Sitara Chemical Industries Limited

Annual Report 2017

CONTENTS

FINANCIAL PERFORMANCE 2017

Sales
+2.65%
Rs. 10,074M
(2016: Rs. 9,814)

Profit Before Tax %
11.71%
(2016:11.44%)

Cash Dividend
125%
(2016:115%)

Market Value Per Share
Rs. 444.62
(2016:Rs.364.00)

Earning Per Share
Rs. 54.43
(2016:Rs.35.90)

Gross Profit %
22.95%
(2016:21.69%)

Profit After Tax %
11.58%
(2016:7.84%)

Operating Profit %
15.40%
(2016:14.00%)

Vision

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

Mission

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

CODE OF ETHICS AND BUSINESS PRACTICES

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

COMPANY INFORMATION

Board of Directors

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

Company Secretary
Mr. Mazhar Ali Khan

Chief Financial Officer
Mr. Anwar-ul-Haq (FCA)

Audit Committee

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

Human Resource and Remuneration Committee

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

Head of Internal Audit
Mr. Zakir Hussain (FCA)

Auditors
Deloitte Yousuf Adil
Chartered Accounts

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
Al-Baraka Islamic Bank B.S.C. (E.C.)
Faysal Bank Limited
Habib Bank Limited
Bank Islami Pakistan Limited
Habib Metropolitan Bank Limited
Bank Al-Habib Limited
Soneri Bank Limited
The Bank of Khyber
Askari Commercial Bank

Website of the Company
www.sitara.com.pk

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

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

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

CEO'S MESSAGE

In the name of Allah, the Most Beneficent, the Most Gracious, the Most Merciful. On behalf of the Board of Directors of Sitara Chemical Industries Limited, I am pleased to present the audited financial statements of the Company together with Auditors' Report thereon for the year ended June 30, 2017.

Overall Review:

Growth of your company is dependent upon overall growth of the economy of the country, particularly the growth of textile sector along with factors like political stability, investment friendly Govt. policies, growth oriented taxation policies, improved law and order situation of the country etc. During the financial year 2016-17, industrial sector of country has witnessed a growth of 5% as against 5.8% last year. Growth of textile sector witnessed at 0.78% as against 0.66% of last year. In spite of meager growth of textile sector during the current financial year, your company performed well and kept its pace of growth. However, much is needed from Govt. for growth of textile sector in shape of relaxed taxation and facilitated environment for considerable growth in exports.

Financial Performance:

During the financial year 2017, your Company has posted net sales of Rs.10,074/- million as against Rs. 9,814/- million in the corresponding period of last year representing a growth of 2.65%. Profit after tax stood at Rs.1,166/- million during the year 2017 as against Rs. 769 million last year. Earning per share was recorded at Rs.54.43/- during the year 2017 as against Rs.35.90/- last financial year. Besides competitive environment prevailing in caustic market, improvement in bottom line results during the current financial year was due to improvement in gross margins after induction of 40 mega watt coal fired power plant, which resulted savings in energy cost and uninterrupted supply of electricity round the year. Textile segment of your company also performed well in terms of better sales and enhanced gross margins. By the grace of Almighty Allah, your Company is now self sufficient in its energy needs. Furthermore, improvement in bottom line results are also attributable to recording of tax credit admissible under the Income Tax Ordinance, 2001 on investment in plant and machinery of coal fired power plant, and extension / expansions / BMR of other chemical plants.

Our success history is based upon our determination to stay the course and look forward to understand the environment in which we operate, to organise ourselves to seize opportunities to deliver profitable growth now and in the future. Although we are operating in a challenging and turbulent economic environment, we see it as enthralling time with full of opportunities. We continue to commit ourselves to ambitious financial targets expected by our stakeholders.

Future Outlook:

Pakistan's macroeconomic indicators are improving and continue to solidify grounds for a sustained upward growth. In particular, key constraints impending the economy from achieving high growth i.e. power supply and law & order situation- are gradually getting better. In this backdrop, government envisages higher real GDP growth of 6% for financial year 2018 compared to 5.3% recorded in current year. Further, low interest rate environment and credit expansion is likely to maintain its pace with better prospects for investment and industrial growth.

Alhamdulillah, after achieving the self sufficiency in energy needs of the company and commissioning of Carbon Dioxide (CO_2 Food Grade) and Calcium Chlroide Prill Plants during the year, 04 new Ring frames of 552 spindles each will be installed in textile division of the company along with up gradation of laboratory equipment which will enhance production capacity of textile division as well as improvement in the quality of yarn.

We are focused and committed on our agenda of further diversification and induction of new product lines that creates shareholders' value on sustainable basis.

Acknowledgments:

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

Muhammad Adrees
Chief Executive Officer

September 22, 2017

DIRECTORS' REPORT

Gentlemen,

The Directors have pleasure in submitting their report and audited accounts of the Company for the year ended June 30, 2017

Profit and Loss Account Rupees	
Net profit for the year after tax before & WWF	1,233,868,329
Workers Welfare Fund (WWF) and Workers Profit Participation Fund (WWF)	(67,486,641)
Net Profit for the year	**1,166,381,688**
Incremental depreciation (net of deferred tax)	73,109,465
Transfer of revaluation surplus on reclassification of investment in associates	56,451,713
Final dividened for the year June 30, 2016 @ Rs. 11.50 per share	246,438,646
Un-appropriated profit brought forward	5,958,346,996
Amount available for appropriation	**7,007,851,217**
Appropriations:	
Proposed dividend for the year ended June 30, 2017 dividend @ 12.50 per share	(267,867,588)
Earning per share- basic and diluted	**54.43**

Staff Retirement Benefits

Company has maintained a recognized provident fund, and based on audited accounts as at June 30, 2017, value of investment thereof was Rs.56,131,344/-

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

Board of Directors

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

During the year, Mr. Muhammad Yousuf Adil has resigned from the board of directors of company and Mr. Ahmad Nawaz was nominated by the board to fill the casual vacancy. The board placed on record its appreciation for valuable contribution made by Mr. Muhammad Yousuf Adil and wellcomed Mr. Ahmad Nawaz as new directors of the company.

Board of Directors Meeting

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

Board of Directors Meeting

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

1	Mr. Muhammad Adrees	5
2	Mr. Haseeb Ahmed	5
3	Mr. Muhammad Khalil	5
4	Mr. Waheed Akhtar Sher	5
5	Mr. Abdul Awal	5
6	Mr. Muneeb ul Haq	5
7	Mr. Ahmad Nawaz	2
8	Mr. Muhammad Yousuf Adil	1

Audit Committee Meetings

During the year Seven meetings were held and attended as follows:

1	Mr. Abdul Awal	7
2	Mr. Muhammad Khalil	7
3	Mr. Muneeb ul Haq	7

Human Resource and Remuneration Committee

During the year Four meetings were held and attended as follows:

1	Mr. Muhammad Khalil	4
2	Mr. Muhammad Adrees	4
3	Mr. Abdul Awal	4

Corporate Governance

Statement of 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 their spouse and minor children, CEO, CFO, head of internal audit and Company Secretary.

Auditors

The existing auditors M/s. Deloitte Yousuf Adil, Chartered Accountants, shall retire on the conclusion of 36th Annual General Meeting. Being eligible, they have offered themselves for re-appointment as Auditors of the Company from conclusion of the 36th Annual General Meeting until the conclusion of 37th Annual General Meeting. The Audit Committee has recommended the appointment of aforesaid M/s. Deloitte Yousuf Adil, as external auditors for the year ending June 30, 2018. 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. 1,845.965/- 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 deducted by the company from employees, suppliers and contractors and deposited into the treasury.

Production Operations

During the year your company has produced 127,464 Metric Tons of Caustic Soda against last year's production of 135,103 Metric Tons. Production of Textile Division remained 9,311,573 Kgs of Yarn against 9,218,045 Kgs in the last year. During the year all 26,304 spindles remained operational.

DIRECTORS' REPORT

Calcium Chloride Prill Plant And C02 (III) Plant

Alhamdulillah, during the financial year 2017, Calcium Chloride Prill Plant and an additional plant of 50 M.T of Carbon Dioxide (CO2-Food Grade) started its commercial production. This will lead to increased market share in days to come and improve profitability of your Company.

Calcium Chloride Prill Plant

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.

Carbon Dioxide CO2 Plant

Computer Lab

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.

Environment, Health and Safety:

We are a Health & Safety conscious organization, recognized to an international standards. Alhamdullilah, We have successfully attained OHSAS 18001 Certification from SGS during the year under review.

HSE Activity

Your company is strongly committed to continued improvement of its environmental management system by adaptation of appropriate pollution prevention measures and complying with all relevant legislation and standards especially ISO 9001 and ISO 14001. 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 971 persons are trained per year on the above mentioned subjects.

Human Resource Development:

Human Resource planning and management is one of the most focused point at the highest management level. The company has a Human Resource and Management committee which is involved in selection, evaluation, compensation and succession planning of the key management 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 142 employees to attend courses and workshops held at various well known institutions of Pakistan .

Employees Training Session

Human Resource Development Activity

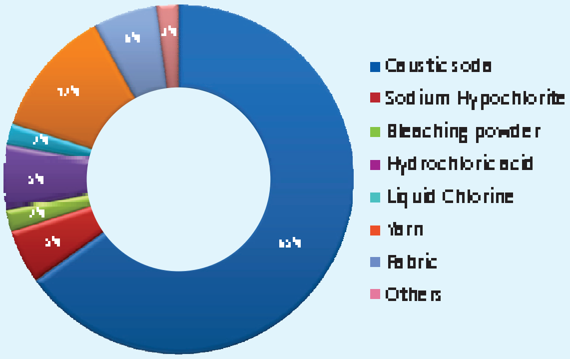
Employees Training Session

Corporate Social Responsibility

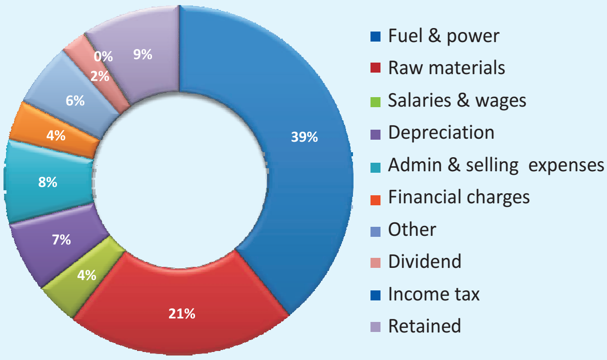
Your company always remains proactive to contribute towards general public welfare activities. We manage and arrange medical camps and health awareness campaigns frequently. In this regard various activities have been also held at factory site.

MRI at Aziz Fatima Hospital

DIRECTORS' REPORT

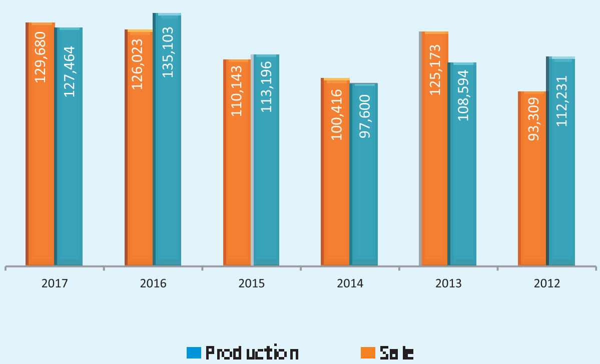


Sources of Revenue		
	Rs. In Millions	%
Caustic soda	6,560	65.12%
Sodium Hypochlorite	547	5.43%
Bleaching powder	170	1.69%
Hydrochloric acid	502	4.98%
Liquid Chlorine	176	1.75%
Yarn	1,243	12.34%
Fabric	598	5.94%
Others	278	2.76%
	10,074	100.00%

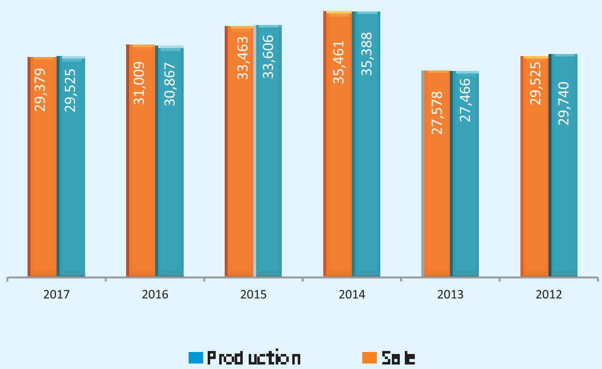


Application of Revenue		
	Rs. In Millions	%
Fuel & power	3,945	39.16%
Raw materials	2,150	21.35%
Salaries & wages	406	4.03%
Depreciation	661	6.56%
Admin & selling expenses	785	7.79%
Financial charges	371	3.68%
Other	599	5.95%
Dividend	246	2.45%
Income tax	14	0.14%
Retained	895	8.88%
	10,074	100.00%

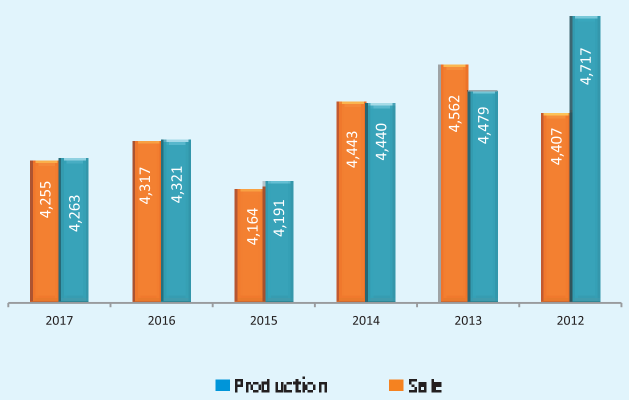
Caustic Soda
(Quantity M.Ton)



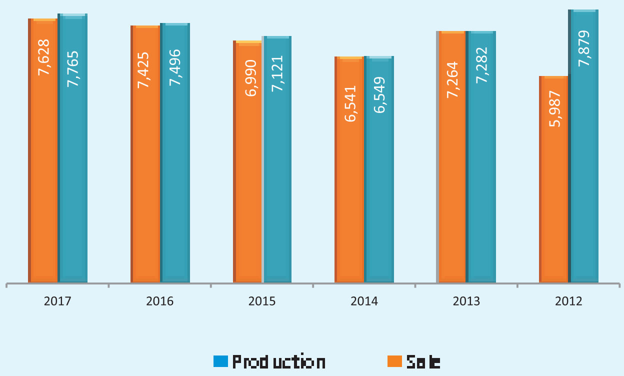
Sodium Hypochlorite
Quantity (Kgs. "000")



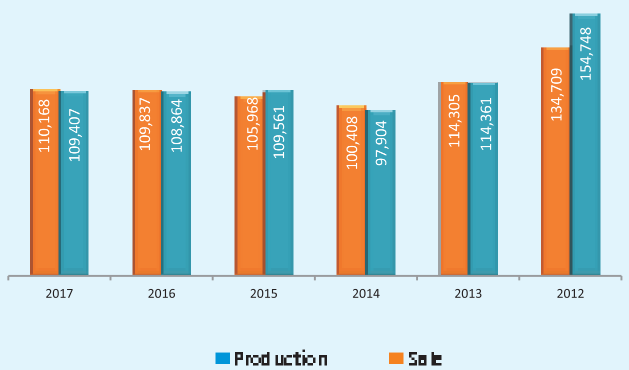
Bleaching Power
(Quantity M.Ton)



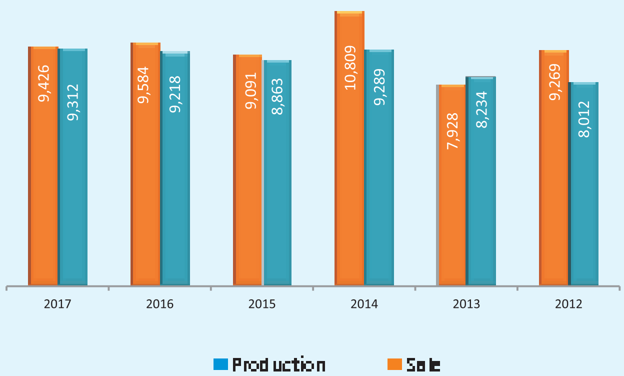
Liquid Chlorine
(Quantity M.Ton)



Hydrochloric Acid
(Quantity M.Ton)



Cotton Yarn Converted into 20/s Count
(Quantity M.Ton)



Acknowledgment

"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 2017. 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
BOARD OF DIRECTORS

Muhammad Adrees
Chief Executive Office
Faisalabad.
September 22, 2017

رہے ہیں۔ہم اس وقت کو ترقی کے بھرپور مواقع کے طور پر دیکھتے ہیں۔ہم اپنے حصہ داران کے متوقع مالی اہداف کے حصول کے لیے کوشش جاری رکھیں گے۔

مستقبل پر نظر

پاکستان کے بڑے اقتصادی اعشاریے بہتری کی جانب گامزن ہیں اور مضبوط تر ہو رہے ہیں۔خاص طور پر اعلیٰ ترقی کے حصول سے معیشت کو اہم رکاوٹوں سے فائدہ ہوتا ہے۔بجلی کی فراہمی اور امن و امان کی صورتِ حال بتدریج بہتری کی جانب گامزن ہے۔اس صورتِ حال میں حکومت نے موجودہ سال میں 5.3 فیصد ترقی کے مقابلے میں مالی سال 2018ء میں 6 فی صد اضافہ متوقع ہے۔اس کے علاوہ کم شرح سود، ماحول اور کریڈٹ، توسیع سرمایہ کاری اور صنعتی ترقی کے لیے بہتر امکانات کے ساتھ اس کی رفتار کو برقرار رکھنے کا امکان ہے۔

الحمدللہ! موجودہ سال میں کمپنی کی بجلی کی ضرورت میں خود کفالت حاصل کرنے ،فوڈ گریڈ کاربن ڈائی آکسائیڈ کی تیاری اور کیلشیم کلورائیڈ پرل پلانٹ کی تنصیب کے بعد ٹیکسٹائل کے شعبے میں سپنڈل کے 4 عدد نئے رنگ فریم کی تنصیب اور لیبارٹری کے ایکوپمنٹ کی تجدید کے بعد ٹیکسٹائل کی پیداواری صلاحیت اور یارن کی کوالٹی میں اضافہ ہوگا۔

ہم توجہ مرکوز کر رہے ہیں اور مزید جدید اور نئی مصنوعات کو شامل کر کے اس ایجنڈے پر عمل پیرا ہیں تا کہ شیئر ہولڈر کے متوقع مالی اہداف کو مستقبل بنیادوں پر حاصل کیا جائے۔

اعترافات

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

محمد ادریس
چیف ایگزیکٹو آفیسر
ستارہ کیمیکل انڈسٹریز لمیٹڈ
فیصل آباد
22 ستمبر 2017ء

ڈائریکٹرز رپورٹ

اللہ تعالیٰ کے بابرکت نام سے جو بہت رحم کرنے والا ہے۔ ستارہ کیمیکل انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے میں 30 جون 2017ء کو ختم ہونے والے مالی سال کے لیے آڈٹ شدہ مالی گوشوارے بمعہ آڈٹ رپورٹ پیش کررہا ہوں۔

مجموعی جائزہ

آپ کی کمپنی کی ترقی کا انحصار مجموعی ملکی معیشت کی ترقی پر منحصر ہے۔ بالخصوص ٹیکسٹائل سیکٹر کی ترقی کے ساتھ دوسرے عناصر جیسے سیاسی استحکام، حکومت کی دوستانہ سرمایہ کاری کی پالیسی، ٹیکس کی ترقی پسندانہ پالیسی، ملکی امن وامان کی بہتر صورتِ حال وغیرہ پر منحصر ہے۔ مالی سال 17-2016 کے دوران ملکی صنعتی ترقی کی شرح 5% رہی جبکہ پچھلے سال یہ شرح 5.8 فیصد تھی۔ ٹیکسٹائل سیکٹر کی شرح نمو میں 0.78 فیصد اضافہ دیکھا گیا جبکہ پچھلے سال یہ شرح 0.66% تھی۔

موجودہ مالی سال کے دوران ٹیکسٹائل کے شعبے میں معمولی ترقی کے باوجود آپ کی کمپنی مستحکم رہی اور اُس نے اپنی ترقی کی رفتار کو برقرار رکھا۔ تاہم ٹیکسٹائل کے شعبے کی ترقی کے لیے آسان ٹیکس اور باسہولت دوست ماحول کی صورت میں حکومت کی طرف سے بہت کچھ کرنے کی ضرورت ہے تاکہ ایکسپورٹ ترقی کرسکے۔

مالیاتی کارکردگی

مالی سال 2017ء کے دوران آپ کی کمپنی کی خالص فروخت 2.65 فیصد اضافہ کے ساتھ 100,74 ملین روپے رہی جبکہ گزشتہ سال یہ فروخت 9814 ملین روپے رہی۔ موجودہ سال ٹیکس کے بعد کمایا گیا منافع 1166 ملین روپے رہا جبکہ پچھلے سال یہ منافع 769 ملین روپے تھا۔ موجودہ سال 2017ء میں فی حصص آمدنی 54.43 روپے رہی جبکہ یہ پچھلے سال 35.90 روپے تھی۔ کاسٹک مارکیٹ میں مقابلے کی فضا کے باوجود مجموعی مارجن میں اضافہ کی وجہ سے نچلی سطح میں اضافہ 40 میگاواٹ کوئلے کے پاور پلانٹ کی وجہ سے ہے جس کی وجہ سے توانائی کی قیمت میں کمی اور بجلی کی بلاتعطّل فراہمی ہے۔ ٹیکسٹائل کے شعبہ میں بھی آپ کی کمپنی اچھی فروخت اور بہتر مجموعی مارجن کی مد میں اچھا کام کیا۔

الحمدللہ! اللہ تعالیٰ کے فضل وکرم سے آپ کی کمپنی توانائی کے شعبے میں خودکفیل ہوگئی ہے۔ مزید براں زیرسطحی نتائج میں بہتری کی وجہ انکم ٹیکس آرڈیننس 2001 کے تحت کوئلے سے چلنے والے پاور پلانٹ کی پلانٹ اور مشینری کی خرید توسیع /اضافہ اور بی ایم آر میں سرمایہ کاری کی وجہ سے دی گئی چھوٹ ہے۔

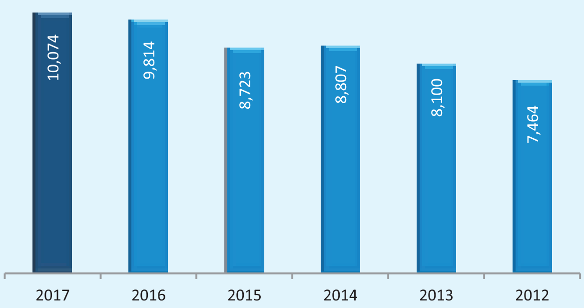
ہماری کامیابی کی تاریخ کی بنیاد راستے پر پُرعزم رہنے اور جس ماحول میں ہم کام کررہے ہیں اس پر نظر رکھنے اور مستقبل میں منافع بخش ترقی کی فراہمی کے مواقع پر قبضہ کرنے کے لیے خود کو منظّم کرنے میں ہے۔ اگرچہ ہم ایک مشکل اور ہنگامہ خیز اقتصادی ماحول میں کام کر

SIX YEARS AT A GLANCE

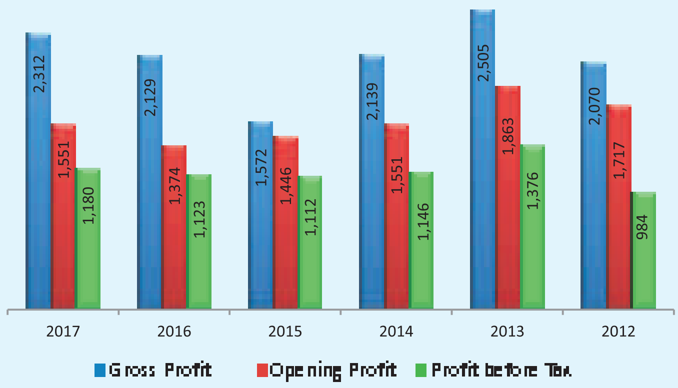
Operating results (Rs. "Million")	2017	2016	2015	2014	2013	2012
Sales	10,074	9,814	8,723	8,807	8,100	7,464
Gross profit	2,312	2,129	1,572	2,139	2,505	2,070
Operating profit	1,551	1,374	1,446	1,551	1,863	1,717
Profit before tax	1,180	1,123	1,112	1,146	1,376	984

Financial ratios						
Gross Profit %	22.95	21.69	18.02	24.29	30.93	27.73
Operating Profit %	15.40	14.00	16.57	17.61	23.00	23.00
Profit before tax %	11.71	11.44	12.75	13.01	16.99	13.18
Earnings per share - Basic (Rs.)	54.43	35.90	46.03	40.19	48.40	32.13
Market value per share - (Rs.)	444.62	364.00	300.20	296.50	199.99	105.05
Cash Dividend Per Share - (Rs.)	12.50	11.50	9.00	10.50	10.00	8.00
Inventory turn over (times)	6.76	8.44	8.94	7.05	5.85	6.03
Current ratio	0.88:1	0.75:1	1.04:1	0.87:1	0.73:1	0.61:1
Fixed assets turn over (times)	1.07	1.12	1.51	1.53	1.36	1.23
Price earning ratio	8.17	10.14	6.52	7.38	4.14	3.27
Return on capital employed %	9.72	7.29	10.89	10.74	13.81	9.56
Debt equity	24:76	23:77	19.81	19.81	23.77	32.68

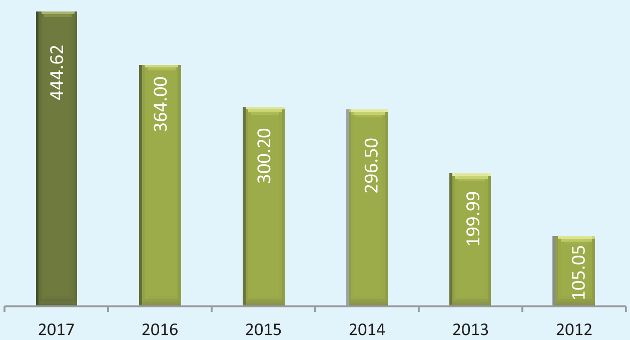
Sales
(Rs. In Million)



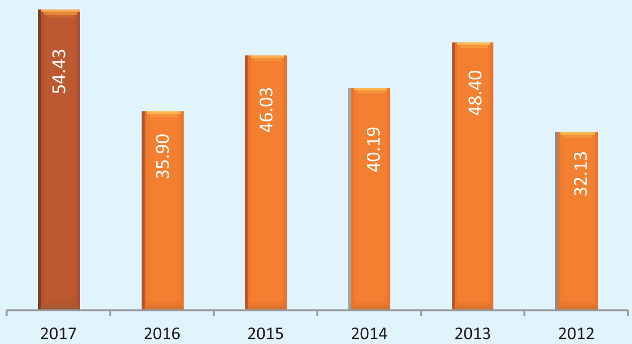
Gross Profit, Operating Profit & Profit before Tax
(Rupees in Millions)



Market Value Per Share (Rs)



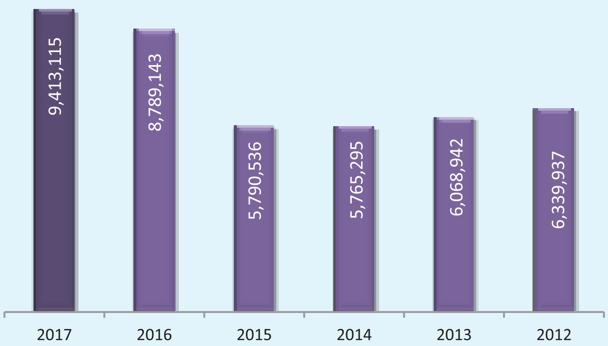
Earnings Per Share (Rs)



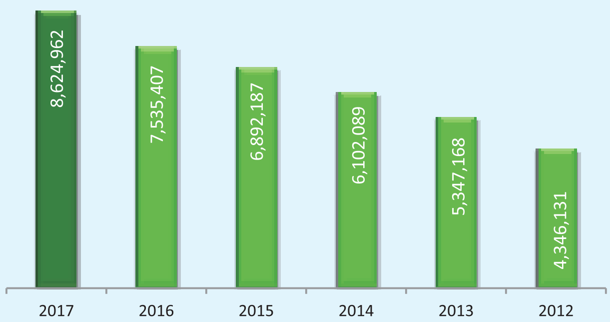
SIX YEARS AT A GLANCE

Assets employed	2017	2016	2015	2014	2013	2012
(Rupees '000')						
Property, Plant and equipment	9,413,115	8,789,143	5,790,536	5,765,295	6,068,942	6,339,937
Intengible assets	13,089	14,544	16,159	17,955	19,950	-
Investment property	2,926,570	2,872,992	2,716,463	3,004,815	2,868,379	2,820,036
Long Term Investment	31,579	100,125	99,192	68,280	63,431	67,608
Advances and deposits	1,379,061	1,376,035	1,375,492	928,309	929,735	937,791
Current assets	5,761,477	4,702,364	4,446,080	3,601,755	3,008,549	2,475,187
Current liabilities	(6,523,898)	(6,286,868)	(4,293,654)	(4,160,633)	(4,135,006)	(4,039,282)
	13,000,993	**11,568,335**	**10,150,268**	**9,225,776**	**8,823,980**	**8,601,277**
Financed by						
Ordinary capital	214,294	214,294	214,294	214,294	214,294	214,294
Reserves	8,410,668	7,321,113	6,677,893	5,887,795	5,132,874	4,131,837
Shareholders' equity	8,624,962	7,535,407	6,892,187	6,102,089	5,347,168	4,346,131
Surplus on revaluation	1,226,133	1,355,695	1,305,696	1,347,409	1,429,501	1,521,196
Long term and deferred liabilities	3,149,898	2,677,233	1,952,385	1,776,278	2,047,311	2,733,950
	13,000,993	**11,568,335**	**10,150,268**	**9,225,776**	**8,823,980**	**8,601,277**

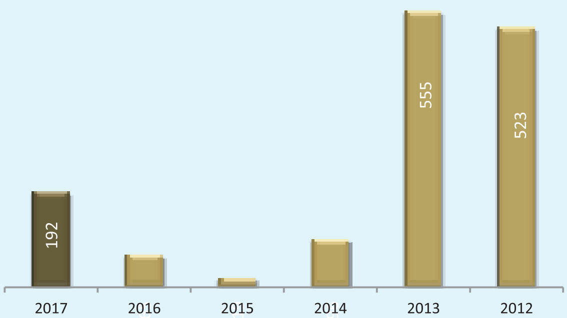
Fixed Assets
(Rupees "000")



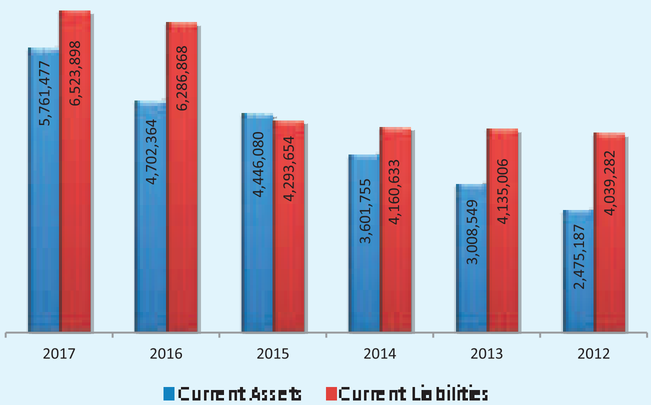
Shareholders' Equity
(Rupees "000")



Export Sales
(Rupess in Million)



Current Assets & Current Liabilities
(Rupees "000")



CORPORATE GOVERNANCE

Statement of Director's Responsibility

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

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

Presentation of Financial Statements

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

Books of Accounts

Company has maintained proper books of account.

Accounting Policies

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

Application of International Accounting Standards

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

Internal Control System

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

Taxation

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

Going Concerns

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

Audit Committee

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

Human Resource and Remuneration Committee

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

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE
For the year ended June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Chapter No. 5.19 of Rule Book of Pakistan Stock Exchange Limited (PSX) for the purpose of establishing 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 Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

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

The Independent Director meet the criteria of Independence under clause 5.19.1 (b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a broker of stock exchange, has been declared as a defaulter by that stock exchange.
4. During the financial year 2016-17, a casual vacancy occurred on the Board on October 19, 2017 and filled up by the Directors on December 23, 2017.
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 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.
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 Code of Corporate Governance (CCG), more than fifty percent (50%) of the Directors have obtained certification under Directors training Program by the year ended June 30, 2017.
10. There has been no change in the position of CFO, Company Secretary and Head of Internal Audit during the year.
11. The Director's report for this year has been prepared in compliance with the requirements of CCG and fully describes the salient matters required to be disclosed.

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE
For the year ended June 30, 2017

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, of whom two are Non-Executive Directors and Chairman of the Committee is an Independent Director.
16. The meeting 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 a HR and Remuneration Committee. It comprises of three members; majority Directors are Non-Executive Directors including the Chairman of the committee.
18. The Board has set up an effective internal audit function within the Company who are considered to be suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
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 ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company 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 exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board

M.MUHAMMAD ADREES
Chief Executive Officer

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2017

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
1008	1	100	26,862
529	101	500	134,517
167	501	1,000	118,428
146	1,001	5,000	353,543
31	5,001	10,000	223,450
12	10,001	15,000	155,777
3	15,001	20,000	53,224
4	20,001	25,000	89,313
2	25,001	30,000	55,950
3	30,001	35,000	92,336
3	35,001	40,000	115,950
1	40,001	45,000	45,000
2	45,001	50,000	95,565
1	50,001	55,000	50,609
3	55,001	60,000	174,114
1	60,001	65,000	62,800
2	65,001	70,000	130,764
1	85,001	90,000	85,966
1	110,001	115,000	112,775
1	115,001	120,000	115,050
2	120,001	125,000	246,064
1	125,001	130,000	126,654
1	145,001	150,000	150,000
1	160,001	165,000	164,800
1	310,001	315,000	314,555
1	370,001	375,000	373,346
1	375,001	380,000	375,540
1	540,001	545,000	540,400
1	630,001	635,000	634,416
1	900,001	905,000	904,386
1	1,665,001	1,670,000	1,669,850
1	13,635,001	13,640,000	13,637,402
1934			**21,429,406**

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2017

	Number	Share Held	Percentage
NIT & ICP			
National Bank of Pakistan - Trustee Department Investment Corporation of Pakistan	3	685,722	3.20
Directors, CEO & their Spouse and Minor Children			
Mr. Muhammad Adrees	1	13,637,402	63.64
Mr. Haseeb Ahmed	1	375,540	1.75
Mr. Muhammad Khalil	1	525	0.00
Mr. Abdul Awal	1	500	0.00
Mr. Muneeb-ul Haq	1	500	0.00
Mr. Waheed Akhter Sher	1	500	0.00
Mr. Ahmad Nawaz	1	500	0.00
Bank, Development Finance Institutions, Non Banking Finance Institutions.	8	1,860,953	8.68
Insurance Companies	2	1,444,786	6.74
Mutual Funds	15	464,600	2.17
Modarabas	2	16,050	0.08
Foreign Companies	2	7,300	0.03
General Public (Local)	1840	2,290,557	10.70
General Public (Foreign)	23	96,839	0.45
Associated Companies, Undertaking and Related Parties	-	-	-
Joint Stock Companies, others, etc.	24	457,547	2.14
Others	8	89,585	0.42
	1,934	**21,429,406**	**100.00**

Detail of purchase/sale of shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses/minor children during 2016-2017.

Mr. Ahmad Nawaz (Director of the Company) acquired 500 qualification shares during the year.
Mr. Muhammad Adrees (Chief Executive of the Company) received Gift =245,000= shares during the year.

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

a	**Mr. Muhammad Adrees, Chief Executive**	**13,637,402**
b	**JS Bank Limited**	**1,669,850**

The Board has determined threshold under clause xvi(I) 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. 5 Million or more.

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 36th Annual General Meeting of Sitara Chemical Industries Limited will be held at The Institute of Chartered Accountants of Pakistan (ICAP) Auditorium Hall, Chartered Accountants Avenue, Clifton, Karachi, on Wednesday, October 25, 2017 at 6:00 p.m. to transact the following business:

1. To confirm the minutes of Annual General Meeting held on October 28, 2016.

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2017 together with the Reports of Auditors and Directors thereon.

3. To approve payment of Cash Dividend at the rate of 125% (Rs.12.50 per share) as recommended by the Board of Directors.

4. To appoint auditors for the year ending June 30, 2018 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

Karachi
Dated : September 22, 2017

MAZHAR ALI KHAN
Company Secretary

1. CLOSURE OF SHARE TRANSFER BOOKS.

The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from October 18, 2017 to October 25, 2017 (both days inclusive). Transfers received in order at Company's Share Registrar's Office by the close of business on October 17, 2017 will be treated in time for the purpose of payment of cash dividend, if approved by the shareholders.

2. PARTICIPATION IN THE ANNUAL GENERAL MEETING.

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

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

a) For attending the meeting:

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

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

b) For appointing proxies:

i) In case of individuals, the account holders or sub account holders and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form. The proxies shall produce their original CNIC or original passport at the time of meeting.

ii) In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the company's registrar.

iii) Form of proxy is attached to the notice of meeting being sent to the members.

4. DEDUCTION OF INCOME TAX FROM DIVIDEND AT REVISED RATES

Pursuant to the provisions of Finance Act, 2017, the deduction of Income Tax from dividend payments shall be made on the basis of filers and non-filers as follows:

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

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

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

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

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

5. **PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE:**

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

6. **CIRCULATION OF ANNUAL REPORTS VIA EMAIL OR CD / DVD /USB.**

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its SRO No. 470(I)/2016 dated 31ST May, 2016, that has allowed companies to circulate their Annual Audited Accounts (i.e. Annual Balance Sheet and Profit and Loss Accounts, Auditor's Report and Directors' Report etc ("Annual Report") along with the Notice of Annual General Meeting ("Notice") to its shareholders through Email or CD / DVD / USB at the registered addresses.
Shareholders who wish to receive the hardcopy of Financial Statements shall have to fill the attached standard request form (also available on the company's website www.sitara.com.pk) and send at the Company address.

7. **PLACEMENT OF FINANCIAL STATEMENTS:**

The audited financial statements of the Company for the year ended June 30, 2017 have been placed at the Company's website: www.sitara.com.pk.

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

Auditors' Report
& Financial Statements
2017

AUDITORS' REPORT
To the members

We have audited the annexed balance sheet of **Sitara Chemical Industries Limited** (the Company) as at June 30, 2017 and the related profit and loss account, statement of 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 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, 2017 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 the 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.

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner: Rana M. Usman Khan
Lahore
Dated: September 22, 2017

REVIEW REPORT

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **SITARA CHEMICAL INDUSTRIES LIMITED** (the Company) for the year ended June 30, 2017 to comply with regulation of the Pakistan Stock Exchange where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the code. 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 of Directors' statement on internal controls covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out 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 as applicable to the Company for the year ended June 30, 2017.

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner: Rana M. Usman Khan
Lahore
Dated: September 22, 2017

BALANCE SHEET
AS AT JUNE 30, 2017

	NOTE	2017 Rupees	2016 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	5	9,413,115,264	8,789,142,634
Intangible assets	6	13,089,195	14,543,550
Investment property	7	2,926,570,048	2,872,992,031
Long term investments	8	31,579,359	100,125,447
Long term loans and advances	9	1,267,851,503	1,265,176,666
Long term deposits	10	111,209,478	110,858,087
		13,763,414,847	13,152,838,415
Current assets			
Stores, spare parts and loose tools	11	644,412,208	413,630,215
Stock in trade	12	1,194,326,880	1,103,513,578
Trade debts	13	1,163,484,992	1,124,985,220
Advance sales tax		-	61,213,694
Loans and advances	14	2,335,623,120	1,597,383,728
Trade deposits and prepayments	15	5,691,809	6,579,875
Other receivables	16	12,053,307	9,563,828
Other financial assets	17	274,882,920	197,069,564
Cash and bank balances	18	131,002,031	188,424,647
		5,761,477,267	4,702,364,349
Total assets		19,524,892,114	17,855,202,764

Muhammad Adrees
Chief Executive Officer

Haseeb Ahmed
Director

	NOTE	2017 Rupees	2016 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	19	214,294,070	214,294,070
Reserves	20	1,402,817,034	1,362,766,177
Un-appropriated profit		7,007,851,217	5,958,346,996
Total equity		8,624,962,321	7,535,407,243
Surplus on revaluation of property, plant and equipment	21	1,226,133,404	1,355,694,582
LIABILITIES			
Non-current liabilities			
Long term financing	22	2,143,016,525	1,655,406,665
Long term deposits	23	23,742,791	3,885,303
Deferred liabilities	24	983,138,661	1,017,941,286
		3,149,897,977	2,677,233,254
Current liabilities			
Trade and other payables	25	3,238,772,805	2,790,765,212
Sales tax payable		40,126,176	-
Profit / financial charges payable	26	82,219,754	82,952,314
Short term borrowings	27	2,290,759,541	2,672,033,974
Current portion of long term financing	22	872,020,136	741,116,185
		6,523,898,412	6,286,867,685
Contingencies and commitments	28		
Total equity and liabilities		19,524,892,114	17,855,202,764

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, 2017

	NOTE	2017 Rupees	2016 Rupees
Sales - net	29	10,074,067,654	9,813,778,375
Cost of sales	30	(7,762,170,677)	(7,684,836,486)
Gross profit		2,311,896,977	2,128,941,889
Distribution cost	31	(205,502,071)	(224,860,975)
Administrative expenses	32	(579,700,037)	(512,805,184)
Other operating expenses	33	(67,508,185)	(83,327,970)
Finance cost	34	(370,921,238)	(250,950,254)
		(1,223,631,531)	(1,071,944,383)
		1,088,265,446	1,056,997,506
Other income	35	98,658,807	62,356,299
		1,186,924,253	1,119,353,805
Share of profit / (Loss) of associates - net of tax	8.1.1	(6,915,659)	3,703,016
		1,180,008,594	1,123,056,821
Provision for taxation	36	(13,626,906)	(353,835,282)
Profit for the year		1,166,381,688	769,221,539
Earnings per share - basic and diluted	37	54.43	35.90

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 COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017 Rupees	2016 Rupees
Profit for the year	1,166,381,688	769,221,539
Items that may be reclassified subsequently to profit and loss		
Surplus on re-measurement of investments available for sale to fair value	43,872,464	2,388,067
Reclassification adjustments relating to available-for-sale financial assets disposed off during the year	(3,873,801)	(2,770,518)
Total items that may be reclassified subsequently to profit and loss	39,998,663	(382,451)
Item that will not be reclassified to profit or loss		
Remeasurement of post retirement benefits obligation	74,563	(627,571)
Impact of deferred tax	(22,369)	194,547
Total items that will not be reclassified to profit and loss	52,194	(433,024)
Total comprehensive income for the year	1,206,432,545	768,406,064

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, 2017

	Note	2017 Rupees	2016 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,180,008,594	1,123,056,821
Adjustments for:			
Depreciation on property, plant and equipment		696,269,231	492,673,165
Depreciation on investment property		5,549,844	5,518,129
Amortization on intangible assets		1,454,355	1,615,950
Finance cost		370,921,238	250,950,254
Share of (profit) / Loss from associate - net of tax		6,915,659	(3,703,016)
Gain on disposal of property, plant and equipment		(3,070,903)	(859,980)
Gain on sale of available for sale investments		(3,412,258)	(2,770,518)
Gain on deemed disposal on investment in associate		(31,679,568)	-
Provision for employee benefits		8,383,420	8,184,388
Provision for doubtful debts		39,908,885	11,675,480
Profit on bank deposits		(8,875,802)	(9,490,786)
Dividend income		(5,940,341)	(5,550,566)
Operating cash flows before changes in working capital		2,256,432,354	1,871,299,321
Working capital changes	42	(254,529,303)	247,856,017
Cash generated from operations		2,001,903,051	2,119,155,338
Finance cost paid		(371,653,798)	(223,223,554)
Employee benefits paid		(8,697,708)	(5,418,240)
Taxes paid		(385,367,686)	(389,585,853)
Profit received		8,875,802	9,490,786
		(756,843,390)	(608,736,861)
Net cash from operating activities		1,245,059,661	1,510,418,477

Muhammad Adrees
Chief Executive Officer

Haseeb Ahmed
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		7,410,416	4,723,339
Proceeds from disposal of available for sale investments		77,545,139	4,803,142
Additions to property, plant and equipment		(1,324,581,374)	(3,328,794,989)
(Purchase) / Sale of available for sale investments		(18,637,597)	1,579,958
Purchase of investment property		(59,127,861)	(162,046,979)
Long-term loans and advances paid		(2,674,837)	(117,337)
Long term deposits paid		(351,391)	(424,800)
Dividend received		5,940,341	5,550,566
Net cash from investing activities		(1,314,477,164)	(3,474,727,100)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		1,342,907,495	1,538,521,518
Payment of long term financing		(724,393,684)	(280,356,638)
Short term borrowings-net		(381,274,433)	835,547,503
Long term deposits		19,857,488	(6,035,250)
Dividend paid		(245,101,979)	(191,921,273)
Net cash used in financing activities		11,994,887	1,895,755,860
Net decrease in cash and cash equivalents (A+B+C)		(57,422,616)	(68,552,763)
Cash and cash equivalents at beginning of the year		188,424,647	256,977,410
Cash and cash equivalents at end of the year	18	131,002,031	188,424,647

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, 2017

	Capital reserves				Revenue reserves		
	Share capital	Share premium	Reserve on re-measurement of available for sale investments	Re-measurement on post retirement benefits obligation - net of tax	General reserve	Un-appropriated profit	Total
Balance at July 01, 2015	214,294,070	97,490,410	47,024,314	(5,933,072)	1,225,000,000	5,314,312,674	6,892,188,396
Total comprehensive income							
Profit for the year	-	-	-	-	-	769,221,539	769,221,539
Other comprehensive income							
Other comprehensive income during the year	-	-	(382,451)	-	-	-	(382,451)
Remeasurement of post retirement benefits - net of tax	-	-	-	(433,024)	-	-	(433,024)
Total other comprehensive income	-	-	(382,451)	(433,024)	-	-	(815,475)
Total comprehensive income	-	-	(382,451)	(433,024)	-	769,221,539	768,406,064
Transfer to un-appropriated profit on account of incremental depreciation - net of tax	-	-	-	-	-	67,677,437	67,677,437
Transactions with owners							
Final dividend for the year ended June 30, 2015 @ Rs. 9 per share	-	-	-	-	-	(192,864,654)	(192,864,654)
Balance as at June 30, 2016	214,294,070	97,490,410	46,641,863	(6,366,096)	1,225,000,000	5,958,346,996	7,535,407,243
Balance at July 01, 2016	214,294,070	97,490,410	46,641,863	(6,366,096)	1,225,000,000	5,958,346,996	7,535,407,243
Total comprehensive income							
Profit for the year	-	-	-	-	-	1,166,381,688	1,166,381,688
Other comprehensive income							
Other comprehensive income during the year	-	-	39,998,663	-	-	-	39,998,663
Transfer of revaluation surplus on reclassification of investment in associates to investment available for sale	-	-	-	-	-	56,451,713	56,451,713
Remeasurement of post retirement benefits - net of tax	-	-	-	52,194	-	-	52,194
Total other comprehensive income	-	-	39,998,663	52,194	-	56,451,713	96,502,570
Total comprehensive income	-	-	39,998,663	52,194	-	1,222,833,401	1,262,884,258
Transfer to un-appropriated profit on account of incremental depreciation - net of tax	-	-	-	-	-	73,109,465	73,109,465
Transactions with owners							
Final dividend for the year ended June 30, 2016 @ Rs. 11.5 per share	-	-	-	-	-	(246,438,645)	(246,438,645)
Balance as at June 30, 2017	214,294,070	97,490,410	86,640,526	(6,313,902)	1,225,000,000	7,007,851,217	8,624,962,321

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

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

Principal business activities are as follows:

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

1.2 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.

2.1.1 Revised Adoption of new and revised laws, standards and interpretations

During the year, the Companies Act, 2017 (the new Companies Act) was enacted and promulgated by the SECP on May 30, 2017. However, SECP has notified through Circular No. 17 of July 20, 2017 that companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the Company shall prepare the financial statements for periods closing after June 30, 2017 in accordance with the provisions of the new Companies Act. The Company is currently in process of determining impact, if any, on future financial statements due to implementation of the new Companies Act.

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 The following standards, amendments and interpretations are effective for the year ended June 30, 2017. 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.

IFRS 10 – Consolidated Financial Statements	Effective from accounting period beginning on or after January 01, 2016
IFRS 11 – Joint Arrangements	Effective from accounting period beginning on or after January 01, 2016
IAS 1– Presentation of Financial Statements'- Disclosure initiative	Effective from accounting period beginning on or after January 01, 2016
IAS 16 – Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	Effective from accounting period beginning on or after January 01, 2016
IAS 16 – Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	Effective from accounting period beginning on or after January 01, 2016
IAS 27 – Separate Financial Statements' - Equity method in separate financial statements	'Effective from accounting period beginning on or after January 01, 2016

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

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

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

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	Effective from accounting period beginning on or after January 01, 2018

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted
Amendments to IAS 7 'Statement of Cash Flows'- Amendments as a result of the disclosure initiative.	Effective from accounting period beginning on or after January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses.	Effective from accounting period beginning on or after January 01, 2017
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	Effective from accounting period beginning on or after January 01, 2018. Earlier adoption is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration' provides guidance on transactions where consideration against non-monitary prepaid asset / deferred income is denominated in foreign currency.	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments'	Effective from accounting period beginning on or after January 01, 2019

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

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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 :

4.2 Property, plant and equipment

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

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

4.3 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.

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 reducing balance method.

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

4.4 Investment property

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

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

Any gain or loss on disposal of investment property, calculated as difference between present value of the proceeds from disposal and the carrying amount is recognised in the profit and loss account.

4.5 Investments

Regular way purchase or sale of investments

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

Investment in associates

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

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

Disposal of investment in associates is recognized by the Company on ceasing to have significant influence on associates.

Available for sale

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

De-recognition

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

4.6 Stores, spare parts and loose tools

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

4.7 Stock-in-trade

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

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

4.8 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.

4.9 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.

4.10 Impairment

Non Financial Assets

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.

Financial Assets

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

4.11 Borrowings

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

4.12 Employee retirement benefits

Defined contribution plan - Chemical division

The Company operates an approved funded contributory provident fund scheme for all its employees eligible for benefit. Equal monthly contributions are made by the Company and employees at the rate from 6.5% to 8.33% of basic salary depending upon the length of service of an employee. The Company's contribution to the fund is charged to profit 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, 2016 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.

4.13 Trade and other payables

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

4.14 Provisions

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

4.15 Taxation

Current

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

Deferred

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

Deferred tax liabilities are generally recognised for taxable temporary differences.

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

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

4.16 Dividend and other appropriations

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

4.17 Financial instruments

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

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

4.18 Revenue recognition

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

- Sales of goods are recognized when goods are delivered and titles have passed.

- Export rebate is recognized on accrual basis at the time of making the export sale.

- Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

- Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

4.19 Borrowing costs

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

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.20 Foreign currencies

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

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

4.21 Segment Reporting

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

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

4.22 Off setting of financial assets and financial liabilities

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

4.23 Earnings per share

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

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2017 Rupees	2016 Rupees
Operating assets	5.1	9,227,921,543	5,307,232,629
Capital work-in-progress	5.8	185,193,721	3,481,910,005
		9,413,115,264	8,789,142,634

5.1 Operating assets - as at June 30, 2017

Description	Cost / revalued amount			Accumulated depreciation			Book value as at June 30, 2017	Rate (%)
	At July 01, 2016	Additions / (disposals)	At June 30, 2017	At July 01, 2016	Charge for the year / (on disposals)	At June 30, 2017		
	Rupees							
Freehold land	673,431,000	94,588,499	768,019,499	-	-	-	768,019,499	-
Building on freehold land:								
Mill	726,419,566	946,175,900	1,672,595,466	213,302,663	101,730,343	315,033,006	1,357,562,460	10
Head office	12,238,041	-	12,238,041	10,428,944	180,909	10,609,853	1,628,188	10
Plant and machinery	5,468,106,396	2,751,791,131	8,219,897,527	1,617,673,396	519,432,874	2,137,106,270	6,082,791,257	10
Grid station and electric installation	217,777,237	-	217,777,237	151,661,451	6,647,779	158,309,230	59,468,007	10
Containers and cylinders	69,779,834	-	69,399,454	37,779,462	3,195,532	40,763,207	28,636,247	10
		(380,380)			(211,787)			
Factory equipment	66,577,351	4,260,780	70,361,631	36,289,600	3,193,323	39,309,928	31,051,703	10
		(476,500)			(172,995)			
Electric equipment	79,549,754	783,857,502	862,243,040	26,431,554	46,268,709	71,979,916	790,263,124	10
		(1,164,216)			(720,347)			
Office equipment	50,081,671	3,825,374	52,649,492	26,716,924	2,543,778	28,246,574	24,402,918	10
		(1,257,553)			(1,014,128)			
Furniture and fittings	26,223,866	4,055,584	30,235,289	13,653,730	1,493,538	15,105,307	15,129,982	10
		(44,161)			(41,961)			
Vehicles	159,326,879	32,742,888	177,805,954	108,341,242	11,582,446	108,837,796	68,968,158	20
		(14,263,813)			(11,085,892)			
	7,549,511,595	4,621,297,658	12,153,222,630	2,242,278,966	696,269,231	2,925,301,087	9,227,921,543	
		(17,586,623)			(13,247,110)			

5.1 Operating assets - as at June 30, 2016

Description	Cost / revalued amount				Accumulated depreciation				Book value as at June 30, 2016	Rate (%)
	At July 01, 2015	Revaluation Adjustments	Additions / (disposals)	At June 30, 2016	At July 01, 2015	Revaluation Adjustments	Charge for the year / (on disposals)	At June 30, 2016		
	Rupees									
Freehold land	625,816,000	18,276,162	29,338,838	673,431,000	-	-	-	-	673,431,000	
Building on freehold land:										
Mill	659,923,472	-	66,496,094	726,419,566	166,766,885	(3,732,289)	50,268,067	213,302,663	513,116,903	10
Head office	12,238,041	-	-	12,238,041	10,227,933		201,011	10,428,944	1,809,097	10
Plant and machinery	5,405,274,008	-	64,839,388	5,468,106,396	1,355,059,723	(144,339,943)	408,033,333	1,617,673,396	3,850,433,000	10
			(2,007,000)				(1,079,717)			
Grid station and electric installation	217,744,737	-	32,500	217,777,237	144,317,640	-	7,343,811	151,661,451	66,115,786	10
Containers and cylinders	69,747,464	-	32,370	69,779,834	34,225,306	-	3,554,156	37,779,462	32,000,372	10
Factory equipment	63,603,634	-	3,418,717	66,577,351	33,281,763	-	3,144,527	36,289,600	30,287,751	10
			(445,000)				(136,690)			
Electric equipment	64,458,165	-	16,036,234	79,549,754	22,308,748	-	4,693,081	26,431,554	53,118,200	10
			(944,645)				(570,275)			
Office equipment	45,511,985	-	6,138,426	50,081,671	25,466,641	-	2,322,681	26,716,924	23,364,747	10
			(1,568,740)				(1,072,398)			
Furniture and fittings	24,902,582	-	1,321,284	26,223,866	12,320,592	-	1,333,138	13,653,730	12,570,136	10
Vehicles	155,038,641	-	10,524,411	159,326,879	101,041,001	-	11,779,360	108,341,242	50,985,637	20
			(6,236,173)				(4,479,119)			
	7,344,258,729	18,276,162	198,178,262	7,549,511,595	1,905,016,232	(148,072,232)	492,673,165	2,242,278,966	5,307,232,629	
			(11,201,558)				(7,338,199)			

5.2 Depreciation for the year has been allocated as under:

	Note	2017 Rupees	2016 Rupees
Cost of sales	30	660,922,520	462,033,411
Administrative expenses	32	35,346,711	30,639,754
		696,269,231	492,673,165

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

Land

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

Buildings

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

Machinery (Textile)

Inquiries were made 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 increase. An average inflation rate in international prices with due consideration on the increase in international prices of the metals like mild steel, copper etc. has then been applied to arrive at an "Escalation Rate Factor", which has been instrumental for arriving at "New Replacement Values".

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

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

5.5 Out of the remaining total revaluation surplus of Rs. 1,386 million, Rs. 1,226 million net of tax (June 2016: Rs. 1,299 million) remains undepreciated as at June 30, 2017.

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

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

5.6 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at June 30, 2017 would have been as follows:

	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees
Land	321,796,428	-	321,796,428
Buildings on free hold land	1,612,328,209	325,642,859	1,286,685,350
Plant and Machinery	7,352,423,983	2,137,106,270	5,215,317,713
2017	9,286,548,620	2,462,749,129	6,823,799,491
2016	5,389,550,998	1,841,405,003	3,548,145,995

5.7 The following assets were disposed off during the year:

Description	Cost / Revalued amount	Accumulated depreciation	Carrying value	Sale proceeds	Mode of disposal	Particulars of buyer(s)
	Rupees					
Plant & machinery						
Containers and cylinders	380,380	211,787	168,593	257,265	Negotiations	Mr. Muhammad Naeem
Factory Equipment						
Spectrophotometer	476,500	172,992	303,508	117,707	Negotiations	Business Dynamic Enterprises
Electric Equipment						
Air Conditioners	1,164,216	720,347	443,869	219,013	Negotiations	Mr. Muhammad Bashir
Office Equipment						
Computers	682,107	588,034	94,073	12,881	Negotiations	Mr. Muhammad Ashfaq
Epson Printers	126,620	106,749	19,871	1,532	Negotiations	Mr. Muhammad Ashfaq
Computer Equipment						
Computers	448,826	319,346	129,480	14,390	Negotiations	Mr. Muhammad Ashfaq
Furnitue and fittings						
Table Set	44,161	41,961	2,200	491	Negotiations	Mr. Muhammad Bashir
Vehicles						
Tractors	8,041,292	7,015,617	1,025,675	1,736,137	Negotiations	Mr. Muhammad Javed
Cars Toyota Corolla	3,347,200	1,607,529	1,739,671	3,025,000	Negotiations	Mr. Muhammad Maqsood
Car Honda City	1,736,001	1,522,422	213,579	1,491,000	Negotiations	Ahmad Autos
Suzuki Bolan	1,139,320	940,326	198,994	535,000	Negotiations	Mr. Shakeel Ahmed
2017	17,586,623	13,247,110	4,339,513	7,410,416		
2016	11,201,558	7,338,199	3,863,358	4,723,338		

		NOTE	2017 Rupees	2016 Rupees
5.8	Capital work-in-progress			
	Civil work		11,674,455	725,276,475
	Plant and machinery including in transit		115,166,442	2,694,906,541
	Advance for property, plant and equipment		18,288,599	21,662,764
	Major spare parts and stand-by equipment qualifying as property, plant and equipment		40,064,225	40,064,225
			185,193,721	3,481,910,005
6.	INTANGIBLE ASSETS			
	Computer software	6.1	21,000,000	21,000,000
	Accumulated amortization		(7,910,805)	(6,456,450)
			13,089,195	14,543,550

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

		NOTE	2017 Rupees	2016 Rupees
7.	INVESTMENT PROPERTY			
	Land	7.1	2,854,288,282	2,819,104,635
	Buildings	7.2	72,281,766	53,887,396
			2,926,570,048	2,872,992,031
7.1	Land			
	Balance at the beginning of the year		2,819,104,635	2,657,057,656
	Add:			
	Acquisitions during the year		35,183,647	162,046,979
	Balance at the end of the year		2,854,288,282	2,819,104,635
7.2	Buildings			
	Cost			
	Balance at the beginning of the year		77,920,666	77,920,666
	Add: Transferred from capital work in progress		23,944,214	-
	Less: Disposal during the year		-	-
	Balance at the end of the year		101,864,880	77,920,666
	Accumulated depreciation			
	At the beginning of the year		24,033,270	18,515,141
	For the year	32	5,549,844	5,518,129
	At the end of the year		29,583,114	24,033,270
	Written down value at the end of year		72,281,766	53,887,396

The Company has invested in freehold land, residential plots and building portions covering area of 3,288 kanals and 12 Marlas for the purpose of capital appreciation and earning rental income. These properties are situtated within the Province of Punjab.

The rental income earned by the Company from its investment property amounted to Rs. 32.321 million (2016: Rs.28.011 million).

	NOTE	2017 Rupees	2016 Rupees
8. LONG TERM INVESTMENTS			
Investments in associates	8.1	26,579,359	95,125,447
Other investment	8.2	5,000,000	5,000,000
		31,579,359	100,125,447
8.1. Investments in associates			
Quoted company			
Sitara Peroxide Limited	8.1.1	-	70,467,659
Unquoted company			
Takaful Pakistan Limited	8.1.2	26,579,359	24,657,788
		26,579,359	95,125,447

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 associate.

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

8.1.1 During the year, the Company has reclassified its investment in Sitara Peroxide Limited (SPL) to Available for Sale investment due to resignation of common director from SPL on February 22, 2017. The Company's share of post acquisition loss from SPL, before reclassification, recognized during the year was Rs. 8.8 million. The Company has recognized gain on reclassification amounting to Rs. 31.1 million during the year.

8.1.2 Takaful Pakistan Limited	2017 Rupees	2016 Rupees
Cost	30,000,000	30,000,000
Share of post acquisition loss	(3,420,641)	(5,342,212)
	26,579,359	24,657,788

		2017	2016
No. of shares held	Number	3,000,000	3,000,000
Ownership interest	Percent	10%	10%

Summarized financial information in respect of Takaful Pakistan Limited is set out below:

	NOTE	At March 31, 2017 Rupees	At March 31, 2016 Rupees
Non-current assets		190,397,133	79,721,948
Current assets		377,243,336	500,605,060
		567,640,469	580,327,008
Non-current liabilities		(171,495,604)	(240,921,020)
Current liabilities		(211,621,601)	(160,990,671)
		(383,117,205)	(401,911,691)
Net assets		184,523,264	178,415,317
Revenue		206,142,108	275,368,662
Profit for the period		19,215,710	29,812,218
Company's share of associate's profit		1,921,571	2,981,222

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, 2017.

	NOTE	2017 Rupees	2016 Rupees
8.2 Other Investment			
Available for sale (Unquoted - at cost)			
Dawood Family Takaful Limited 500,000 (2016: 500,000) fully paid ordinary shares of Rs.10/- each		5,000,000	5,000,000

8.2.1 At the year end, carrying value of investment is compared with break up value of shares for calculation of impairment loss. Amount of impairment loss is immaterial in the overall context of the financial statements.

9. LONG TERM LOANS AND ADVANCES

Deferred consideration on sale of investment property	9.1	1,263,223,951	1,263,223,951
Loans and advances	9.2	4,627,552	1,952,715
		1,267,851,503	1,265,176,666

9.1 In financial year 2015 the Company entered into an agreement for the sale 1,474 kanals of investment property land, situated at 199 RB with a cooperative housing society for an aggregate price of Rs. 2,015 million. The sale was recognized at the present value of the receivable amounting to Rs. 1,663 million, determined using discounted cash flow method. Subsequently, due to certain procedural issues, the contractual receipts due under the sale agreement have been delayed. However, the management is pursuing the matter for resolution and anticipate that the transaction will shortly be regularized.

The receivable due is secured by way of retention of the title of land by the Company.

9.2 Loans and advances	NOTE	2017 Rupees	2016 Rupees
Considered good			
Secured			
Staff		5,846,439	5,225,997
Unsecured			
Staff		48,825	143,115
		5,895,264	5,369,112
Less: current portion shown in current assets	14	1,267,712	3,416,397
	9.2.1	4,627,552	1,952,715

9.2.1 The maximum aggregate amount due at the end of any month during the year was Rs.4.08 million (2016 : Rs. 3.849 million).

	2017 Rupees	2016 Rupees
10. LONG TERM DEPOSITS		
Security deposits for:		
Electricity	38,775,110	38,775,110
Gas	71,951,168	71,599,777
Others	483,200	483,200
	111,209,478	110,858,087
11. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	538,099,489	390,501,268
Spare parts	103,423,793	21,641,629
Loose tools	2,888,926	1,487,318
	644,412,208	413,630,215
12. STOCK IN TRADE		
Raw and packing material	628,634,121	441,133,453
Work in process	11,629,718	9,670,181
Finished goods	552,492,588	642,759,036
Waste	1,570,453	9,950,908
	1,194,326,880	1,103,513,578

		NOTE	2017 Rupees	2016 Rupees
13.	TRADE DEBTS			
	Related parties - considered good:			
	Aziz Fatima Hospital		323,993	266,995
	Others			
	-Considered good:			
	Local - unsecured		1,156,919,422	1,124,718,225
	Foreign-secured		6,241,577	-
	-Considered doubtful			
	Unsecured		75,820,861	35,911,976
			1,238,981,860	1,160,630,201
	Provision for doubtful debts	13.5	(75,820,861)	(35,911,976)
			1,163,160,999	1,124,718,225
			1,163,484,992	1,124,985,220

13.1 These are recoverable in ordinary course of business.

13.1.1 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, 2017	As at June 30, 2016
			Rupees		
Aziz Fatima Hospital	230,732	30,373	62,888	323,993	266,995
	230,732	30,373	62,888	323,993	266,995

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

13.3 The Company has fully provided for receivables over three years except where recoveries are still expected. Trade debts between one year and three years are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

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

		NOTE	2017 Rupees	2016 Rupees
13.5	Movement in provision for doubtful debts			
	At beginning of the year		35,911,976	25,036,496
	Charged during the year		39,908,885	11,675,480
	Amount recovered during the year		-	(800,000)
	At end of the year	13.5.1	75,820,861	35,911,976

13.5.1 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 management believes that no further provision is required.

	NOTE	2017 Rupees	2016 Rupees
14. LOANS AND ADVANCES			
Current portion of long term loans and advances	9.2	1,267,712	3,416,397
Deferred consideration on sale of investment property	9.1	400,000,000	400,000,000
		401,267,712	403,416,397
Advance tax		495,711,879	158,854,033
Advances - considered good			
For expenses		13,053,085	9,668,847
Letters of credit fee, margin and expenses		746,945,633	633,461,400
Suppliers and contractors		678,644,811	391,983,051
		1,438,643,529	1,035,113,298
Advances - considered doubtful			
For expenses		49,203	49,203
Suppliers and contractors		1,876,227	1,876,227
Provision for doubtful advances	14.1	(1,925,430)	(1,925,430)
		-	-
		2,335,623,120	1,597,383,728
14.1 Movement in provision for doubtful advances			
At beginning of the year		1,925,430	59,303
Charged during the year		-	1,866,127
At end of the year		1,925,430	1,925,430

15. TRADE DEPOSITS AND PREPAYMENTS

		2017 Rupees	2016 Rupees
Trade deposits		4,493,961	5,761,937
Prepayments		1,197,848	817,938
		5,691,809	6,579,875

	NOTE	2017 Rupees	2016 Rupees
16. OTHER RECEIVABLES			
Unsecured - considered good			
Related parties	16.1	2,901	2,901
Others		12,050,406	9,560,927
		12,053,307	9,563,828

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

	NOTE	2017 Rupees	2016 Rupees
17. OTHER FINANCIAL ASSETS			
Available for sale financial assets	17.1	274,882,920	197,069,564
		274,882,920	197,069,564

17.1 Available for sale financial assets

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

2017 No. of shares / units	2016 No. of shares / units		2017 Rupees	2016 Rupees
3,480,000	-	Sitara Peroxide Limited	108,228,000	-
519,506	519,506	Meezan Bank Limited	41,040,975	22,079,005
774,661	933,661	Sitara Energy Limited	22,387,703	32,351,354
72,000	72,000	D.G Khan Cement Company Limited	15,347,520	13,715,270
-	352,505	Descon Oxychem Limited	-	2,125,605
60,000	446,250	Engro Polymer & Chemical Limited	2,190,000	3,793,125
65,000	50,000	Ittehad Chemicals Limited	2,408,528	1,697,800
40,000	-	Fauji Cement Company Limited	1,641,200	-
20,000	-	Maple Leaf Cement Factory Limited	2,227,200	-
55,000	55,000	Pakistan Oilfield Limited	25,198,250	19,111,400
-	14,020	Pakistan Petroleum Limited	-	2,173,801
30,000	-	Hub Power Company Limited	3,522,900	-
25,000	-	Engro Corporation Limited	8,147,750	-
35,000	-	Kot Addu Power Company Limited	2,520,700	-
443	443	Al-Meezan Investment Management Limited	22,194	22,204
607,630	1,494,226	Meezan Islamic Income Fund (Units having face value of Rs. 50 each)	30,000,000	75,000,000
1,065,354	2,659,190	NAFA Islamic Aggressive Income Fund (Units having face value of Rs. 50 each)	10,000,000	25,000,000
			274,882,920	197,069,564

	NOTE	2017 Rupees	2016 Rupees
18. CASH AND BANK BALANCES			
Cash in hand		16,546,051	37,224,404
Cash at banks			
In current accounts		50,542,281	139,847,526
In saving accounts	18.1	63,913,699	11,352,717
		114,455,980	151,200,243
		131,002,031	188,424,647

18.1 Effective mark-up rate in respect of deposit accounts ranges from 2.40% to 4.81% (2016: 2.76% to 5.75%) per annum.

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

19. SHARE CAPITAL

2017 No. of Shares	2016 No. of Shares		2017 Rupees	2016 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

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

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

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

		NOTE	2017 Rupees	2016 Rupees
20.	**RESERVES**			
	Capital			
	Share premium	20.1	97,490,410	97,490,410
	Revenue			
	General reserve	20.2	1,225,000,000	1,225,000,000
	Other			
	Reserve on re-measurement of available for sale investments	20.3	86,640,526	46,641,863
	Reserve on re-measurement of post retirement benefits net of tax		(6,313,902)	(6,366,096)
			1,402,817,034	1,362,766,177

20.1 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. 62,939,410 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.

20.2 The general reserve is used from time to time to transfer profits from un-appropriated profit. There is no policy of regular transfer.

20.3 This reserve represents the unrealized surplus on remeasurement of available for sale investments as at June 30, 2017.

		NOTE	2017 Rupees	2016 Rupees
21.	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**			
	At beginning of the year		1,299,242,869	1,246,474,304
	Addition during the year - net of tax		-	120,446,002
	Transfer to un-appropriated profit in respect of incremental depreciation charged during the year – (net of tax)	21.1	(73,109,465)	(67,677,437)
	At end of the year		1,226,133,404	1,299,242,869
	Share from associate		-	56,451,713
			1,226,133,404	1,355,694,582
21.1	Incremental depreciation charged during the year transferred to un-appropriated profit		104,442,093	99,525,643
	Less: tax liability relating to incremental depreciation		(31,332,628)	(31,848,206)
			73,109,465	67,677,437

	NOTE	2017 Rupees	2016 Rupees
22. LONG TERM FINANCING			
From banking companies and other financial institutions - secured			
Diminishing Musharka (from financial institutions - secured)	22.1	2,143,016,525	1,655,406,665
		2,143,016,525	1,655,406,665

22.1 Diminishing Musharka (from financial institutions - secured)

Description	Note	Profit	Security	Repayment	2017 Rupees	2016 Rupees
Dubai Islamic Bank Limited	22.1.1	Three months KIBOR plus 1.25% per annum payable on quarterly basis.	1st Exclusive charge of Rs.667 million over Plant and Machinery of Company's BMR-II Caustic Soda plant.	The Shirkat-ul-Milk (Musharka) facility was sanctioned for an amount of Rs.300 million, facility is repayable in 14 quarterly installments commenced from March 26, 2015 and ending on June 26, 2018.	142,837,142	283,714,284
MCB Syndicated Diminishing Musharkah Facility	22.1.1	Three months KIBOR plus 1.15% per annum payable on quarterly basis.	a) Exclusive hypothecation charge over all the Present and Future Fixed Assets (Excluding Land and Building) of the Customer in respect of the CFPP project of the Customer located on land measuring 444 Kanal and 08 Marla's situated at Chak No. 97 R.B, Tehsil Jaranwala, District Faisalabad. b) Specific/ exclusive mortgage charge over Project Land and Building.	This syndicated Diminishing Musharka finance facility was sanctioned for amount Rs. 2,000 million arranged by MCB Bank and Meezan Bank. Other participants are United Bank, Faysal Bank, Albaraka Bank and The Bank of Khyber. However, withdrawn amount is approx. Rs. 1,947 million upto June 30, 2017. Facility is repayable in 14 quarterly installments commenced from July 10, 2016 and ending on Oct 10, 2019.	1,599,754,407	1,947,843,643
Soneri Bank Limited.	22.1.1	Three months KIBOR plus 1.25% per annum payable on quarterly basis. (2016: Nil)	Specific /exclusive charge amounting to Rs. 467 Million on following present and future plant machinery and building (excluding land) of the Company: a) Plant machinery and equipment for calcium chloride plant. b) Power plant including two Gensets. along with accessories, machinery and building with estimated values aggregating to Rs. 520 million.	The Diminishing Musharka finance facility was sanctioned for amount Rs.350 million. However, withdrawn amount is Rs. 197.080 million upto June 30, 2017. Facility is repayable in sixteen equal quarterly installments commenced from December 31, 2016 and ending on August 21, 2020.	172,445,112	162,964,921
Faysal Bank	22.1.1	Three months KIBOR plus 1.15 % per annum(to be reset quarterly). The applicable profit rate is payable on quarterly basis.(2016: Nil)	First exclusive charge of PKR 1,066.67 Million with 25% margin over fixed assets of client, comprising land measuring 7.34 Acres, Building & Membrane Unit IV (M-IV) situated at 32-KM Sheikhupura Road, Faisalabad (Millennium)	The Diminishing Musharka finance facility was sanctioned for an amount of Rs. 800 million. Facility is repayable in twenty equal quarterly installments with grace period of 01 year. The repayment will start from August 15, 2017 and ending on August 15, 2022.	800,000,000	-
MCB Islamic Bank	22.1.1	Three months KIBOR plus 1.00 % per annum payable on quarterly basis. (2016: Nil	Ranking charge on all the company's present and future fixed assets of Caustic Soda plant named as membrane III, installed at 32- KM Sheikhupura Road, Faisalabad	The Diminishing Musharka finance facility was sanctioned for an amount of Rs.300 million. Facility is repayable in Sixteen equal quarterly installments commencing from September 29, 2018 and ending on June 29, 2022.	300,000,000	-
					3,015,036,661	2,396,522,848
					872,020,156	741,116,183
					2,143,016,525	1,655,406,665

22.1.1 Effective rate of profit for the year is ranging from 7.13% to 7.48% (2016 : 7.32% to 9.47%) per annum.

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

	NOTE	2017 Rupees	2016 Rupees
Maturity			
6 months or less		416,010,070	363,602,712
6 - 12 months		456,010,066	377,513,473
1 - 5 years		2,143,016,518	1,655,406,663
		3,015,036,654	2,396,522,848

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

23. LONG TERM DEPOSITS

	2017 Rupees	2016 Rupees
From customers	22,572,791	2,715,303
Others	1,170,000	1,170,000
	23,742,791	3,885,303

This represents interest free security deposit received from Habib Bank Limited for renting floor in Sitara Tower and is repayable on cancellation or withdrawal of contract.

24. DEFERRED LIABILITIES

	NOTE	2017 Rupees	2016 Rupees
Deferred taxation	24.1	955,973,726	990,387,500
Staff retirement benefits - gratuity	24.2	27,164,935	27,553,786
		983,138,661	1,017,941,286

24.1 Deferred taxation

This comprises the following:

	2017 Rupees	2016 Rupees
Deferred tax liability on taxable temporary differences arising in respect of:		
Tax depreciation allowance	1,101,393,050	818,530,900
Surplus on revaluation of property, plant and equipment	160,068,508	191,401,136
	1,261,461,558	1,009,932,036
Deferred tax liability on taxable temporary differences arising in respect of:		
Provision for employee benefits	(7,994,640)	(8,485,299)
Provision for doubtful debts	(22,314,079)	(11,059,237)
Unused tax credits	(275,179,113)	-
	(305,487,832)	(19,544,536)
	955,973,726	990,387,500

24.2 Staff retirement benefits - gratuity

Movement in liability

	2017 Rupees	2016 Rupees
At beginning of the year	27,553,785	24,160,067
Charge for the year	8,383,420	8,184,388
Remeasurement (income) / loss recognized in other comprehensive income	(74,563)	627,571
Benefits paid during the year	(8,697,707)	(5,418,241)
At end of the year	27,164,935	27,553,785

	NOTE	2017 Rupees	2016 Rupees
Balance sheet reconciliation as at June 30			
Present value of unfunded obligation		27,164,935	27,553,785
Net liability recognized in the balance sheet		27,164,935	27,553,785
Charge to profit and loss account:			
Current service cost		6,294,975	6,092,921
Interest cost		2,088,445	2,091,467
		8,383,420	8,184,388

Risk associated with defined benefit plans

Investment risks

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

Longevity risks

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

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	2,306,196	2,706,667
Salary growth	1%	2,870,422	2,479,341

	2017 Rupees	2016 Rupees
Principal actuarial assumptions		
Discount rate (per annum)	7.75%	9.0%
Expected rate of increase in salaries (per annum)	5.5%	6.80%
Expected average remaining working lives of employees (years)	3	3

25. TRADE AND OTHER PAYABLES

	NOTE	2017 Rupees	2016 Rupees
Creditors		1,306,570,536	855,580,562
Accrued liabilities		1,009,781,424	967,099,604
Advances from customers		63,753,815	63,440,507
Murabaha payable	25.1	685,410,203	731,031,640
Payable to provident fund - related party	25.2	1,896,035	-
Unclaimed dividend		15,997,160	14,660,494
Retentions / security deposits		74,132,399	79,932,989
Withholding tax	25.3	1,753,314	2,200,105
Workers' profit participation fund		197,739	2,569,424
Workers' welfare fund		79,217,368	74,106,566
Others		62,812	143,321
		3,238,772,805	2,790,765,212

25.1 The aggregate unavailed facilities from banking companies amounted to Rs. 2,224 million (2016: Rs.1,196 million). These are subject to profit margin ranging from 6.71% to 7.89% (2016: 6.79% to 10.00%) per annum and are secured against joint pari-passu charge over present and future current assets of the chemical division and textile division.

25.2 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	2017 Rupees	2016 Rupees
25.3 Workers' profit participation fund			
Workers' profit participation fund	25.3.1	(336,149)	2,320,338
Unclaimed Workers' profit participation fund		533,888	249,086
		197,739	2,569,424
25.3.1 Movement			
At beginning of the year		2,320,338	1,460,502
Less: amount paid to workers on behalf of the fund		65,032,326	59,522,751
		(62,711,988)	(58,062,249)
Allocation for the year	33	62,375,839	60,382,587
At end of the year		(336,149)	2,320,338
26. PROFIT / FINANCIAL CHARGES PAYABLE			
Long term financing		39,819,164	41,715,290
Murabaha financing / short term borrowings		42,400,590	41,237,024
		82,219,754	82,952,314
27. SHORT TERM BORROWINGS			
Secured			
From banking companies	25.1	2,290,759,541	2,672,033,974
		2,290,759,541	2,672,033,974
28. CONTINGENCIES AND COMMITMENTS			
28.1 Contingencies			
Guarantees issued by banks on behalf of the Company		210,300,200	186,459,365
28.2 Commitments			
Outstanding letters of credit for raw material and spare parts		176,600,255	301,573,087

	NOTE	2017 Rupees	2016 Rupees
29. SALES - NET			
Chemical		10,144,422,606	10,091,856,577
Textile		1,887,201,802	1,732,819,901
		12,031,624,408	11,824,676,478
Less:			
Commission and discount		496,570,702	519,988,023
Sales tax		1,460,986,052	1,490,910,080
Sales - net		10,074,067,654	9,813,778,375
30. COST OF SALES			
Raw material consumed	30.1	2,150,395,217	2,090,515,860
Fuel and power		3,945,058,168	4,490,919,592
Salaries, wages and benefits	30.2	406,307,145	333,841,055
Stores and spares		384,552,462	397,049,140
Repair and maintenance		59,457,856	36,315,728
Vehicle running and maintenance		1,829,385	2,161,659
Travelling and conveyance		28,116,819	23,663,847
Insurance		21,742,916	16,856,662
Depreciation	5.2	660,922,520	462,033,207
Amortization	6.1	1,454,355	1,615,950
Others		5,646,468	4,187,812
		7,665,483,311	7,859,160,512
Work in process			
Opening stock		9,670,181	8,101,608
Closing stock		(11,629,718)	(9,670,181)
		(1,959,537)	(1,568,573)
Cost of goods manufactured		7,663,523,774	7,857,591,939
Finished stocks			
Opening stock - including waste		652,709,943	479,954,490
Closing stock - including waste		(554,063,040)	(652,709,943)
		98,646,903	(172,755,453)
		7,762,170,677	7,684,836,486

30.1 Raw material consumed

		2017 Rupees	2016 Rupees
Opening stock		441,133,453	229,404,002
Purchases		2,337,895,885	2,302,245,311
		2,779,029,338	2,531,649,313
Closing stock		(628,634,121)	(441,133,453)
		2,150,395,217	2,090,515,860

30.2 Salaries, wages and benefits include Rs. 6,059,983 (2016: Rs. 6,529,050) in respect of employee retirement benefits.

	NOTE	2017 Rupees	2016 Rupees
31. DISTRIBUTION COST			
Staff salaries and benefits		22,970,024	17,333,840
Freight, octroi and insurance		148,757,554	170,978,266
Advertisement		22,570,014	28,119,268
Vehicles running and maintenance		1,505,787	1,431,904
Travelling and conveyance		5,497,564	4,242,953
Postage and telephone		885,548	971,663
Printing and stationery		181,057	194,441
Others		3,134,523	1,588,640
		205,502,071	224,860,975
32. ADMINISTRATIVE EXPENSES			
Directors' remuneration		33,790,540	35,516,718
Staff salaries and benefits	32.1	251,806,450	228,648,634
Postage, telephone and telex		4,689,049	4,815,043
Vehicles running and maintenance		15,397,399	15,334,046
Printing and stationery		2,215,904	3,454,596
Electricity		48,517,492	51,099,392
Rent, rates and taxes		6,495,191	6,022,802
Travelling and conveyance		15,805,335	13,770,115
Advertisement		15,454,139	13,742,024
Books and periodicals		413,907	222,882
Fees and subscription		6,971,148	10,431,574
Legal and professional		7,074,708	3,658,556
Repairs and maintenance		26,885,083	16,087,661
Auditors' remuneration	32.2	2,820,000	2,820,000
Entertainment		12,485,403	10,089,384
Donations	32.3	41,599,444	44,728,308
Insurance		3,970,407	2,603,129
Depreciation	5.2	35,346,711	30,639,754
Depreciation on investment property	7.2	5,549,844	5,518,129
Provision for bad debts and doubtful advances		39,908,885	12,741,607
Others		2,502,998	860,830
		579,700,037	512,805,184

32.1 Staff salaries and benefits include Rs.2,323,436 (2016: Rs.1,655,338) in respect of employee retirement benefits.

32.2 Auditors' remuneration

	NOTE	2017 Rupees	2016 Rupees
Annual statutory audit		1,650,000	1,650,000
Half yearly and COCG compliance reviews		550,000	550,000
Out of pocket expenses		120,000	120,000
Tax advisory services		500,000	500,000
		2,820,000	2,820,000

32.3 It includes Rs. 21.1 million (2016: Rs. 24.35 million) donated to Aziz Fatima Trust (AFT), Faisalabad which is primarily running a charitable hospital for needy and poor people. Mr. Muhammad Adrees, the director of the Company is also Trustee of the AFT.

33. OTHER OPERATING EXPENSES

	NOTE	2017 Rupees	2016 Rupees
Workers' profit participation fund	25.3.1	62,375,839	60,382,587
Workers' welfare fund		5,110,802	22,945,383
Exchange loss		21,544	-
		67,508,185	83,327,970

34. FINANCE COST

	NOTE	2017 Rupees	2016 Rupees
Long term financing		127,332,660	34,073,293
Murabaha payable / short term borrowings		237,948,338	214,013,381
Bank charges and commission		5,640,240	2,863,580
		370,921,238	250,950,254

35. OTHER INCOME

	NOTE	2017 Rupees	2016 Rupees
Income from financial assets			
Profit on investments		3,412,258	2,770,518
Profit on bank deposits		8,875,802	9,490,786
Dividend income		5,940,341	5,550,566
Exchange gain		-	290,918
Gain on sale of available for sale investments		36,609,881	-
		54,838,282	18,102,788

	NOTE	2017 Rupees	2016 Rupees
Income from other than financial assets			
Gain on disposal of property, plant and equipment		3,070,903	859,980
Sale of scrap and waste		5,717,503	3,246,684
Rent income		32,321,105	28,010,633
Others		2,711,014	12,136,214
		43,820,525	44,253,511
		98,658,807	62,356,299

36. PROVISION FOR TAXATION

	2017 Rupees	2016 Rupees
Current	47,913,273	462,561,700
Prior	127,407	6,898,141
Deferred	(34,413,774)	(115,624,559)
	13,626,906	353,835,282

36.1 Numerical reconciliation between the applicable and effective tax rate

	2017	2016
Applicable tax rate	31.00	32.00
Prior year adjustments	0.01	0.61
Lower rate applicable to certain income	(1.57)	(1.28)
Effect of tax credits	(25.00)	1.84
Super tax rate	-	3.00
Effect of change in statutory rate change	(2.77)	(2.95)
Income taxed at different rates	(0.49)	(1.71)
Effective tax rate	1.18	31.51

37. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2017	2016
Profit for the year	Rupees	1,166,381,688	769,221,539
Weighted average number of ordinary shares outstanding during the year	Number	21,429,407	21,429,407
Earnings per share	Rupees	54.43	35.90

38. FINANCIAL RISK MANAGEMENT

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

Credit risk

Liquidity risk

Market risk

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

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training 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.

38.1 Credit risk and concentration of credit risk

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

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

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

38.1.1 Counterparties

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

Trade debts

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

Bank and investments

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

38.1.2 Exposure to credit risk

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

Financial assets at amortised cost:

	2017 Rupees	2016 Rupees
Trade debts	1,157,243,415	1,124,985,220
Loans and advances	1,091,697,896	2,064,875,849
Other receivables	12,053,307	9,563,828
Bank balances	114,455,980	151,200,243
	2,375,450,598	3,350,625,140

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:

	2017 Rupees	2016 Rupees
Chemical - local	640,447,548	680,905,788
Textile - local	516,795,866	444,079,432
	1,157,243,415	1,124,985,220

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:

	2017 Rupees	2016 Rupees
Chemicals	640,447,548	680,905,788
Textile	516,795,866	444,079,432
	1,157,243,415	1,124,985,220

38.1.3 Impairment losses

The aging of trade receivables at the reporting date is:

	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
	Rupees			
Not past due	373,223,394	-	761,766,662	-
Past due 0-30 days	253,141,972	-	166,643,928	-
Past due 30-60 days	25,518,136	-	24,855,146	-
Past due 60-90 days	147,929,540	-	13,045,114	-
Over 90 days	439,492,811	75,820,861	194,586,386	35,911,976
	1,239,305,853	75,820,861	1,160,897,196	35,911,976

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

	2017	2016
Balance at 1 July	35,911,976	25,036,496
Charge for the period	39,908,885	11,675,480
Impairment loss reversed	-	(800,000)
Balance at 30 June, 2017	75,820,861	35,911,976

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:

		2017 Rupees	2016 Rupees
At beginning of year		1,925,430	59,303
Impairment loss / recognized		-	1,866,127
At end of year	14.2	1,925,430	1,925,430

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.

38.2 Liquidity risk management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of 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 25.1 to these financial statements is the amount of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

38.2.1 Liquidity and interest risk table

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

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

	Carrying Amount	
	2017 Rupees	2016 Rupees
Trade and other payables		
Maturity up to one year	2,472,194,181	1,980,857,477
Short term borrowings		
Maturity up to one year	2,976,169,744	3,403,065,614
Long term financing		
Maturity up to one year	872,020,136	741,116,185
Maturity after one year and up to five years	2,143,016,525	1,655,406,665
Maturity after five years	-	-
	8,463,400,586	7,780,445,941

38.3 Market risk

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

38.3.1 Foreign currency risk management

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

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

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

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to foreign currency risk

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

	2017 (US Dollars)	2016 (US Dollars)
Trade Debts	59,455	-

Commitments outstanding at year end amounted to Rs. 176.6 milllion (2016: Rs. 301.573 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	
	2017 Rupees	2016 Rupees	2017 Rupees	2016 Rupees
US$ 1	104.90	104.59	104.98	104.82

Sensitivity analysis

A 5 percent weakening of the Pak Rupee against the USD at June 30, 2017 would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2016.

	2017 Rupees	2016 Rupees
(Increase) / Decrease in profit and loss account	312,079	-

A 5 percent strengthening of the Pak Rupee against the US $ at June 30, 2017 would have had the equal but opposite effect on US $ to the amounts shown above, on the basis that all other variables remain constant.

38.3.2 Other price risk

Other price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those 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.

38.3.3 Interest rate risk

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

Profile of financial instruments at amortised cost

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

	2017 %	2016 %	2017 Rupees	2016 Rupees
Floating rate instruments				
Financial assets				
Bank balances	2.40% to 4.81%	2.76% to 5.75%	63,913,699	11,352,717
Financial liabilities				
Short term borrowings	6.71% to 7.89%	6.79% to 10.00%	(2,976,169,744)	2,672,033,974
Long term financing	7.13% to 7.48%	7.32% to 9.47%	(3,015,036,654)	2,396,522,848
			(5,927,292,699)	(5,057,204,105)

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).

	Increase / (decrease) in basis points %	Effect on profit before tax Rupees
2017		
Short term borrowings	1.00%	31,896,177
Long term financing		3,092,569
		34,988,746
2016		
Short term borrowings	1.00%	29,322,748
Long term financing		17,674,404
		46,997,152

38.3.4 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.274,882,920 (2016: Rs. 197,069,564). An increase of 25% on the KSE market index would have an impact of approximately Rs. 68,720,730 on the income or equity attributable to the Company, depending on whether or not the increase is significant and prolonged. A decrease of 25% in the value of the listed securities would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

38.4.1 Fair value hierarchy

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

Level 1 Quoted prices (unadjusted) in active markets for individual assets or liabilities.

Level 2 inputs, other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
		Rupees		
Available-for-sale financial assets				
as at June 30, 2017		-	-	
Quoted equity securities	274,882,920			274,882,920
Total	274,882,920	-	-	279,882,920
Available-for-sale financial assets				
as at June 30, 2016		-	-	
Quoted equity securities	197,069,564			197,069,564
Total	197,069,564	-	-	197,069,564

There were no transfers between Levels during the year.

38.5 Determination of fair values

Fair value of financial instruments

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

Available for sale investments as disclosed in other financial assets, are presented at fair value by using quoted prices at Pakistan Stock Exchange as at June 30, 2017. The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

38.6 Capital risk management

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

	2017 Rupees	2016 Rupees
Total Borrowings	5,305,796,202	5,068,556,824
Less: Cash and bank balances	131,002,031	188,424,647
Net debt	5,174,794,171	4,880,132,177
Total equity including revaluation on land, building and plant and machinery	9,851,095,725	8,891,101,825
Total capital	15,025,889,896	13,771,234,002
Gearing ratio	34.44%	35.44%

39. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2017			2016		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Remuneration	12,000,000	3,500,004	83,011,042	12,000,000	3,500,004	69,701,131
Perquisites						
House rent	4,800,000	1,400,004	23,565,119	4,800,000	1,400,004	19,676,504
Utilities	1,200,000	349,992	8,237,699	1,200,000	349,992	6,906,715
Medical allowance	-	-	8,301,249	-	-	6,970,288
Special allowance	-	-	745,436	-	-	667,052
Income tax	4,744,500	961,375	-	4,744,500	961,375	-
Reimbursement of expenses	-	-	4,267,225	-	-	3,586,014
	22,744,500	6,211,375	128,127,770	22,744,500	6,211,375	107,507,704
Number of persons	1	1	78	1	1	76

39.1 The Chief Executive, certain Directors and Executives are provided with free use of Company maintained cars and telephone etc. having value amounting to Rs. 3.45 million (2016: Rs 5.57 million).

39.2 Directors have waived their meeting fees.

40. 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 39.

Other significant transactions with related parties are as follows:

Relationship with the Company		2017 Rupees	2016 Rupees
Associated undertakings	Sales	95,542	86,458,079
	Purchases	-	870,063
	Organizational expenses recovered	-	763,595
	Organizational expenses paid	-	1,641,027
	Donation	21,100,359	24,350,270
Key management personnel	Remuneration to Executives	157,083,645	136,463,579

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

41. PLANT CAPACITY AND PRODUCTION

Chemical Division	Designed Capacity		Actual Production		Reason of Variation
	2017	2016	2017	2016	
Caustic soda	201,300	201,300	127,464	135,103	Demand based production
Sodium hypochlorite	66,000	66,000	29,525	30,867	Demand based production
Liquid chlorine	9,900	9,900	7,765	7,496	Demand based production
Bleaching powder	7,500	7,500	4,236	4,321	Demand based production
Hydrochloric acid	212,200	212,200	109,407	108,864	Demand based production
Calcium Chloride Prill	9,900	-	1,238	-	Demand based production

Textile Division	2017	2016
Ring Spinning		
Number of spindles installed	26,304	26,304
Number of spindles worked	26,304	26,304
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	10,207,021	10,207,021
Actual production of yarn after conversion into 20/s count (Kgs)	9,311,573	9,218,045

	2017 Rupees	2016 Rupees
42. WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(230,781,993)	(33,251,696)
Stock in trade	(90,813,302)	(386,053,478)
Trade debts	(78,408,657)	50,417,533
Advance Sales Tax	61,213,694	(36,596,423)
Loans and advances	(401,381,546)	(18,285,777)
Trade deposits and short-term prepayments	888,066	1,198,083
Other receivables	(2,489,479)	2,162,634
	(741,773,217)	(420,409,124)
Increase in current liabilities		
Trade and other payables	447,117,738	668,265,141
Sales tax payable	40,126,176	-
	(254,529,303)	247,856,017

43. OPERATING RESULTS

	Chemical		Textile		Total	
	2017	2016	2017	2016	2017	2016
			Rupees			
Sales:						
Local						
Caustic soda	7,761,516,940	7,851,607,829	-	-	7,761,516,940	7,851,607,829
Sodium hypochlorite	676,290,517	726,767,894	-	-	676,290,517	726,767,894
Bleaching powder	200,343,348	203,439,133	-	-	200,343,348	203,439,133
Liquid chlorine	224,569,498	236,441,263	-	-	224,569,498	236,441,263
Hydrochloric acid	744,430,075	742,099,362	-	-	744,430,075	742,099,362
Magnesium chloride and others	344,818,936	266,523,756	.-	-	344,818,936	266,523,756
Agri chemicals	-	-	-	-	-	-
Yarn	-	-	1,241,796,681	1,157,267,385	1,241,796,681	1,157,267,385
Waste	-	-	7,767,814	10,703,460	7,767,814	10,703,460
Fabrics	-	-	637,637,307	560,083,028	637,637,307	560,083,028
Export						
Caustic soda flakes	186,082,360	64,124,032	-	-	186,082,360	64,124,032
Liquid chlorine	-	-	-	-	-	-
Others	6,370,932	1,116,242	-	-	6,370,932	1,116,242
	10,144,422,606	10,092,119,511	1,887,201,802	1,728,053,873	12,031,624,408	11,820,173,384
Less:						
Commission and discount	490,371,184	514,811,272	6,199,519	5,176,751	496,570,703	519,988,023
Sales tax	1,421,229,892	1,430,698,009	39,756,159	55,708,977	1,460,986,051	1,486,406,986
Sales - net	8,232,821,530	8,146,610,230	1,841,246,124	1,667,168,145	10,074,067,654	9,813,778,375
Sales - net	8,232,821,530	8,146,610,230	1,841,246,124	1,667,168,145	10,074,067,654	9,813,778,375
Cost of sales	(6,109,615,697)	(6,142,804,642)	(1,652,554,980)	(1,542,031,844)	(7,762,170,677)	(7,684,836,486)
Gross profit	2,123,205,833	2,003,805,588	188,691,144	125,136,301	2,311,896,977	2,128,941,889
Other income	81,718,743	35,700,305	16,940,064	26,655,994	98,568,807	62,356,299
Distribution cost	(178,956,618)	(195,108,295)	(26,545,453)	(29,752,680)	(205,502,071)	(224,860,975)
Administrative expenses	(517,647,991)	(456,917,488)	(59,232,046)	(53,067,696)	(576,880,037)	(509,985,184)
Finance cost	(363,520,459)	(250,121,636)	(7,400,779)	(828,618)	(370,921,238)	(250,950,254)
	(978,406,325)	(866,447,114)	(76,238,214)	(56,993,000)	(1,054,644,539)	(923,440,114)
Reportable segments profit before tax	1,144,799,508	1,137,358,474	112,452,930	68,143,301	1,257,252,438	1,205,501,775
Unallocated income / (expenses)						
Administrative expenses						
Other operating expenses					(2,820,000)	(2,820,000)
Share of income /					(67,508,188)	(83,327,970)
(loss) of associated company						
					(6,915,656)	3,703,016
Provision for taxation					1,180,008,594	1,123,056,821
Profit for the year					(13,626,906)	(353,835,282)
					1,166,381,688	769,221,539

	Chemical		Textile		Total	
	2017	2016	2017	2016	2017	2016
			Rupees			
Other information						
Segment assets	12,965,279,228	11,831,420,319	1,905,012,905	1,608,078,772	14,870,292,133	13,439,499,091
Unallocated corporate assets					4,654,599,981	4,415,703,673
					19,524,892,114	17,855,202,764
Segment liabilities	2,339,161,362	1,845,224,343	158,545,333	123,392,742	2,497,706,695	1,390,592,406
Unallocated corporate liabilities-					7,176,089,694	7,573,508,533
					9,673,796,389	8,964,100,939
Capital expenditure	4,587,304,439	193,923,080	33,993,219	4,255,182	4,621,297,658	198,178,262
Depreciation	651,694,937	449,290,226	44,574,294	43,382,939	696,269,231	492,673,165

43.1 Inter-segment pricing / sales

There is no purchase and sale between the segments.

43.2 Products and services from which reportable segments derive their revenues

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

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

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

The Company does not have any geographical segment.

43.3 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

44. Provident Fund Related Disclosure

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

	Note	2017 Rupees	2016 Rupees
Size of the Funds - Total Assets		76,619,706	66,953,760
Cost of Investments made		49,832,832	30,500,000
Percentage of investments made		73%	72%
Fair Value of investments	44.1	56,131,344	48,442,534

44.1 Break up of fair value of investments

	2017		2016	
	Rupees	%	Rupees	%
Mutual Funds	53,783,550	95.8%	45,832,165	95.00%
Bank Balances	2,347,794	4.2%	2,610,369	5.00%
	56,131,344	100%	48,442,534	100%

45. 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.

The total average number of employees during the year and as at June 30, 2017 and 2016 respectively are as follows:

	2017	2016
Average number of employees during the year		
Permanent	985	956
Contractual	927	900
Number of employees as at June 30		
Permanent	1,124	1,075
Contractual	893	878

46. EVENTS AFTER THE BALANCE SHEET DATE

In respect of current year, the directors have proposed to pay final cash dividend of Rs. 267.867 million (2016: Rs. 246 million) at Rs. 12.50 (2016: Rs. 11.5) per ordinary share of Rs. 10 each for approval of the shareholders at the forthcoming Annual General Meeting. Financial effect of the proposed dividend has not been taken in these financial statements and will be accounted for subsequently in the year when such dividend is approved.

47. GENERAL

Figures have been rounded off to the nearest Rupee.

48. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 22, 2017 by the Board of Directors of the Company.

Muhammad Adrees
Chief Executive Officer

Haseeb Ahmed
Director

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FORM OF PROXY
ANNUAL GENERAL MEETING

I/We____S/o/D/o/W/o

____

of____ being a member of **SITARA CHEMICAL INDUSTRIES LIMITED** and holder of ______________ Ordinary Shares as per Share Register Folio No.__________and/or CDC Participant ID No. ______________and Account / Subaccount No.______________ do hereby appoint Mr./Mrs./Miss ___________________________

_________________Folio No./CDC No.______________of _______________ failing him/her, Mr/Mrs./Miss_____________________________________ Folio No./CDC No.______________ of ____________________as my/our proxy to attend, act and vote for me/us on my/our behalf at Annual General Meeting of the Company to be held on Wednesday October 25, 2017 at 6:.00 pm at the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.

______________________ ________________

Signature of Shareholder
Folio / CDC A/C No.

Signature of Proxy

Five Rupees
Revenue Stamp

Dated this ___________day of _____________2017

Witness:

1.Signature ________________________
Name ___________________________
Address__________________________
____
CNIC or_________________________
Passport No._____________________

Witness:

2. Signature__________________________
Name______________________________
Address____________________________
____
CNIC or___________________________
Passport __________________________

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on member's behalf..

2. If a member is unable to attend the meeting. He/She may complete and sign this form and send it to the Company's Share Registrar M/s. THK Associates (Pvt) Limited 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi so as to reach not less than 48 hours before the time appointed for holding the Meeting.

3. For CDC Account Holders / Corporate Entities; in addition to the above, the following requirements have to be met:

   (a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers be stated on the form.
   (b) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
   (c) The proxy shall produce his original CNIC or original passport at the time of the meeting. In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

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Karachi.

ستارہ کیمیکل انڈسٹریز لمیٹڈ

پراکسی فارم

اجلاسِ عام

میں/ہم ____

ستارہ کیمیکل انڈسٹریز لمیٹڈ کے ممبر/ممبران رجسٹرڈ فولیو نمبر/شرکاء کی آئی ڈی/سی ڈی سب اکاؤنٹ نمبر کے مطابق عمومی شیئرز ____________________

رکھتے ہیں بذریعہ ہذا ____________ کو تقرر کرتے ہیں۔ رجسٹرڈ فولیو نمبر/شرکاء کی آئی ڈی/سی ڈی سی سب اکاؤنٹ نمبر کو بطور پراکسی 25 اکتوبر 2017 بوقت 6:00 بجے سہ پہر بمقام انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹینٹس آف پاکستان چارٹرڈ اکاؤنٹنٹس ایونیو کلفٹن کراچی کمپنی کے منعقد ہونے والے اجلاس عام اور اُس کے کسی التواء تک میری/ہماری جانب سے ووٹ دینا اور اجلاس میں شرکت کرنے کا حق دیتا ہوں۔

ریونیو اسٹامپ -/5 روپے ____

دستخط پراکسی　　　　دستخط شیئر ہولڈر

بتاریخ ______________ سنہ ۲۰۱۷

گواہان:

دستخط	____________	دستخط	____________
نام	____________	نام	____________
ایڈریس	____________	ایڈریس	____________
	____________		____________
شناختی کارڈ	☐☐☐☐☐■☐☐☐☐☐☐☐■☐	شناختی کارڈ	☐☐☐☐☐■☐☐☐☐☐☐☐■☐
پاسپورٹ	____________	پاسپورٹ	____________

۱۔ ایک رکن جو اجلاس عام میں شرکت کرنے اور ووٹ دینے کا اہل ہے اس کو حق حاصل ہے کہ وہ کسی دوسرے فرد کو بطور پراکسی اپنی جانب سے شرکت کرنے اور ووٹ دینے کے لیے مقرر کرے۔

۲۔ اگر کوئی رکن اجلاس میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مکمل اور تصدیق شدہ کمپنی کے شیئر رجسٹرار میسرز THK ایسوسی ایٹس پہلی منزل 40-C، بلاک 6- **P.E.C.H.S.** کراچی کو اجلاس کے منعقد ہونے سے 48 گھنٹے قبل بھجوائیں۔

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

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

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

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

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

DIVIDEND MANDATE (MANDATORY)

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

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

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

Name of Shareholder ____

Folio Number ____

Contact Number of Shareholder ____

Bank Account No. ____

IBAN ____

Title of Account ____

Type of Account ____

Name of Bank ____

Bank Branch & full Mailing Address ____

Contact No. of Bank ____

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

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Shareholder's signature	Date	CNIC No. (Copy attached)

SITARA CHEMICAL INDUSTRIES LIMITED

CIRCULATION OF ANNUAL AUDITED ACCOUNTS

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

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

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

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

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

☐ Option 1 Via Email

Name of the Members/Shareholders ______________________________

CNIC NO. ______________________________

Folio / CDC Account Number ______________________________

Valid Email Address ______________________________
(to receive Financial Statements along with
Notice of General Meetings instead of ______________________________
hardcopy/CD/DVD/USB)

☐ Option 2 Via Hard copy

Name of the Members/Shareholders ______________________________

CNIC NO. ______________________________

Folio / CDC Account Number ______________________________

Mailing Address ______________________________
(to receive Financial Statements along with
Notice of General Meetings instead of ______________________________
Email/CD/DVD/USB and other Electronic Media)

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

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

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

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