	4,513,641	1,164,731	1,226,133
Long term finance	1,825,505	1,865,065	1,375,943	2,054,447	1,174,947	2,143,017
Long term deposits and deferred liabilities	2,974,056	2,632,912	2,470,425	2,475,787	1,214,339	1,006,880
	20,837,941	20,379,842	18,538,923	19,149,857	13,026,714	13,000,992

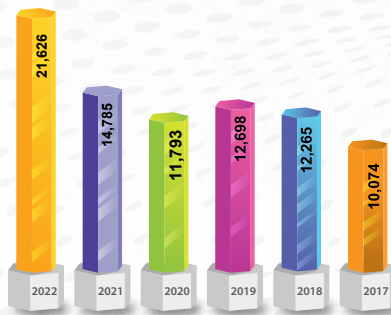
Cash Flows Summary (Rupees in thousand)	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Net cash generated from Operating Activities	1,433,230	1,223,233	464,389	1,410,373	1,616,270	1,245,060
Net Cash used in Investing Activities	(1,298,408)	(3,171,135)	(269,873)	(2,681,275)	(965,880)	(1,314,477)
Net Cash (Outflow) / Inflow from Financing Activities	(3,234)	2,057,361	(215,383)	1,293,749	(701,729)	11,995
(Decrease) / Increase in Cash and Bank Balance	131,588	109,459	(20,867)	22,847	(51,339)	(57,422)
Cash and cash equivalent at the beginning of the Year	191,102	81,643	102,510	79,663	131,002	188,424
Cash and cash equivalent at the end of the Year	322,690	191,102	81,643	102,510	79,663	131,002

FINANCIAL RATIOS

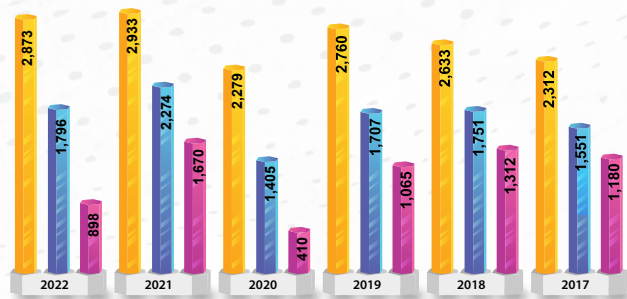
Financial Ratios (in Percentage %, times & rupees)	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Gross Profit %	13.28	19.84	19.33	21.73	21.47	22.95
Operating Profit %	8.30	15.38	11.91	13.44	14.28	15.40
Profit before tax %	4.15	11.29	3.47	8.39	10.70	11.71
Net profit after tax %	3.03	9.12	2.53	6.97	8.86	11.58
Earnings per share - Basic (Rupees)	30.60	62.89	13.94	41.32	50.69	54.43
Market value per share - (Rupees)	310.00	352.00	277.11	305.87	368.32	444.62
Cash Dividend Per Share - (Rupees)	8.00	10.00	10.00	10.00	13.00	12.50
Inventory turn over (times)	5.31	4.67	5.21	8.72	8.98	6.76
Debtors turn over (times)	15.73	11.53	9.92	10.97	10.66	8.80
Creditors turn over (times)	21.69	18.29	13.55	11.76	9.00	7.18
Current ratio %	0.95:1	0.90:1	0.88:1	0.88:1	0.84:1	0.88:1
Fixed assets turn over (times)	1.26	0.93	0.77	1.01	1.29	1.11
Price earning ratio (times)	10.13	5.60	19.88	7.40	7.27	8.17
Return on capital employed %	4.57	9.79	2.53	7.28	10.20	10.83
Return on Equity %	5.24	11.33	2.86	8.76	11.47	13.52
Interest Coverage ratio (times)	3.47	5.59	2.60	4.18	6.10	6.08
Debt to Equity %	21:79	22:78	20:80	27:73	21:79	35:65

FINANCIAL HIGHLIGHTS

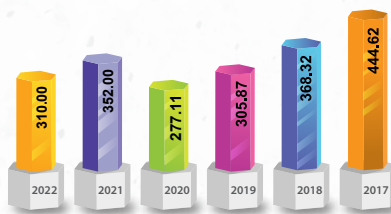
SIX YEARS AT A GLANCE



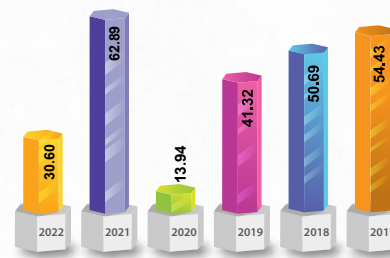
Sales (Rupees in million)



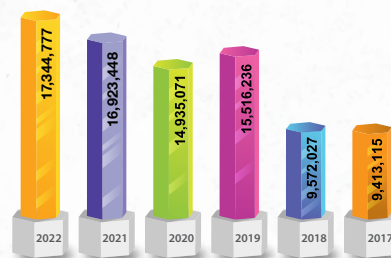
Gross Profit, Operating Profit and Profit before tax
(Rupees in million)



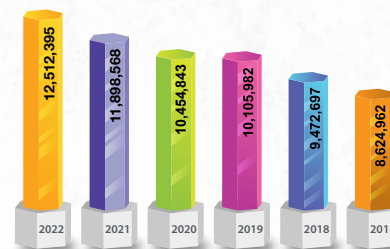
Market value per share - (Rupees)



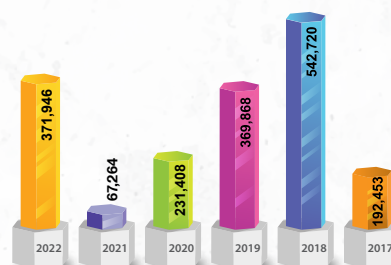
Earnings per share - Basic (Rupees)



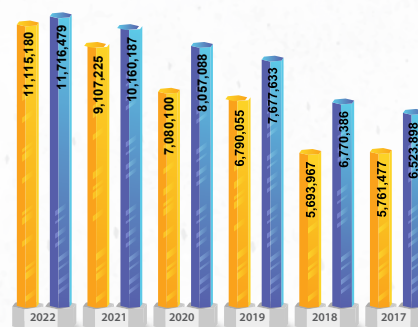
Property, Plant and equipment
(Rupees '000')



Shareholders' equity
(Rupees '000')



Export Sales (Rupees '000')



Current Assets & Current Liabilities
(Rupees '000')

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 41st Annual General Meeting of the shareholders of Sitara Chemical Industries Limited (the "Company") will be held on Friday, 21st day of October 2022 at 3:00 p.m. at ICAP Auditorium, Institute of Chartered Accountant of Pakistan, Chartered Accountants Avenue, Block 8 Clifton, Karachi in person and via videolink, to transact the following business:

ORDINARY BUSINESS

- i. To confirm the minutes of the Extra Ordinary General Meeting held on July 28, 2022.
- ii. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2022 together with the Reports of Directors and Auditors thereon.
- iii. To approve payment of Cash Dividend at the rate of 80% (Rs.8/- per share) as recommended by the Board of Directors.
- iv. To appoint Auditors and to fix their remuneration for the year ending June 30, 2023. The present auditors, M/s. Yousuf Adil, Chartered Accountants, have retired and being eligible, have offered themselves for re-appointment. The Board of Directors recommends, based on the recommendation of Board Audit Committee, appointment of M/s. Yousuf Adil as auditors for the ensuing year.
- v. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

Mazhar Ali Khan
Company Secretary

KARACHI

September 17, 2022

NOTES:

CORONA VIRUS CONTINGENCY PLANNING FOR ANNUAL GENERAL MEETING OF SHAREHOLDERS

Due to current COVID-19 situation, as per the advice of the Government and directives of the Securities and Exchange Commission of Pakistan ("SECP") in terms of its Circular No.4 of 2021 dated February 15, 2021 and subsequent Circular No.6 of 2021 dated March 3, 2021, the Annual General Meeting of the Company will be convened in person as well as virtually via video conference facility while ensuring compliance with the quorum requirements and request to the Members to consolidate their attendance and voting at the AGM through proxies.

NOTICE OF ANNUAL GENERAL MEETING

Accordingly, the Company has made arrangements to ensure that all participants, including shareholders, can now participate in the AGM proceedings via video link. Those members who are willing to attend and participate in the AGM via video link are requested to register themselves by sending an email along with following particulars and valid copy of both sides of Computerized National Identity Card (CNIC) at reg.agm2022@sitara.com.pk with subject of 'Registration for AGM' not less than 48 hours before the time of the meeting:

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

Members who will be registered, after necessary verification as per the above requirement, will be provided a password protected video link by the Company via email. The said link will remain open from 2:30 p.m. on the date of AGM till the end of the meeting.

Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address comments.agm2022@sitara.com.pk.

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

CLOSURE OF SHARE TRANSFER BOOKS

The Share Transfer Books of the Company will remain closed from October 15, 2022 to October 21, 2022 (both days inclusive). Transfers received in order at the office of Share Registrar M/s. THK Associates (Pvt.) Limited, Plot no. 32-C, Jami Commercial Street 2, D.H.A Phase VII, Karachi before the close of business on October 14, 2022 will be considered in time for entitlement of the dividend.

PARTICIPATION IN THE ANNUAL GENERAL MEETING.

A member entitled to attend and vote at this meeting is entitled to appoint another person as his/her proxy to attend and vote. Proxies in order to be effective must be received at Company's Share Registrar's Office M/s. THK Associates (Pvt.) Limited, Plot no. 32-C, Jami Commercial Street 2, D.H.A Phase VII, Karachi duly stamped and signed not less than 48 hours before the time of meeting.

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

a) For attending the meeting:

- 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.
 - ii) In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the company's registrar.
 - iii) Form of proxy is attached to the notice of meeting being sent to the members. Proxy Form may also be downloaded from the Company's website i.e. www.sitara.com.pk

WITHHOLDING TAX ON DIVIDEND INCOME

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

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE:

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

SUBMISSION OF COPIES OF CNIC NOT PROVIDED EARLIER

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

CONVERSION OF PHYSICAL SHARES INTO BOOK ENTRY FORM

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

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

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

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

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

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

PLACEMENT OF FINANCIAL STATEMENTS:

The audited financial statements of the Company for the year ended June 30, 2022 have been placed at the Company's website: www.sitara.com.pk.

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

Auditor's Reports & Financial Statements 2022



INDEPENDENT AUDITOR'S REPORT

To the Members of Sitara Chemical Industries Limited

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, 2022, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the profit, its comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

Key audit matter	How the matter was addressed in our audit
1. Revenue Recognition The Company's sales comprise of revenue from the sale of chemicals and textile products as disclosed in note 28 to the financial statements. Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods and at transaction price net of trade discounts (note 4.18). We identified revenue recognition as key audit matter as it is one of the key performance indicator of the Company and because of the potential risk that revenue transactions may not have been recognized based on transfer of control to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.	Our audit procedures to address the Key Audit Matter included the following: <ul style="list-style-type: none"> • Obtained an understanding of and assessed the design, implementation and operating effectiveness of controls over recognition of revenue; • Assessed the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with the accounting standards; • Checked on sample basis whether the recorded sales transactions are based on transfer of control of goods to the customer, satisfying the performance obligation and were recorded in the appropriate accounting period at rate agreed in contract; and • Reviewed the adequacy of disclosures as required under applicable financial reporting framework.

<p>2. Valuation of stock in trade</p> <p>Refer to note 12 to the financial statements.</p> <p>Stock in trade forms a significant part of the Company's assets. As at June 30, 2022, the carrying amount of Company's Stock in trade amounts to Rs 4,324.52 million.</p> <p>We identified valuation of stock in trade as a key audit matter as it involves significant management judgement with respect to standard costs and determination of net realizable value.</p>	<p>In this respect, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of procedures followed by the Company with respect to valuation of stock in trade; • Assessed appropriateness of the Company's accounting policies for valuation of stock in trade and compliance of those policies with accounting and reporting standards as applicable in Pakistan; • On a sample basis, verified supporting documents for purchases of raw materials and the production costs as per accounting policy; • Obtained working of variances recorded by management, including changes made in the current year and tested the amounts, which were incurred and retained to actualize the standard cost of stock in trade at year end; • Obtained an understanding and assessed reasonableness of the management's process for determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete and costs necessary to make the sales and their basis; • Compared the NRV, on a sample basis, to the carrying value of stock in trade to assess whether any adjustments were required to carrying value of inventories in accordance with the policy; • For valuation of goods in transit, verified the supporting documents on sample basis; and • Assessed the adequacy of disclosures related to valuation of stock in trade in the financial statements.
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Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Sufyan.



Chartered Accountants

Place: Lahore

Date: September 26, 2022

UDIN: AR202210180mJq2Flogz

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF SITARA CHEMICAL INDUSTRIES LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies Code of Corporate Governance Regulations 2019 (the Regulations) prepared by the Board of Directors of Sitara Chemical Industries Limited (the Company) for the year ended June 30, 2022, in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2022.

**Chartered Accountants**

Engagement Partner:
Muhammad Sufyan

Place: Lahore
Date: September 26, 2022
UDIN: CR202210180cNpACgrfY

Independent Correspondent Firm to
Deloitte Touche Tohmatsu Limited

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

To the Board of Directors of Sitara Chemical Industries Limited

1. Introduction

We have undertaken a reasonable assurance engagement that the Securities and Exchange Commission of Pakistan (the Commission) has required in terms of its Shariah Governance Regulations, 2018 (the Regulations) for assessing compliance of the Sitara Chemical Industries Limited (the Company) financial arrangements, contracts and transactions having Shariah implications with the Shariah principles (criteria specified in paragraph 2 below) for the period from July 01, 2021 to June 30, 2022.

2. Applicable Criteria

The criteria for the assurance engagement as per the Regulations, against which the underlying subject matter (financial arrangements, contracts and transactions having Shariah implications for the period from July 01, 2021 to June 30, 2022) is assessed, comprise the following:

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

The above criteria were evaluated for the implications on the financial statements of the Company for the year ended June 30, 2022.

3. Management's Responsibility for Shariah Compliance

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

4. Our Independence and Quality Control

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

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

5. Our responsibility and summary of the work performed

Our responsibility in connection with this engagement is to express an opinion on compliance of the Company’s financial arrangements, contracts and transactions having Shariah implications with Shariah principles, in all material respects, for the period from July 01, 2021 to June 30, 2022 based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), ‘Assurance Engagements other than audits or reviews of historical financial information’, issued by the International Auditing and Assurance Standards Board. That standard required that we plan and perform this engagement to obtain reasonable assurance about the compliance of the Company’s financial arrangements, contracts and transactions having Shariah implications with Shariah principles (criteria specified in paragraph 2 above). In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

6. Conclusion

Based on our reasonable assurance engagement, we report that in our opinion, the Company’s financial arrangements, contracts and transactions having Shariah implications for the period from July 01, 2021 to June 30, 2022 are in compliance with the Shariah principles (criteria specified in paragraph 2 above), in all material respects.



Chartered Accountants

Engagement Partner:
Muhammad Sufyan

Place: Lahore
Date: September 26, 2022

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	5	17,344,777,219	16,923,448,466
Intangible assets	6	8,379,203	9,006,853
Investment property	7	3,259,192,023	3,312,589,918
Long term investments	8	25,038,687	25,038,687
Long term loans and advances	9	677,477,026	1,038,354,056
Long term deposits	10	124,376,329	124,365,729
		21,439,240,487	21,432,803,709
<i>Current assets</i>			
Stores, spare parts and loose tools	11	1,128,055,034	897,133,210
Stock in trade	12	4,324,516,058	2,745,163,200
Trade debts	13	1,387,419,436	1,362,775,138
Loans and advances	14	1,836,641,784	1,864,288,109
Trade deposits, prepayments and other receivables	15	28,622,696	20,396,643
Advance income tax		1,479,353,697	1,514,588,153
Other financial assets	16	607,880,563	511,778,193
Cash and bank balances	17	322,690,309	191,102,287
		11,115,179,577	9,107,224,933
Total assets		32,554,420,064	30,540,028,642

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



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Ahmad Hassan
Director

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
EQUITY AND LIABILITIES			
<i>Share capital and reserves</i>			
Share capital	18	214,294,070	214,294,070
Reserves	19	1,372,391,451	1,413,700,273
Unappropriated profit		10,925,709,679	10,270,573,684
Surplus on revaluation of property, plant and equipment	20	3,525,985,457	3,983,296,550
Total equity		16,038,380,657	15,881,864,577
LIABILITIES			
<i>Non-current liabilities</i>			
Long term financing	21	1,825,504,507	1,865,064,862
Long term deposits	22	116,163,171	69,047,093
Deferred liabilities	23	2,857,892,335	2,563,865,063
		4,799,560,013	4,497,977,018
<i>Current liabilities</i>			
Trade and other payables	24	3,582,351,883	2,229,903,822
Profit / financial charges payable	25	240,565,803	161,118,389
Short term borrowings	26	6,839,823,317	6,748,993,811
Provision for taxation		199,042,218	278,149,986
Unclaimed dividend		25,144,376	23,499,746
Current portion of long term financing	21	829,551,797	718,521,293
		11,716,479,394	10,160,187,047
Total equity and liabilities		32,554,420,064	30,540,028,642
<i>Contingencies and commitments</i>	27		

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



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Ahmad Hassan
Director

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
Revenue from contracts with customers - net	28	21,625,585,195	14,784,537,421
Cost of sales	29	(18,752,676,751)	(11,851,633,946)
Gross profit		2,872,908,444	2,932,903,475
Distribution cost	30	(395,832,628)	(288,257,929)
Administrative expenses	31	(763,698,595)	(646,120,967)
Impairment loss on financial assets	13.2	(110,639,291)	(56,696,904)
Other expenses	32	(63,652,303)	(109,885,525)
Finance cost	33	(897,246,392)	(604,306,618)
		(2,231,069,209)	(1,705,267,943)
Other income	34	641,839,235	1,227,635,532
		256,599,634	442,160,853
Profit before taxation		898,438,869	1,669,796,385
Provision for taxation	35	(242,800,348)	(322,106,484)
Profit for the year		655,638,521	1,347,689,901
Earnings per share - basic and diluted	36	30.60	62.89

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



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Ahmad Hassan
Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
Profit for the year		655,638,521	1,347,689,901
<i>Items that may be reclassified subsequently to profit or loss</i>		-	-
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of post retirement benefits obligation	23.3	2,401,930	(1,725,504)
Related tax impact		(792,637)	490,388
Gain on sale of investments measured at FVTOCI		1,055,226	-
Gain / (loss) on re-measurement of equity instruments as at FVTOCI		(51,733,342)	67,234,250
Related tax impact		7,760,001	(10,085,138)
Impact of change in tax rate on revaluation surplus		(243,519,549)	-
Total items that will not be reclassified to profit or loss		(284,828,371)	55,913,996
Total comprehensive income for the year		<u>370,810,150</u>	<u>1,403,603,897</u>

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



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Ahmad Hassan
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2022

	Capital reserves					Revenue reserves		
	Share capital	Share premium	Reserve on re-measurement of equity instruments as at FVTOCI	Remeasurement on post retirement benefits obligation - net of tax	Surplus on revaluation of property, plant and equipment	General reserve	Unappropriated profit	Total
Rupees								
Balance as at July 01, 2020	214,294,070	97,490,410	40,074,665	(4,778,798)	4,237,711,730	1,225,000,000	8,882,762,673	14,692,554,750
Profit for the year	-	-	-	-	-	-	1,347,689,901	1,347,689,901
Other comprehensive income	-	-	57,149,112	(1,235,116)	-	-	-	55,913,996
Total comprehensive income	-	-	57,149,112	(1,235,116)	-	-	1,347,689,901	1,403,603,897
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(254,415,180)	-	254,415,180	-
Transactions with owners								
Final dividend for the year ended June 30, 2020 @ Rs. 10 per share	-	-	-	-	-	-	(214,294,070)	(214,294,070)
Balance as at June 30, 2021	214,294,070	97,490,410	97,223,777	(6,013,914)	3,983,296,550	1,225,000,000	10,270,573,684	15,881,864,577
Profit for the year	-	-	-	-	-	-	655,638,521	655,638,521
Other comprehensive income	-	-	(42,918,115)	1,609,293	(243,519,549)	-	-	(284,828,371)
Total comprehensive income	-	-	(42,918,115)	1,609,293	(243,519,549)	-	655,638,521	370,810,150
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(213,791,544)	-	213,791,544	-
Transactions with owners								
Final dividend for the year ended June 30, 2021 @ Rs. 10 per share	-	-	-	-	-	-	(214,294,070)	(214,294,070)
Balance as at June 30, 2022	214,294,070	97,490,410	54,305,662	(4,404,621)	3,525,985,457	1,225,000,000	10,925,709,679	16,038,380,657

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



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Ahmad Hassan
Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		898,438,869	1,669,796,385
Adjustments for:			
Depreciation on property, plant and equipment		1,310,900,127	1,096,416,765
Depreciation on investment property		3,743,223	4,035,124
Amortization on intangible assets		922,051	1,000,761
Finance cost		897,246,392	604,306,618
Amortization of deferred grant		(5,120,662)	(8,373,938)
Remeasurement loss / (gain) on short term investments measured at FVTPL		2,223	(2,893)
Gain on disposal of property, plant and equipment		(3,954,980)	(214,379,506)
Loss on disposal of intangible assets		371,309	-
Gain on disposal of investment property		(6,911,500)	-
Gain on sale of investments measured at FVTPL		(1,514,654)	(14,371,716)
Exchange loss / (gain)		(6,102,702)	702,530
Gain on discounting of liability against Gas Infrastructure Development Cess		-	(37,489,821)
Provision for employee benefits		19,908,843	13,012,305
Impairment loss on financial assets		110,639,291	56,696,904
Unwinding of discount on deferred consideration		(112,821,317)	(97,612,822)
Markup on bank deposits		(10,608,009)	(8,196,597)
Dividend income		(45,503,021)	(13,325,790)
Operating cash flows before changes in working capital		3,049,635,483	3,052,214,309
Working capital changes	42	(559,145,570)	(1,086,928,588)
Cash generated from operations		2,490,489,913	1,965,285,721
Finance cost paid		(806,249,988)	(588,636,495)
Employee benefits paid		(10,218,284)	(10,958,348)
Taxes paid		(240,791,700)	(142,458,042)
		(1,057,259,972)	(742,052,885)
Net cash generated from operating activities		1,433,229,941	1,223,232,836



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Ahmad Hassan
Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment including capital work in progress		(1,724,762,228)	(3,175,747,009)
Proceeds from disposal of property, plant and equipment		8,200,064	12,271,157
Purchase of investment property		(39,135,564)	(1,085,500)
Proceeds from disposal of investments property		83,990,000	-
Additions to intangible assets		(665,710)	-
Purchase of other financial assets		(1,762,956,414)	(1,288,511,757)
Proceeds from disposal of other financial assets		1,652,785,893	1,058,257,974
Realization of long term loans and advances		463,132,851	206,381,007
Long term deposits paid		(10,600)	(876,395)
Dividend received		10,405,487	9,978,842
Profit received on bank deposits		10,608,009	8,196,597
Net cash used in investing activities		(1,298,408,212)	(3,171,135,084)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		789,183,972	1,519,599,246
Repayment of long term financing		(717,713,823)	(1,031,784,012)
Proceeds from short term borrowings		18,393,749,622	12,241,769,174
Repayment of short term borrowings		(18,302,920,116)	(10,476,319,795)
Long term deposits		47,116,078	16,500,000
Dividend paid		(212,649,440)	(212,403,275)
Net cash (used in) / generated from financing activities		(3,233,707)	2,057,361,338
Net increase in cash and cash equivalents (A+B+C)		131,588,022	109,459,090
Cash and cash equivalents at beginning of the year		191,102,287	81,643,197
Cash and cash equivalents at end of the year	17	322,690,309	191,102,287

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



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Ahmad Hassan
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

1. GENERAL INFORMATION

- 1.1 Sitara Chemical Industries Limited ("the Company") was incorporated in Pakistan on September 08, 1981 as a public limited Company under Companies Act, 1913 (now Companies Act, 2017). The Company is listed on Pakistan Stock Exchange Limited. The Company is a Shariah Compliant Company certified by Securities & Exchange Commission of Pakistan (SECP) under Shariah Governance Regulation 2018. The principal activities of the Company are operation of Chlor alkali plant, Oleo chemical 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, soap noodles and allied products

Textile Division Manufacturing of yarn and trading of fabric

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

2.2 *Accounting convention*

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

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

2.3 *New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2022*

The following standards, amendments and interpretations are effective for the year ended June 30, 2022. These standards, amendments and interpretations are either not relevant to the Company’s operations or are not expected to have significant impact on the Company’s financial statements other than certain additional disclosures.

2.3.1 *Standards or Interpretations with no significant impact*

Effective from annual period beginning on or after:

Interest Rate Benchmark Reform – Phase 2 (Amendments

to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

January 01, 2021

Amendment to IFRS 16 ‘Leases’ - Covid-19 related rent

concessions extended beyond June 30, 2021

April 01, 2021

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Standards or Interpretations

Effective from annual period beginning on or after:

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

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

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

3. *SIGNIFICANT ESTIMATES AND JUDGEMENTS*

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant areas requiring the use of management estimates in these financial statements relate to the useful life of property, plant and equipment and intangibles, revaluation of land, building and plant and machinery, provision for expected credit losses, provision for taxation, slow moving inventory, measurement of defined benefit obligations and assumptions used in discounted cash flow projections for deferred sale receivable. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

4. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The principal accounting policies adopted are set out below :

4.1 *Property, plant and equipment*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Depreciation is charged to statement of profit or loss applying the reducing balance method at the rates specified in note 5 to these financial statements. Depreciation on additions and disposals during the year is charged on the basis of proportionate period of use.

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

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

Capital work-in-progress

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

4.2 *Intangible Assets*

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

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

4.3 *Investment property*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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

4.4 *Investments*

Regular way purchase or sale of investments

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

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

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

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in statement of comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is reclassified to statement of profit or loss on the disposal of equity investments in accordance with the guidance of IFRS 9.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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

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

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

De-recognition

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

4.5 *Stores, spare parts and loose tools*

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

4.6 *Stock-in-trade*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

4.8 *Cash and cash equivalents*

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

4.9 *Impairment*

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

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

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized. A reversal of an impairment loss is recognised immediately in statement of profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

Financial Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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

4.10 *Borrowings*

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

4.11 *Employee retirement benefits*

Defined contribution plan - Chemical division

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

Defined benefit plan - Textile division

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

4.12 *Deferred grant*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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

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

4.13 *Trade and other payables*

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

4.14 *Provisions*

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

4.15 *Taxation*

Current

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

Deferred

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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

4.16 *Dividend and other appropriations*

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

4.17 *Financial instruments*

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

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

4.18 *Revenue recognition*

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

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

4.19 *Borrowing costs*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

4.20 *Foreign currencies*

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

4.21 *Segment Reporting*

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

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

4.22 *Off setting of financial assets and financial liabilities*

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

4.23 *Earnings per share*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2022 Rupees	2021 Rupees
Operating assets	5.1	17,257,906,182	16,859,587,955
Capital work-in-progress	5.3	86,871,037	63,860,511
		<u>17,344,777,219</u>	<u>16,923,448,466</u>

5.1 Operating assets - as at June 30, 2022

Description	Cost / revalued amount			Accumulated depreciation			Dep. rate (%)
	At July 01, 2021	Additions / (disposals) / (write off)	Reclassification	At June 30, 2022	At July 01, 2021	Charge for the year / (on disposals)	At June 30, 2022
Rupees							
Freehold land	1,291,918,351	8,956,149	-	1,300,874,500	-	-	1,300,874,500
Building on freehold land:							
Mill	2,194,442,879	201,839,553	-	2,396,282,432	310,989,927	193,023,482	504,013,409
Head office	12,238,041	-	-	12,238,041	11,114,914	106,825	11,221,739
Plant and machinery	13,779,200,742	1,219,705,314 (4,392,968)	-	14,994,513,088	1,601,620,957	943,791,085 (2,380,781)	2,543,031,261
Grid station and electric installation	260,202,530	4,370,401	-	264,572,931	183,443,545	7,875,117	191,318,662
Containers and cylinders	94,457,976	111,950 (1,173,650)	-	93,396,276	43,081,811	5,145,133 (1,055,695)	47,171,249
Factory equipment	225,557,167	35,262,352	-	260,819,519	81,822,778	16,878,433	98,701,211
Electric equipment	1,515,021,020	151,547,420 (1,435,152)	-	1,665,133,288	436,966,284	110,800,255 (773,549)	546,992,990
Office equipment	85,929,386	7,872,898 (118,433)	-	93,683,851	39,381,139	5,100,299 (70,997)	44,410,441
Furniture and fittings	54,255,159	6,302,730	-	60,557,889	24,172,874	3,275,677	27,448,551
Vehicles	197,530,109	77,494,671 (6,307,335)	-	268,717,445	118,571,176	24,903,821 (4,901,432)	138,573,565
	19,710,753,360	1,713,463,438 (13,427,538)	-	21,410,789,260	2,851,165,405	1,310,900,127 (9,182,454)	4,152,883,078
							17,257,906,182

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Operating assets - as at June 30, 2021

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

5.2 Depreciation for the year has been allocated as under:

	Note	2022 Rupees	2021 Rupees
Cost of sales	29	1,243,951,182	1,041,800,678
Administrative expenses	31	66,948,945	54,616,087
		<u>1,310,900,127</u>	<u>1,096,416,765</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

5.3 Capital work-in-progress

2022

Description	At July 01, 2021	Additions	Transfers	At June 30, 2022
Rupees				
Civil	32,787,838	83,164,712	(81,763,984)	34,188,566
Mechanical	31,072,673	1,096,009,299	(1,074,399,501)	52,682,471
Advance for property, plant and equipment	-	-	-	-
	63,860,511	1,179,174,011	(1,156,163,485)	86,871,037

2021

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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

2022

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain / (loss)	Mode of disposal
Rupees							
Honda Civic Car	Ex Employee Mr. Anwaar Ul Haq	2,520,280	(1,640,525)	879,755	2,500,000	1,620,245	Negotiation
		2,520,280	(1,640,525)	879,755	2,500,000	1,620,245	

2021

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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

Location	Usage of immovable property	Total area (Square feet)		Covered area (Square feet)	
		2022	2021	2022	2021
Chak# 61 - RB, Faisalabad	Manufacturing unit	7,359,642	7,359,642	506,877	506,877
Chak# 97 - RB, Faisalabad	Power Generation Unit	3,915,772	3,915,772	328,259	328,259
Chak# 204 - RB, Faisalabad	Guest House	9,720	9,720	16,851	16,851
Sitara Tower, Civil Line, Faisalabad	Site Office	9,210	9,210	9,210	9,210
Flat No.7, Malik Complex, Blue Area, Islamabad	Site Office	1,344	1,344	1,344	1,344
Vehari Road, Multan	Site Office	5,436	5,436	2,700	2,700
110-A Siddique Trade Center, Lahore	Site Office	1,194	1,194	1,194	1,194
Business Center, Mumtaz Hassan Road, Karachi	Site Office	1,640	1,640	1,640	1,640

The covered area includes double storey building.

5.6 The Company had revalued its freehold land, building and plant & machinery at June 30, 2019. The revaluation had been carried out by Hamid Mukhtar & Company (Private) Limited, an independent valuer not connected to the Company and was on the panel of approved valuers of Pakistan Banks Association. It was also on the panel of State Bank of Pakistan and possessed appropriate qualification and recent experience in the fair value measurements in the relevant locations. The basis used for the revaluation of freehold land, buildings and machinery were as follows:

Land

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

Buildings

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Machinery (Textile)

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

Machinery (Chemical)

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

Foreign Values:

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

Local components:

The remaining 30% of original capitalized cost of local purchased machinery equipment had been fairly escalated by using compounded inflation factor calculated on compounding basis since the year 1990. The actual inflation in Pakistan (CPI) since 1986 till the date of revaluation (i.e. 30-06-2019) had been fluctuating between 4 to 12 % per year (except 20% in the year 2009) as per economic survey of Pakistan. The compounded factor (CIF) was then adjusted for inflation. The re-instatement factor was obtained by discounting the above CIF by 35 % as per Economic Survey of Pakistan.

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

Depreciation due to usage has been applied on all assets of machinery at 5% to 7.5% per annum on written down value basis to arrive at a fair present / depreciated market value of the assets.

- 5.7 Forced Sales Value (FSV) of land, buildings and machinery was Rs. 1,016.89 million, Rs. 1,415.25 million and Rs. 8,276.55 million respectively as at June 30, 2019.
- 5.8 The fair valuation of revalued assets has been determined using level 2 inputs of fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

- 5.9 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at June 30, 2022 would have been as follows:

	Cost	Accumulated depreciation Rupees	Book Value
Land	357,031,037	-	357,031,037
Buildings on free hold land	2,624,318,587	951,398,856	1,672,919,731
Plant and Machinery	13,637,219,613	4,816,546,325	8,820,673,288
2022	16,618,569,237	5,767,945,181	10,850,624,056
2021	15,075,514,155	4,720,123,010	10,355,391,145
	Note	2022 Rupees	2021 Rupees

6. INTANGIBLE ASSETS

Cost

Balance at the beginning of the year	21,550,256	21,550,256
Additions	665,710	-
Disposals	(499,284)	-
Balance at the end of the year	21,716,682	21,550,256

Accumulated amortization

Balance at the beginning of the year	12,543,403	11,542,642
Amortization during the year	922,051	1,000,761
Amortization on disposals	(127,975)	-
Balance at the end of the year	13,337,479	12,543,403
	6.1	8,379,203

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

	Note	2022 Rupees	2021 Rupees
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7. INVESTMENT PROPERTY

Land	7.1	3,223,315,511	3,270,232,182
Buildings	7.2	35,876,512	42,357,736
	7.3	3,259,192,023	3,312,589,918

7.1 Land

Balance at the beginning of the year		3,270,232,182	3,269,146,682
Acquisition during the year	7.1.1	39,135,564	1,085,500
Disposal during the year	7.1.2	(77,078,500)	-
Transfer to property, plant and equipment		(8,973,735)	-
Balance at the end of the year		3,223,315,511	3,270,232,182

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

- 7.1.1** The land acquired is situated at Chak #193 RB, Jaranwala and Muslim Town Rawalpindi, measure to a total area of 1 kanal, 13 marlas, 181 square feet and 14 marlas respectively. These were acquired from Zainab Bibi and Muhammad Tariq Kiyani respectively.
- 7.1.2** The disposal of Investment property includes 17 files of Defence Housing Authority Islamabad out of 25 files held by the company.

	Note	2022 Rupees	2021 Rupees
7.2 Buildings			
Cost			
Balance at the beginning of the year		90,437,826	90,437,826
Transfer to property, plant and equipment		(2,738,001)	-
Balance at the end of the year		87,699,825	90,437,826
Accumulated depreciation			
At the beginning of the year		48,080,090	44,044,966
Charge for the year	31	3,743,223	4,035,124
At the end of the year		51,823,313	48,080,090
Written down value at the end of year		35,876,512	42,357,736

The Company has invested in freehold, residential plots, land and building covering area of 3,332 kanal and 19 marlas (2021: 3,425 kanal & 18 marlas) for the purpose of capital appreciation and earning rental income. These properties are situated within the districts of Faisalabad 3,311 kanal & 5 marlas, Lahore 13 kanal, Rawalpindi 14 marlas and in Islamabad capital territory 8 property files.

The rental income earned by the Company from its investment property amounted to Rs. 30.08 million (2021: Rs. 29.85 million).

- 7.3** The Company has carried out the valuation of investment property as at June 30, 2022. Fair value of investment property is of Rs. 4,100 million.

8. LONG TERM INVESTMENTS

- 8.1** These includes investments in Dawood Family Takaful Limited and Salaam Takaful Pakistan Limited. The Company has elected to designate these investments in equity instruments as at FVTPL.
- 8.2** Details of the Company's investments and information about fair value hierarchy, as at June 30, 2022 is as follows.

	2022 Rupees	2021 Rupees
Salaam Takaful Pakistan Limited - 2,999,500 shares (2021: 2,999,500)	20,038,687	20,038,687
Dawood Family Takaful Limited - 500,000 shares (2021: 500,000)	5,000,000	5,000,000
	25,038,687	25,038,687

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
9. LONG TERM LOANS AND ADVANCES			
Deferred consideration against sale of land	9.1	675,506,380	1,035,930,505
Loans and advances	9.2	1,970,646	2,423,551
		<u>677,477,026</u>	<u>1,038,354,056</u>
9.1 Deferred consideration against sale of land			
Deferred consideration against sale of land		1,125,506,380	1,472,685,062
Current portion shown in current assets	14	(450,000,000)	(436,754,557)
		<u>675,506,380</u>	<u>1,035,930,505</u>
9.1.1 During March 2018, the Company entered into an agreement for sale of land measuring 1,510 kanals situated at 199 RB Faisalabad to M/s Sitara Developers (Private) Limited, at an aggregate sale price of Rs. 2,190 million. Twenty percent of total sale price amounting to Rs. 438 million was received as an advance and balance receivable amounting to Rs. 1,752 million was to be received from M/s Sitara Developers (Private) Limited over a period of 6 years (5 installments). During March 2020, both parties agreed to defer the consideration then outstanding by one year. Above represents the amortized cost of remaining consideration as per amended repayment schedule. During the year company has received the Rs. 350 million in this regard.			
During May 2021, the Company entered into another agreement for sale of land measuring 4 kanal and 5 marlas sitauted at Factory Area, Chak # 212 RB, Faisalabad to Mr. Imran Ghaffor, at an aggregate sale price of Rs. 341 million. An advance of Rs. 20 million has been recieved in this regard and balance receivable of Rs. 321 million is to be recieved from Mr. Imran Ghaffor over a period of 2.5 years (4 installements).			
9.2 Loans and advances	Note	2022 Rupees	2021 Rupees
<i>Considered good</i>			
<i>Secured</i>			
Staff		5,693,100	5,125,904
<i>Unsecured</i>			
Staff		1,814,571	5,514,619
		<u>7,507,671</u>	<u>10,640,523</u>
Current portion shown in current assets	14	(5,537,025)	(8,216,972)
	9.2.1	<u>1,970,646</u>	<u>2,423,551</u>
9.2.1 The maximum aggregate amount due at the end of any month during the year was Rs. 9.29 million (2021: Rs. 16.61 million).			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

		2022 Rupees	2021 Rupees
10. LONG TERM DEPOSITS	Note		
Security deposits for:			
Electricity		39,744,270	39,733,670
Gas		84,018,305	84,018,305
Water and sanitation		155,354	155,354
Others		458,400	458,400
		<u>124,376,329</u>	<u>124,365,729</u>
11. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		1,047,625,097	840,033,961
Spare parts			
- In hand		72,063,544	50,902,443
- In transit		1,536,609	-
Loose tools		6,829,784	6,196,806
		<u>1,128,055,034</u>	<u>897,133,210</u>
12. STOCK IN TRADE			
Raw material			
- In hand		2,182,147,698	1,266,640,437
- In transit		48,926,549	-
Packing material		62,004,081	32,126,723
Work in process		40,928,802	23,661,399
Finished goods			
- In hand		1,945,640,682	1,419,056,219
- In transit		43,587,004	-
Waste		1,281,242	3,678,422
		<u>4,324,516,058</u>	<u>2,745,163,200</u>
13. TRADE DEBTS			
Local - unsecured		1,705,335,402	1,579,197,805
Foreign-secured		36,983,835	27,837,843
		<u>1,742,319,237</u>	<u>1,607,035,648</u>
Allowance for expected credit losses	13.2	(354,899,801)	(244,260,510)
		<u>1,387,419,436</u>	<u>1,362,775,138</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

		2022 Rupees	2021 Rupees
13.2	<i>Movement in allowance for expected credit losses</i>		
	At beginning of the year	244,260,510	187,563,606
	Charge for the year	110,639,291	56,696,904
	At end of the year	38.1.3 354,899,801	244,260,510
14.	LOANS AND ADVANCES		
	Current portion of deferred consideration against sale of land	9.1 450,000,000	436,754,557
	Current portion of long term loans and advances- staff	9.2 5,537,025	8,216,972
		455,537,025	444,971,529
	Sales tax refundable	26,456,207	254,288,980
	Related parties - considered good		
	Sitara Developer Private Limited - advance against expenses	14.1 -	6,970
	Advances		
	For office expenses	23,247,329	12,045,249
	Letters of credit fee, margin and expenses	517,123,025	519,139,596
	Suppliers and contractors	811,834,744	634,478,329
	Workers' profit participation fund	2,443,454	-
	Provision for doubtful advances	14.2 -	(642,544)
		1,354,648,552	1,165,020,630
		1,836,641,784	1,864,288,109
14.1	The maximum aggregate amount of receivable due from related party at the end of any month during the year was Rs. 4.60 million (2021: 2.15 million).		
14.2	<i>Movement in provision for doubtful advances</i>	2022 Rupees	2021 Rupees
	At beginning of the year	642,544	642,544
	Written off during the year	(642,544)	-
	At end of the year	-	642,544

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FOR THE YEAR ENDED JUNE 30, 2022

15.	TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2022 Rupees	2021 Rupees
	Trade deposits		11,300,350	6,540,087
	Prepayments		1,420,722	1,221,923
	Others receivables		15,901,624	12,634,633
			<u>28,622,696</u>	<u>20,396,643</u>
16.	OTHER FINANCIAL ASSETS			
	<i>Investments measured at fair value through profit or loss (FVTPL)</i>			
	Mutual funds	16.1	392,131,100	244,903,936
	<i>Investments designated as at fair value through other comprehensive income (FVTOCI)</i>			
	Equity investments	16.2	215,749,463	266,874,257
			<u>607,880,563</u>	<u>511,778,193</u>

16.1 Investments measured at FVTPL

Units having face value of Rs. 50 each.

2022 No. of units	2021		2022 Rupees	2021 Rupees
5,770,155	4,412,200	Meezan Rozana Amdani Fund	288,507,768	220,610,037
2,070,598	-	Meezan Daily Income Fund	103,529,984	-
-	470,493	Meezan Sovereign Fund	-	24,273,607
1,267	402	Meezan Cash Fund	65,891	20,292
534	-	Meezan Islamic Income Fund	27,457	-
			<u>392,131,100</u>	<u>244,903,936</u>

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

16.1.2 Amounts recognized in statement of profit or loss

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

	Note	2022 Rupees	2021 Rupees
(Loss) / gain on remeasurement of investments	32	(2,223)	2,893
Gain on sale of investments	34	1,514,654	14,371,716

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

16.1.3 Disposals of mutual funds measured at FVTPL

During the period, the Company sold its investment in mutual funds measured at FVTPL. The units sold had a fair value of Rs. 1,631.24 million (2021: Rs. 969.04 million) at the time of sale and the Company realized a gain of Rs. 1.51 million (2021: Rs. 14.37 million) which was realized in statement of profit or loss.

16.2 Investments designated as at FVTOCI

Fully paid ordinary shares of Rs. 10 each.

2022 No. of shares	2021		2022 Rupees	2021 Rupees
3,220,000	3,220,000	Sitara Peroxide Limited	45,917,200	91,093,800
884,026	768,719	Meezan Bank Limited	99,877,257	88,740,052
670,661	674,661	Sitara Energy Limited	6,136,548	10,121,221
112,000	85,000	D.G Khan Cement Company Limited	7,000,000	10,023,200
99,997	84,698	Ittehad Chemicals Limited	2,986,910	3,222,759
66,000	-	Pakistan Oilfields Limited	26,783,460	-
45,000	45,000	Maple Leaf Cement Factory Limited	1,230,750	2,114,100
45,000	7,000	Unity Foods Limited	903,150	311,640
43,750	35,000	National Foods Limited	6,334,125	8,015,700
40,000	40,000	Fauji Cement Company Limited	566,800	920,000
35,000	-	Aisha Steel Mills Limited	386,750	-
35,000	-	G3 Technologies Limited	296,100	-
34,000	-	The Hub Power Company Limited	2,317,780	-
27,500	27,500	Engro Corporation Limited	7,069,975	8,101,775
25,000	25,000	Engro Fertilizers Limited	2,216,000	1,756,750
25,000	160,000	Fauji Foods Limited	165,750	2,889,600
25,000	-	Treet Corporation Limited	729,500	-
20,000	-	Pak Elektron Limited	317,800	-
20,000	-	Waves Singer Pakistan Limited	254,600	-
15,000	-	Ghani Global Holdings Limited	247,650	-
10,000	10,000	NetSol Technologies Limited	997,400	1,699,800
10,000	-	Pakistan Aluminium Beverage Cans Limited	315,300	-
9,000	9,000	Pakistan State Oil Company Limited	1,546,560	2,018,250
6,500	8,000	Sazgar Engineering Works Limited	403,780	1,345,680
4,000	-	International Industries Limited	414,920	-
2,600	-	The Searle Company Limited	283,452	-
2,500	-	Clover Pakistan Limited	49,950	-
-	66,000	Pakistan Oilfield Limited	-	25,994,760
-	34,000	Hub Power Company Limited	-	2,708,780
-	8,000	Mughal Iron & Steel Industries Limited	-	835,200
-	30,000	Fauji Fertilizer Bin Qasim Limited	-	792,300
-	500	Flying Cement Company Limited	-	10,640
-	25,000	TRG Pakistan Limited	-	4,158,250
			<u>215,749,467</u>	<u>266,874,257</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

	2022 Rupees	2021 Rupees
16.2.2 Movement in investments measured at FVTOCI		
Balance at the beginning of the year	266,874,257	189,582,099
Acquired during the year	30,355,344	89,207,595
Disposed off / transferred during the year	(29,746,792)	(79,149,687)
Fair value gain / (loss)	(51,733,342)	67,234,250
Balance at the end of the year	<u>215,749,467</u>	<u>266,874,257</u>

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

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

	Note	2022 Rupees	2021 Rupees
Gain / (loss) on re-measurement of equity instruments recognized in statement of comprehensive income		(51,733,342)	67,234,250
Gain on disposal of equity instruments recognized in statement of comprehensive income		1,055,226	-
17. CASH AND BANK BALANCES			
Cash in hand		18,113,412	15,750,992
Cash at banks			
In current accounts		252,439,702	125,150,064
In saving accounts	17.1	52,137,195	50,201,231
		304,576,897	175,351,295
	17.2	<u>322,690,309</u>	<u>191,102,287</u>

17.1 These are shariah compliant bank balances and carry profits at rates ranging from 6.50% to 7.17% (2021: 2.75% to 2.90%) per annum.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

18. SHARE CAPITAL

2022 No. of shares	2021 No. of shares		2022 Rupees	2021 Rupees
		<i>Authorized</i>		
		Ordinary shares of Rs. 10 each		
40,000,000	40,000,000	Class "A"	400,000,000	400,000,000
20,000,000	20,000,000	Class "B"	200,000,000	200,000,000
		<i>Issued, subscribed and paid up</i>		
		Class "A" ordinary shares of Rs.10/- each		
8,640,000	8,640,000	- fully paid in cash	86,400,000	86,400,000
10,804,398	10,804,398	- issued as fully paid bonus shares	108,043,980	108,043,980
1,985,009	1,985,009	- issued as fully paid under scheme of arrangement for amalgamation	19,850,090	19,850,090
21,429,407	21,429,407		214,294,070	214,294,070

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

18.2 Number of shares held by associated companies or related parties are 492,736 (2021 : 478,499)

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

18.4 Rights and privileges of Board of Directors

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

19. RESERVES	Note	2022 Rupees	2021 Rupees
<i>Capital</i>			
Share premium	19.1	97,490,410	97,490,410
<i>Revenue</i>			
General reserve	19.2	1,225,000,000	1,225,000,000
<i>Other</i>			
Reserve on re-measurement of equity instruments at FVTOCI	19.3	54,305,662	97,223,777
Reserve on re-measurement of post retirement benefits net of tax		(4,404,621)	(6,013,914)
		1,372,391,451	1,413,700,273

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

- 19.1 This represents premium realized on issue of right shares of Rs. 34.55 million during 1991-92, 1993-94 and 1994-95 at the rate of 10%, 10% and 12.50% respectively and of 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. Share premium account can not be used for profit distribution.
- 19.2 The general reserve is used from time to time to transfer profits from un-appropriated profit. There is no policy of regular transfer. General reserves are not usable for profit distribution.
- 19.3 This reserve represents the unrealized surplus on remeasurement of equity instruments as at FVTOCI.

20. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	Note	2022	2021
		Rupees	Rupees
Opening balance		5,116,878,595	5,442,532,655
Transferred to unappropriated profit on account of Incremental depreciation - net of deferred tax		(213,791,544)	(254,415,180)
Related deferred tax liability due to incremental depreciation		(105,300,313)	(71,238,880)
		(319,091,857)	(325,654,060)
Closing balance		4,797,786,738	5,116,878,595
<i>Related deferred tax liability</i>			
Opening balance		(1,133,582,045)	(1,204,820,925)
Impact of change in tax rate		(243,519,549)	-
Deferred tax on incremental depreciation		105,300,313	71,238,880
		(1,271,801,281)	(1,133,582,045)
Closing balance		3,525,985,457	3,983,296,550
21. LONG TERM FINANCING			
<i>From banking companies and other financial institutions - secured</i>			
Diminishing Musharka (from financial institutions - secured)	21.1	1,825,504,507	1,865,064,862

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

21.1 Diminishing Musharka (from financial institutions - secured)

Description	Profit	Security	Repayment	2022	2021
Askari Bank Limited	Three months KIBOR plus 1.00 % (2019: Three months KIBOR plus 1.00 %) per annum payable on quarterly basis.	First Pari Passu charge of Rs. 267 million including 25% margin over Caustic Soda-Liquid-BMR-II plant with 25% margin.	This Diminishing Musharka Facility was sanctioned for amount of Rs. 200 million. Facility is repayable in 14 equal quarterly installments with grace period of 06 months commencing from September 03, 2019 and ending on December 03, 2022.	28,571,432	85,714,288
Askari Bank Limited	Three months KIBOR plus 1.00 % (2019: Three months KIBOR plus 1.00 %) per annum payable on quarterly basis.	a) First Pari Passu charge of Rs. 267 million including 25% margin over Caustic Soda-Liquid-BMR-II plant. b) 1st exclusive charge of Rs. 133 million over Caustic Soda flake Plant (CSP-III) with 25% margin.	This Diminishing Musharka Facility was sanctioned for amount of Rs. 300 million. Facility is repayable in 14 equal quarterly installments with grace period of 06 months commencing from December 27, 2019 and ending on March 27, 2023.	64,285,719	150,000,003
HBL Soap Noodle Plant	SBP Rate plus 1.1% per annum payable on quarterly basis.	First Joint Pari Passu charge of Rs. 667.67 million over all Present and Future Fixed Assets (Land, Building, Plant and Machinery) of Soap Noodles Project of the Company, inclusive of 25% margin.	This SBP Islamic Temporary Economic Refinance Facility (ITERF) was sanctioned for amount of Rs. 500 million, total availed amount of Rs. 426.55 million. Facility is repayable in 20 equal quarterly installments with grace period of one year commencing from October 01, 2020 and ending on September 30, 2025.	387,517,959	398,394,730
Askari Bank Limited- Soap Noodle Plant Rs.1000(M)	Three months KIBOR plus 1.00 % (2020: Three months KIBOR plus 1.00 %) per annum payable on quarterly basis.	First Joint Pari Passu charge of Rs. 1,334 million over all Present and Future Fixed Assets (Land, Building, Plant and Machinery) of Soap Noodles Project of the Company, inclusive of 25% margin.	This SBP Islamic Temporary Economic Refinance Facility (ITERF) was sanctioned for amount of Rs. 1000 million, total availed amount of Rs. 937.28 million. Facility is repayable in 14 equal quarterly installments with grace period of 1 & half year commencing from November 26, 2020 and ending on November 26, 2025.	937,277,056	937,277,056-
Dubai Islamic Bank Soap Noodle Plant Rs.500(M)	SBP Rate plus 1.1% per annum payable on quarterly basis.	First Joint Pari Passu charge of Rs. 667.67 million over all Present and Future Fixed Assets (Land, Building, Plant and Machinery) of Soap Noodles Project of the Company, inclusive of 25% margin.	This SBP Islamic Temporary Economic Refinance Facility (ITERF) was sanctioned for amount of Rs. 500 million. Facility is repayable in 10 equal half yearly installments including 01 year grace period commencing from March 09, 2020 and ending on March 09, 2027.	250,123,583	141,835,031

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Meezan Bank Limited	Three months KIBOR plus 1.00 % (2020: Three months KIBOR plus 1.00 %) per annum payable on quarterly basis.	Three months KIBOR plus 1.00 % (2020: Three months KIBOR plus 1.00 %) per annum payable on quarterly basis.	This Diminishing Musharka facility was sanctioned for amount of Rs. 498.87million. Facility is repayable in 05 years inclusive of grace period of 18 months. The repayment will start from April 11, 2020 and ending on July 11, 2023.	178,204,582	320,768,246
Meezan Bank Limited	Three months KIBOR plus 1.15 % (2020: Three months KIBOR plus 1.15 %) per annum payable on quarterly basis.	Exclusive charge of Rs. 234 million with 25% margin over specific generators provided under sale and lease back.	This Diminishing Musharka facility was sanctioned for amount of Rs. 175,000,000 million. The amount is repayable in 16 equal quarterly instalments with the grace Period of one year. The repayment will start from October 04, 2020 and ending on June 27, 2024.	98,437,500	142,187,500
Faysal Bank Limited	Three months KIBOR plus 1.00 % (2019: Three month KIBOR plus 1.9%) per annum payable on quarterly basis.	First exclusive charge over fixed assets of client, comprising land measuring 7.54 acres, building & membrane unit IV (M-IV) with 25% margin situated at 32-KM Sheikhpura Road, Faisalabad.	This Diminishing Musharka finance facility was sanctioned for an amount of Rs. 800 million. Facility is repayable in twenty equal quarterly installments with grace period of 01 year. The repayment started from November 15, 2017 and ending on August 15, 2022.	40,000,000	200,000,000
MCB Islamic Bank Limited	Three months KIBOR plus 1.00 % (2019: Three Month KIBOR plus 1.00%) per annum payable on quarterly basis.	Pari Passu charge over present & future fixed assets of Membrane Unit III (M-III) plant with 25% margin situated at 32-KM Sheikhpura Road, Faisalabad.	This Diminishing Musharka finance facility was sanctioned for an amount of Rs.500 million. Facility is repayable in sixteen equal quarterly installments commencing from September 29, 2018 and ending on June 29, 2022.	-	125,000,000
Faysal Bank Limited	SBP rate plus 1.00 % (2019: Nil) per annum payable on quarterly basis.	First exclusive charge with 25% margin over fixed assets of client comprising land measuring 7.54 acres, building & Membrane Unit-IV (M-IV) situated at 32-KM Sheikhpura Road, Faisalabad.	This Diminishing Musharka finance facility was sanctioned for an amount of Rs.200 million. Facility is repayable in eight equal quarterly installments commencing from March 31, 2021 and ending on December 31, 2022.	17,894,473	86,618,588

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Meezan Bank Limited	Three months KIBOR plus 1.00 % (availed December 14, 2021) per annum payable on quarterly basis.	Ranking charge over Plant & Machinery of Soap Noodles Plant including Land & Building with 25% Margin.	This Diminishing Musharka finance facility was sanctioned for an amount of Rs.900 million availed till June 30, 2022 Rs.600 million. Facility is repayable in 16 equal quarterly installments commencing from March 13, 2023 and ending on December 33, 2027.	600,000,000	-
Meezan Bank Limited	Three months KIBOR plus 1.00 % (availed January 12, 2022) per annum payable on quarterly basis.	JPP charge over present & future Plant & Machinery of the Coal Fired Power Plant with 25% margin.	This Diminishing Musharka finance facility was sanctioned for an amount of Rs. 1,000 million availed till June 30, 2022 Rs. 52.7 million. Facility is repayable in 24 equal quarterly with the grace period of eighteen months.	52,744,000	-
				2,655,056,304	2,587,797,463
Less: Current portion				(829,551,797)	(718,521,293)
Less: Deferred grant		23.2		-	(4,209,287)
				1,825,504,507	1,865,066,883

21.1.1 Effective rate of profit for the year is ranging from 8.38% to 16.02% (2021 : 8.00% to 12.00%) per annum.

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

	2022 Rupees	2021 Rupees
Maturity		
6 months or less	438,404,406	339,342,910
6 - 12 months	391,147,391	379,178,383
1 - 5 years	1,825,504,507	1,865,064,862
	2,655,056,304	2,583,586,155

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

21.4 Markup paid on these Islamic mode facilities amounted to Rs. 147.24 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

22.	LONG TERM DEPOSITS	2022 Rupees	2021 Rupees
	From customers	114,993,171	67,877,093
	Others	1,170,000	1,170,000
		<u>116,163,171</u>	<u>69,047,093</u>

22.1 As per the requirements of section 217 of the Companies Act, 2017 deposits amounting to Rs. 114.99 million (2021: Rs. 67.88 million) are utilized for the purpose of business as per the written agreements and deposits amounting to Rs. 1.17 million (2021: Rs. 1.17 million) are kept in separate bank account.

23.	DEFERRED LIABILITIES	Note	2022 Rupees	2021 Rupees
	Deferred taxation	23.1	2,768,357,159	2,488,046,844
	Deferred grant	23.2	868,331	5,988,993
	Gratuity payable	23.3	49,821,103	42,532,474
	Gas infrastructure development cess liability	23.4	38,845,742	27,296,752
			<u>2,857,892,335</u>	<u>2,563,865,063</u>

23.1 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

Others

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

Provision for employee benefits

Allowance for expected credit losses

Unused tax credits

1,667,827,832

1,419,933,903

1,271,801,281

1,133,582,045

9,961,762

16,147,561

2,949,590,875

2,569,663,509

(16,496,804)

(12,104,057)

(115,501,636)

(69,512,608)

(49,235,276)

-

(181,233,716)

(81,616,665)

2,768,357,159

2,488,046,844

	Balance as at July 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2022
23.1.1 Movement in temporary differences for the year				
<i>Taxable temporary difference</i>				
Tax depreciation allowance	1,419,933,903	247,893,929	-	1,667,827,832
Surplus on revaluation of property, plant and equipment	1,133,582,045	(105,300,313)	243,519,549	1,271,801,281
Others	16,147,561	1,574,202	(7,760,001)	9,961,762
<i>Deductible temporary difference</i>				
Provision for employee benefits	(12,104,057)	(5,185,384)	792,637	(16,496,804)
Allowance for expected credit losses	(69,512,608)	(45,989,028)	-	(115,501,636)
Tax credit	-	(49,235,276)	-	(49,235,276)
	<u>2,488,046,844</u>	<u>43,758,130</u>	<u>236,552,185</u>	<u>2,768,357,159</u>

NOTES TO THE FINANCIAL STATEMENTS

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	Balance as at July 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2021
	Rupees			
<i>Taxable temporary difference</i>				
Tax depreciation allowance	1,228,494,189	191,439,714	-	1,419,933,903
Surplus on revaluation of property, plant and equipment	1,204,820,925	(71,238,880)	-	1,133,582,045
Others	-	6,062,423	10,085,138	16,147,561
<i>Deductible temporary difference</i>				
Provision for employee benefits	(11,017,841)	(595,828)	(490,388)	(12,104,057)
Allowance for expected credit losses	(53,326,081)	(16,186,527)	-	(69,512,608)
	2,368,971,192	109,480,902	9,594,750	2,488,046,844

	2022 Rupees	2021 Rupees
23.2 Deferred grant		
At beginning of the year	5,988,993	10,153,644
Deferred grant recognized on subsidized rate long term loan	-	4,209,287
Amortization of deferred grant	(5,120,662)	(8,373,938)
At the end of the year	868,331	5,988,993
23.3 Staff retirement benefits - gratuity		
<i>Movement in liability</i>		
At beginning of the year	42,532,474	38,753,013
Charge for the year	19,908,843	13,012,305
Remeasurement (gain) / loss recognized in other comprehensive income	(2,401,930)	1,725,504
Benefits paid during the year	(10,218,284)	(10,958,348)
At the end of the year	49,821,103	42,532,474
23.3.1 Movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation as at July 01	42,532,474	38,753,013
Current service cost	16,276,286	10,247,905
Interest cost	3,632,557	2,764,400
Benefits paid	(10,218,284)	(10,958,348)
Remeasurement (gain) / loss from changes in financial assumptions	(2,401,930)	1,725,504
Present value of defined benefit obligation as at June 30	49,821,103	42,532,474

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

	2022 Rupees	2021 Rupees
23.3.2 Expense recognized in profit and loss account is as follows		
Current service cost	16,276,286	10,247,905
Interest cost	3,632,557	2,764,400
	<u>19,908,843</u>	<u>13,012,305</u>
23.3.3 Charge for the year has been allocated as follows:		
Cost of sales	13,936,189	9,108,613
Administrative expenses	5,972,654	3,903,692
	<u>19,908,843</u>	<u>13,012,305</u>
23.3.4 Total remeasurement chargeable to statement of other comprehensive income:		
Actuarial (gain) / loss on remeasurement of defined benefit obligation	(2,401,930)	1,725,504
	<u>(2,401,930)</u>	<u>1,725,504</u>

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

	2022	2021
Discount rate	13.25%	10.00%
Expected rate of salary increase	4.86%	4.21%
Average retirement age of employee	60 years	60 years

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	47,454,604	52,468,433
Salary growth	1%	52,718,462	47,190,659

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021
23.3.7 Maturity profile of the defined benefit obligation		
23.3.7.1 Weighted average duration of the benefit (Years)	5.28	5.64
23.3.7.2 Distribution of timing of benefit payments (time in years)	2022 Rupees	2021 Rupees
1	14,261,297	6,407,652
2	5,405,896	9,152,876
3	5,942,211	3,221,833
4	4,565,619	5,282,342
5	7,375,452	3,233,614
6 to 10	25,561,877	18,972,640
11 and above	82,274,353	44,566,188

23.3.8 Risk associated with defined benefit plans

Investment risks

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

Longevity risks

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

	2022 Rupees	2021 Rupees
23.4 Gas infrastructure development cess liability		
Balance at the beginning of the year	260,988,504	467,383,503
Discounting of GIDC	-	(37,489,821)
Unwinding of interest	11,548,990	25,837,948
Payment made during the year	-	(194,743,126)
	<u>272,537,494</u>	<u>260,988,504</u>
Less: Payable within one year	<u>(233,691,752)</u>	<u>(233,691,752)</u>
	<u>38,845,742</u>	<u>27,296,752</u>

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

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

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FOR THE YEAR ENDED JUNE 30, 2022

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

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

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

Furthermore, as per the guidance of IFRS 9 "Financial Instruments", the liability for GIDC that was referred to in the decision of SCP amounting to Rs. 467.38 million was re-measured at fair value and present value of future cash outflows discounted at market rate of interest was recognized at an amount of Rs. 429.80 million. The difference amounting to Rs. 37.49 million between the fair value of GIDC liability (i.e. present value of amount required to be paid to settle the GIDC liability) and transaction price of GIDC liability (i.e. undiscounted amount of GIDC liability) was recognised as a gain on discounting of liability for GIDC in statement of profit or loss. Till the year end, the Company has recorded finance cost of Rs. 11.55 million (2021: Rs. 25.84 million) on the unwinding of the liability in the statement of profit or loss.

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

24. TRADE AND OTHER PAYABLES	Note	2022 Rupees	2021 Rupees
Creditors		981,214,199	747,631,863
Accrued liabilities		1,742,431,890	653,982,475
Advances from customers		151,385,121	81,743,343
Provision for gas infrastructure development cess	23.4	406,057,978	406,057,978
Gas infrastructure development cess liability - current portion		233,691,752	233,691,752
Payable to Provident fund- related party	24.1	115,770	3,381,985
Retentions / security deposits		41,687,964	66,271,615
Withholding tax		3,713,996	1,590,166
Workers' profit participation fund	24.2	-	10,575,226
Workers' welfare fund		16,202,405	21,298,974
Others		5,850,808	3,678,445
		<u>3,582,351,883</u>	<u>2,229,903,822</u>

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24.1 This represents contribution of the Company and employees in respect of provident fund. The maximum aggregate amount payable to related party at the end of any month during the year was Rs. 2.20 million (2021: Rs. 4.51 million).

24.2	<i>Movement in workers' profit participation fund</i>	Note	2022 Rupees	2021 Rupees
	At beginning of the year		10,575,226	8,444,481
	Amount paid to workers on behalf of the fund		(61,110,383)	(85,753,276)
			(50,535,157)	(77,308,795)
	Allocation for the year	32	48,091,703	87,884,021
	At end of the year		(2,443,454)	10,575,226
25.	<i>PROFIT / FINANCIAL CHARGES PAYABLE</i>			
	Long term financing		36,916,958	36,715,395
	Murabaha financing / short term borrowings		203,648,845	124,402,994
			240,565,803	161,118,389
26.	<i>SHORT TERM BORROWINGS</i>			
	<i>Secured</i>			
	From banking companies - Islamic financing facilities	26.1	6,839,823,317	6,748,993,811
26.1	<i>Break up of the short term borrowings</i>			
	Meezan Bank Limited		801,491,700	982,308,424
	The Bank of Punjab		549,981,300	700,000,000
	Dubai Islamic Bank		488,498,680	650,000,000
	Habib Bank Limited		750,000,000	650,000,000
	Askari Bank Limited		500,000,000	500,000,000
	Bank Alfalah Limited		500,000,000	492,792,470
	The Bank of Khyber		538,624,642	450,000,000
	Faysal Bank Limited		500,000,000	350,000,000
	Habib Metropolitan Bank		416,226,995	350,000,000
	Soneri Bank Limited		250,000,000	346,137,840
	Standard Chartered Bank (Pakistan) Limited		800,000,000	300,000,000
	MCB Bank Limited		195,000,000	281,500,000
	Bank Al Habib Limited		-	613,405
	United Bank Limited		300,000,000	300,000,000
	BankIslami Pakistan Limited		250,000,000	395,641,672
			6,839,823,317	6,748,993,811

26.2 The aggregate unavailed facilities from banking companies amounted to Rs. 2,300 million (2021: Rs. 2,088 million). These are subject to profit margin ranging from 7.89% to 16.44% (2021: 7.30% to 14.29%) per annum and are secured against joint pari-passu charge over present and future current assets of the chemical division and textile division.

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			2022 Rupees	2021 Rupees
27.	CONTINGENCIES AND COMMITMENTS	Note		
27.1	Contingencies			
	There were no contingencies as at period end.			
27.2	Commitments			
	Guarantees issued by banks on behalf of the Company		262,046,851	268,814,875
	Outstanding letters of credit for plant and machinery		1,328,572,104	601,017,016
	Outstanding letters of credit for stores spare parts and raw material		236,900,000	-
28.	REVENUE FROM CONTRACTS WITH CUSTOMERS - NET			
	Chemical		21,749,741,170	13,966,017,859
	Textile		4,186,362,562	3,921,430,654
			25,936,103,732	17,887,448,513
	Less:			
	Commission and discount		(572,130,134)	(516,149,147)
	Sales tax		(3,738,388,403)	(2,586,761,945)
	Revenue from contracts with customers - net	28.1	21,625,585,195	14,784,537,421
28.1	All revenue earned by the Company is shariah compliant.			
29.	COST OF SALES			
	Raw material consumed	29.1	5,788,602,486	4,224,403,644
	Fuel and power		11,038,306,186	5,754,559,392
	Salaries, wages and benefits	29.2	700,440,585	557,530,224
	Stores and spares		595,332,860	550,899,185
	Repair and maintenance		59,331,857	59,879,405
	Vehicle running and maintenance		2,457,716	2,321,216
	Travelling and conveyance		31,322,088	28,729,936
	Insurance		38,571,262	31,454,765
	Depreciation	5.2	1,243,951,182	1,041,800,678
	Amortization	6	922,051	1,000,761
	Others		9,061,749	2,231,009
			19,508,300,022	12,254,810,215
	Work in process			
	Opening stock		23,661,399	27,136,232
	Closing stock		(40,928,802)	(23,661,399)
			(17,267,403)	3,474,833
	Cost of goods manufactured		19,491,032,619	12,258,285,048
	Finished stocks			
	Opening stock - including waste		1,422,734,641	1,016,083,539
	Cost of testing of Soap Noodles Plant		(170,581,581)	-
	Closing stock - including waste		(1,990,508,928)	(1,422,734,641)
			(738,355,868)	(406,651,102)
			18,752,676,751	11,851,633,946

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FOR THE YEAR ENDED JUNE 30, 2022

		2022 Rupees	2021 Rupees
29.1	Raw material consumed		
	Opening stock	1,298,767,160	1,283,735,642
	Purchases	6,782,913,654	4,239,535,162
		8,081,680,814	5,523,270,804
	Closing stock	(2,293,078,328)	(1,298,767,160)
		5,788,602,486	4,224,503,644
29.2	Salaries, wages and benefits include Rs. 13.94 million (2021: Rs. 7.05 million) in respect of employee retirement benefits.		
30.	DISTRIBUTION COST	2022 Rupees	2021 Rupees
	Salaries, wages and benefits	36,125,015	30,097,610
	Freight, octroi and insurance	346,049,437	243,215,771
	Advertisement	2,085,642	3,144,200
	Vehicles running and maintenance	5,111,412	5,580,253
	Travelling and conveyance	2,777,928	3,169,468
	Postage and telephone	1,324,657	1,120,359
	Printing and stationery	615,459	644,159
	Others	1,743,078	1,286,109
		395,832,628	288,257,929
31.	ADMINISTRATIVE EXPENSES		
	Directors' remuneration	54,355,694	52,696,889
	Salaries, wages and benefits	361,013,966	306,974,642
	Postage and telephone	5,817,451	4,765,937
	Vehicles running and maintenance	31,956,321	27,550,095
	Printing and stationery	1,661,877	1,519,722
	Electricity	30,110,349	32,076,943
	Rent, rates and taxes	5,277,181	2,831,483
	Travelling and conveyance	28,842,402	13,709,137
	Advertisement	22,849,909	15,392,669
	Books and periodicals	145,815	150,460
	Fees and subscription	14,263,961	10,385,997
	Legal and professional	5,798,943	3,143,887
	Repairs and maintenance	28,705,970	15,250,384
	Auditors' remuneration	3,193,000	3,180,000
	Entertainment	17,702,535	13,836,618
	Donations	69,854,519	57,453,960
	Insurance	5,504,154	4,630,116
	Depreciation	66,948,945	54,616,087
	Depreciation on investment property	3,743,223	4,035,124
	Advance to suppliers written off during the year	-	17,667,492
	Others	5,952,380	4,253,325
		763,698,595	646,120,967

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FOR THE YEAR ENDED JUNE 30, 2022

- 31.1** Staff salaries and benefits include Rs. 5.97 million (2021: Rs. 3.02 million) in respect of employee retirement benefits.
- 31.2** Travelling and conveyance include Rs. 0.03 million (2021: Rs. 0.05 million) paid to Shariah Advisor.
- 31.3** Legal and professional include Rs. 0.60 million (2021: Rs. 0.60 million) paid to Shariah Advisor.

31.4 Auditors' remuneration	2022 Rupees	2021 Rupees
Annual statutory audit	1,775,000	1,775,000
Half yearly, COCG and Shariah compliance reviews	775,000	775,000
Out of pocket expenses	130,000	130,000
Tax advisory services	513,000	500,000
	<u>3,193,000</u>	<u>3,180,000</u>

- 31.5** It includes Rs. 14.57 million (2021: Rs. 13.09 million) to Sheikh Foundation and Rs. 42.03 million (2021: Rs. 27.18 million) donated to Aziz Fatima Trust (AFT), Faisalabad. Later is primarily running a charitable hospital for needy and poor people. Mr. Muhammad Adrees, the CEO and director of the Company is also Trustee of the AFT.

32. OTHER EXPENSES	Note	2022 Rupees	2021 Rupees
Workers' profit participation fund	24.2	48,091,703	87,884,021
Workers' welfare fund		15,558,377	21,298,974
Exchange loss		-	702,530
Remeasurement loss on short term investments measured at FVTPL		2,223	-
		<u>63,652,303</u>	<u>109,885,525</u>
33. FINANCE COST			
Long term financing		147,237,926	144,266,117
Murabaha payable / short term borrowings		732,224,197	430,649,133
Unwinding of GIDC liability		11,548,990	25,837,948
Bank charges and commission		6,235,279	3,553,420
		<u>897,246,392</u>	<u>604,306,618</u>

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34. OTHER INCOME	Note	2022 Rupees	2021 Rupees
<i>Income from financial assets</i>			
Markup on bank deposits	34.1	10,608,009	8,196,597
Dividend income	34.2	45,503,021	13,325,790
Exchange gain	34.3	6,102,702	-
Gain on sale of investments measured at FVTPL		1,514,654	14,371,716
Remeasurement gain on short term investments measured at FVTPL		-	2,893
Unwinding of deferred consideration receivable against sale of land		112,821,317	97,612,822
		176,549,703	133,509,818
Income from other than financial assets			
Gain on disposal of property, plant and equipment		3,954,980	214,379,506
Gain on disposal of investment property		6,911,500	-
Sale of scrap and waste		12,204,863	12,998,532
Rent income		30,094,394	29,854,886
Amortization of deferred grant	23.2	5,120,662	8,373,938
Unwinding gain on gas infrastructure development cess provision		-	37,580,786
Others		21,763,532	5,463,387
		80,049,931	308,651,035
		256,599,634	442,160,853

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

34.2 This represents dividend income from mutual funds and equity shariah compliant investments.

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

35. PROVISION FOR TAXATION	2022 Rupees	2021 Rupees
Current		
For the current year	347,497,623	278,289,278
For prior year	(148,455,405)	(65,663,696)
	199,042,218	212,625,582
Deferred		
	43,758,130	109,480,902
	242,800,348	322,106,484

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	2022 %	2021 %
35.1 Numerical reconciliation between the applicable and effective tax rate		
Applicable tax rate including super tax at the rate of 10 % (2021: 0%)	39.00	29.00
Prior year adjustments	(16.52)	(3.93)
Lower rate applicable to certain income	(0.30)	(0.30)
Effect of tax credits	0.78	(0.90)
Effect of change in statutory rate	3.21	-
Income taxed at different rates	(0.08)	-
Others	0.93	(4.58)
Effective tax rate	27.02	19.29

36. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2022	2021
Profit for the year	Rupees	655,638,521	1,347,689,901
Weighted average number of ordinary shares outstanding during the year	Number	21,429,407	21,429,407
Earnings per share	Rupees	30.60	62.89

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2022 Rupees	2021 Rupees
37.1 Long term finance		
Balance at the beginning of the period	2,583,586,155	2,099,980,208
Availed during the year	789,183,988	1,519,599,246
Recognized as deferred grant	-	(4,209,287)
Repaid during the year	(717,713,839)	(1,031,784,012)
Balance at the end of the period	2,655,056,304	2,583,586,155
37.2 Short term finance		
Balance at the beginning of the period	6,748,993,811	4,983,544,432
Availed during the year	18,393,749,622	12,241,769,174
Repaid during the year	(18,302,920,116)	(10,476,319,795)
Balance at the end of the period	6,839,823,317	6,748,993,811
37.3 Unclaimed dividend		
Balance at the beginning of the period	23,499,746	21,608,951
Announced during the year	214,294,070	214,294,070
Paid during the year	(212,649,440)	(212,403,275)
Balance at the end of the period	25,144,376	23,499,746

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38. FINANCIAL RISK MANAGEMENT

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

Credit risk

Liquidity risk

Market risk

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

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

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

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

38.1 Credit risk and concentration of credit risk

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

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

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

38.1.1 Counterparties

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

Trade debts

Trade debts are essentially due from local customers against sale of yarn, fabric caustic soda, hydrochloric acid and other allied products and from foreign customers against supply of caustic soda (liquid and flakes) and calcium chloride. The Company does not expect these counterparties

NOTES TO THE FINANCIAL STATEMENTS

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to fail to meet their obligations. The majority of sales to the Company's customers are made on specific terms. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored and any shipments to foreign customers are generally covered by letters of credit or other form of credit insurance.

Bank and investments

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

38.1.2 Exposure to credit risk

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

	2022 Rupees	2021 Rupees
<i>Financial assets at amortized cost:</i>		
Trade debts	1,387,419,436	1,362,775,138
Long term deposits	124,376,329	124,365,729
Loans and advances	1,133,014,051	1,483,332,555
Advance income tax and other receivables	1,479,353,697	12,634,633
Bank balances	304,576,897	175,351,295
	<u>4,428,740,410</u>	<u>3,158,459,350</u>
<i>Financial assets at fair value:</i>		
Investments measured at fair value through profit or loss (FVTPL)	417,169,787	269,942,623
Investments designated as at fair value through other comprehensive income (FVTOCI)	215,749,463	266,874,257
	<u>632,919,250</u>	<u>536,816,880</u>

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

	2022 Rupees	2021 Rupees
Chemical	974,786,104	840,131,775
Textile	412,633,332	522,643,364
	<u>1,387,419,436</u>	<u>1,362,775,139</u>

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

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

	2022 Rupees	2021 Rupees
Chemicals	974,786,104	840,131,774
Textile	412,633,332	522,643,364
	<u>1,387,419,436</u>	<u>1,362,775,138</u>

NOTES TO THE FINANCIAL STATEMENTS

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38.1.3 Impairment losses

The aging of trade receivables at the reporting date is:

	2022	2021	Gross 2022	Impairment 2022	Gross 2021	Impairment 2021
	Percentage		Rupees			
Not past due	-	-	1,062,781,051	-	510,176,419	-
Past due 0-180 days	25	07	409,813,054	101,362,603	833,558,340	60,869,720
Past due 181-360 days	95	82	34,002,744	32,402,745	37,980,692	31,296,168
Over 360 days	94	68	235,722,388	221,134,453	225,320,197	152,094,622
			<u>1,742,319,237</u>	<u>354,899,801</u>	<u>1,607,035,648</u>	<u>244,260,510</u>

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

	2022 Rupees	2021 Rupees
Balance at July 01, 2021	244,260,510	187,563,606
Charge for the period	110,639,291	56,696,904
Balance at June 30, 2022	<u>354,899,801</u>	<u>244,260,510</u>

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

	2022 Rupees	2021 Rupees
At beginning of the year	642,544	642,544
Written off during the year	(642,544)	-
At end of the year	<u>-</u>	<u>642,544</u>

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

38.2 Liquidity risk management

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

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Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 27.2 to these financial statements is the amount of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

38.2.1 Liquidity and interest risk table

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

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

	Carrying amount	
	2022 Rupees	2021 Rupees
<i>Trade and other payables</i>		
Maturity up to one year	2,729,496,897	1,405,292,783
<i>Short term borrowings</i>		
Maturity up to one year	6,839,823,317	6,748,993,811
<i>Unclaimed dividend</i>		
Maturity up to one year	25,144,376	23,499,746
<i>Profit / financial charges payable</i>		
Maturity up to one year	240,565,803	161,118,389
<i>Long term financing</i>		
Maturity up to one year	996,357,031	718,521,293
Maturity after one year and up to five years	2,020,611,485	1,865,064,862
	<u>3,257,534,319</u>	<u>2,744,704,544</u>

38.3 Market risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

38.3.1 Foreign currency risk management

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

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

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to foreign currency risk

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

	2022 USD	2021 USD
Trade debts	179,970	15,724

Commitments outstanding at year end amounted to Rs. 1,565.47 million (2021: Rs. 601.02 million) relating to letter of credits for import of plant and machinery, stores spare parts and raw material.

The following significant exchange rates applied during the year:

<i>Rupees per USD</i>	2022	2021
Average rate	181.51	162.79
Reporting date rate	205.50	157.52

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2022 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, 2021.

	2022 Rupees	2021 Rupees
Decrease in profit and loss account	3,698,384	247,684

A 10 percent strengthening of the Pak Rupee against the USD at June 30, 2022 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

38.3.2 Other price risk

Other price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. The effects of changes in fair value of such investments made by the Company, on the future profits are considered to be material in the overall context of these financial statements.

38.3.3 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 (2021: Rs. 25.04 million).

At the reporting date, the exposure to listed equity securities at fair value was Rs. 607.880 million (2021: Rs. 511.778 million). An increase of 25% on the PSX market index would have an impact of approximately Rs. 151.97 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.

38.3.4 Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Profile of financial instruments at amortized cost

At the reporting date, the Company have following interest bearing financial instruments.

	2022 %	2021 %	2022 Rupees	2021 Rupees
<i>Fixed rate instruments</i>				
<i>Financial assets</i>				
Bank balances	6.50% to 7.17%	2.75% to 2.90%	52,137,195	50,201,231
<i>Floating rate instruments</i>				
<i>Financial liabilities</i>				
Short term borrowings	7.89% to 16.44%	7.30% to 14.29%	6,839,823,317	(6,748,993,811)
Long term financing	8.38% to 16.02%	8.00% to 12.00%	(3,016,968,516)	(2,583,586,155)
			<u>3,874,991,996</u>	<u>(9,282,378,735)</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
2022	%	Rupees
Short term borrowings	1.00%	68,398,233
Long term financing		(30,169,685)
		<u>38,228,548</u>
2021		
Short term borrowings	1.00%	(67,489,938)
Long term financing		(25,835,862)
		<u>(93,325,800)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

38.4 Fair value hierarchy

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

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

	Level 1	Level 2	Level 3	Total
	Rupees			
<i>Equity instruments at FVTOCI as at June 30, 2022</i>				
Quoted equity securities	607,880,563	-	-	607,880,563
Un-quoted equity securities	-	25,038,687	-	25,038,687
Total	607,880,563	25,038,687	-	632,919,250
<i>Equity instruments at FVTOCI as at June 30, 2021</i>				
Quoted equity securities	511,778,193	-	-	511,778,193
Un-quoted equity securities	-	25,038,687	-	25,038,687
Total	511,778,193	25,038,687	-	536,816,880

There were no transfers between the levels during the year.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

38.5 Determination of fair values

Fair value of financial instruments

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

Equity instruments at FVTOCI as disclosed in other financial assets in listed entities, are presented at fair value by using quoted prices at Pakistan Stock Exchange as at June 30, 2022 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.

38.6 Capital risk management

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

	2022 Rupees	2021 Rupees
Total borrowings	9,494,879,621	9,332,579,966
Less: Cash and bank balances	322,690,309	191,102,287
Net debt	9,172,189,312	9,141,477,679
Total equity including revaluation surplus	16,038,380,657	15,478,688,308
Total capital	25,210,569,969	24,620,165,987
Gearing ratio	36.38%	37.13%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

39. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2022			2021		
	Chief Executive	Executive Directors	Executives	Chief Executive	Executive Directors	Executive
	Rupees					
Remuneration	20,000,000	6,000,000	67,952,435	18,000,000	5,000,004	58,962,400
<i>Perquisites</i>						
House rent	8,000,000	2,400,000	19,450,460	7,200,000	2,000,004	16,701,930
Utilities	2,000,000	600,000	6,793,163	1,800,000	499,992	5,889,825
Medical allowance	1,496,628	-	6,793,318	-	-	5,889,697
Special allowance	-	-	313,898	-	-	282,900
Fuel allowance	1,130,016	-	-	-	-	-
Income tax	10,560,717	2,168,333	-	5,989,928	1,664,167	-
	43,187,361	11,168,333	101,303,274	32,989,928	9,164,167	87,726,752
Number of persons	1	1	37	1	1	31

39.1 The Chief Executive, certain Directors and Executives are provided with free use of Company maintained cars and telephone etc. having value amounting to Rs. 8.02 million (2021 Rs 5.25 million).

39.2 Non-Executive directors have been paid meeting fee amounting to Rs. 525,000 during the period (2021: Rs. 370,000).

40. TRANSACTIONS WITH RELATED PARTIES

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

		2022 Rupees	2021 Rupees
40.1	<i>Transactions with related parties</i>		
	<i>Relationship with the Company</i>		
	<i>Nature of transactions</i>		
	Associated undertakings		
	Sale of goods	250,900	178,590
	Purchases	-	7,302,707
	Donation	37,262,538	24,929,535
	Key management personnel		
	Remuneration to Executives	156,307,893	129,881,847

40.1.1 The maximum amount of sale to related party during the year was Rs. 0.06 million (2021: 0.11 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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

Company name

Basis of association

Sitara Developers (Private) Limited
Aziz Fatima Trust Hospital

Common directorship
Common directorship

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

41. PLANT CAPACITY AND PRODUCTION

Chemical Division	Designed capacity		Actual production		Reason of variation
	2022	2021	2022	2021	
	----- Tons -----				
Caustic soda	207,900	207,900	150,038	139,287	Demand based production
Sodium hypochlorite	66,000	66,000	51,618	44,475	Demand based production
Liquid chlorine	11,550	11,550	9,634	8,183	Demand based production
Bleaching powder	7,920	7,920	5,582	3,857	Demand based production
Hydrochloric acid	363,000	363,000	191,851	106,814	Demand based production
Calcium Chloride prill	13,200	13,200	2,222	2,712	Demand based production
Oleo Chemicals	34,000	-	8,192	-	Demand based production

	2022	2021
Textile Division		
Ring Spinning		
Number of spindles installed	28,512	28,512
Number of spindles worked	28,512	28,512
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	11,063,814	11,063,814
Actual production of yarn after conversion into 20/s count (Kgs)	10,424,887	11,029,453

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

42. WORKING CAPITAL CHANGES	2022 Rupees	2021 Rupees
<i>(Increase) / decrease in current assets</i>		
Stores, spare parts and loose tools	(230,921,824)	(36,667,129)
Stock in trade	(1,579,352,858)	(418,207,787)
Trade debts	(129,180,887)	(218,768,680)
Advance Sales Tax	227,832,773	(328,197,626)
Loans and advances	(189,620,952)	(440,514,112)
Trade deposits, prepayments and other receivable	(8,226,053)	3,133,656
	<u>(1,909,469,801)</u>	<u>(1,439,221,678)</u>
<i>(Decrease) / Increase in current liabilities</i>		
Trade and other payables	1,350,324,231	352,293,090
	<u>(559,145,570)</u>	<u>(1,086,928,588)</u>

43. PROVIDENT FUND RELATED DISCLOSURE

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

44. The average and total number of employees during year ended June 30, 2022 and June 30, 2021 are as follows:

	2022	2021
Total number of employees as at June 30	2,380	2,280
Average number of employees during the year	2,417	2,183

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

45. OPERATING RESULTS

	Chemical		Textile		Total	
	2022	2021	2022	2021	2022	2021
	----- Rupees -----					
Revenue from contracts with customers:						
<i>Local</i>						
Caustic soda	15,674,924,869	11,003,878,659	-	-	15,674,924,869	11,003,878,659
Sodium hypochlorite	1,496,524,034	1,122,402,958	-	-	1,496,524,034	1,122,402,958
Oleochemical	1,913,763,227	-	-	-	1,913,763,227	-
Bleaching powder	301,441,816	181,982,620	-	-	301,441,816	181,982,620
Liquid chlorine	352,838,080	248,220,061	-	-	352,838,080	248,220,061
Hydrochloric acid	842,917,186	760,120,757	-	-	842,917,186	760,120,757
Magnesium chloride and others	795,386,073	582,148,333	-	-	795,386,073	582,148,333
Yarn	-	-	3,899,755,211	3,553,272,441	3,899,755,211	3,553,272,441
Waste	-	-	31,645,344	34,585,915	31,645,344	34,585,915
Fabrics	-	-	254,962,007	333,572,298	254,962,007	333,572,298
<i>Export</i>						
Caustic soda flakes	261,690,971	-	-	-	261,690,971	-
Others	110,254,914	67,264,471	-	-	110,254,914	67,264,471
	21,749,741,170	13,966,017,859	4,186,362,562	3,921,430,654	25,936,103,732	17,887,448,513
Less:						
Commission and discount	555,461,197	502,425,355	16,668,937	13,723,792	572,130,134	516,149,147
Sales tax	3,120,887,576	2,009,084,013	617,500,827	577,677,932	3,738,388,403	2,586,761,945
Revenue from contracts with customers - net	18,073,392,397	11,454,508,491	3,552,192,798	3,330,028,930	21,625,585,195	14,784,537,421
Cost of sales	(15,984,098,610)	(9,042,348,562)	(2,768,578,141)	(2,809,285,384)	(18,752,676,751)	(11,851,633,946)
Gross profit	2,089,293,787	2,412,159,929	783,614,657	520,743,546	2,872,908,444	2,932,903,475
Other income	170,235,876	194,548,171	86,363,758	247,612,682	256,599,634	442,160,853
Distribution cost	(389,894,828)	(281,052,075)	(5,937,800)	(7,205,854)	(395,832,628)	(288,257,929)
Impairment loss on financial assets	(101,533,283)	(15,785,168)	(9,106,008)	(40,911,736)	(110,639,291)	(56,696,904)
Administrative expenses	(653,889,074)	(563,566,251)	(106,616,521)	(79,374,716)	(760,505,595)	(642,940,967)
Finance cost	(893,612,961)	(562,818,593)	(3,633,431)	(41,488,025)	(897,246,392)	(604,306,618)
	(1,868,694,270)	(1,228,673,916)	(38,930,002)	78,632,351	(1,907,624,272)	(1,150,041,565)
Reportable segments profit before tax	220,599,517	1,183,486,013	744,684,655	599,375,897	965,284,172	1,782,861,910
Unallocated income / (expenses)						
Administrative expenses					(3,193,000)	(3,180,000)
Other income / (expenses)					(63,652,303)	(109,885,525)
					898,438,869	1,669,796,385
Provision for taxation					(242,800,348)	(322,106,484)
Profit for the year					655,638,521	1,347,689,901
<i>Other information</i>						
Segment assets	24,081,396,612	22,056,227,467	3,059,200,655	2,852,882,610	27,140,597,267	24,909,110,077
Unallocated corporate assets					5,413,822,797	5,630,918,565
					32,554,420,064	30,540,028,642
Segment liabilities	13,372,778,042	11,466,086,551	150,717,594	402,381,050	13,523,495,636	11,868,467,601
Unallocated corporate liabilities					2,992,543,771	2,789,696,464
					16,516,039,407	14,658,164,065
Capital expenditure	1,676,510,275	3,104,103,083	36,953,163	144,683,934	1,713,463,438	3,248,787,017
Depreciation	1,215,155,397	1,040,654,079	95,744,730	55,762,686	1,310,900,127	1,096,416,765

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

45.1 *Inter-segment pricing / sales*

There is no purchase and sale between the segments.

45.2 *Products and services from which reportable segments derive their revenues*

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

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

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

The Company does not have any geographical segment.

45.3 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.

46. *EVENTS AFTER THE STATEMENT OF FINANCIAL DATE*

In respect of current year, the directors have proposed to pay final cash dividend of Rs. 171.43 million (2021: Rs. 214.29 million) at Rs. 8.00 (2021: Rs. 10.00) per ordinary share of Rs. 10 each for approval of the shareholders at the forthcoming Annual General Meeting. Financial effect of the proposed dividend has not been taken in these financial statements and will be accounted for subsequently in the year when such dividend is approved.

47. *DATE OF AUTHORIZATION FOR ISSUE*

These financial statements were authorized for issue on September 17, 2022 by the Board of Directors of the Company.

48. *GENERAL*

Figures have been rounded off to the nearest Rupee.



Muhammad Adrees
Chief Executive Officer



Zakir Hussain
Chief Financial Officer



Ahmad Hassan
Director

SITARA CHEMICAL INDUSTRIES LIMITED

FORM OF PROXY ANNUAL GENERAL MEETING

I/We _____ S/o/D/o/W/o _____
of _____ being a member of
SITARA CHEMICAL INDUSTRIES LIMITED and holder of _____ Ordinary Shares as per Share
Register Folio No. _____ and/or CDC Participant ID No. _____ and Account / Sub-account
No. _____ do hereby appoint Mr./Mrs./Miss _____
_____ of _____ failing him/her, Mr./Mrs./Miss _____
_____ of _____ as my/our proxy to attend, act and vote for me/us on my/our
behalf at Annual General Meeting of the Company to be held on Friday October 21, 2022 at 3:00 pm at ICAP
Auditorium, Institute of Chartered Accountant of Pakistan, Chartered Accountants Avenue, Block 8 Clifton, Karachi
in person and via Zoom video link and at any adjournment thereof in the same manner as I/we
myself/ourselves would vote if personally present at such meeting.

Signature of Shareholder
Folio / CDC A/C No.

Signature of Proxy

Revenue Stamp

Dated this _____ day of _____ 2022

Witness:

Witness:

1. Signature _____
Name _____
Address _____
CNIC or _____
Passport No. _____

2. Signature _____
Name _____
Address _____
CNIC or _____
Passport _____

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on member's behalf .
2. If a member is unable to attend the meeting. He/She may complete and sign this form and send it to the Company's Share Registrar M/s. THK Associates (Pvt) Limited, Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase VII, Karachi so as to reach not less than 48 hours before the time appointed for holding the Meeting.
3. For CDC Account Holders / Corporate Entities; in addition to the above, the following requirements have to be met:
 - (a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers be stated on the form.
 - (b) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
 - (c) The proxy shall produce his original CNIC or original passport at the time of the meeting. In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

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

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ستاره کیمیکل انڈسٹریز لمیٹڈ

پراکسی فارم

اجلاس عام

میں رہم _____ ستاره کیمیکل انڈسٹریز لمیٹڈ کے ممبر/ممبران رجسٹرڈ فوئیو نمبر/شرکاء
کی آئی ڈی سی ڈی سب اکاؤنٹ نمبر _____ کے مطابق _____ عمومی شیئرز رکھتے ہیں۔
بذریعہ ہذا _____ یا ان کی عدم موجودگی کی صورت میں _____
پراکسی 21 اکتوبر 2022 بروز جمعہ کو سہ پہر 3:00 بجے ICAP آڈیٹوریم، انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹ آف پاکستان، چارٹرڈ اکاؤنٹنٹس ایونیو،
بلاک 8 کراچی ذاتی طور پر اور زوم ویڈیو لنک کے ذریعے منعقد ہونے والے اجلاس عام اور اس کے کسی التواء تک میری/ہماری جانب سے ووٹ دینا اور
اجلاس میں شرکت کرنے کا حق دیتا ہوں/دیتے ہیں۔

ریونیو اسٹامپ

دستخط پراکسی

دستخط شیئر ہولڈر

بتاریخ _____ سہ 2022

گواہان:

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

- ایک رکن جو اجلاس عام میں شرکت کرنے اور ووٹ دینے کا اہل ہے اس کو حق حاصل ہے کہ وہ کسی دوسرے فرد کو بطور پراکسی اپنی جانب سے شرکت کرنے اور ووٹ دینے کے لیے مقرر کرے۔
- اگر کوئی رکن اجلاس عام میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مکمل اور تصدیق شدہ کمپنی کے شیئر رجسٹرار میسرز THK ایسوسی ایٹس پلاٹ نمبر: C-32 جمی کمرشل سٹریٹ 2، ڈی۔ ایچ۔ اے۔ فیئر 7 کراچی-75500 کو اجلاس کے منعقد ہونے سے 48 گھنٹے قبل بھجوائیں۔
- CDC اکاؤنٹ ہولڈر/Corporate Entity مندرجہ بالا کے علاوہ مندرجہ ذیل شقوں پر عمل کریں:
 - پراکسی فارم میں دو گواہان کے دستخط نیز ان کے پتے اور شناختی کارڈ نمبر کا اندراج بھی لازمی ہے۔
 - رکن اور پراکسی کے تصدیق شدہ قومی شناختی کارڈ یا پاسپورٹ کی نقول کی فراہمی
 - پراکسی کے لیے لازم ہے کہ وہ اجلاس کے وقت اپنا اصل قومی شناختی کارڈ یا پاسپورٹ تصدیق کے لیے فراہم کرے۔ Corporate Entity کی صورت میں بورڈ آف ڈائریکٹرز کی تصدیق شدہ قرارداد کی نقول بشمول Power of Attorney دستخط کے ساتھ (بجز اگر پہلے ہی جمع کرادی گئی ہے)۔ پراکسی فارم کے ہمراہ کمپنی کے شیئر رجسٹرار کو جمع کروائے۔

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

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SITARA CHEMICAL INDUSTRIES LIMITED

DIVIDEND MANDATE (MANDATORY)

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

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

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

Name of Shareholder _____

Folio Number _____

Contact Number of Shareholder _____

Bank Account No. _____

IBAN _____

Title of Account _____

Type of Account _____

Name of Bank _____

Bank Branch & full Mailing Address _____

Contact No. of Bank _____

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

Shareholder's signature

Date

CNIC No. (Copy attached)

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

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SITARA CHEMICAL INDUSTRIES LIMITED

CIRCULATION OF ANNUAL AUDITED ACCOUNTS

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

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

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its SRO No. 470(I)/2016 dated 31ST May, 2016, that have allowed companies to circulate their Annual Audited Accounts (i.e. Annual Balance Sheet and Profit and Loss Accounts, Auditor's Report and Directors' Report etc ("Annual Report") along with the Notice of Annual General Meeting ("Notice") to its shareholders through Email or any other Electronic Media at the registered addresses.

Shareholders who wish to receive the hard copy of Financial Statements shall have to fill the below form and send us to Company address.

I/We hereby consent Option 1 or Option 2 to the above SROs for Audited Financial Statements and Notice of General Meeting(s) delivered to me hard from instead Email or any other Electronic Media.

☐ Option 1 Via Email

Name of the Members/Shareholders

CNIC NO.

Folio / CDC Account Number

Valid Email Address

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

☐ Option 2 Via Hard copy

Name of the Members/Shareholders

CNIC NO.

Folio / CDC Account Number

Mailing Address

(to receive Financial Statements alongwith
Notice of General Meetings instead of
Email/CD/DVD/USB and other Electronic Media)

I/We hereby confirm that the above mentioned information is correct and in case of any change thereon, I/We will immediately intimate to the Company's Share Registrar. I/we further confirm that the transmission of Company's Annual Audited Financial Statements and Notice of General Meeting(s) through my/our above address would be taken as compliance with the Companies Act, 2017.



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








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Sitara Chemical Industries Limited

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Tel: 021-32420620, 32413944