Sitara Chemical Industries Limited

Annual Report 2013

Contents

Financial Performance | 2013

Earning Per Share
Rs 48.35
(2012: Rs. 32.13)

Profit Before Tax
+39.69%
Rs. 1,374 M
(2012: Rs. 984 M)

Operating Profit
+9.52%
Rs. 1,861 M
(2012: Rs. 1,699 M)

Sales
+8.51%
Rs. 8,099 M
(2012: Rs. 7,464 M)

Return on Capital Employed
+4.14%
15.58 %
(2012: 11.44 %)

100%
Cash Dividend
Rs. 10 per share
(2012: Rs. 8)

Gross Profit
+18.09%
Rs. 2,503 M
(2012: Rs. 2,120 M)

Vision

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

Mission

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

Code of Ethics and Business Practices

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

Company Information

Board of Directors

Haji Bashir Ahmed
(Chairman)

Mr. Muhammad Adrees
(Chief Executive Officer)

Mr. Imran Ghafoor

Mr. Haseeb Ahmed

Mr. Muhammad Khalil

Mr. Ijaz Hussain

Mr. Mazhar Ali Khan

Company Secretary

Mr. Mazhar Ali Khan

Chief Financial Officer

Mr. Anwar-ul-Haq (FCA)

Audit Committee

Chairman	Mr. Imran Ghafoor
Member	Mr. Haji Bashir Ahmed
	Mr. Muhammad Khalil

Human Resource and Remuneration Committee

Chairman	Mr. Imran Ghafoor
Members	Haji Bashir Ahmed
	Mr. Muhammad Adrees

Head of Internal Audit

Mr. Zakir Hussain (ACA)

Auditors

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Legal Advisor

Mr. Sahibzada Muhammad Arif

Bankers

Meezan Bank Limited
National Bank of Pakistan
Allied Bank Limited
United Bank Limited
Bank Alfalah Limited
Dubai Islamic Bank Pakistan Limited
The Bank of Punjab
MCB Bank Limited
Standard Chartered Bank Pakistan Limited
First Habib Bank Modaraba
Saudi Pak Industrial and Agricultural Investment Co. (Pvt.) Limited
Al-Baraka Islamic Bank B.S.C. (E.C.)
Faysal Bank Limited
Habib Bank Limited
Burj Bank Limited
Bank Islami Pakistan Limited
Pak Oman Investment Company Ltd.
Habib Metropolitan Bank Limited
My Bank Limited
Bank Al-Habib Limited
Soneri Bank Limited

Website of the Company

www.sitara.com.pk

Registered Office

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

Shares Registrar Address

THK Associates (Private) Limited
Ground Floor, State Life Building No.3
Dr. Ziauddin Ahmed Road
Karachi-75530.

Factories

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

Message from CEO

Sitara Group carries a long history of responsible business while participating in the social economic development of the country through industrialization.

Sitara Chemical Industries Ltd. is one of the entity which started its production in 1985 with a small capacity of 30 MT / day and by the Grace of Almighty Allah reached to the current capacity of 610 MT / day.

This development is based on the opportunity provided by the market dynamics, visionary leadership and diligence of sailing through all hardships and obstacles.

Muhammad Adrees
Chief Executive Officer

Chairman's Statement

وَاللَّهُ يَرْزُقُ مَن يَشَآءُ بِغَيْرِ حِسَابٍ

On behalf of Board of Directors of Sitara Chemical Industries Ltd., I feel great pleasure to present before you the audited financial statements for the year ended June 30, 2013.

Overall Review

All praises to Almighty Allah who blessed us with success in all aspects. Your company carried on its performance firework during this year. We achieved the highest earning per share (EPS) establishing sheer efforts of management of the Company. Your Management has been able to improve profitability by effectively adopting the principle of lean management in every sphere of business of the company to minimize production costs and controlling operational and financial cost. Focused sales and marketing development strategies backed by stable production resulted in achieving healthy growth in sales volume over prior years. Obviously this happened with the great help of Almighty Allah and colossal efforts by the management. During the year, we faced umpteen challenges including higher rate of inflation, depressed economy of Pakistan, dreadful law and order situation, political instability and geopolitical constraints. The supply of gas and electricity remained better as compared to previous years. From last two years, we were exporting our liquid products to India through Wagah Border which enable us to sale our residual products. Considering these challenges, International and local competition, your company performed very well. It proves sustainability and adaptability of management of the company to face critical challenges. Further, current year financial results established our capability towards combating with local and international competition as well. During the year under review, major overhauling of remaining two engines of Captive Power Plant was accomplished. Renovation of one electrolyzer is under process and shall be completed in 2014. Renovation and up gradation of furnace is planned to be started in next year. With the grace of Allah Subhana Ta Allah, expansion has been made in Carbon Dioxide plant and production capacity reached to 32 MT per day from 12 MT per day. Textile division of your company has launched cloth finishing product in the brand name of Rajal's. The finest Rajal's suiting is designed with immaculate craftsmanship to reach an excellent level. Overall consumer response is outclass and quite encouraging.

Going forward, the management plans to continue to maintain its focus on safe and stable plant operations coupled with improving operational efficiencies across all aspects of the business. The objective will be to reap optimal economic benefits.

Financial Performance

Net sales of the company during the year under review are Rs. 8,100 million having an increase of Rs. 636 million over last year. Sales for the Chemical Division are Rs. 6,670 million against last year that of Rs. 6,286 million and Sales for the Textile Division is Rs. 1,430 million against last year that of Rs. 1,178 million. Net profit after tax for the year is Rs. 1,036 million registering increase of Rs. 348 million from last year. Earning per share for the year is Rs. 48.35 against Rs. 32.13 in last year.

These results depict absolute and audacious endeavor of management, better supply of Gas and electricity. No doubt, Allah Subhana Ta Allah helped us to attain these results beside high rate of inflation and Geopolitical problems.

Future Outlook

Your company is proactive in considering all business options including horizontal expansion as well as vertical expansion. Alhamdulillah, considering alternate energy sources to overcome energy crises, being the biggest need of Pakistan; we are planning to set up 30MW Coal based power plant. This shall not only contribute to nation but also strengthen your company. Technical orientation and techno-commercial activities are being conducted in this regards. For backward integration of SSP plant, your company is considering setting up Sulfuric acid plant having 50 MT per capacity. Residual product will be sold in local market. This shall not only boost our existing product line but shall also introduce Sulfate group in our products lines. Your Company is planning to finance these projects through its operations and sale of investment property.

Acknowledgement

At the end, I would like to thank all of our business partners, stakeholders and management team for their continuous support, trust and assistance.

Haji Bashir Ahmed
Chairman
Sitara Group of Industries

Faisalabad, August 19, 2013

Directors' Report

The Directors have pleasure in submitting their report and audited accounts of the Company for the year ended June 30, 2013.

Profit Appropriations	Rupees
Net profit for the year after tax before WPPF	1,103,720,157
Workers' Profit Participation Fund	(67,616,294)
Net profit for the year	1,036,103,863
Incremental Depreciation net of Deferred	61,523,256
Un-appropriated profit brought forward	2,678,172,367
Amount available for appropriation	3,775,799,486
Appropriations:	
Proposed cash dividend @ Rs.10 per share	(214,294,070)
Un-appropriated profit carried forward	3,561,505,416
Earnings per share - Basic	48.35

Staff Retirement Benefits

Company has maintained recognized provident fund, based on audited accounts as at June 30, 2013 value of investment thereof was Rs. 47,386,138/-.

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.

Board of Director

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

During the year, Mr. Anis resigned from the board of directors of company and Mr. Mazhar Ali Khan was nominated by the board to fill the casual vacancy. The board places on record its appreciation for valuable contribution made by Mr. Anis and Well come Mr. Mazhar Ali Khan as a new director of the company.

Board of Directors Meeting

During the year five board meetings were held and attended as follows:

1.	Haji Bashir Ahmed	5
2.	Mr. Muhammad Adrees	5
3.	Mr. Haseeb Ahmed	5
4.	Mr. Ijaz Hussain	5
5.	Mr. Anis (Retired)	1
6	Mr. Mazhar Ali Khan (New)	4
7.	Mr. Imran Ghafoor	5
8.	Mr. Muhammad Khalil	

Directors' Report

Audit Committee Meetings	
1. Mr. Imran Ghafoor	4
2. Haji Bashir Ahmed	4
3. Mr. Muhammad Khalil	3
4. Mr. Muhammad Anis (Retired)	1

Human Resource and Remuneration Committee	
1. Mr. Imran Ghafoor	4
2. Haji Bashir Ahmed	4
3. Mr. Muhammad Adrees	3
4. Mr. Muhammad Anis (Retired)	1

Corporate Governance:

Statement on Compliance of Corporate Governance is annexed.

Pattern of Shareholding:

The pattern of shareholding of the Company is annexed along with trading in shares of the Company by its Directors, CEO, CFO and Company Secretary.

Auditors

The existing auditors M/s M. Yousuf Adil Saleem & Co., Chartered Accountants, shall retire on the conclusion of 32st Annual General Meeting. Being eligible, they have offered themselves for re-appointment as Auditors of the Company from conclusion of the 32st Annual General Meeting until the conclusion of 33rd Annual General Meeting. The Audit Committee has recommended the appointment of aforesaid M/s M. Yousuf Adil Saleem & Co., Chartered Accounts as external auditors for the year ending June 30, 2014. 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.

Contribution to National Exchequer

During the year, The Company's contribution to the national exchequer amounting to Rs. 1,346.85/- million in respect of payment towards sales tax and income tax. This does not include the import duties, withholding tax deducted by the company from employees, suppliers and contractors and deposited into the treasury.

Production Operations

During the year your company has produced 108,594 Metric Tons of Caustic Soda against last year's production of 112,231 Metric Tons. Production of Textile Division remained 8,234,117 Kgs of Yarn against 8,012,202 Kgs in the last year. During the year all 22,080 spindles remained operational. We wish to express our gratitude towards Almighty Allah on successful renovation of one electrolyzers and major overhauling of all power engines in captive power plant. This would ensure uninterrupted supply generated by Power Plant and also will increase efficiency of sophisticated membrane. Textile Division has launched new product with name Rajal's.

Research and Development

Your company continued its research and development activities at its exclusive R&D department that constitutes highly professional and fully dedicated staff. For utilization of excessive chlorine produced as by-product, R&D department performed marvelous job introducing various products and we hope further achievements in coming years.

Information Technology

"Company is committed to utilize the relevant developments in the IT sector to achieve its strategic business goals. It is equipped with necessary hardware, software, applications, and personnel to cope with all the business challenges and the developments taking place in the market.

For its commitment to implement paperless environment in managing its day to day business affairs, company has completed implementation of the state of the art and world's best ERP solution - SAP along with in house developed software applications for managing its information system The transactions generated through different modules of these applications become the source of real time information for effective, correct and timely business decisions.


Fire Fighting Drill

Environment, Health and Safety

Your company is strongly committed to continued improvement of is environmental management system by adaptation of appropriate pollution prevention measures and complying with all relevant legislation and standards especially ISO 9001:2008 and ISO 14001:2004. Company is also committed to the slogan of "safety starts from the entrance". Trainings, awareness sessions and workshops are held continually at the plant for safety measures, emergency response and preparedness, chemical spillages, chlorine leakage, security and fire fighting drills etc. During the year under review various courses/ workshops/awareness sessions were held at the site. On average 500 persons are trained per year on the above mentioned subjects.

Human Resource Development


Annual Hajj Draw by CEO

Human Resource planning and management is one of the most focused point at the highest management level. The company has a Human Resource and Management committee which is involved in selection, evaluation, compensation and succession planning of the key management personal. It is also involved in recommending improvement in human resource policy and its periodic review. Your company always welcomed the opportunities for staff training, broadening their knowledge, vision and skill and awareness about changing technological and learning developments. For this purpose multiple workshops / courses / seminars were held during the year under review wherein renowned consultants were called for to train the staff. Company has sent 36 employees to attend courses and workshops held at various well known institutions of Pakistan as well as abroad.


Winner of Sports Fair are honoured with prizes


Football Finale at Sports Gala


CEO at International training centre, Italy

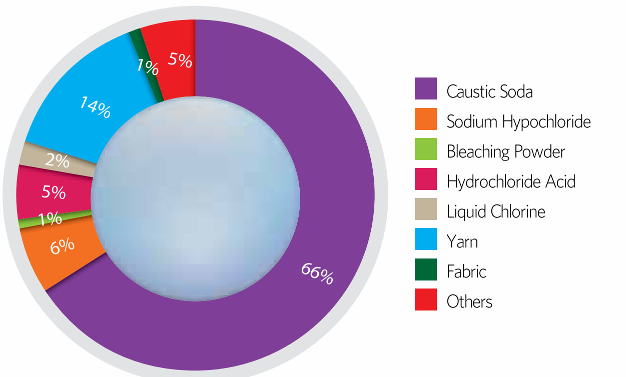
Corporate Social Responsibility

Corporate Social Responsibility Sitara Chemical Industries Limited is proactive for health and welfare of local community. We manage and arrange medical camps and health awareness campaigns frequently. In this regard various activities have been held at factory site.


Infant ICU at Aziz Fatima Hospital

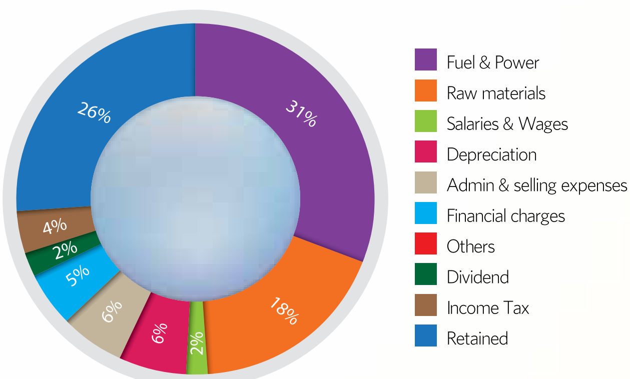
OPD of Aziz Fatima Hospital

Source of Revenue



	Rs.(Million)	%
Caustic soda	6,191	66
Sodium Hypochlorite	529	6
Bleaching powder	136	1
Hydrochloric acid	463	5
Liquid Chlorine	172	2
Yarn	1,320	14
Fabric	107	1
Others	444	2
	9,362	100

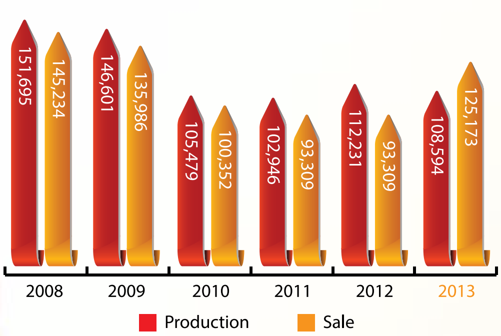
Application of Revenue



	Rs.(Million)	%
Fuel & power	2,881	37
Raw materials	1,679	19
Salaries & wages	228	3
Depreciation	548	6
Admin & selling expenses	574	5
Financial charges	487	9
Other	1	-
Dividend	171	2
Income tax	338	4
Retained	2,455	15
	9,362	100

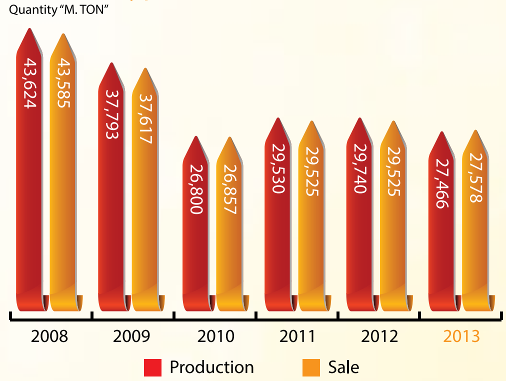
Caustic Soda

Quantity "M. TON"



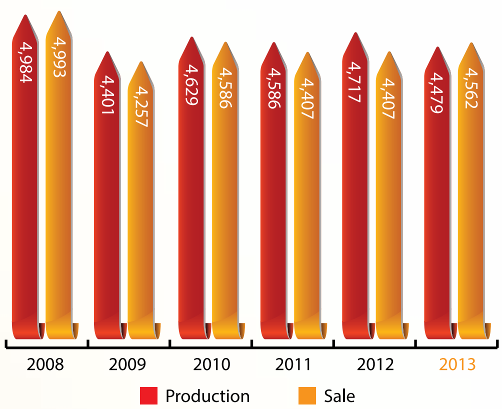
Sodium Hypochlorite

Quantity "M. TON"



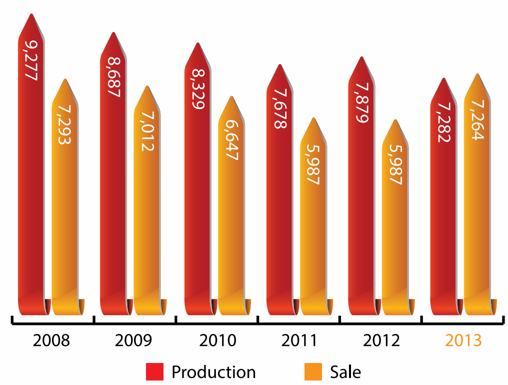
Bleaching Powder

Quantity "M. TON"



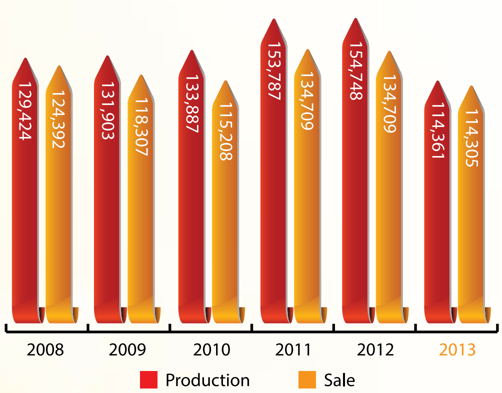
Liquid Chlorine

Quantity "M. TON"



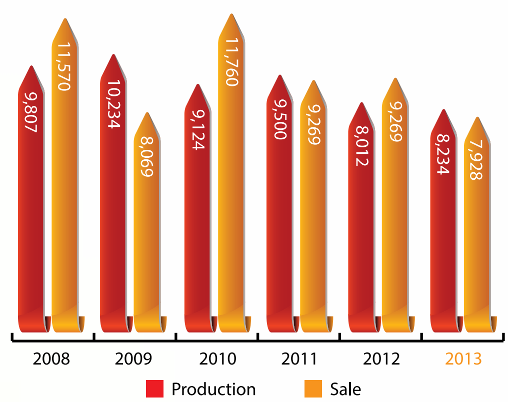
Hydrochloric Acid

Quantity "M. TON"



Cotton Yarn Converted into 20/s Count

Quantity (Kgs) "000"



Acknowledgement

"Our people are our strength and key drivers behind all our achievements. We acknowledge valuable contribution of every employee of the company in consistent growth and marvelous performance in the Financial Year 2013. We also cannot forget to say thanks to customers for the trust they put in our products all the time. Directors also wish to express their gratitude to the shareholders of the company and financial institutions for their support and confidence in the management.

For and on behalf of the
BOARD OF DIRECTORS

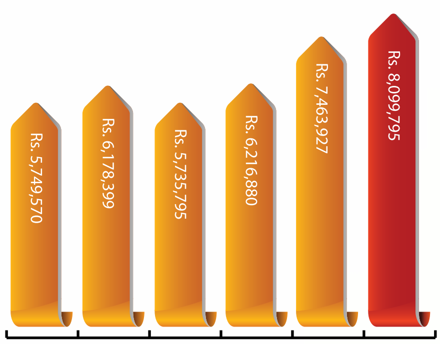
Muhammad Adrees
Chief Executive Officer

Six Years at a Glance

Assets Employed (Rs, '000')	2013	2012	2011	2010	2009	2008
Sales	8,099,795	7,463,927	6,216,880	5,735,795	6,178,399	5,749,570
Gross profit	2,503,664	2,120,006	1,553,641	1,538,725	1,961,755	1,555,284
Operating profit	1,861,275	1,699,466	1,213,155	1,220,073	1,601,620	1,289,140
Profit before tax	1,374,446	984,051	518,229	609,962	987,894	919,300
Financial ratios						
Gross Profit %	30.91	27.73	24.99	26.83	31.75	27.05
Operating Profit %	22.98	22.77	19.51	21.27	25.92	22.42
Profit before tax %	16.97	13.18	8.34	10.63	15.99	15.99
Earnings per share - Basic (Rs,)	48.35	32.13	19.97	22.67	30.89	30.49
Market value per share - (Rs.)	199.99	105.05	99.81	134.93	156.00	258.90
Cash Dividend Per Share - (Rs.)	10.00	8.00	6.25*	2.50*	7.50	7.50
Inventory turn over (times)	5.85	6.03	6.72	6.58	6.48	8.10
Current ratio	0.75:1	0.63:1	0.87:1	0.84:1	0.91:1	0.79:1
Fixed assets turn over (times)	1.36	1.23	1.13	1.04	1.29	1.23
Price earning ratio	4.14	3.27	5.00	5.95	5.05	8.49
Return to capital employed %	15.58	11.44	6.88	7.45	12.71	14.66
Debt equity	21:79	33:67	42:58	51:49	52:48	55:45

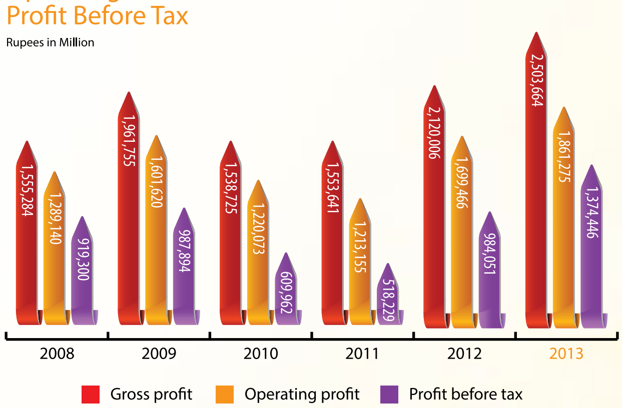
* 05% bonus shares along with cash dividend was proposed.

Sales

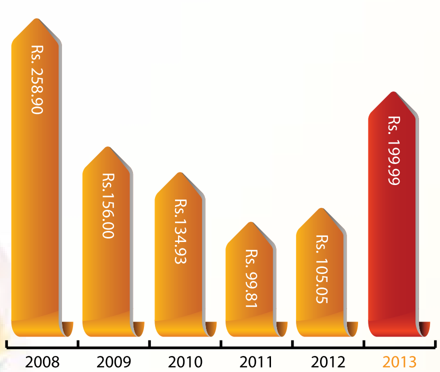


Gross Profit Operating Profit Profit Before Tax

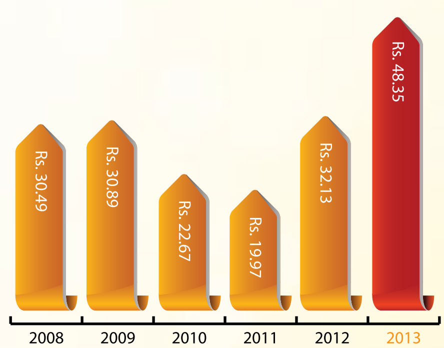
Rupees in Million



Market value per share



Earning per share-Basic

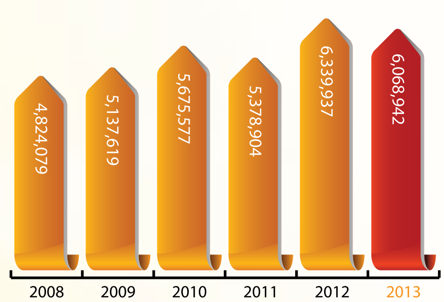


Six Years at a Glance

Assets Employed (Rs, '000')	2013	2012	2011	2010	2009	2008
Property, Plant and equipment	6,068,942	6,339,937	6,195,031	5,675,577	5,137,619	4,824,079
Intangible assets	19,950	-	-	-	-	-
Investment property	2,868,379	2,820,036	1,576,856	2,724,588	2,705,805	1,255,842
Long Term Investment	63,431	67,608	-	-	-	-
Advances and deposits	929,735	937,790	229,142	130,815	126,659	669,954
Current assets	3,414,660	2,715,289	3,262,718	1,779,477	2,143,328	1,838,853
Current liabilities	(4,540,910)	(4,279,703)	(3,731,902)	(2,128,504)	(2,343,211)	(2,319,046)
	8,824,187	8,600,958	7,531,845	8,181,953	7,770,200	6,269,682
Financed by:						
Ordinary capital	214,294	214,294	214,294	204,091	204,090	204,090
Reserves	5,161,331	4,188,592	3,572,117	3,156,262	2,757,899	2,221,939
Shareholders' equity	5,375,625	4,402,886	3,786,411	3,360,353	2,961,989	2,426,029
Surplus on revaluation	1,402,756	1,466,066	920,622	944,619	1,006,548	1,075,358
Long term and deferred liabilities	2,045,806	2,732,006	2,824,812	3,876,981	3,801,663	2,768,295
	8,824,187	8,600,958	7,531,845	8,181,953	7,770,200	6,269,682

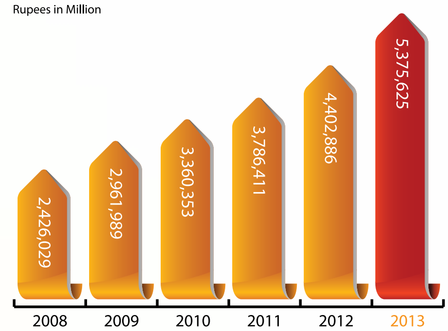
Fixed assets

Rupees in Million

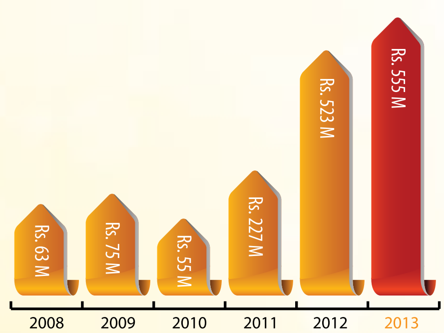


Shareholders' equity

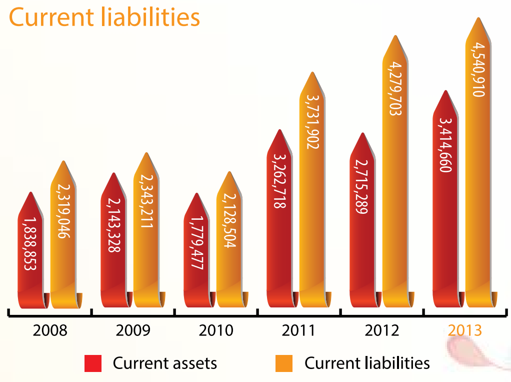
Rupees in Million

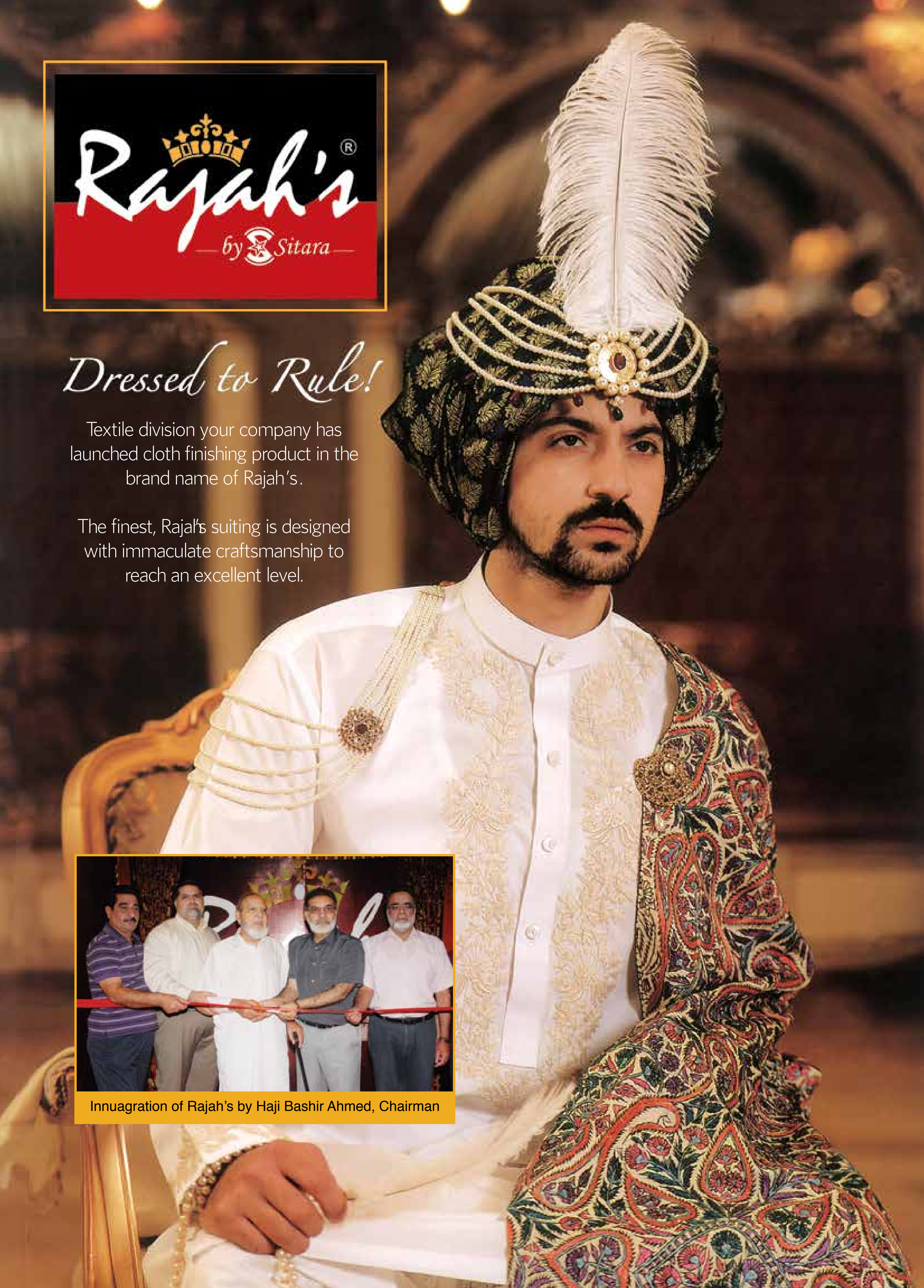


Export sales



Current assets & Current liabilities





Rajah's®
by Sitara

Dressed to Rule!

Textile division your company has launched cloth finishing product in the brand name of Rajah's.

The finest, Rajah's suiting is designed with immaculate craftsmanship to reach an excellent level.

Innuagration of Rajah's by Haji Bashir Ahmed, Chairman

Corporate Governance

Statement of Directors' Responsibilities

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 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 Regulations.

Presentation of Financial Statements

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

Books of Account

Company has maintained proper books of account.

Accounting Policies

"Appropriate accounting policies have been consistently applied, in the preparation of financial

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 Concern

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..

Going Concern

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 framed 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 the Code of Corporate Governance

for the year ended June 30, 2013

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The Board of Directors of the Company comprised of seven directors at year ended June 30, 2013.

Category	Name	Category	Name
Executive	Mr. Muhammad Adrees	Non-Executive	Haji Bashir Ahmed
Executive	Mr. Haseeb Ahmed	Non-Executive	Mr. Imran Ghafoor
Executive	Mr. Ijaz Hussain	Non-Executive	Mr. Muhammad Khalil
Executive	Mr. Mazhar Ali Khan	Independent	None

Election of Board of Directors for the next three years term was held on July 5, 2013. At present the Board comprises of following individuals:

Category	Name	Category	Name
Independent	Mr. Muhammad Arif	Non-Executive	Haji Bashir Ahmed
Executive	Mr. Muhammad Adrees	Non-Executive	Mr. Imran Ghafoor
Executive	Mr. Haseeb Ahmed	Non-Executive	Mr. Muhammad Khalil
		Non-Executive	Mr. Nawaz ul Haq

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on board of more than seven listed companies, including this Company.

3. All the directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors is member of stock exchange.

4. Casual vacancy occurring on the board during the year due to resignation of one director was filled up by the directors within 90 days.

5. 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.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.

8. 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 and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In accordance with the criteria specified in clause (xi) of CCG, two of the seven Directors of the Company are exempted from the requirement of directors' training program, while one director has got certified with directors

training program for the year ended June 30, 2013. Further rest of the Directors will undertake Directors Training Program within specified time.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG

15. The Board has formed an Audit Committee. It comprises three members; all members are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises of three members majority of directors are non-executive directors including the chairman of the committee.

18. The Board has set up an effective internal audit function.

19. 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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect market price of Company's securities, was determined and intimated to the directors, employees and Stock Exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through the Stock Exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Haseeb Ahmed
Director

Muhammad Adrees
Chief Executive Officer

Pattern of Shareholding
for the year ended June 30, 2013

Number of Shareholders	Shareholdings		Total Number of Shares
	From	To	
989	1	100	26,298
593	101	500	148,494
216	501	1,000	153,285
186	1,001	5,000	450,745
45	5,001	10,000	322,031
16	10,001	15,000	194,981
10	15,001	20,000	182,003
4	20,001	25,000	90,180
4	25,001	30,000	112,869
3	30,001	35,000	96,818
2	35,001	40,000	75,000
3	40,001	45,000	125,884
1	45,001	50,000	46,465
1	50,001	55,000	50,657
2	55,001	60,000	117,750
2	65,001	70,000	131,941
1	70,001	75,000	72,775
1	80,001	85,000	84,210
1	85,001	90,000	85,234
2	95,001	100,000	199,380
3	120,001	125,000	363,825
1	145,001	150,000	150,000
1	150,001	155,000	153,000
1	195,001	200,000	200,000
1	260,001	265,000	261,915
1	265,001	270,000	265,002
1	290,001	295,000	294,621
1	310,001	315,000	313,818
1	320,001	325,000	324,555
1	370,001	375,000	373,346
1	375,001	380,000	375,540
1	570,001	575,000	570,814
1	715,001	720,000	718,716
1	900,001	905,000	904,386
1	13,390,001	13,395,000	13,392,238
2099			21,429,407

Pattern of Shareholding

for the year ended June 30, 2013

	Number	Shares Held	Percentage
NIT + ICP			
National Bank of Pakistan-Trustee Department			
Investment Corporation of Pakistan	3	770,070	3.59
Directors, CEO and their Spouse and Minor Children			
Haji Bashir Ahmed	1	577	0.00
Mr. Muhammad Adrees	1	13,392,238	62.50
Mr. Imran Ghafoor	1	2,310	0.001
Mr. Haseeb Ahmed	1	375,540	1.75
Mr. Muhammad Khalil	1	525	0.00
Mr. Ijaz Hussain	1	324,555	1.51
Mr. Mazhar Ali Khan	1	500	0.00
Bank, Development Finance Institutions, Non Banking Finance Institutions	7	672,186	3.14
Insurance Companies	3	1,147,386	5.35
Modarabas and Mutual Funds	8	422,946	1.97
Foreign Companies	1	28,964	0.14
General Public (Local)	2021	3,710,355	17.32
General Public (Foreign)	19	36,076	0.18
Associated Companies, Undertaking and Related Parties	-	-	-
Joint Stock Companies, other, etc	26	461,991	2.16
Others	4	81,185	0.38
	2,099	21,429,407	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 2012-2013.
- There has been No sale/purchase of shares held by aforesaid officials of the Company, during the year.
- No individual other than CEO has more than five percent shares.
- The Board has determined threshold under clause xvi (l) of Code of Corporate Governance 2012 in respect of trading of Company's shares by executives and employees who are drawing annual basic salary of Rs. 2.4 million or more.

Notice of Annual Report General Meeting

Notice is hereby given that the 32nd Annual General Meeting of Sitara Chemical Industries Limited will be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwan-e-Sadr Road, Karachi, on Monday, October 14, 2013 at 4:00 p.m. to transact the following business:

Ordinary Business

1. To confirm the minutes of Extra Ordinary General Meeting held on July 05, 2013.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2013 together with the Reports of the Auditors and Directors thereon.
3. To approve payment of Cash Dividend at the rate of 100% (Rs.10/- per share) as recommended by the Directors.
4. To appoint Auditors for the year ending June 30, 2014 and to fix their remuneration.
5. To transact any other ordinary business of the Company with the permission of the Chair.

By order of the Board

Mazhar Ali Khan
Company Secretary
Karachi, August 19, 2013

Notes

i. The share transfer books of the company will remain closed from October 8, 2013 to October 14, 2013 (both days inclusive).

ii. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at Company's Share Registrar's Office M/s. THK Associates (Pvt) Limited, State Life Building- 3, Dr. Ziauddin Ahmed Road, Karachi not less than 48 hours before the time of meeting.

iii. The member whose name appears on the register at the close of business on October 7, 2013 will be entitled to cash dividend.

iv. Shareholders who have deposited their shares into Central Depository Company are advised to bring their Computerized National Identity Card alongwith their CDC account number at the meeting venue.

v. Shareholders are advised to notify any change in their addresses.

Auditors’ Report and Financial Statements

Auditors' Report

to the members

We have audited the annexed balance sheet of SITARA CHEMICAL INDUSTRIES LIMITED ("the Company") as at June 30, 2013 and the related profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion-
   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
   (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, 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, 2013 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
   (d) in our opinion Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants

M. Yousuf Adil Saleem

Engagement Partner: Talat Javed
Lahore
Date: August 19, 2013

Review Report

to the members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Sitara Chemical Industries Limited (the company), for the year ended June 30, 2013, to comply with the relevant Listing Regulations of the Karachi Stock Exchange Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report, if it does not. 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 Code.

As part of our audit of 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's statement on internal controls covers all risks and controls, or to form an opinion on the effectiveness of such controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail at arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related part transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

Chartered Accountants

M. Yousuf Adil Saleem

Engagement Partner: Talat Javed
Lahore
Date: August 19, 2013

Balance Sheet

As at June 30, 2013

	Note	2013	2012
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	6,068,941,931	6,339,937,335
Intangible assets	5	19,950,000	-
Investment property	6	2,868,379,300	2,820,036,360
Long term investments	7	63,431,202	67,607,937
Long term loans and advances	8	819,302,966	827,493,584
Long term deposits	9	110,432,287	110,296,726
Total Non-current assets		9,950,437,686	10,165,371,942
Current assets			
Stores, spare parts and loose tools	10	336,360,277	366,962,117
Stock in trade	11	1,010,809,125	902,720,830
Trade debts	12	936,929,485	796,202,867
Loans and advances	13	662,025,277	437,603,208
Trade deposits and prepayments	14	9,612,725	6,680,502
Other receivables	15	16,599,019	9,079,166
Other financial assets	16	162,789,304	116,178,674
Cash and bank balances	17	279,534,490	79,861,668
Total Non-current assets		3,414,659,702	2,715,289,032
Total assets		13,365,097,388	12,880,660,974

	Note	2013	2012
		Rupees	
EQUITY AND LIABILITIES			
Equity			
Share capital	18	214,294,070	214,294,070
Reserves	19	1,385,145,253	1,338,984,262
Un-appropriated profits		3,776,186,139	2,849,607,623
		5,375,625,462	4,402,885,955
Surplus on revaluation of property, plant and equipment	20	1,402,756,242	1,466,066,473
Non-current liabilities			
Long term financing	21	734,474,873	1,334,775,746
Long term deposits	22	7,946,055	12,199,953
Deferred liabilities	23	1,303,384,787	1,385,029,870
Total Non-current liabilities		2,045,805,715	2,732,005,569
Current liabilities			
Trade and other payables	24	1,828,764,814	1,522,591,422
Profit / financial charges payable	25	70,245,987	92,938,164
Short term borrowings	26	1,529,449,755	1,544,904,214
Current portion of long term financing	21	657,250,376	862,779,540
Provision for taxation		422,774,665	240,420,881
Sales tax payable		32,424,372	16,068,756
Total current liabilities		4,540,909,969	4,279,702,977
Contingencies and commitments	27		
Total equity and liabilities		13,365,097,388	12,880,660,974

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

Muhammad Adrees
Chief Executive Officer

Haseeb Ahmed
Director

Profit and Loss Account

for the year ended June 30, 2013

	Note	2013	2012
		Rupees	
Sales - net	28	8,099,794,812	7,463,926,517
Cost of sales	29	5,596,131,127	5,343,920,112
Gross profit		2,503,663,685	2,120,006,405
Other income	30	32,768,795	38,386,400
		2,536,432,480	2,158,392,805
Distribution cost	31	173,756,328	127,286,617
Administrative expenses	32	400,466,890	273,190,623
Other operating expenses	33	98,157,980	88,450,365
Finance cost	34	486,828,528	682,871,270
Share of loss of associates - net of tax	7.1	2,776,413	2,542,565
		1,161,986,139	1,174,341,440
Profit before taxation		1,374,446,341	984,051,365
Provision for taxation	35	338,342,478	295,569,418
Profit for the year		1,036,103,863	688,481,947
Earnings per share - basic and diluted	36	48.35	32.13

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

Muhammad Adrees
Chief Executive Officer

Haseeb Ahmed
Director

Statement of Other Comprehensive Income

for the year ended June 30, 2013

	2013	2012
	Rupees	
Profit for the year	1,036,103,863	688,481,947
Other comprehensive income / (loss) for the year - net of tax		
Surplus on re-measurement of investments available for sale on fair value	46,160,991	6,825,812
Deficit realized on sale of investments available for sale on fair value	128,909	(48,701)
Share of other comprehensive income of associate	-	20,334
	46,289,900	6,797,445
Total comprehensive income for the year	1,082,393,763	695,279,392

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

Muhammad Adrees
Chief Executive Officer

Haseeb Ahmed
Director

Cash Flow Statement

for the year ended June 30, 2013

	Note	2013	2012
		Rupees	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,374,446,341	984,051,365
Adjustments for:			
Depreciation on property, plant and equipment		577,892,070	467,545,033
Depreciation on investment property		440,648	489,609
Amortization on intangible assets		1,050,000	-
Impairment loss on investment in associated company		-	7,072,302
Finance cost		486,828,528	682,871,270
Share of profit of associates - net of tax		2,776,413	2,542,565
Loss on disposal of property, plant and equipment		4,847,494	12,024,365
Gain on sale of available for sale investments		(276,743)	(409,049)
Provision for employee benefits		6,179,106	4,963,570
Advances written off		84,648,998	-
Provision for doubtful debts		3,009,675	7,842,904
Profit on bank deposits		(9,377,465)	(12,961,483)
Dividend income		(8,051,548)	(6,493,185)
Operating cash flows before changes in working capital		2,524,413,517	2,149,539,266
Working capital changes	41	(29,444,835)	(329,394,438)
Cash generated from operations		2,494,968,682	1,820,144,828
Finance cost paid		(509,520,705)	(710,309,674)
Employee benefits paid		(3,392,002)	(2,767,698)
Taxes paid		(341,343,325)	(230,650,568)
Profit received		9,377,465	12,961,483
		(844,878,567)	(930,766,457)
Net cash from operating activities		1,650,090,115	889,378,371

Cash Flow Statement

for the year ended June 30, 2013

	Note	2013	2012
		Rupees	
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		14,247,991	11,129,067
Proceeds from disposal of available for sale investments		2,150,000	1,689,748
Additions to property, plant and equipment		(425,294,957)	(546,864,234)
Additions to intangible assets		(6,346,192)	-
Proceeds from term deposit		-	55,000,000
Purchase of available for sale investments		(2,322,896)	-
Purchase of investment property		(48,783,588)	(65,670,348)
Long-term loans and advances		8,190,618	13,166,253
Long term deposits		(135,561)	(2,167,876)
Dividend received		8,051,548	6,493,185
Net cash used in investing activities		(450,243,037)	(527,224,205)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		196,874,500	400,000,000
Payment of long term financing		(1,002,704,537)	(966,721,210)
Short term borrowings-net		(15,454,459)	275,904,214
Long term deposits		(4,253,898)	1,681,302
Dividend paid		(174,635,862)	(133,933,794)
Net cash used in financing activities		(1,000,174,256)	(423,069,488)
Net decrease in cash and cash equivalents (A+B+C)		199,672,822	(60,915,322)
Cash and cash equivalents at beginning of the year		79,861,668	140,776,990
Cash and cash equivalents at end of the year	17	279,534,490	79,861,668

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

Muhammad Adrees
Chief Executive Officer

Haseeb Ahmed
Director

Statement of Changes in Equity

for the year ended June 30, 2013

	Share capital	Share premium	General reserve	Unappropriated profit	Reserve on re-measurement of available for sale investments	Share of other comprehensive income of associate	Total
				Rupees			
Balance at July 01, 2011	214,294,070	97,490,410	1,225,000,000	2,239,905,349	9,716,741	4,450	3,786,411,020
Profit for the year	-	-	-	688,481,947	-	-	688,481,947
Surplus realized on disposal of assets				5,240,155			5,240,155
Other comprehensive income for the year							
Surplus on re-measurement of investments available for sale on fair value	-	-	-	-	6,825,812	-	6,825,812
Deficit realized on sale of investments available for sale on fair value	-	-	-	-	(48,701)	-	(48,701)
Share of other comprehensive income of associate					-	20,334	20,334
Other comprehensive income realized on change in classification of investment in associate	-	-	-	24,784	-	(24,784)	-
Total other comprehensive income	-	-	-	24,784	6,777,111	(4,450)	6,797,445
Total comprehensive income	-	-	-	693,746,886	6,777,111	(4,450)	700,519,547
Transfer to un-appropriated profit on account of incremental depreciation - net of tax	-	-	-	49,889,182	-	-	49,889,182
Distribution to owners							
Final dividend for the year ended June 30, 2011 @ Rs. 6.25 per share	-	-	-	(133,933,794)	-	-	(133,933,794)
Balance as at June 30, 2012	214,294,070	97,490,410	1,225,000,000	2,849,607,623	16,493,852	-	4,402,885,955
Balance at July 01, 2012	214,294,070	97,490,410	1,225,000,000	2,849,607,623	16,493,852	-	4,402,885,955
Profit for the year	-	-	-	1,036,103,863	-	-	1,036,103,863
Surplus realized on disposal of assets				386,653			386,653
Other comprehensive income for the year							
Surplus on re-measurement of investments available for sale on fair value	-	-	-	-	46,160,991	-	46,160,991
Total other comprehensive income	-	-	-	-	46,160,991	-	46,160,991
Total comprehensive income	-	-	-	1,036,490,516	46,160,991	-	1,082,651,507
Transfer to un-appropriated profit on account of incremental depreciation - net of tax	-	-	-	61,523,256	-	-	61,523,256
Distribution to owners							
Final dividend for the year ended June 30, 2012 @ Rs. 8 per share	-	-	-	(171,435,256)	-	-	(171,435,256)
Balance as at June 30, 2013	214,294,070	97,490,410	1,225,000,000	3,776,186,139	62,654,843	-	5,375,625,462

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

Muhammad Adrees
Chief Executive Officer

Haseeb Ahmed
Director

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 Ordinance, 1984). The Company is currently listed on Karachi, Lahore and Islamabad stock exchanges. The principal activities of the Company are operation of Chlor Alkali plant and yarn spinning unit. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hassan Road, Karachi, in the province of Sindh and the manufacturing facilities are located at 28/32 K.M., Faisalabad - Sheikhupura Road, Faisalabad, in the province of Punjab.

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

Principal business activities are as follows:

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

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

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the provisions of the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with the requirements of the IFRS, the requirements of the Companies Ordinance, 1984, and the said directives shall take precedence.

2.2 Standards, interpretation and amendment adopted during the year

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in current year and are relevant to the Company's operations

Following are the amendments that are applicable for accounting periods beginning on or after July 1, 2012:

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items that will never be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application.

2.2.2 New accounting standards, amendments to published standards and 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 except for amendments in IAS 19.

Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	Effective from accounting period beginning on or after January 01, 2013

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	Effective from accounting period beginning on or after January 01, 2013

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

Amendments to IAS 19 - Employee Benefits	Effective from accounting period beginning on or after January 01, 2013

"It eliminates the corridor approach and recognizes all actuarial gains and losses in other comprehensive income as they occur, immediately recognizes all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. Unrecognized loss of Rs. 3.122 million will be retrospectively adjusted in next year.

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	Effective from accounting period beginning on or after January 01, 2013

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2014

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counter parties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	Effective from accounting period beginning on or after January 01, 2013

This amendment aligns the disclosure requirement for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2013

These amendments require an entity to disclose information about rights to set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	Effective from accounting period beginning on or after January 01, 2013

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

2.2.3 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 9 — Financial Instruments
- IFRS 10 — Consolidated Financial Statements
- IFRS 11 — Joint Arrangements
- IFRS 12 — Disclosure of Interests in Other Entities
- IFRS 13 — Fair Value Measurement
- IAS 27 (Rev. 2011) — Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Rev. 2011) — Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

2.3 SIGNIFICANT ESTIMATES

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

The principal accounting policies adopted are set out below:

3.2 Property, plant and equipment

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

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When significant parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Repair and maintenance costs are charged to income during the year in which they are incurred.

Depreciation is charged to income applying the reducing balance method at the rates specified in Property, plant and equipment note to these financial statements.

Depreciation on additions and disposals during the year is charged on the basis of proportionate period of use.

Gains or losses on disposal of assets, if any, are recognized as and when incurred.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its un-appropriated profit.

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.

3.3 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are recognized when it is probable that the expected future economic benefits will flow to the entity and the cost of the asset can be measured reliable. Cost of the intangible asset (i.e. Computer software) include purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Cost associated with maintaining computer software are recognized as an expense as and when incurred.

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged over estimated useful life of the asset on a systematic basis applying the straight line method.

Useful life of intangible operating assets are reviewed, at each balance sheet date and adjusted if the impact of amortization is significant.

3.4 Investment property

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

Depreciation on buildings is charged to income on reducing balance method at the rate of 10% per annum. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.

3.5 Investments

Regular way purchase or sale of investments

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

Investment in associates

Associates are all entities over which the Company has significant influence, but not control, generally accompanying a shareholding of 20% or more of the voting rights.

These investments are initially recognized at cost and are subsequently valued using equity method less impairment losses, if any.

Available for sale

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

De-recognition

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

3.6 Stores, spare parts and loose tools

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

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

3.7 Stock-in-trade

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

Raw and packing materials	Average cost except for those in transit which are stated at invoice price plus other charges paid thereon up to the balance sheet 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.

3.8 Trade debts and other receivables

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

3.9 Cash and cash equivalents

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

3.10 Impairment

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

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

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

3.11 Borrowings

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

3.12 Employee Benefit Costs

Defined contribution plan - Chemical division

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

Defined benefit plan - Textile division

The Company operates an unfunded gratuity scheme for all those permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provision is made to cover the obligation under scheme on the basis of actuarial valuation and is charged to income. The most recent Actuarial Valuation was carried out at June 30, 2012 using "Projected Unit Credit Method".

The amount recognized in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceeds 10% of the present value of the Company's gratuity are amortized over the average expected remaining lives of employees.

3.13 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.

3.14 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 balance sheet date and adjusted to reflect the current best estimate.

3.15 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

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

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

Deferred income 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 balance sheet date.

3.16 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.

3.17 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.

3.18 Revenue recognition

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

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

3.19 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 profit or loss in the period in which they are incurred.

3.20 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 balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on re-translation are included in net profit or loss for the period.

3.21 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.

3.22 Off setting of financial assets and financial liabilities

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

3.23 Related party transactions

Transactions with related parties are priced on commercial terms. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
		Rupees	
Operating assets	4.1	5,959,052,890	6,061,685,806
Capital work-in-progress	4.7	109,889,041	278,251,529
		6,068,941,931	6,339,937,335

4.1 Operating assets as at June 30, 2013

Description	Cost / revalued amount			Accumulated depreciation			Book value as at June 30, 2013	Rate (%)
	As at July 01, 2012	Additions/ (disposals)	As at June 30, 2013	As at July 01, 2012	Charge for the year / (on disposals)	As at June 30, 2013		
	Rupees							
Freehold land	628,362,000	-	628,362,000	-	-	-	628,362,000	
Building on freehold land:								
Mill	564,299,000	62,426,247	626,725,247	-	57,917,453	57,917,453	568,807,794	10
Head office	12,238,041	-	12,238,041	9,480,692	275,735	9,756,427	2,481,614	10
Plant and machinery	4,597,792,000	397,217,510	4,982,145,581	-	484,616,678	479,660,662	4,502,484,919	10
		(12,863,929)			(4,956,016)			
Grid station and electric installation	217,704,694	34,243	217,738,937	116,958,323	10,136,973	127,095,296	90,643,641	10
Containers and cylinders	69,790,823	-	57,278,692	35,842,816	3,266,510	34,949,660	22,329,032	10
		(12,512,131)			(4,159,666)			
Factory equipment	54,413,014	4,011,511	58,090,365	24,318,162	3,245,079	27,266,035	30,824,330	10
		(334,160)			(297,206)			
Electric equipment	31,071,694	3,478,247	34,245,791	15,534,880	1,654,925	16,975,403	17,270,388	10
		(304,150)			(214,402)			
Office equipment	38,970,202	2,789,660	41,540,246	20,971,559	1,943,132	22,770,241	18,770,005	10
		(219,616)			(144,450)			
Furniture and fittings	17,206,397	4,095,644	21,302,041	8,817,763	956,717	9,774,480	11,527,561	10
Vehicles	149,098,176	20,301,577	158,646,855	87,336,040	13,878,868	93,095,249	65,551,606	20
		(10,752,898)			(8,119,659)			
	6,380,946,041	494,354,639	6,838,313,796	319,260,235	577,892,070	879,260,906	5,959,052,890	
		(36,986,884)			(17,891,399)			

Note

Operating assets as at June 30, 2012

Description	Cost / revalued amount					Accumulated depreciation				Book value as at June 30, 2012	Rate (%)
	As at July 01, 2011	Revaluation surplus	Additions/ (disposals)	Revaluation adjustments	As at June 30, 2012	As at July 01, 2011	Charge for the year / (on disposals)	Revaluation adjustments	As at June 30, 2012		
	Rupees										
Freehold land	584,921,924	41,853,356	1,586,720	-	628,362,000	-	-	-	-	628,362,000	
Building on freehold land:											
Mill	941,753,219	70,164,554	30,930,324	(478,549,097)	564,299,000	427,647,458	50,901,639	(478,549,097)	-	564,299,000	10
Head office	12,238,041	-	-	-	12,238,041	9,180,711	299,981	-	9,480,692	2,757,349	10
Plant and machinery	6,276,622,236	792,849,570	371,917,928	(2,792,221,280)	4,597,792,000	2,438,665,279	383,980,496	(2,792,221,280)	-	4,597,792,000	10
			(51,376,454)				(30,424,495)				
Grid station and electric installation	217,704,694	-	-	-	217,704,694	105,976,544	10,981,779	-	116,958,323	100,746,371	10
Containers and cylinders	69,790,823	-	-	-	69,790,823	32,149,497	3,693,319	-	35,842,816	33,948,007	10
Factory equipment	48,976,363	-	5,436,651	-	54,413,014	21,170,848	3,147,314	-	24,318,162	30,094,852	10
Electric equipment	29,617,211	-	1,454,483	-	31,071,694	13,932,016	1,602,864	-	15,534,880	15,536,814	10
Office equipment	38,172,802	-	797,400	-	38,970,202	19,053,625	1,917,934	-	20,971,559	17,998,643	10
Furniture and fittings	16,611,993	-	594,404	-	17,206,397	7,949,441	868,322	-	8,817,763	8,388,634	10
Vehicles	130,908,107	-	24,619,469	-	149,098,176	81,412,582	10,151,385	-	87,336,040	61,762,136	20
			(6,429,400)			(4,227,927)					
	8,367,317,413	904,867,480	437,337,379	(3,270,770,377)	6,380,946,041	3,157,138,001	467,545,033	(3,270,770,377)	319,260,235	6,061,685,806	
			(57,805,854)				(34,652,422)				

4.2 Depreciation for the year has been allocated as under:

	Note	2013	2012
Cost of sales	29	547,485,385	456,041,466
Administrative expenses	32	30,406,685	11,503,567
		577,892,070	467,545,033

4.3 The Company has its freehold land, building and plant & machinery revalued in June 30, 2012 by Hamid Mukhtar & Company (Private) Ltd, independent valuers not connected with the Company. The basis used for the revaluation of these property plant and equipment 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.

Building

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

Machinery (Textile)

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

Machinery (Chemical)

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

Depreciation due to usage has been applied on all assets of machinery at 7.50% per annum on written down value basis to arrive at a fair present / depreciated market value of the assets.

4.4 The revaluation surplus, net of deferred tax, is credited to surplus on revaluation of property, plant and equipment.

4.5 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at June 30, 2013 would have been as follows:

	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees
Land	200,415,091	-	200,415,091
Building on free hold land	954,391,959	551,980,973	402,410,986
Plant and Machinery	5,917,138,907	3,025,535,665	2,891,603,242
2013	7,071,945,957	3,577,516,638	3,494,429,319
2012	6,625,183,018	2,890,363,551	3,734,819,467

4.6 The following assets were disposed off during the year:

Description	Revalued amount / Cost	Accumulated depreciation	Carrying value	Sale proceeds	Mode of disposal	Particulars of buyer
	Rupees					
Plant & Machinery						
NO2 Plant	12,863,929	4,956,016	7,907,913	2,610,225	Negotiation	Al- Madina Oxygen Gas Works
Containers and Cylinders						
Nitrous Oxide Cylinders	1,803,802	596,167	1,207,635	463,427	Negotiation	Al- Madina Oxygen Gas Works
NO2 & CO2 Cylinders 20 Kg	1,639,430	541,905	1,097,525	792,241	Negotiation	Al- Madina Oxygen Gas Works
CO2 Cylinders - 40 Kg	3,663,822	1,252,409	2,411,413	1,154,357	Negotiation	Al- Madina Oxygen Gas Works
CO2 Cylinders - 40 Kg	1,989,036	657,384	1,331,652	673,448	Negotiation	Al- Madina Oxygen Gas Works
CO2 Cylinders - 40 Kg	1,326,024	438,256	887,768	448,966	Negotiation	Al- Madina Oxygen Gas Works
CO2 Cylinders - 40 Kg	1,965,357	673,545	1,291,812	665,431	Negotiation	Al- Madina Oxygen Gas Works
Vehicles						
Toyota Corolla 2.0 D Saloon	1,311,480	1,057,610	253,870	751,001	Negotiation	Mr. Shahid Makhdoom Khan
Suzuki Liana	951,834	608,074	343,760	661,999	Negotiation	Mr. Tanveer Shah
Santro	659,430	507,573	151,857	360,000	Negotiation	Mr. Salman Yousuf
Santro	594,630	459,761	134,869	480,000	Negotiation	Mr. Naeem Ijaz
Suzuki Bolan	370,680	295,323	75,357	320,000	Negotiation	Mr. Salman Yousaf
Suzuki Bolan	378,224	284,730	93,494	375,000	Negotiation	Mr. Imran Ashraf
Toyota Hilux	844,795	818,424	26,371	625,000	Negotiation	Mr. Salman Yousaf
Car Suzuki Liana	843,030	526,315	316,715	650,000	Negotiation	Mr. Usman Ijaz
Car Suzuki Liana	842,655	526,081	316,574	600,000	Negotiation	Mr. Mobashar Asghar
Car Suzuki Liana 1.3 LT	914,700	679,454	235,246	425,000	Negotiation	Mr. Maqsood Hussain
Car Suzuki Liana	906,180	683,660	222,520	605,000	Negotiation	Mr. Sikandar Usman Shiekh
Car Suzuki Liana	881,200	708,251	172,949	590,000	Negotiation	Mrs. Reema Mukhtar
Santro Club	659,430	513,648	145,782	400,000	Negotiation	Mr. Sheikh Muhammad
Santro Club	594,630	450,755	143,875	425,000	Negotiation	New Al-Noor Motors
Factory equipment						
Spectrophotometer	124,160	97,743	26,417	45,000	Negotiation	Business Dynamics Enterprises
Spectrophotometer	210,000	96,017	113,983	40,000	Negotiation	Business Dynamics Enterprises
Weighting scale plate form type	124,660	103,446	21,214	8,620	Negotiation	Mohammad Imran
Electrical equipment						
AC LG split 2.0 ton	49,000	23,890	25,110	5,000	Negotiation	Mr. Iqbal
Electric water cooler	59,150	40,588	18,562	10,345	Negotiation	Mohammad Imran
AC window type	83,100	65,267	17,833	25,862	Negotiation	Mohammad Imran
AC split type	95,000	70,852	24,148	8,621	Negotiation	Mohammad Imran
Fax machine ep -5425	17,900	13,805	4,095	2,586	Negotiation	Mohammad Imran
Office equipment						
Telephone exchange tip dtx 100	76,138	62,735	13,403	4,310	Negotiation	Mohammad Imran
Photo copier machine	143,478	81,715	61,763	21,552	Negotiation	Mohammad Imran
2013	36,986,884	17,891,399	19,095,485	14,247,991		
2012	57,805,854	34,652,422	23,153,432	11,129,067		

	Note	2013	2012
		Rupees	
4.7 Capital work-in-progress			
Civil work		55,908,040	45,253,201
Plant and machinery including in transit		11,074,586	122,559,291
Advance for property, plant and equipment		104,634,663	110,439,037
Major spare parts and stand-by equipment qualifying as property, plant and equipment		22,920,750	-
Advances written off during the year	4.7.1	(84,648,998)	-
		109,889,041	278,251,529

4.7.1 Movement in provision for advances for property, plant and equipment

		2013	2012
At beginning of the year		-	-
Advances write off during the years		84,648,998	-
At end of the year		84,648,998	-

5. Intangible assets

	Note	2013	2012
Computer Software		21,000,000	-
Accumulated Amortization	5.1	(1,050,000)	-
		19,950,000	-

5.1 Computer software are being amortized over a useful life of 10 years on straight line basis.

	Note	2013	2012
		Rupees	
6. INVESTMENT PROPERTY			
Land	6.1	2,864,413,464	2,815,629,876
Building	6.2	3,965,836	4,406,484
		2,868,379,300	2,820,036,360

6.1 Land

		2013	2012
Balance at beginning of the year		2,815,629,876	1,571,959,528
Add:			
Acquisitions during the year		48,783,588	65,670,348
Asset classified as held for sale reclassified as investment property		-	1,178,000,000
Balance at end of year		2,864,413,464	2,815,629,876

		Note	2013 Rupees	2012 Rupees
6.2	**Building**			
	Cost		13,035,566	13,035,566
	Accumulated depreciation			
	At beginning of year		8,629,082	8,139,473
	For the year	32	440,648	489,609
	At end of year		9,069,730	8,629,082
	Written down value at end of year		3,965,836	4,406,484

Management has decided to dispose off land measuring in total 586 Kanals of the chemical division which was subsequently approved in extraordinary general meeting in July 2013.

For the purpose of capital appreciation and earning rental income, the Company has invested in freehold land, residential plots and building portions covering area of 3,579 kanals and 19 marlas. These properties are purchased within the Province of Punjab

The fair value of the investment property as at June 30, 2013 is Rs 2,920 million. The fair value has been arrived at on the basis of a valuation carried out by W. W. Engineering Services (Private) Limited, independent valuer not connected with the Company. The valuation was arrived at by reference to market evidence of transaction price for similar items.

The rental income earned by the Company from its investment property amounted to Rs. 8.217 million (2012: Rs. 5.217 million).

		Note	2013 Rupees	2012 Rupees
7.	**LONG TERM INVESTMENTS**			
	Investments in associates	7.1	58,431,202	62,607,937
	Other investment	7.2	5,000,000	5,000,000
			63,431,202	67,607,937
7.1	**Investments in associates**			
	Quoted companies			
	Sitara Peroxide Limited	7.1.1	40,501,774	45,745,000
	Unquoted company			
	Takaful Pakistan Limited	7.1.2	17,929,428	16,862,937
			58,431,202	62,607,937

The Company holds less than 20 percent of the voting power in above companies; however, the Company exercises significant influence by virtue of common directorship with the associates.

		2013	2012
		Rupees	

7.1.1 Sitara Peroxide Limited

		2013	2012
Cost		38,692,338	38,692,338
Share of post acquisition loss		(20,749,909)	(16,907,005)
Share of revaluation surplus		27,796,108	29,196,430
Accumulated impairment losses		(5,236,763)	(5,236,763)
		40,501,774	45,745,000
Market value per share	Rupees	14.04	13.07
No. of shares held	Number	3,500,000	3,500,000
Ownership interest	Percent	6.35%	6.35%

Summarized financial information in respect of the Company's associate is set out below:

	At March 31, 2013	At June 30, 2012
	Rupees	
Non-current assets	1,920,387,401	2,121,792,528
Current assets	654,154,087	655,458,026
	2,574,541,488	2,777,250,554
Non-current liabilities	(1,141,410,685)	(1,048,904,001)
Current liabilities	(785,444,576)	(948,637,843)
	(1,926,855,261)	(1,997,541,844)
Net assets	647,686,227	779,708,710

	Nine months ended March 31, 2013	Fifteen months ended June 30, 2012
	Rupees	
Revenue	788,165,992	1,093,798,988
Loss for the period	(60,498,291)	(95,100,125)
Company's share of associate's loss	(3,842,904)	(6,040,843)

At the date of authorization for issue of these financial statements equity method has been applied on latest available un-audited financial statements for the nine months ended March 31, 2013. (2012: For year ended June 30, 2012 and for the quarter ended June 30, 2011).

7.1.2 Takaful Pakistan Limited

		2013	2012
		Rupees	
Cost		30,000,000	30,000,000
Share of post acquisition loss		(12,070,572)	(13,137,063)
		17,929,428	16,862,937
No. of shares held	Number	3,000,000	3,000,000
Ownership interest	Percent	10%	10%

Summarized financial information in respect of the Company's associate is set out below:

	At March 31, 2013	At June 30, 2012
	Rupees	
Non-current assets	56,627,493	73,837,463
Current assets	444,812,917	419,934,018
	501,440,410	493,771,481
Non-current liabilities	(171,960,560)	(175,434,631)
Current liabilities	(190,051,576)	(178,717,051)
	(362,012,136)	(354,151,682)
Net assets	139,428,274	139,619,799

	At March 31, 2013	At June 30, 2012
	Rupees	
Revenue	197,656,925	141,182,156
Profit for the period	10,664,907	5,159,965
Company's share of associate's profit	1,066,491	515,997

Due to non availability of annual audited financial statements of associate at the date of authorization for issue of these financial statements, equity method has been applied on latest available un-audited financial statements for three months ended March 31, 2013 and for the six months ended December 31, 2012.(2012: on latest available un-audited financial statements for six months ended June 30, 2012 and for the six months ended December 31, 2011).

		Note	2013	2012
			Rupees	
7.2	Other Investment			
	Available for sale (Unquoted - at cost) Dawood Family Takaful Limited 500,000 (2012: 500,000) fully paid ordinary shares of Rs.10/- each		5,000,000	5,000,000
8.	LONG TERM LOANS AND ADVANCES			
	Advance for investment property - considered good	8.1	816,126,890	821,699,686
	Loans and advances	8.2	3,176,076	5,793,898
			819,302,966	827,493,584

8.1 The Company had entered into an agreement to purchase 887 Kanals of land situated at 199 RB Faisalabad, at fair market value from Sitara Developers (Private) Limited on June 5, 2011 These advances include Rs. 816,126,390 given to Sitara Developer (Private) Limited (related party) for purchase of this land. To ascertain, fair market value of the said land, three renowned and independent valuers, Hamid Mukhtar & Co. (Private) Limited, Empire Enterprises (Private) Limited and Indus Surveyors (Private) Limited, were hired. The Company intends to purchase 887 kanals of land at fair market value in order to meet the demand of potential buyers to create a compact block of land prior to its development and subsequent sales to customers.

		Note	2013	2012
			Rupees	
8.2	Loans and advances			
	Considered good			
	Secured			
	Executives - related parties	8.2.1	1,100,478	654,870
	Staff	8.2.2	4,505,496	5,756,983
	Unsecured			
	Staff		87,600	19,200
			5,693,574	6,431,053
	Less: current portion shown in current assets	13	2,517,498	637,155
		8.2.3	3,176,076	5,793,898

8.2.1 These advances are given to executives as per terms of their employment for purchase of cars and are secured by way of registration of cars in the name of the Company.

8.2.2 These are secured by way of registration of vehicles in the name of company.

8.2.3 The maximum aggregate amount due at the end of any month during the year was Rs. 5.412 million (2012 : Rs. 6.130 million).

		2013	2012
		Rupees	
9.	LONG TERM DEPOSITS		
	Security deposits for:		
	Electricity	38,775,110	38,762,230
	Gas	71,599,777	71,479,096
	Others	57,400	55,400
		110,432,287	110,296,726
10.	STORES, SPARE PARTS AND LOOSE TOOLS		
	Stores	301,743,283	150,229,139
	Spare parts:		
	In hand	33,010,385	185,545,023
	In transit	-	30,328,373
		33,010,385	215,873,396
	Loose tools	1,606,609	859,582
		336,360,277	366,962,117

	Note	2013	2012
		Rupees	
11. STOCK IN TRADE			
Raw and packing material		513,369,180	542,410,560
Work in process		48,731,237	45,909,415
Finished goods		433,395,624	305,899,164
Waste		15,313,084	8,501,691
		1,010,809,125	902,720,830
12. TRADE DEBTS			
Related parties - considered good			
Sitara Textile Industries Limited		29,252,666	19,598,155
Sitara Fabrics Limited		10,686	12,116,261
Sitara Peroxide Limited		7,886,556	4,988,679
Sitara Chemtex Limited		23,054,424	-
Sitara Spinning Mills Limited		15,579	15,255
Aziz Fatima Trust Hospital		147,776	12,652
	12.1	60,367,687	36,731,002
Others			
- Considered good			
Local - unsecured		861,800,207	712,652,850
Foreign - secured		14,761,591	46,819,015
- Considered doubtful			
Unsecured		13,024,991	10,067,610
		889,586,789	769,539,475
Provision for doubtful debts	12.5	(13,024,991)	(10,067,610)
		876,561,798	759,471,865
		936,929,485	796,202,867

12.1 These are recoverable in ordinary course of business.

12.1.1 Aging analysis of the amounts due from related parties is as follows:

	Upto 2 months	2 to 6 months	More than 6 months	As at June 30, 2013	As at June 30, 2012
	Rupees				
Sitara Textile Industries Limited	15,554,910	13,697,756	-	29,252,666	19,598,155
Sitara Fabrics Limited	10,686	-	-	10,686	12,116,261
Sitara Peroxide Limited	583,665	861,138	6,441,753	7,886,556	4,988,679
Sitara Chemtex Limited	2,104,170	3,236,536	17,713,718	23,054,424	-
Sitara Spinning Mills Limited	9,652	5,927	-	15,579	15,255
Aziz Fatima Trust Hospital	147,776	-	-	147,776	12,652
	18,410,859	17,801,357	24,155,471	60,367,687	36,731,002

12.2 Trade receivables are non-interest bearing and relates to different products being sold on credit to customers. The credit period allowed on these products are generally on fifteen (15) days terms for dealers and twenty five (25) days terms for institutions.

12.3 The Company has provided fully for all receivables over three years because historical experience is such that receivables that are past due beyond three years are generally not recoverable. Trade debts between one year and three years are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

12.4 Before accepting any new customer, the Company makes its own survey to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

	2013	2012
	Rupees	
12.5 Movement in provision for doubtful debts		
At beginning of the year	10,067,610	3,987,347
Charged during the year	3,009,675	7,842,904
Amount recovered during the year	(52,295)	(1,762,641)
At end of the year	13,024,991	10,067,610

12.5.1 In determining the recoverability of a trade debt, the Company considers any change in the credit quality of the trade debt from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further provision required in excess of the allowance for doubtful debts.

	Note	2013 Rupees	2012 Rupees
13. LOANS AND ADVANCES			
Loans to employees - considered good		163,296	6,078
Current portion of long term loans and advances	8.2	2,517,498	637,155
		2,680,794	643,233
Advance tax		406,110,197	305,187,753
Advances - considered good			
For expenses		14,586,793	13,625,078
Letters of credit fee, margin and expenses		74,877,920	31,605,130
Suppliers and contractors		163,769,573	86,542,014
Advances - considered doubtful			
For expenses		49,203	49,203
Suppliers and contractors		10,100	10,100
Provision for doubtful advances		(59,303)	(59,303)
		-	-
		662,025,277	437,603,208
14. TRADE DEPOSITS AND PREPAYMENTS			
Trade deposits		8,927,944	6,272,880
Prepayments		684,781	407,622
		9,612,725	6,680,502
15. OTHER RECEIVABLES			
Unsecured - considered good			
Related parties	15.1	5,843,828	4,269,594
Insurance claim		1,652,623	959,131
Others		9,102,568	3,850,441
		16,599,019	9,079,166

15.1 It represents the following balances due from related parties:

	2013	2012
Sitara Peroxide Limited	4,368,541	3,217,019
Sitara Chemtek (Private) Limited	300,000	300,000
Sitara Spinning Mills Limited	905,523	494,165
Sitara Fabrics Limited	94,387	94,387
Sitara Textile Industries Limited	172,476	161,122
Sitara Trade and Services (Private) Limited	2,901	2,901
	5,843,828	4,269,594

15.1.1 These represent common nature expenses, of joint facilities, borne on behalf of related parties.

		2013	2012
		Rupees	
16. OTHER FINANCIAL ASSETS			
Available for sale financial assets	16.1	137,789,304	91,178,674
Term deposit certificates	16.2	25,000,000	25,000,000
		162,789,304	116,178,674

16.1 Available for sale financial assets

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

2013	2012		2013	2012
No. of shares / units			Rupees	Rupees
519,506	468,024	Meezan Bank Limited	15,818,958	13,535,254
933,661	933,661	Sitara Energy Limited	29,410,322	15,405,406
197,000	197,000	D.G Khan Cement Company Limited	16,896,690	7,757,860
352,505	352,505	Descon Oxychem Limited	1,903,527	1,367,719
446,250	446,250	Engro Polymer & Chemical Limited	5,631,675	4,395,563
-	300,000	Fauji Cement Company Limited	-	1,689,000
65,625	65,625	Fauji Fertilizer Company Limited	7,226,625	7,287,656
100,000	100,000	Hub Power Company Limited	6,267,000	4,189,000
36,000	36,000	Ittehad Chemicals Limited	1,602,000	842,760
1,079	326	Meezan Cash Fund (Units having face value of Rs. 50 each)	53,955	16,403
9,500	9,500	National Refinery Limited (Face value Rs. 5 each)	2,308,215	2,198,205
150,000	150,000	Pace (Pakistan) Limited	648,000	306,000
68,000	68,000	Pakistan Oilfield Limited	34,331,160	24,951,920
28,350	13,200	Pakistan Petroleum Limited	6,134,373	2,485,428
21,600	15,000	Pakistan State Oil Company Limited	6,878,304	3,537,600
50,000	50,000	Pakistan Telecommunication Limited	1,108,500	684,500
10,000	10,000	Pakistan Tobacco Company Limited	1,570,000	528,400
			137,789,304	91,178,674

16.2 These represent deposits made in different commercial banks. These are subject to profit margin ranging from 6.00% to 7.99% per annum receivable quarterly. These are maturing at various dates falling within one year.

	Note	2013 Rupees	2012 Rupees
17. CASH AND BANK BALANCES			
Cash in hand		33,554,303	9,307,332
Cash at banks			
In current accounts		58,824,283	35,697,325
In saving accounts	17.1	187,155,904	34,857,011
		245,980,187	70,554,336
		279,534,490	79,861,668

17.1 Effective mark-up rate in respect of deposit accounts range from 6.05% to 9.52% (2012 : 5.01% to 8.24%) per annum.

18. SHARE CAPITAL

2013 No. of shares	2012 No. of shares		2013 Rupees	2012 Rupees
		Authorized		
		Ordinary shares of Rs. 10 each		
40,000,000	40,000,000	Class "A"	400,000,000	400,000,000
20,000,000	20,000,000	Class "B"	200,000,000	200,000,000
		Issued, subscribed and paid up		
		Class"A" ordinary shares of Rs.10/- each		
8,640,000	8,640,000	- fully paid in cash	86,400,000	86,400,000
10,804,398	10,804,398	- issued as fully paid bonus shares	108,043,980	108,043,980
1,985,009	1,985,009	- issued as fully paid under scheme of arrangement for amalgamation	19,850,090	19,850,090
21,429,407	21,429,407		214,294,070	214,294,070

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

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

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

	Note	2013	2012
		Rupees	
19. RESERVES			
Capital			
Share premium	19.1	97,490,410	97,490,410
Revenue			
General reserve	19.2	1,225,000,000	1,225,000,000
Other			
Reserve on re-measurement of available for sale investments	19.3	62,654,843	16,493,852
		1,385,145,253	1,338,984,262

19.1 This represents premium realized on issue of right shares amounting to Rs 34,551,000 during 1991-92,1993-94 and 1994-95 at the rates of 10%,10% and 12.50% respectively and amounting to Rs. 62,939,400 on issue of 1,985,009 fully paid ordinary shares to the shareholders of Sitara Spinning Mills Ltd under scheme of amalgamation of Sitara Chemical Industries Limited and Sitara Spinning Mills Limited, sanctioned by Honorable Sindh High Court in 1999.

19.2 The general reserve is used from time to time to transfer profits from retained profits. There is no policy of regular transfer.

19.3 This reserve represents the unrealized surplus on re-measurement of available for sale investments as at June 30, 2013.

	Note	2013	2012
		Rupees	
20. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
At beginning of the year		1,436,870,043	889,186,843
Addition during the year - net of tax		-	602,812,537
Revaluation reserve realized on disposal of assets		(386,653)	(5,240,155)
Transfer to un-appropriated profit in respect of incremental depreciation charged during the year – (net of tax)	20.1	(61,523,256)	(49,889,182)
At end of the year		1,374,960,134	1,436,870,043
Share from associate		27,796,108	29,196,430
		1,402,756,242	1,466,066,473
20.1 Incremental depreciation charged during the year transferred to un-appropriated profit		93,217,055	76,752,587
Less: tax liability relating to incremental depreciation		31,693,799	26,863,405
		61,523,256	49,889,182
21. LONG TERM FINANCING			
From banking companies and other financial institution - secured			
Diminishing Musharka (from financial institutions - secured)	21.1	520,974,873	745,650,746
Term finances	21.3	213,500,000	589,125,000
		734,474,873	1,334,775,746

21.1 Diminishing Musharka (from financial institutions - secured)

Description	Note	Profit	Security	Repayment	2013 Rupees	2012 Rupees
Meezan Bank Limited	21.1.1	Three months KIBOR plus 1.25 % payable on quarterly basis.	First specific and exclusive charge of Rs. 223 million over Calcium Chloride Plant & Chlorinated Paraffin Wax Plant.	Repaid in 16 quarterly installments commenced from September 28, 2009 and ended on June 28, 2013.	-	50,000,000
National Bank of Pakistan	21.1.1	Three months KIBOR plus 2.50 % per annum payable on quarterly basis.	Exclusive charge by way of hypothecation specific fixed assets of all the project assets of 7.56 MW Gas fired power project with 25% margin (2012: 25% margin).	Repaid in 12 quarterly installments, commenced from July 15th month, from date of drawdown being 6th April 2009 and ended on April 06, 2013.	-	71,666,664
Faysal Bank Limited	21.1.1	Three months KIBOR plus 2.00 % (2012: three months KIBOR plus 2.5%) per annum payable on quarterly basis.	First pari-passu hypothecation charge of PKR 700 Million over Membrane Unit -III of the company.	Repayable in 20 quarterly installments commenced from September 29, 2010 and ending on June 29, 2015, where 9 installments are remaining.	127,600,000	167,200,000
Faysal Bank Limited	21.1.1	Three months KIBOR plus 2.00 % per annum payable on quarterly basis.	First pari-passu hypothecation charge of PKR 700 Million over Membrane Unit -III of the company.	Repayable in 20 equal quarterly installments commenced from July 31, 2011 and ending on April 12, 2016, where 12 installments are remaining.	150,000,000	200,000,000
Standard Chartered Bank (Pakistan) Limited	21.1.1	Three months KIBOR plus 2.50 % per annum payable on quarterly basis.	Specific and exclusive charge on existing setup of Membrane and CSP - II plant amounting to Rs. 366.67 million.	Repayable in 16 quarterly installments commenced from September 25, 2010 and ending on June 25, 2014.	68,750,000	120,312,500
Syndicated Facility	21.1.1	Three months KIBOR plus 1.93 % per annum payable on quarterly basis.	1st Exclusive charge on plant & accessories of M-1 (135 M/T),CSP-IV 100 (M.T), Bleaching plant 1 & 2 and Ammonium Chloride plant 1 & 2 amounting to Rs.1,200 million.	This syndicated Diminishing Musharka facility was sanctioned for amount Rs. 900 million arranged by Standard Chartered Bank (Pakistan) Limited. Other participants are MCB Bank Limited, Habib Bank Limited, Habib Metropolitan Bank Limited and Soneri Bank Limited, however withdrawn amount is aggregated to Rs. 825 million. Facility is repayable in 16 quarterly installments commenced from July 14, 2011 and ending on April 14, 2015.	412,500,749	618,751,125
Soneri Bank Limited.	21.1.1	Three months KIBOR plus 1.4 % per annum payable on quarterly basis.	First pari-passu charge amounting to Rs. 280. million over Membrane -Unit III plant of the Company.	This Diminishing Musharka facility was sanctioned for amount Rs. 196.875 million . Facility is repayable in 9 quarterly installments commencing from March 31, 2014 and ending on January 31, 2016..	196,874,500	-
					955,725,249	1,227,930,289
Less: Current portion					434,750,376	482,279,543
					520,974,873	745,650,746

21.1.1 Effective rate of profit for the year is ranging from 10.79% to 13.27% (2012 : 13.44% to 15.28%) per annum.

21.2 Redeemable capital (issued to various institutions and individuals)

Description	Note	Profit	Security	Repayment	2013 Rupees	2012 Rupees
Privately placed diminishing musharaka based sukuk	21.2.1	Rental payments shall be calculated to provide return equivalent to bench mark rate plus incremental rental and service agency charges incurred by the trustee during the previous quarter. Bench mark rate is defined as 3 months KIBOR (2012: 3 months KIBOR) and incremental rental is defined as margin of 1.00% (2012: 1.00%) plus servicing agency expenses.	Exclusive and specific hypothecation charge (2012: Exclusive and specific hypothecation charge) in respect of Musharka assets which include all fixed assets of BMR and expansion of 210 MTD Caustic Soda Plant at 32 Km Faisalabad - Sheikhupura Road, Faisalabad and to the extent of beneficial rights of certificate holders.	Repaid in 12 equal quarterly installments commenced from April 02, 2010 and ended on January 2, 2013	-	274,999,997
					-	274,999,997
Less: Current portion					-	274,999,997
					-	-

21.2.1 Effective rate of profit for the year is from 11.18% to 12.91% (2012 : from 12.91% to 14.53%) per annum.

21.3 Term finances

Description	Note	Profit	Security	Repayment	2013 Rupees	2012 Rupees
Saudi Pak Industrial and Agricultural Investment Company Limited	21.3.1	Three months KIBOR plus 2.75 % (2012: three months KIBOR plus 2.75 %) per annum payable on quarterly basis.	First pari-passu charge amounting to Rs. 200 million over Membrane -III.	Initially repayable in 16 equal quarterly installments commenced from April 28, 2011 and ending on January 28, 2015. However, during the year, the Company used call option and swapped the existing facility with Diminishing Musharka from Soneri Bank.	-	103,125,000
Pak Oman Investment Company imited.	21.3.1	Three months KIBOR plus 2.60 % (2012: three months KIBOR plus 2.60 %) per annum payable on quarterly basis.	First pari-passu charge amounting to Rs. 266.67 million over Membrane -III.	Initially repayable in 16 equal quarterly installments commenced from June 19, 2011 and ending on March 19, 2015. However, during the year, the Company used call option and swapped the existing facility with Diminishing Musharka from Soneri Bank.	-	137,500,000
The Bank of Punjab	21.3.1	Three months KIBOR plus 1.50 % per annum payable on quarterly basis.	Specific and exclusive charge amounting to Rs. 120 million over CSP -III.	Repayable in 08 equal quarterly installments commenced from June 30, 2010 and ending on March 31, 2015.	36,000,000	54,000,000
Syndicated Facility	21.1.1	Three months KIBOR plus 1.50 % per annum payable on quarterly basis.	1st Exclusive charge on power plant -1 in favor of the investment agent (i-e Standard Chartered Bank Pakistan Ltd) for the benefit of the participants amounting to Rs.533.333(M)	This syndicated Term Finance facility amounting to Rs. 400 million arranged by Standard Chartered Bank (Pakistan) Limited. Other participants are Burj Bank Limited & Standard Chartered Modarabah. Facility is repayable in 8 equal quarterly installments commencing from September 01, 2013 and ending on June 01, 2015.	400,000,000	400,000,000
					436,000,000	694,625,000
Less: Current portion					222,500,000	105,500,000
					213,500,000	589,125,000

21.3.1 Effective rate of profit for the year is from 11.18% to 13.90% (2012 : from 14.17% to 15.26%) per annum.

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

Maturity	2013	2012
6 months or less	315,600,188	468,629,355
6 - 12 months	341,650,188	394,150,188
1 - 5 years	734,474,873	1,334,775,749
	1,391,725,249	2,197,555,292

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

	Note	2013	2012
		Rupees	
22. LONG TERM DEPOSITS			
From customers		7,946,055	10,102,953
Others	22.1	-	2,097,000
		7,946,055	12,199,953

22.1 These represent interest free security deposits received from transporters and are repayable on cancellation or withdrawal of contracts.

	Note	2013	2012
		Rupees	
23. DEFERRED LIABILITIES			
Deferred taxation	23.1	1,292,521,568	1,376,953,755
Staff retirement benefits - gratuity	23.2	10,863,219	8,076,115
		1,303,384,787	1,385,029,870

23.1 Deferred taxation

	2013	2012
This comprises the following:		
Deferred tax liability on taxable temporary differences arising in respect of:		
Tax depreciation allowance	1,030,302,578	1,081,269,872
Surplus on revaluation of property, plant and equipment	270,361,144	302,054,943
	1,300,663,722	1,383,324,815
Deferred tax asset on deductible temporary difference arising in respect of:		
Provision for employee benefits	(3,693,494)	2,826,640
Provision for doubtful debts	(4,448,660)	3,544,420
	(8,142,154)	6,371,060
	1,292,521,568	1,376,953,755

23.2 Staff retirement benefits - gratuity
Movement in liability

	2013	2012
At beginning of year	8,076,115	5,880,243
Charge for the year	6,179,106	4,963,570
Benefits paid during the year	(3,392,002)	(2,767,698)
At end of year	10,863,219	8,076,115
Balance sheet reconciliation as at June 30		
Present value of unfunded obligation	13,985,165	11,066,688
Unrecognized actuarial losses	(3,121,946)	(2,990,573)
Net liability recognized in the balance sheet	10,863,219	8,076,115

	Note	2013	2012
		Rupees	
Charge to profit and loss account:			
Current service cost		3,463,175	3,381,406
Interest cost		1,171,336	994,983
Net actuarial loss recognized during the year		627,968	587,181
Net actuarial loss recognized due to settlement		916,627	-
		6,179,106	4,963,570
Movement in the present value of defined benefit obligation			
Present value of obligation at July 1, 2012		11,066,688	8,490,872
Current service cost		3,463,175	3,381,406
Interest cost		1,171,336	994,983
Benefit paid during the year		(3,392,002)	(2,767,698)
Actuarial loss on obligation		1,675,968	967,125
Present value of obligation at June 30, 2013		13,985,165	11,066,688
Movement in unrecognized actuarial losses			
Balance as of July 1, 2012		(2,990,573)	(2,610,629)
Actuarial loss on obligation		(1,675,968)	(967,125)
Actuarial loss recognized during the period		627,968	587,181
Actuarial loss recognized due to settlement		916,627	-
Balance as of June 30, 2013		(3,121,946)	(2,990,573)
Principal actuarial assumptions Discount rate (per annum)		11.5%	13%
Expected rate of increase in salaries (per annum)		9.5%	10.50%
Expected average remaining working lives of employees (years)		3	3

24. TRADE AND OTHER PAYABLES

	Note	2013	2012
Creditors		354,294,115	319,772,658
Accrued liabilities		487,496,337	361,232,132
Advances from customers		48,002,945	8,846,928
Murabaha payable	24.1	816,302,121	721,654,613
Payable to provident fund - related party	24.2	1,187,806	1,316,996
Unclaimed dividend		6,833,067	10,033,673
Retentions / security deposits		45,672,574	42,027,924
Withholding tax		1,983,236	483,526
Workers' profit participation fund	24.3	280,996	16,161,942
Workers' welfare fund		66,703,138	41,008,946
Others		8,479	52,084
		1,828,764,814	1,522,591,422

24.1 The aggregate unavailed facilities available to the Company from banking companies amounted to Rs. 1,407 million (2012: Rs. 1,109 million). These are subject to profit margin ranging from 11.04% to 11.83% (2012: 12.51% to 14.10%) per annum and are secured against joint pari-passu charge over present and future current assets of the chemical division and pledge of stocks and charge over present and future current assets of the textile division.

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

	Note	2013 Rupees	2012 Rupees
24.3 Workers' profit participation fund			
Workers' profit participation fund	24.4	-	15,730,176
Unclaimed Workers' profit participation fund		280,996	431,766
		280,996	16,161,942
24.4 Movement			
At beginning of year		15,730,176	27,048,182
Amount paid to workers on behalf of the fund		91,986,779	64,509,438
	24.4.1	(76,256,603)	(37,461,256)
Allocation for the year	33	67,616,294	53,191,432
At end of year		(8,640,309)	15,730,176

24.4.1 At end of the financial year company makes the provision of WPPF on the basis of unaudited accounts and make payment to workers on that basis. Over payment will be adjusted against the next year provision. Accordingly current year balance is becoming part of other receivables.

	Note	2013 Rupees	2012 Rupees
25. PROFIT / FINANCIAL CHARGES PAYABLE			
Long term financing		33,143,596	50,544,347
Murabaha financing / short term borrowings		37,102,391	42,393,817
		70,245,987	92,938,164
26. SHORT TERM BORROWINGS			
Secured			
From banking companies	24.1	1,526,784,600	1,544,904,214
Bank Overdraft		2,665,155	-
		1,529,449,755	1,544,904,214

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

27.1.1 In 1996, a demand of Rs. 2,297,292 was raised by Sales Tax authorities on account of input tax claimed on imported plant and machinery items which was alleged by taxation authorities as inadmissible. The Company had filed appeal before Appellate Tribunal, however, deposited the demanded amount under protest. The case has been remanded back to the Additional Collector Sales Tax Faisalabad. Pending the outcome of case, since the Company is expecting favorable result of the matter, no provision has been made in these financial statements.

27.1.2 In another matter, Sales Tax authorities have raised additional demand amounting to Rs. 1,100,844 by considering the amount of freight as part of value of supply. The Company lost the case upto Appellate Tribunal and has deposited the demanded amount under protest. An appeal has been filed by the Company in Honorable Lahore High Court against the decision of Appellate Tribunal. The Company's management is expecting favorable outcome of the case and no provision has been made in these financial statements.

27.1.3 In 1996, a supplier had filed an appeal before Honorable Senior Civil Judge (Rajan Pur) against the Company for recovery of disputed amount of Rs. 889,867 in respect of supply of cotton. Pending the outcome of the case, the management is confident that the outcome of the case would be in the favor of the Company and no provision in this regard has been recognized in the financial statements.

	Note	2013 Rupees	2012 Rupees
27.2 Commitments			
Outstanding letters of credit for raw material and spares		75,509,054	19,783,992
28. SALES - NET			
Local			
Chemical products		6,115,681,603	5,763,347,783
Textile products		1,429,493,788	1,177,669,295
		7,545,175,391	6,941,017,078
Export			
Chemical products		554,619,421	522,909,439
		8,099,794,812	7,463,926,517
29. COST OF SALES			
Raw material consumed	29.1	1,679,007,002	1,428,802,063
Fuel and power		2,880,940,664	2,791,620,301
Salaries, wages and benefits	29.2	228,245,458	237,042,045
Stores and spares		279,109,746	156,410,519
Repair and maintenance		27,425,710	31,058,663
Vehicle running and maintenance		568,157	1,735,540
Traveling and conveyance		25,083,301	26,794,940
Insurance		15,621,686	20,009,119
Depreciation	4.2	547,485,385	456,041,466
Amortization		1,050,000	-
Others		1,226,169	7,602,652
		5,685,763,278	5,157,117,308

	2013 Rupees	2012 Rupees
Opening stock	45,909,415	72,438,789
Closing stock	(48,731,237)	(45,909,415)
	(2,821,822)	26,529,374
Cost of goods manufactured	5,682,941,456	5,183,646,682
Finished stocks		
Opening stock	314,400,855	432,161,824
Finished goods purchased	47,497,524	42,512,461
Closing stock	(448,708,708)	(314,400,855)
	(86,810,329)	160,273,430
	5,596,131,127	5,343,920,112

29.1 Raw material consumed

	2013	2012
Opening stock	542,410,560	380,482,727
Purchases	1,649,965,622	1,590,729,896
	2,192,376,182	1,971,212,623
Closing stock	(513,369,180)	(542,410,560)
	1,679,007,002	1,428,802,063

29.2 Salaries, wages and benefits include Rs. 5,350,751 (2012: Rs. 5,910,918) in respect of employee retirement benefits.

30. OTHER INCOME

	2013 Rupees	2012 Rupees
Income from financial assets		
Profit on term deposits certificate	1,660,941	2,437,795
Profit on bank deposits	7,716,524	10,523,688
Dividend income	8,051,548	6,493,185
Exchange gain	3,702,104	1,630,120
Gain on sale of available for sale investments	276,743	409,049
	21,407,860	21,493,837
Income from other than financial assets		
Sale of scrap and waste	254,483	7,490,886
Rent income	8,217,161	5,217,499
Others	2,889,291	4,184,178
	11,360,935	16,892,563
	32,768,795	38,386,400

	Note	2013	2012
		Rupees	
31. DISTRIBUTION COST			
Staff salaries and benefits	31.1	13,605,199	11,266,344
Freight, octroi and insurance		120,941,678	102,398,783
Advertisement		13,769,014	754,270
Vehicles running and maintenance		21,200,259	8,718,555
Traveling and conveyance		1,973,645	1,210,241
Postage and telephone		986,463	540,882
Printing and stationery		153,374	246,176
Others		1,126,696	2,151,366
		173,756,328	127,286,617

31.1 Staff salaries and benefits include Rs. 429,371 (2012 Rs. 426,937) in respect of employee retirement benefits.

	Note	2013	2012
		Rupees	
32. ADMINISTRATIVE EXPENSES			
Directors' remuneration		31,830,740	34,380,141
Staff salaries and benefits	32.1	142,993,354	129,158,457
Postage, telephone and telex		3,532,295	3,779,928
Vehicles running and maintenance		1,973,671	8,864,058
Printing and stationery		1,475,698	3,369,915
Electricity		2,933,841	5,622,143
Rent, rates and taxes		2,647,482	1,206,410
Traveling and conveyance		13,184,343	9,649,092
Advertisement		9,568,553	5,188,835
Books and periodicals		108,588	92,661
Fees and subscription		14,630,397	13,498,326
Legal and professional		3,123,196	2,208,779
Repairs and maintenance		6,457,915	5,647,757
Auditors' remuneration	32.2	2,620,000	2,620,000
Entertainment		14,012,548	5,294,697
Donations	32.3	23,379,274	20,260,427
Insurance		6,242,525	1,127,410
Depreciation	4.2	30,406,685	11,503,567
Depreciation on investment property	6.2	440,648	489,609
Provision for bad debts and doubtful advances		3,009,675	7,842,904
Advances written off		84,648,998	-
Other		1,246,464	1,385,507
		400,466,890	273,190,623

32.1 Staff salaries and benefits include Rs. 3,426,465 (2012: Rs. 3,516,107) in respect of employee retirement benefits.

		2013	2012
		Rupees	
32.2	Auditors' remuneration		
	Annual statutory audit	1,500,000	1,500,000
	Half yearly and COCG compliance reviews	500,000	500,000
	Out of pocket	120,000	120,000
	Tax advisory services	500,000	500,000
		2,620,000	2,620,000

32.3 It includes Rs. 16.408 million (2012: Rs.12.647 million) donated to Aziz Fatima Trust (AFT), Faisalabad which is primarily running a charitable hospital for needy and poor people. Mr. Haji Bashir Ahmed, Mr. Muhammad Adrees & Imran Ghafoor, the directors of the Company are also the Trustees of the AFT.

			2013	2012
		Note	Rupees	
33.	OTHER OPERATING EXPENSES			
	Worker's profit participation fund	24.4	67,616,294	53,191,432
	Worker's welfare fund		25,694,192	16,162,266
	Impairment loss on investment in associated company		-	7,072,302
	Loss on disposal of property, plant and equipment		4,847,494	12,024,365
			98,157,980	88,450,365
34.	FINANCE COST			
	Long term financing		210,132,741	327,196,027
	Murabaha payable / short term borrowings		272,543,267	348,422,678
	Bank charges and commission		4,152,520	7,252,565
			486,828,528	682,871,270
35.	PROVISION FOR TAXATION			
	Current		398,787,966	240,420,881
	Prior years		23,986,699	(21,579,740)
	Deferred		(84,432,187)	76,728,277
			338,342,478	295,569,418

	2013 %	2012 %
35.1 Numerical reconciliation between the applicable and effective tax rate		
Applicable tax rate	35.00	35.00
Prior year adjustments	1.75	(2.19)
Effect of deferred tax	(3.28)	7.80
Tax credit on donations	1.70	(2.06)
Effect of change in statutory rate change	(2.86)	-
Income taxed at different rates	(7.69)	(8.51)
Effective tax rate	24.62	30.04

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:

		2013	2012
Profit for the year	Rupees	1,036,103,863	688,481,947
Weighted average number of ordinary shares outstanding during the year	Number	21,429,407	21,429,407
Earnings per share	Rupees	48.35	32.13

37. FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk

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

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

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

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

37.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party 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 counter party limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counter parties 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 does not hold collateral as security.

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

37.1.1 Counter parties

The Company conducts transactions with the following major types of counter parties:

Trade debts

Trade debts are essentially due from local customers against sale of yarn, caustic soda, hydrochloric acid, agri-chemicals and other allied products and from foreign customers against supply of ammonium chloride and allied products and the Company does not expect these counter parties 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 counter parties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counter party to fail to meet its obligations.

37.1.2 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:

	2013	2012
	Rupees	
Trade debts	936,929,485	796,202,867
Loans and advances	178,519,662	100,173,170
Other receivables	16,599,019	9,079,166
Bank balances	245,980,187	70,554,336
	1,378,028,353	976,009,539

Geographically there is no concentration of credit risk.

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

	2013	2012
Chemical - local	798,631,293	723,778,918
Textile - local	138,298,192	67,714,891
Agri-chemical - local	-	4,709,058
	936,929,485	796,202,867

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:

	2013	2012
	Rupees	
Textile	138,298,192	67,714,891
Chemicals	798,631,293	728,487,976
	936,929,485	796,202,867

37.1.3 Impairment losses

The aging of trade receivables at the reporting date is:

	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due	268,358,856	-	227,851,168	-
Past due 0-30 days	239,654,025	-	222,605,425	-
Past due 30-60 days	110,173,749	-	88,014,398	-
Past due 60-90 days	66,193,457	-	31,819,969	-
Over 90 days	205,206,702	13,024,991	199,248,515	10,067,610
	889,586,789	13,024,991	769,539,475	10,067,610

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

	2013	2012
	Rupees	
Balance at 1 July	10,067,610	3,987,347
Charge for the period	3,009,675	7,842,904
Impairment loss reversed	(52,295)	(1,762,641)
Balance at 30 June	13,024,991	10,067,610

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.
The movement in the allowance for impairment in respect of loans and advances during the year is as follows:

	Note	2013	2012
		Rupees	
At beginning of year		59,303	628,227
Impairment loss (recovered) / recognized		-	(568,924)
At end of year	13	59,303	59,303

The allowance accounts 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.

37.2 Liquidity risk management

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 24.3 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

37.2.1 Liquidity and interest risk table

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. 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	
	2013	2012
	Rupees	
Trade and other payables		
Maturity up to one year	943,495,323	743,282,395
Short term borrowings		
Maturity up to one year	2,345,751,876	2,266,558,827
Long term financing		
Maturity up to one year	727,496,363	955,717,704
Maturity after one year and up to five years	734,474,873	1,334,775,749
Maturity after five years	-	-
	4,751,218,435	5,300,334,675

37.3 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.

37.3.1 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:

	2013	2012
	US dollar	
Trade debts	152,888	506,274

Commitments outstanding at year end amounted to Rs.75.509 million (2012: Rs. 19.784 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:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
	Rupees		Rupees	
US$ 1	95.20	92.10	99.30	96.25

A 5 percent weakening of the Pak Rupee against the USD at June 30, 2013 would have (increased) 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, 2012.

	2013	2012
	Rupees	
(Increase) / Decrease in profit and loss account	(1,518,178)	4,872,887

Sensitivity analysis

A 5 percent weakening of the Pak Rupee against the US $ at June 30, 2013 would have had the equal but opposite effect on US $ to the amounts shown above, on the basis that all other variables remain constant.

37.3.2 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 a rising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The effects of changes in fair value of such investments made by Company, on the future profits are not considered to be material in the overall context of these financial statements.

37.3.3 Interest rate risk

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

Profile

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

	2013 %	2012 %	2013 Rupees	2012 Rupees
Floating rate instruments				
Financial assets				
Bank balance	6.05% to 8.47%	5.01% to 8.24%	187,155,904	34,857,011
Term deposits	6.0% to 7.99%	5.36% to 12.50%	25,000,000	25,000,000
Financial liabilities				
Long term financing	10.79% to 13.90%	12.91% to 16.36%	734,474,873	1,334,775,746
			(522,318,969)	(1,274,918,735)

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 (through the impact on floating rate borrowings). There is only an immaterial impact on the Company's equity.

	Increase / (decrease) in basis points	Effect on profit before tax Rupees
2013		
Short term borrowings	-1.00%	(23,061,554)
Long term financing		(18,762,323)
		(41,823,877)
2012		
Short term borrowings	-1.25%	27,441,656
Long term financing		31,011,449
		58,453,105

37.4 Equity Price Risk Management

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

At the balance sheet date, the exposure to unlisted equity securities at fair value was Rs 5,000,000.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 137,789,304 Rs. (2012: Rs. 91,178,674). An increase of 25% on the KSE market index would have an impact of approximately Rs 46,610,630 on the income or equity attributable to the Company, depending on whether or not the increase is significant and prolonged. An 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.

37.4.1 Fair value hierarchy

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

Level 1 Quoted prices (unadjusted) in active markets for identical 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 asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
		Rupees		
Financial assets at FVTPL				
Derivative financial assets	-	-	-	-
Non-derivative financial	-	-	-	-
assets held for trading	-	-	-	-
Available-for-sale financial assets				
Quoted equity securities	137,789,304	-	-	137,789,304
Unquoted equity securities	-	-	5,000,000	5,000,000
Debt investments	-	-	-	-
Total	137,789,304	-	5,000,000	142,789,304
Financial liabilities at FVTPL				
Derivative financial liabilities	-	-	-	-
Total	-	-	-	-

There were no transfers between Level 1 and 2 in the year.

37.5 Determination of fair Value

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction other than in a forced or liquidation sale.

Available for sale investments as disclosed in other financial assets, are presented at fair value by using quoted prices at Karachi Stock Exchange as at June 30, 2013. The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

37.6 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.

38. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2013			2012		
	Chief executive Officer	Directors	Executives	Chief executive Officer	Directors	Executives
	Rupees			Rupees		
Remuneration	10,000,008	5,066,680	34,104,692	10,000,008	5,200,008	32,441,917
Perquisites						
House rent	3,999,996	2,026,660	10,231,436	3,999,996	2,079,996	9,606,584
Utilities	999,996	506,660	3,410,394	999,996	519,996	3,202,313
Medical allowance	-	-	3,410,611	-	-	3,201,023
Special allowance	-	-	322,392	-	-	316,207
Income tax	3,668,750	1,725,418	-	3,924,004	1,452,789	-
Reimbursement of expenses	-	-	1,797,535	-	-	1,857,016
	18,668,750	9,325,418	53,277,060	18,924,004	9,252,789	50,625,060
Number of persons	1	2	38	1	2	37

38.1 The Chief Executive, certain Directors and Executives are provided with free use of Company's cars and telephone etc. having value amounting to Rs 5.22 million (2012: Rs. 4.45 million).

38.2 Directors have waived their meeting fee.

39. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise holding company, subsidiary and associated undertakings, other related group companies, directors of the company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of directors and key management personnel is disclosed in note 38.

Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2013	2012
		Rupees	
Associated undertaking	Sales	179,983,041	105,475,031
	Purchases	59,277,912	43,517,106
	Organizational expenses recovered	1,153,174	1,243,746
	Organizational expenses paid	1,962,260	1,851,187
	Dividend received	-	5,537,023
	Donation	15,577,370	14,867,525
Key management personnel	Remuneration to Executives	86,827,228	85,169,744

All transactions with related parties have been carried out on commercial terms and conditions.

40. PLANT CAPACITY AND PRODUCTION

Chemical Division

	Designed capacity 2013	Designed capacity 2012	Actual production 2013	Actual production 2012	Reason of variation
	Tons				
Caustic soda	201,300	201,300	108,594	112,231	Due to energy and gas crisis
Sodium hypochlorite	66,000	66,000	27,466	29,740	Due to energy and gas crisis
Liquid chlorine	9,900	9,900	7,282	7,879	Due to energy and gas crisis
Ammonium chloride	6,600	6,600	-	709	Due to energy and gas crisis
Bleaching powder	7,500	7,500	4,479	4,717	Due to energy and gas crisis
Hydrochloric acid	212,200	212,200	114,361	154,748	Due to energy and gas crisis

	2013	2012
Textile Division		
Ring Spinning		
Number of spindles installed	22,080	22,080
Number of spindles worked	22,080	22,080
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	10,110,166	10,110,166
Actual production of yarn after conversion into 20/s count (Kgs)	8,234,117	8,012,202

41. WORKING CAPITAL CHANGES

	2013 Rupees	2012 Rupees
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	30,601,840	(87,014,176)
Stock in trade	(108,088,295)	(17,637,490)
Trade debts	(143,736,293)	(291,647,860)
Loans and advances	(123,499,625)	(92,088,966)
Trade deposits and short-term prepayments	(2,932,223)	356,314
Other receivables	(7,519,853)	(1,305,786)
	(355,174,449)	(489,337,964)
Increase / (decrease) in current liabilities		
Trade and other payables	309,373,998	166,342,962
Sales tax payable	16,355,616	(6,399,436)
	(29,444,835)	(329,394,438)

	Note	2013	2012
		Rupees	

42. Provident Fund Related Disclosure

The following is based on latest audited financial statement of the Fund:

	Note	2013	2012
Size of the Funds - Total Assets		59,713,729	51,019,833
Cost of Investments made		30,000,000	30,000,000
Percentage of investments made		79%	74%
Fair Value of investments	43.1	47,386,138	37,536,902

43.1 Break up of fair value of investments

	2013		2012	
	Rupees	%	Rupees	%
Mutual Funds	19,632,293	41%	11,238,295	30%
Bank Balances	2,443,968	5%	1,879,353	5%
Debt Securities	25,309,877	53%	24,419,254	65%
	47,386,138	100%	37,536,902	100%

43.2 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and rules formulated for this purpose.

43. The total average number of employees during the year and as at June 30, 2013 and 2012 respectively are as follows:

	2013	2012
Average number of employees during the year		
Permanent	743	753
Contractual	1,056	982
Number of employees as at June 30		
Permanent	768	741
Contractual	1,019	959

44. RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison. Significant reclassifications made are as follows:

From	To	Reason	Amount Rupees
Others	Exchange gain	"For better presentation"	1,630,120
Plant and machinery including in transit	Advance for property, plant including in transit	"For better presentation"	82,805,498
Cost of sales	Administrative expenses	"For better presentation"	32,154,692
Cost of sales	Administrative expenses	"For better presentation"	17,864,521

The above re-arrangements / reclassifications do not affect retained earnings for the year ended June 30, 2012. Therefore, the balance sheet for the year ended June 30, 2011 has not been prepared.

45. OPERATING RESULTS

	Chemical		Textile		Total	
	2013	2012	2013	2012	2013	2012
	Rupees					
Sales:						
Local						
Caustic soda	5,644,949,419	5,293,407,756	-	-	5,644,949,419	5,293,407,756
Sodium hypochlorite	529,125,804	539,533,763	-	-	529,125,804	539,533,763
Bleaching powder	136,070,477	135,475,557	-	-	136,070,477	135,475,557
Liquid chlorine	171,998,327	141,634,268	-	-	171,998,327	141,634,268
Hydrochloric acid	462,697,135	546,960,906	-	-	462,697,135	546,960,906
Ammonium chloride	87,000	29,338,400	-	-	87,000	29,338,400
Magnesium chloride and others	263,723,668	88,512,773	-	-	263,723,668	88,512,773
Agri-chemicals	164,058,905	97,819,872	-	-	164,058,905	97,819,872
Yarn	-	-	1,319,679,110	1,179,412,713	1,319,679,110	1,179,412,713
Waste	-	-	7,679,068	8,113,357	7,679,068	8,113,357
Fabrics	-	-	107,363,887	-	107,363,887	-
Export:						
Caustic soda flakes	546,452,682	509,848,366	-	-	546,452,682	509,848,366
Liquid chlorine	-	490,999	-	-	-	490,999
Others	8,166,738	12,570,074	-	-	8,166,738	12,570,074
	7,927,330,155	7,395,592,734	1,434,722,065	1,187,526,070	9,362,052,220	8,583,118,804
Less:						
Commission and discount	287,802,578	178,483,026	5,228,277	3,626,205	293,030,855	182,109,231
Sales tax	969,226,553	930,852,486	-	6,230,570	969,226,553	937,083,056
Sales - net	6,670,301,024	6,286,257,222	1,429,493,788	1,177,669,295	8,099,794,812	7,463,926,517

	Chemical 2013	Chemical 2012	Textile 2013	Textile 2012	Total 2013	Total 2012
	Rupees					
Sales - net	6,670,301,024	6,286,257,222	1,429,493,788	1,177,669,295	8,099,794,812	7,463,926,517
Cost of sales	(4,362,517,716)	(4,291,074,923)	(1,233,613,411)	(1,102,864,402)	(5,596,131,127)	(5,393,939,325
Gross profit	2,307,783,308	1,995,182,299	195,880,377	74,804,893	2,503,663,685	2,069,987,192
Other income	28,360,093	34,614,602	4,408,702	3,771,798	32,768,795	38,386,400
Distribution cost	(160,128,521)	(126,192,230)	(13,627,807)	(1,094,387)	(173,756,328)	(127,286,617)
Administrative expenses	(370,349,682)	(192,754,330)	(27,497,208)	(27,797,080)	(397,846,890)	(220,551,410)
Finance cost	(478,397,008)	(669,008,429)	(8,431,520)	(13,862,841)	(486,828,528)	(682,871,270)
	(980,515,118)	(953,340,387)	(45,147,833)	(38,982,510)	(1,025,662,951)	(992,322,897)
Reportable segments profit before tax	1,327,268,190	1,041,841,912	150,732,544	35,822,383	1,478,000,734	1,077,664,295
Unallocated income / (expenses)						
Administrative expenses					(2,620,000)	(2,620,000)
Other operating expenses					(98,157,980)	(88,450,365)
Share of loss of associated company					(2,776,413)	(2,542,565)
Profit before taxation					1,374,446,341	984,051,365
Provision for taxation					338,342,478	295,569,418
Profit for the year					1,036,103,863	688,481,947
Other information						
Segment assets	8,133,980,846	9,144,842,872	1,420,808,251	85,067,177	9,554,789,097	9,229,910,049
Unallocated corporate assets					3,822,022,812	3,650,750,925
					13,365,097,388	12,880,660,974
Segment liabilities	863,660,463	724,784,477	75,116,179	21,149,469	938,776,642	745,933,946
Unallocated corporate liabilities					12,438,035,267	12,134,727,028
					13,365,097,388	12,880,660,974
Capital expenditure	485,742,989	348,568,435	8,611,650	88,768,944	494,354,639	437,337,379
Depreciation	531,881,214	433,643,708	46,010,856	33,901,325	577,892,070	467,545,033

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

The textile segment is a spinning unit which produces yarn.

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 BALANCE SHEET DATE

In respect of current year, the directors have proposed to pay final cash dividend of Rs. 214.29 million (2012: Rs. 171.435 million) at Rs.10 (2012: Rs. 8) per ordinary share 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. GENERAL

Figures have been rounded off to the nearest Rupee.

48. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on August 19, 2013 by the Board of Directors of the Company.

Muhammad Adrees
Chief Executive Officer

Haseeb Ahmed
Director

Notes

FORM OF PROXY

IMPORTANT

This form of Proxy, in order to be effective, must be deposited duly completed, at Company's Share Registrar's Office at M/s. M/s. THK Associates (Pvt) Limited, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi not less than 48 hours before the time of holding the meeting.

A Proxy must be a member of the Company. Signature should agree with the specimen registered with the company. Please quote Registered Folio Number / CDC Account Number

I/We ______________________________

of ______________________________

being a member of Sitara Chemical Industries Limited entitled to vote and holder of ______________

ordinary shares, hereby appoint ______________________________

of ______________________________

who is also a member of the Company, as my/our proxy in my/our absence to attend and vote

for me/us on my/our behalf at the 32nd Annual General Meeting of the Company to be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwan-e-Sadr Road, Karachi on Tuesday, October 14, 2013 at 4:00 p.m. and at any adjournment thereof. As witness my/our hand this ______________ day of ______________ 2013.

Signed by the said

Affix Rs. 5/-
Revenue Stamp
which must be
cancelled either by
signature over it or
by some other means

____

Members' Signature

____

(Witness's Signature)

Place

Date

Sitara Chemical
Industries Limited

AFFIX
CORRECT
POSTAGE

C/O
M/s Noble Computer Services (Pvt)
Limited, Mezzanine Floor, House of Habib
Building (Siddiqsons Tower), 3-Jinnah
Coperative Housing Society, Main
Shahrah-e-Faisal, Karachi

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

Designed & Produced by: **ASTRAL HATCH INC.** 051-8430659