

سُبْحَانَكَ اللَّهُمَّ
الرَّحْمَنُ الرَّحِيمُ
الرَّحِيمُ الرَّحِيمُ





CONTENTS

Company Information	3
Vision, Mission and Code of Ethics and Business Practices	4
Notice of Meeting	5
Chairman's Review	12
Directors' Report	18
Corporate Governance	21
Pattern of Shareholding	22
Key Financial Data	24
Statement of Compliance with Code of Corporate Governance	27
Review Report of Code of Corporate Governance	29
Auditors' Report	30
Balance Sheet	31
Profit & Loss Account	33
Cash Flow Statement	34
Statement of Changes in Equity	36
Notes to the Accounts	37
Form of Proxy	



COMPANY INFORMATION

Board of Directors

Chairman
Chief Executive
Directors

Haji Bashir Ahmed
Mr. Muhammad Adrees
Mr. Javed Iqbal
Mr. Muhammad Anis
Mr. Imran Ghafoor
Mr. Haseeb Ahmed
Mrs. Rukhsana Adrees
Mr. Rashid Zahir
(Nominee Director of Saudi Pak Industrial and
Agricultural Investment Co. (Pvt.) Ltd.)

Company Secretary

Mr. Mazhar Ali Khan

Chief Financial Officer

Mr. Anwar-ul-Haq (ACA)

Audit Committee

Chairman
Members

Mr. Muhammad Anis
Haji Bashir Ahmed
Mrs. Rukhsana Adrees
Mr. Muhammad Yameen (FCA)

Head of Internal Audit

Auditors

M/S. M. Yousuf Adil Saleem & Co.
Chartered Accountants

Legal Advisor

Mr. Sahibzada Muhammad Arif

Bankers

Meezan Bank Limited
National Bank of Pakistan
Allied Bank Limited
United Bank Limited
Bank Alfalah Limited
Dubai Islamic Bank Pakistan Limited
The Bank of Punjab
MCB Bank Limited
Standard Chartered Bank
First Habib Bank Modaraba
Saudi Pak Industrial and Agricultural
Investment Co. (Pvt.) Limited
Saudi Pak Commercial Bank Limited
First National Bank Modaraba
Al-Baraka Islamic Bank B.S.C. (E.C.)
Askari Commercial Bank Limited
Faysal Bank Limited
Habib Bank Limited

Registered Office

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

Factories

28/32 K.M., Faisalabad - Sheikhpura Road,
Faisalabad.



VISION

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

MISSION

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

CODE OF ETHICS AND BUSINESS PRACTICES

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



NOTICE OF THE TWENTY SIXTH ANNUAL GENERAL MEETING

Notice is hereby given that the 26th Annual General Meeting of Sitara Chemical Industries Limited will be held on Saturday, October 20, 2007 at 3.00 p.m. at Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwana-e-Sadar Road, Karachi, to transact the following business:

Ordinary Business :

1. To confirm the minutes of the Extraordinary General Meeting of the Company held on July 30, 2007.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2007 together with the Directors' and Auditors' Report thereon.
3. To approve payment of cash dividend @ 55% (Rs.5.50 per share) as recommended by the Board of Directors.
4. To appoint Auditors of the Company for the year 2008 and fix their remuneration.

Special Business :

5. To approve issuance of bonus shares @ 10% i.e. 01 (One) Ordinary share for every 10 (Ten) Ordinary shares held, as recommended by the Board of Directors and to pass the following resolution as an Ordinary Resolution :

RESOLVED that a sum of Rs.18,553,599/- out of free reserves and unappropriated profits of the Company be and is hereby capitalized for issuing 1,855,359 fully paid Ordinary shares of Rs.10/- each as bonus shares to be allotted to those shareholders whose names will appear on the members' register and the entitlement list to be provided by CDC at the close of business on October 09, 2007 @ 10% i.e. in proportion of one share for every ten shares held. These shares shall be treated for all purposes as an increase in paid-up capital of the Company and shall rank pari passu in nature with the existing shares in all respect except that they shall not qualify for the entitlement of the final dividend declared and being paid simultaneously.

FURTHER RESOLVED that all fractions of bonus shares be consolidated and the same be sold in the stock market and the proceeds of sale, when realized, be distributed among the members entitled thereto.

6. To propose and if thought fit pass, with or without modification, the following Special Resolution to increase the authorised capital of the Company from Rs.300 million to Rs. 600 million of Rs.10/- each.

RESOLVED that the authorised capital of the Company be and is hereby increased from Rs.300 million to Rs.600 million divided into 60 million Ordinary shares of Rs.10/- each by creation of Class "A" and "B" shares and Clause V of the Memorandum of Association and Article 5 of the Articles of Association of the Company be and are hereby substituted to be read as under :

Clause V of the Memorandum of Association

V. The authorized capital of the Company is Rs.600,000,000/- (Rupees Six Hundred million) divided into 60,000,000 (Sixty million) Ordinary shares of Rs.10/- each, out of which 40,000,000 (Forty million) are Class "A" shares and 20,000,000 (Twenty million) are Class "B" shares, with power to increase or reduce the capital, to divide the shares in the capital for the time being into several classes. The share capital shall comprise of one or more kinds of shares and different classes of shares under each kind as permitted by the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000 as amended from time to



time, with such preferential, deferred, qualified or special rights, privileges or conditions attached thereto as may be determined by or in accordance with the Articles of Association of the Company and to consolidate or sub-divide the shares and issue shares of higher or lower denominations

Article 5 of Articles of Association

5. The authorized capital of the Company is Rs.600,000,000/- (Rupees Six Hundred million) divided into 60,000,000 (Sixty million) Ordinary shares of Rs.10/- each, out of which 40,000,000 (Forty million) are Class "A" shares and 20,000,000 (Twenty million) are Class "B" shares, with power to increase or reduce the capital, to divide the shares in the capital for the time being into several classes. The share capital shall comprise of one or more kinds of shares and different classes of shares under each kind as permitted by the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000 as amended from time to time, with such preferential, deferred, qualified or special rights, privileges or conditions attached thereto as may be determined by or in accordance with the Articles of Association of the Company and to consolidate or sub-divide the shares and issue shares of higher or lower denominations
7. To propose and if thought fit pass, with or without modification, the following Special Resolution to make addition in the Object Clause of the Memorandum of Association of the Company, subject to the approval of the Securities and Exchange Commission of Pakistan, u/s 21 of the Companies Ordinance, 1984 :

RESOLVED that new sub clauses 47 to 66 be and are hereby added in Clause III of the Memorandum of Association and the existing sub-clauses 47 to 51 be and are hereby renumbered accordingly.

8. To consider, propose and if thought fit, pass with or without modification, the following Special Resolution, to make addition and alteration in the Articles of Association of the Company in accordance with the Companies Ordinance, 1984 :

RESOLVED that Articles 5(a) to 5(g) and 7(a) of Articles of Association be and are hereby added and Article 26 and 28 of Articles of Association be and are hereby substituted.

RESOLVED FURTHER that the Chief Executive / Company Secretary of the Company be and is hereby authorised to do all acts to effect the Special Resolution and appoint Consultant(s) for the purpose of the addition / alteration to be made in the Memorandum and Articles of Association of the Company and authorise them to comply with all the necessary requirements of the law in this behalf."

9. **To transact any other business with the permission of the Chair.**

A Statement u/s.160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special Resolution is being sent to the shareholders with this notice.

By order of the Board

Karachi:
September 05, 2007

MAZHAR ALI KHAN
Company Secretary

**NOTES :**

1. The Share Transfer Books of the Company will remain closed from October 10, 2007 to October 20, 2007 (both days inclusive).
2. A member entitled to attend, and vote at the Annual General Meeting is entitled to appoint another member of the Company as a Proxy to attend and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Company or otherwise. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.
3. Shareholders are requested to notify changes in their addresses, if any, at the Registered Office of the Company.

Statement of material facts under Section 160(1)(b) of the Companies Ordinance, 1984.

Agenda Item No. 6 -Increase in Authorised Capital

At present the authorized capital of the Company is Rs.300 million. With the expansion in the business activities, the paid up capital will need to be enhanced. As such, the Board of Directors of the Company have proposed that the authorized capital of the Company be increased from Rs.300 million to Rs.600 million which is necessary to cater the future capital requirement of the Company, by creation of Class "A" and "B" shares.

Agenda Item No. 7 - Amendments in the Object Clause of the Memorandum of Association

The Board of Directors of the Company had decided in their meeting that with the approval of the shareholders and the Additional Registrar, Securities and Exchange Commission of Pakistan, Company Registration Office, Karachi, the existing Object Clause of the Memorandum of Association of the Company will be amended by the addition of new sub-clauses in order to enable the Company to enlarge and extend the scope of its business activities for more profitable purposes.

The proposed sub clauses 47 to 66 of the Object Clause to be added in the Memorandum of Association are as under :

47. To carry on the business as manufacturer, traders, producers, assemblers, fabricators, importers, exporters, buyers, sellers, suppliers, distributors, commission agents, selling agents, dealers, distributors, and dealers in all kinds of vehicles, automobile, tractors, agricultural equipments, engineering goods, tools and implements, gas conversion kits, light and heavy mechanical goods, machineries, automobile spares parts, mobile servicing unit, dumpers, bulldozers, measuring and testing equipments and allied products and representatives of agricultural and marine machineries, equipments and implements including tractors, engines, harvesters, cultivators, ploughs, generators, multipurpose engines, power tillers, power plants, spreaders, sprayers, dusters, drying equipments, poultry and dairy farming and its equipments, fishing boats, tugs, trawlers, cold storage machines and solar energy equipment.
48. To carry on the business of manufacturing, importing, exporting, dealing, assembling, repairing, hiring, leasing, running motor cars, motor cycles, motor rickshaws, motor boats, motor launches, motor lorries, motor vans, motor ships, autocycles, trucks, buses, pickups, vans, cars, tractors, aeroplanes, seaplanes, gliders, helicopters, military vehicles, and other conveyances of all descriptions whether propelled or assisted by means of petrol, steam, gas, electricity, animal, solar, atomic, electronic or other powers and engines, chassis, bodies and other accessories or ancillaries used in this connection.
49. To carry on the business of iron-founders, mechanical engineers, machinists, manufacturers, dealers, importers and exporters of all kinds of auto parts, accessories, implements, tools, gas generators, engines, types, rubber goods, tubes, bodies, chassis, carburetors, magnets, silencers, radiators, sparking plugs, paraffin vaporizers, speedometers, self-starters, gears, wheels, parts and accessories of all kinds which may be useful



- for or conducive to the carrying on of the business of the Company.
50. To provide modern and innovative services and products in the field of information technology, computers and communications including designing, developing, improving, marketing, selling, licensing and complete implementation of information technology, computers software and communication systems and its related services.
 51. To carry on the business as manufacturers / developers of computer internet programmers and word processors, data processors, outsourcing services and related issues, computer aided drafting specialists, software developers, computer based composers and publishers, consultants, designers, wholesalers, retailers, agents, general merchants, dealers, suppliers and distributors of computer software, hardware, ancillary and allied equipments.
 52. To obtain, develop, promote, deal in, supply connections and provide back up, support services and training for Electronic Mail, Internet or any other forms of computer or electronically transmitted or based communication technology that might be developed in future including all related hardware, software and ancillaries.
 53. To provide Information Technology (IT) and related services, including but not limited to IT enabled remote services, such as customer relationship management, data processing, back office services, graphic design and other data-intensive professional services, which includes design, development and integration of software as well as any other technology intensive manufacturing or services (whether real or virtual).
 54. To set up and run steel mills for producing steel, steel billets, alloy steel ingots and all kinds and sizes of re-rolled sections, i.e. flats, angles, rounds, squares, hexagons octagons, rails, joints, channels, steel strips, sheet, plates, deformed bars, plain and cold twisted bars, bright bars, shafting, steel structures and all kinds of allied products.
 55. To carry on the business of steel mills, iron founders, iron masters, iron and steel converters, mechanical engineers, manufacturers of steel billets, steel sheets, iron sheets, iron bars, Iron beams, pipes, guarders, nuts, bolts, screws, agricultural implements and all kinds of machinery parts, automobile parts, tool makers, brass founders, metal workers, boiler makers, mill-weights, mill stores, wood workers, painters, metallurgist, electrical engineers, gas generators, framers printers, carriers and merchants and to buy, sell, manufacture, repair, convert, alter, let on hire, and deal in machinery implements, rolling stocks, and hardware of all kinds and to carry on any other allied business as permissible under law.
 56. To carry on all or any of the business of manufacturers, processors, importers, exporters and dealers in sheet metal (ferrous and non-ferrous) and sheet metal articles of all kinds and in particular aluminum and steel doors, windows, lever and automatic door closers, galvanized buckets, fire buckets, bath tubs, mugs, drums, tanks, tin containers and other articles for carry or storing water, oil and other solid or liquid material, all kinds of steel and metal furniture, chimneys, pipes, ridging, ventilators, roofing, dustbins, hand carts and all such other articles.
 57. To carry on the business of general trader, manufacturer, importer, exporter, producer, buyer, seller, supplier, distributor, commission agent, shopkeeper, wholesaler, retailer and dealer in all kinds of pharmaceutical, drugs, medicines, chemicals, antibiotics, pharmaceuticals, nutraceuticals, cosmeceuticals, herbal, ayurvedic, aromatherapy, physiochemical, traditional Chinese medicines, bacteriological, biotechnological and biological products, medical & diagnostic products, dental products, diagnostic & dental equipments, laboratory chemicals, hypodermic needles, hypodermic syringes, blades, knives, scalpels, anatomical, orthopedic, surgical instruments/ equipments, soap, washing powder, detergents oleaginous, perfumes, scent, toilet requisites, wax, candles, polishes, all kinds of medical / pharmaceutical and commercial items and allied products and all substances, apparatus and things capable of being used in



- connection with such products or required by customers dealing with the Company.
58. To work and act as examiners of pharmaceuticals, medicines and drugs manufactured by the manufacturers and others including Government, semi-Government bodies and also to carry on the profession of pathologists and examiners of soils and materials.
59. To carry on the business of refining, blending, processing, storing, transporting, supplying, selling, distributing, importing, exporting and dealing all kinds of petroleum, petroleum products, petrochemicals, chemicals, oils, gas, hydrocarbons and allied products.
60. To purchase or otherwise acquire, manufacture, refine, treat, reduce, distil, blend, purify, pump, store, hold transport, use experiment with, market, distribute, exchange, supply, sell and otherwise dispose of, import, export and trade and generally deal in any and all kinds of petroleum and petroleum products, oils and chemicals and any products, by products and derivatives thereof.
61. To carry on all or any of the business as manufacturers, traders, buyers, sellers, indenters, importers, exporters, distributors, agents, brokers, factors, stockists, commission agents and dealers of all kinds of leather garments, hosiery garments, knitwear, handicrafts, fabrics, textiles, goods, leather garments, readymade garments, towels, carpets, dress, uniforms, military uniforms, school uniform, durries, mats, rugs, namdas, blankets, shawls, tweeds, linens, flannels, bed sheets, spreads, quilts, scarfs, belts, embroidery, tapestry and all other articles of silk, cotton, woolen and worsted materials and all sorts of apparels, dressing materials, mixed, blended products, nylon, polyester, fiber, yarn, hosiery and mixed fabrics, natural silk fabrics, garments and all kinds of textile products.
62. To carry on the business of printers, publishers, stationers, lithographers, stereotypes, electrotypers, art printers, photolithographers, chromolithographers, photographic printers, engravers, embossers, die-sinkers, die-stampers, envelope manufacturers, bookbinders, machine rulers, numerical printers, calendar and dairy printers, paper makers, paper bags and card board manufacturers.
63. To print and publish general books, technical books, children's books, low priced paperbacks, text books, newspapers, magazines, periodical, journals, quotations, reports and other literary works and undertakings, and also run book clubs and lending libraries.
64. To conduct, encourage, promote, support, arrange and organize seminars, symposiums, exhibitions, fairs, conferences, lectures, workshops, demonstrations and other similar activities for promotion of education and educational books, literatures and to promote the business of printing and publishing or other business interests of any person, companies, firms, individuals, associations, local or government bodies, foreign governments, and international agencies, in Pakistan and any part of world for and on behalf of customers and for that purpose to carry out market surveys, researches, training programs and other activities.
65. To carry on the business of manufacturers, processors, designers, buyers, sellers, exporters, importers, and/or otherwise dealers in all kinds of card board packing, corrugated packing, pillow packing, plastic packing, polythene packing, gunny bags, containers, bottles, hollow wares, whether made of plastic or any man made fiber, leather or of other material including light and low density polythene, polypropylene, plastic and other man made fibrous material, use in manufacture of card board, packing, corrugated packing, pillow packing, plastic packing, polythene packing, gunny bags, etc.
66. To carry on the business of general traders, manufacturers, commission agents, buyers, sellers, importers, exporters, suppliers and dealers in automobiles, vehicles, steel and iron products, chemicals, medicines, pharmaceutical, machineries & mills works, petroleum products, oils, chemicals, leather garments, gold, silver, wheat, cotton, rice, sugar, pulses, beans, cereals, tea, corn, oats, barley, rye, flaxseed, grain sorghums, mil feeds, butter, eggs, wool, fats and



oils (including lard, tallow, cottonseed oil, peanut oil, soybean oil, and all other fats and oils), cottonseed meal, cottonseed, peanuts, soybeans, soybean meal, livestock, livestock products, and frozen concentrated orange juice, food, fabrics, textile goods apparels, readymade garments, engineering goods, automobiles parts, marbles & hardware items, computer software & hardware, electric & electronics products and all other goods and articles as may be included by the company for the purpose of trading along with all services, rights, and interests in which contracts for future delivery are presently or in the future dealt.

Agenda Item No.8 - Amendments in Articles of Association.

The directors have also proposed certain amendments in the Articles of Association to define the classes of shares. In this regard, the following additions and alterations in the Articles of Association have been proposed in accordance with the Companies Ordinance, 1984.

Articles 5(a) to 5(g) to be added

- 5(a) The share capital of the company shall comprise of Ordinary, class "A" and class "B" shares with respective rights, benefits and privileges and obligations, as conferred upon each class by or under the provisions of these Articles.
- 5(b) Class "A" shares may at any time be converted into Class "B" shares, exercisable in writing to the Company by the shareholders holding not less than 90% of the total paid up capital of the Company.
- 5(c) Within 2 days of the receipt of the notice exercising the conversion option referred in 5(b), such shares shall be automatically re-designated.
- 5(d) Class "B" shares shall not be converted into Class "A" shares at any time.
- 5(e) Class "A" shares shall in all respects carry voting rights and Class "B" shall have no voting rights, for the purpose of Section 178(5) of the Companies Ordinance, 1984 or for passing any

Special Resolution.

- 5(f) For so long as the share capital of the company is divided into different classes, the rights attached to either class, may only be varied or abrogate with the consent in writing of the shareholders holding not less than 90% of the total paid up capital of the Company.
- 5(g) In the event of any conflict or inconsistency between the provisions of Article 5 and any other Article, the former shall prevail.

Article 7(a) to be added

- 7(a) Subject to the provisions of the Companies Ordinance, 1984 and without affecting rights of holders of Class "A" shares and Class "B" shares inter se, the Board may, from time to time, increase the Company's share capital by such sum, to be divided into shares of such classes and such amounts as the Board shall prescribe, subject to :

Any further issue of share capital shall be divided into Class "A" shares or Class "B" shares or both categories and shall also be subject to the following :

- i) Class "A" shares shall be offered to Class "A" shareholders proportionately and Class "B" shares shall be offered to Class "B" shareholders proportionately; and
- ii) The amount of further issue of capital shall be divided into Class "A" shares and Class "B" shares in proportion of such shares that have been issued and allotted as fully paid up at the time of such further issue.

If the whole or any part of the shares offered under sub-article 7(a) is declined or is not subscribed, the directors may allot and issue such shares in such manner as they may deem fit, subject to the provision of section 86 of the Companies Ordinance, 1984.

Article 26 to be substituted

26. The Company may, by Ordinary Resolution, subject to the provisions of the Companies Ordinance, 1984 :



- (i) consolidate and divide the whole or any part of its share capital into shares of larger amount than its existing shares;
- (ii) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum; or
- (iii) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the share so cancelled:

Provided that, in the event of consolidation or sub-division of shares, the rights attaching to the new shares shall be strictly proportional to the rights attaching to the previous shares so consolidated or sub-divided.

Provided further that, where any shares issued are of a class which is the same as that of shares previously issued, the rights attached to the new shares shall be the same as those attached to the shares previously held.

Articles 28 to be substituted

28. The Company may, by Special Resolution, reduce its share capital, capital redemption reserve and share premium account in any manner, subject to any incident authorized and consent required by Section 96 to 106 under the Companies Ordinance, 1984

The Directors of the Company have no interest in the Special Resolutions except to the extent of their shareholdings and remuneration in the Company. The said alteration/addition will not affect anyone's interest unfavorably in the Company.

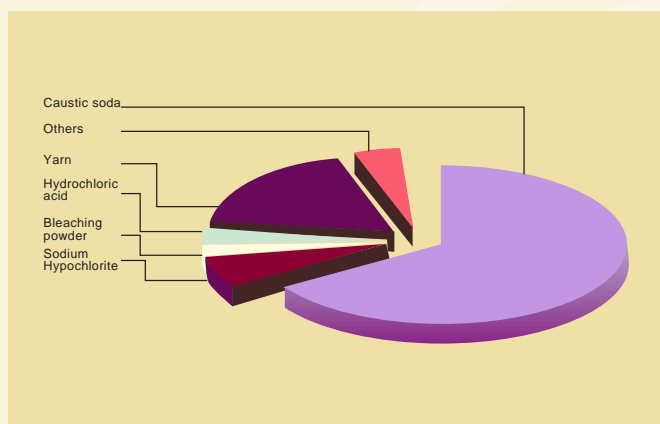


CHAIRMAN'S REVIEW

It is great pleasure for me to present before you the audited Annual Report of Sitara Chemical Industries Limited for the year ended June 30, 2007.

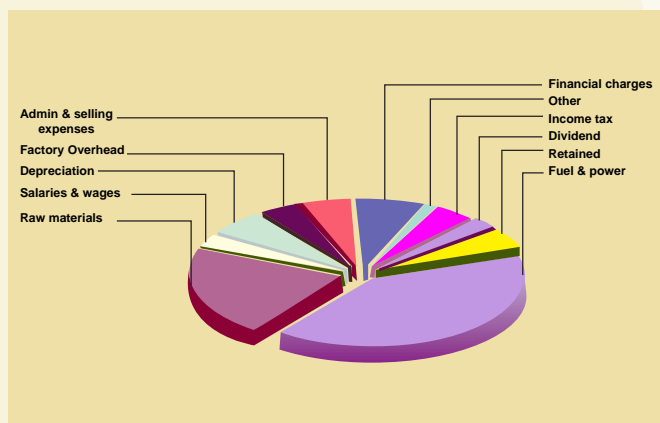
Throughout the financial year your Company achieved various milestones which not only boosted profits for the year but paved a way for continued growth in the coming years. Of these milestones most significant is the completion of 22 MW Gas Fired Power Project. Own power generation has resulted in lower cost of production and uninterrupted power supply as well. Whereas, journey of developments for introduction of new products continued and your Company started the construction work of Calcium Chloride and Chlorinated Paraffin Wax projects. New export markets have been explored for Caustic Soda Flakes and other specialty chemical for better return.

SOURCES OF REVENUE



	Rs. (Million)	%
Caustic soda	2,619	66
Sodium hypochlorite	279	6
Bleaching powder	72	2
Hydrochloric acid	119	4
Yarn	793	17
Others	233	4
Total	4,415	100

APPLICATION OF REVENUE



	Rs. (Million)	%
Fuel & power	1,782	40
Raw materials	948	21
Salaries & wages	154	4
Depreciation	250	6
Factory Overhead	166	4
Admin & selling expenses	220	5
Financial charge	318	7
Other	40	1
Dividend	102	2
Income tax	164	4
Retained	271	6
Total	4,415	100

Industry Overview:

Chemical Division

Over all Chlor Alkali industry in Pakistan showed a growing trend and kept pace with the growth of economy in spite of potential slump in Textile Industry. Especially 3rd and 4th quarters ended with positive note though initial quarters were not financially so significant.



A view of newly installed Power Generation Plant

We wish to express our gratitude towards Almighty Allah on successful completion of our 22 MW Power Project. Electricity generation started in April 2007 and cost benefits are credited in these financial statements for last quarter April 2007 to June 2007. Uninterrupted supply generated by Power Plant will not only reduce cost of our production but increase the life and efficiency of sophisticated membrane technology.

Textile Division

Production of yarn remained lower as compared to preceding year. Textile sector of Pakistan especially spinning sector remained under slump. Production of Yarn resulted in decrease during the year as compared to preceding year.

Production Operations:

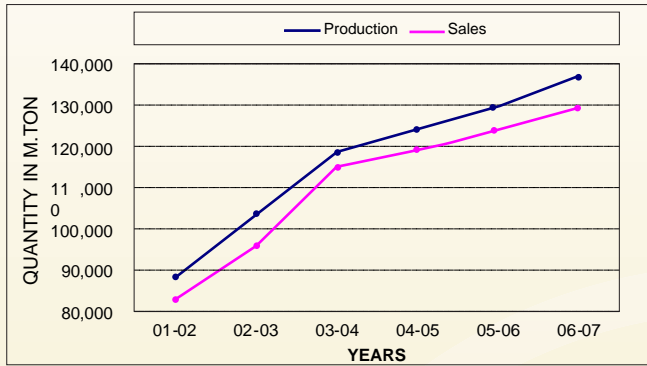
During the year your company has produced 137,473 Metric Tons of Caustic Soda against last year's production of 129,838 Metric Tons. Further production of specialty chemicals also witnessed reasonable increase from last year. Textile Division production remained 9,978,032 Kgs of Yarn against 10,991,174 Kgs in the last year. During the year all 22,080 spindles remained operational.

Financial Performance:

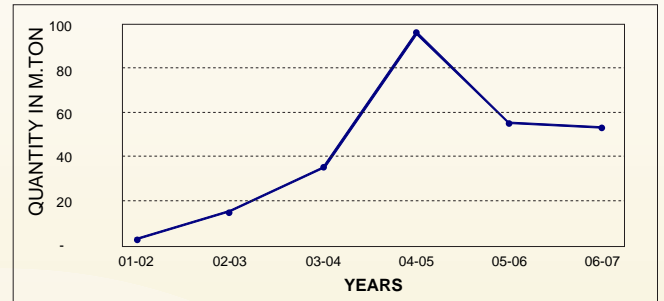
Your company has achieved a net sales of Rs.4,374 Millions during the year under review against Rs. 3,812 Millions in the previous year showing an increase of 14.7 %. Gross profit earned during the year is Rs. 1,084 Millions against previous year's figure of Rs.705 Millions. Net Profit before tax accounted for Rs.537 Millions against Rs. 358 Millions in the previous year. Company became able to achieve this growth after commencement of production at power plant and efficient / economic management of electricity from other sources. During the year total exports of the company remained at Rs. 53 Millions, against previous year's export of Rs. 55 Millions.



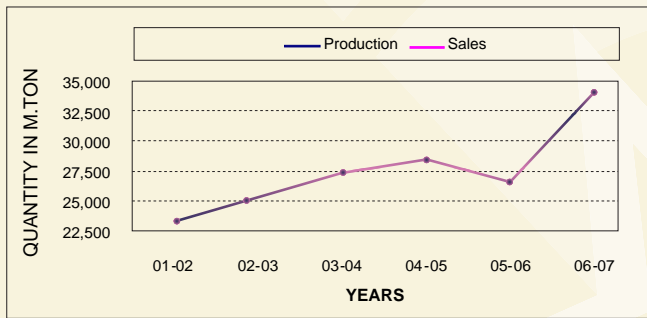
Caustic Soda



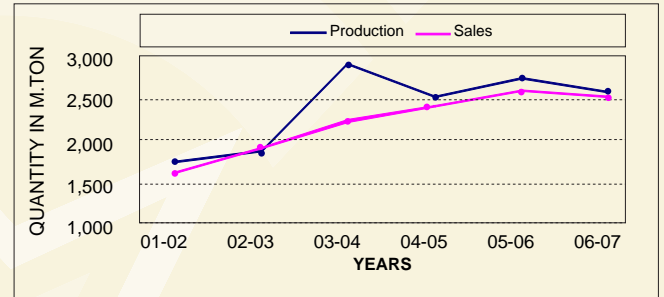
Non-Traditional Export Sale



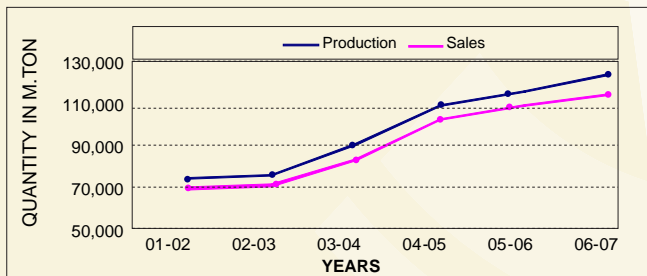
Sodium Hypochlorite



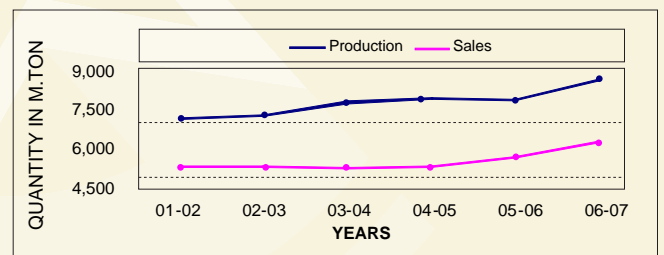
Ammonium Chloride



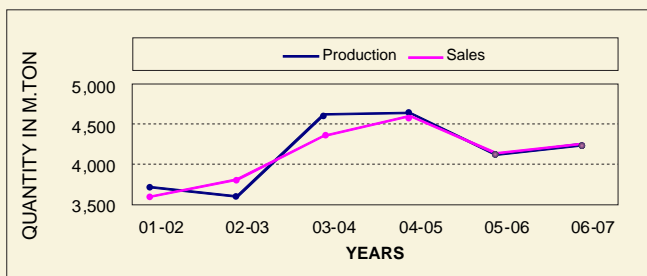
Hydrochloric Acid



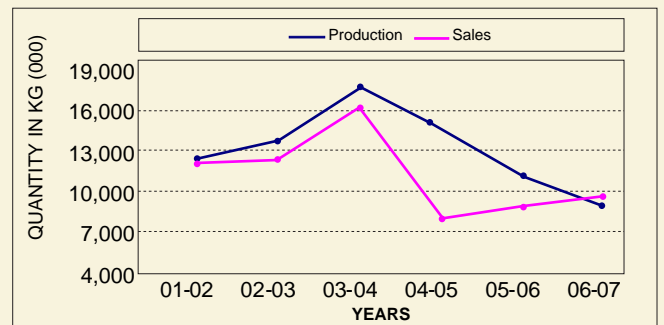
Liquid Chlorine



Bleaching Powder



Yarn (Ring Spining)



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. During last few years R & D department introduced various products of which a few have gained maturity. In 2000 your company started production of Calcium Chloride as pilot project. Now after trial of 6 years in local and international market your company has announced construction of Calcium Chloride plant. Construction of Chlorinated Paraffin Wax plant has also been planned to be completed in the following year. Emphasis, however, remained at the products utilizing excessive chlorine.



Signing of agreement for construction of calcium chloride plant

Information Technology:

Company is determined to implement paperless environment in managing its day to day affairs of the company. Automated indenting, store issues, all inter office communication through LAN, systemized managerial reports regarding different operational matters for better control at top level, departmental expenses reports, system generated reports for filing with Government Authorities etc. has been successfully launched. For further developments committees have been formed to automate almost all operational aspects of managerial, financial as well technical nature.

Human Resource Development:

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 30 workshops/courses/seminars were held during the year under review wherein renowned consultants of Indo Pak were called for to train the staff. Company has nominated 39 employees to attend courses and workshops held at various well known institutions of Pakistan.



A management training session conducted by International trainer, at SCIL HR development centre

Environment, Health and Safety:

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. For this purpose company has closed the operation at old mercury plant during the year. Company has also renewed environmental management system from 1996 versions to 2004 version. 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. A full fledge department of Health Safety and Environment is assigned the job of awareness and monitoring the objective. Almost 5841 persons have been trained on the above mentioned subjects since year 2000.



SCIL Winner team of local flower exhibition competition

Business Risks and Challenges:

Textile sector, which consumes approximately 42% caustic soda production of total market, is facing difficulties in Pakistan. Despite the fact Government and APTMA is taking steps to overcome the problems, company has planned to evolve new avenues as is evident from export of caustic soda during the year. Growth of other sectors like Soap & Detergent, Chemicals, Paper & Board, Ghee & Oil and Power Generation is expected to mitigate shortfall, if any, in the demand in Textile Industry. Company is also extending its product line. Erection of new unit of caustic soda may also create an environment of competition. But we are certain that it will not affect sale of SCIL as demand is also on increasing trend.



A brain storming session being conducted by top management

Future Outlook:

Whereas currently sales of all products are on growing trend and costs are efficiently controlled, we expect the same continued growth in coming years if all contributing factors remained favourable.

Your company is considering different options for diversifying its product line. PVC and Calcium Carbide projects are actively under consideration and techno commercial activities are being carried out. Company has started work on erection of Calcium Chloride and CPW plants which will be in operation in year 2008 inshallah. Capacity of Calcium Chloride will increase to 21,000 Metric Tons per annum from current capacity of 5000 Metric Tons per annum and product quality will meet international standards.



Management visit to China for technical assistance and knowledge sharing with counterpart



Work in progress for PVC plant construction

Date: September 05, 2007
Faisalabad

**HAJI BASHIR AHMED
CHAIRMAN**



DIRECTORS' REPORT

Gentlemen,

The Directors have pleasure in submitting their report and audited accounts of the Company for the year ended June 30, 2007.

PROFIT AND LOSS ACCOUNT

Rupees

Net profit for the year after tax before WPPF	401,872,419
Workers' Profit Participation Fund	(28,832,534)
	373,039,885
Net profit for the year	373,039,885
Un-appropriated profit brought forward	35,740,288
	408,780,173
Amount available for appropriation	408,780,173
Appropriations:	
Proposed cash dividend @ Rs. 5.50 per share	102,044,795
1,8553,360 Bonus share issued @ 10 each	18,553,599
	120,598,394
Un-appropriated profit carried forward	288,181,779
	20.11
Earnings per share - Basic	20.11



STAFF RETIREMENT BENEFITS

Company has maintained recognized provident fund, based on audited accounts as at June 30, 2007, Value of investment thereof was Rs. 27,717,714

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 three executive and five non-executive directors. The non-executive directors are independent to management. The Board has delegated day-to-day operations of the Company to the Chief Executive. I would like to place on record my appreciation and gratitude to the Board of Directors, for guidance and support to the management.

BOARD OF DIRECTORS' MEETING

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

Name of Director	Meetings Attended
1. Haji Bashir Ahmed	4
2. Mr. Muhammad Adrees	4
3. Mr. Javed Iqbal	4
4. Mr. Muhammad Anis	3
5. Mr. Imran Ghafoor	3
6. Mr. Haseeb Ahmed (Newly appointed Director)	4
7. Mrs. Rukhsana Adrees	4
8. Mr. Rashid Zahir	2

Leave of absence was granted to directors, who could not attend one of the Board meetings.

CORPORATE GOVERNANCE

Statement on Compliance of Corporate Governance is annexed.

PATTERN OF SHAREHOLDING

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



AUDITORS

The existing auditors M/s M. Yousuf Adil Saleem & Company, Chartered Accountants, shall retire on the conclusion of 26th Annual General Meeting. Being eligible, they have offered themselves for re-appointment as Auditors of the Company to hold office from conclusion of the 26th Annual General Meeting until the conclusion of 27th Annual General Meeting. The Audit Committee has recommended the appointment of aforesaid M/s M. Yousuf Adil Saleem & Company, as external auditors for the year ending June 30, 2008. 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 amounted to rs 610 million in respect of payments toward sales tax and income tax. this does not include the import duties, withholding tax deducted by the company from employees, suppliers and contractors and deposited into the treasury.

ACKNOWLEDGMENT

On behalf of Board, I would like to express profound gratitude to our customers (business partners), dedicated employees and dynamic management for their excellent support, committed efforts and strong leadership, which have enabled Sitara to achieve decent results for the year 2007 despite heavy odds. Our thanks also go to the financial institutions and shareholders for their continued support, which is key to the success of the Company.

**For and on behalf of the
BOARD OF DIRECTORS**

Date: September 05, 2007
Faisalabad

**MUHAMMAD ADREES
Chief Executive Officer**



CORPORATE GOVERNANCE

Statement of Directors' Responsibilities

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

There has been non-material departure from the best practices of the Corporate Governance, as detailed in the Listing Regulations.

Presentation of Financial Statements

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

Books of Account

Company has maintained proper books of account.

Accounting Policies

Appropriate accounting policies have been consistently applied, with the exception of accounting policies on investment made in associated undertaking and other investment as disclosed at Note No. 2.1 and 2.25 to the financial statements, in preparation 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.

Going Concern

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

Audit Committee

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



**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2007**

	<u>Number</u>	<u>Shares Held</u>	<u>%</u>
Associated Companies, Undertakings and Related Parties	-	-	-
NIT & ICP			
Nationa Bank of Pakistan-Trustee Department	1	1,374,853	7.41
Investment Corporation of Pakistan	1	697	0.00
Directors, CEO & their Spouse and Minor Children			
Mr. Haji Bashir Ahmed	1	500	0.00
Mr. Muhammad Adrees	1	11,377,502	61.32
Mr. Javed Iqbal	1	25,000	0.13
Mr. Muhammad Anis	1	2,000	0.01
Mr. Imran Ghafoor	1	2,000	0.01
Mr. Haseeb Ahmed	1	4,000	0.02
Mrs. Rukhasna Adrees W/o Muhammad Adrees	1	538,654	2.90
Executives	-	-	-
Public Sector Companies and Corporations	-	-	-
Banks, Development Finance Institutions, Non -Banking Finance Institutions, Insurance Companies, Modarabas & Mutal Funds	21	1,957,353	10.55
Shareholders holding ten Percent or more voting interest in the Company	-	-	-
Individuals	1,778	3,015,896	16.26
Joint Stock Compnies, Others, etc.	25	255,144	1.38
	<u>1,833</u>	<u>18,553,599</u>	<u>100.00</u>

Detail of purchase / sale of shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses / minor children during 2006-2007.

No transaction has been observed, relating to aforesaid person, during the year ended June 30, 2007



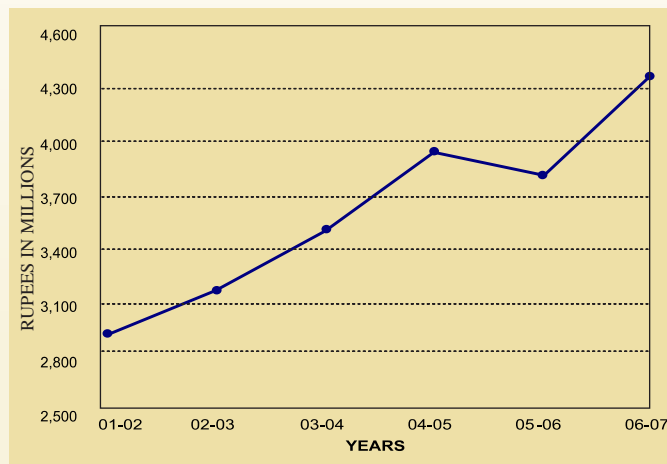
**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2007**

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
769	1	100	26,366
662	101	500	179,657
126	501	1,000	96,500
192	1,001	5,000	466,423
29	5,001	10,000	210,336
8	10,001	15,000	99,793
12	15,001	20,000	217,380
3	20,001	25,000	66,028
3	25,001	30,000	84,900
3	35,001	40,000	111,799
2	50,001	55,000	101,202
2	55,001	60,000	117,100
1	60,001	65,000	63,000
1	55,001	70,000	70,000
1	75,001	80,000	80,000
1	80,001	85,000	81,911
5	100,001	105,000	521,928
1	120,001	125,000	124,600
1	140,001	145,000	143,300
1	150,001	155,000	153,100
2	175,001	180,000	354,000
1	245,001	250,000	250,000
1	270,001	275,000	271,705
1	535,001	540,000	538,654
1	615,001	620,000	617,805
1	635,001	640,000	636,391
1	705,001	710,000	709,000
1	780,001	785,000	783,019
1	11,375,001	11,380,000	11,377,502
1,833			18,553,399

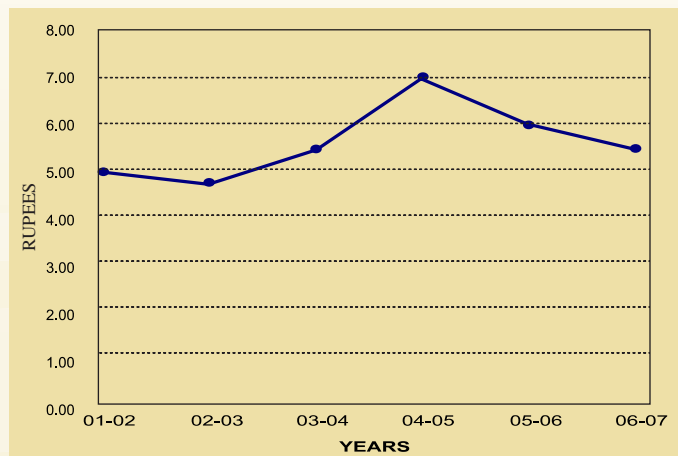


KEY FINANCIAL DATA

SALES



DIVIDEND

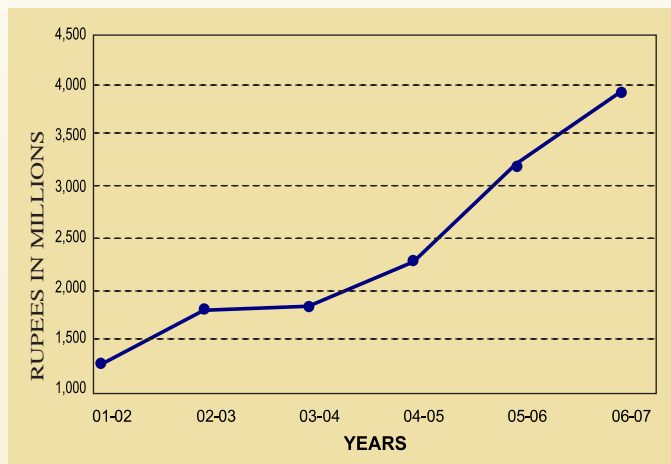


(Note: Besides cash bonus of Rs. 5.5 per share, 10% fully paid bonus share, is also announced for the year)

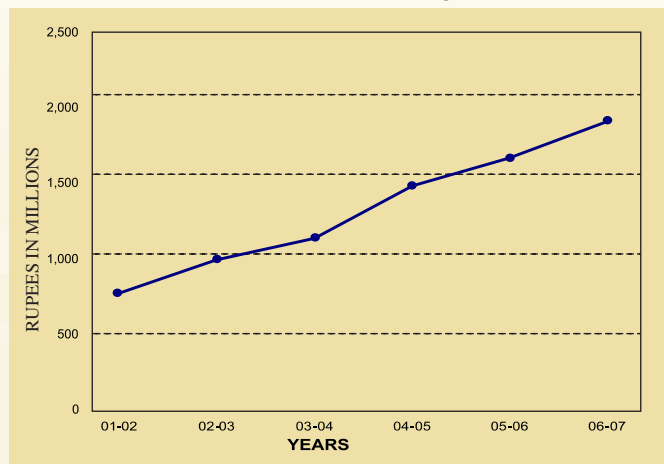
Operating results (Rs. '000')	2007	2006	2005	2004	2003	2002	2001
Sales	4,374,052	3,811,890	3,942,391	3,506,148	3,167,908	2,912,875	2,829,528
Gross profit	1,084,380	705,118	900,387	630,018	511,943	556,878	554,130
Operating profit	864,763	509,613	707,561	488,299	388,009	424,977	435,025
Profit before tax	536,916	358,222	487,405	370,649	285,952	344,144	346,501
Financial ratios							
Gross profit %	24.79	18.50	22.84	17.97	16.16	19.12	19.58
Operating profit %	19.77	13.37	17.95	13.93	12.25	14.59	15.37
Profit before tax %	12.28	9.40	12.37	10.57	9.03	11.82	12.25
Earnings per share - Basic (Rs.)	20.11	14.36	15.93	12.86	10.30	12.52	11.97
Book value per share - (Rs.)	103.60	89.36	79.40	60.21	52.32	40.50	32.98
Cash dividend per share -Interim - (Rs.)	-	-	2.50	-	-	-	-
Cash dividend per share -Final - (Rs.)	5.50	6.00	4.50	5.50	4.75	5.00	5.50
Cash dividend per share -Total - (Rs.)	5.50	6.00	7.00	5.50	4.75	5.00	5.50
Inventory turn over (times)	12	16	24	25	33	43	46
Current ratio	0.98:1	1.18:1	1.14:1	1.12:1	1.06:1	1.01:1	1.01:1
Fixed assets turn over (times)	1.40	1.52	2.53	2.07	1.87	2.49	2.40
Price earning ratio	7.92	8.01	7.16	6.62	6.38	3.84	3.90
Return to capital employed %	13	10	20	21	16	20	27
Debt equity	52:48	51:49	37:63	29:71	32:68	34:66	18:82
Market Price	159.25	115.00	114.06	85.13	65.71	48.08	46.68



FIXED ASSETS



SHAREHOLDERS EQUITY



Assets employed

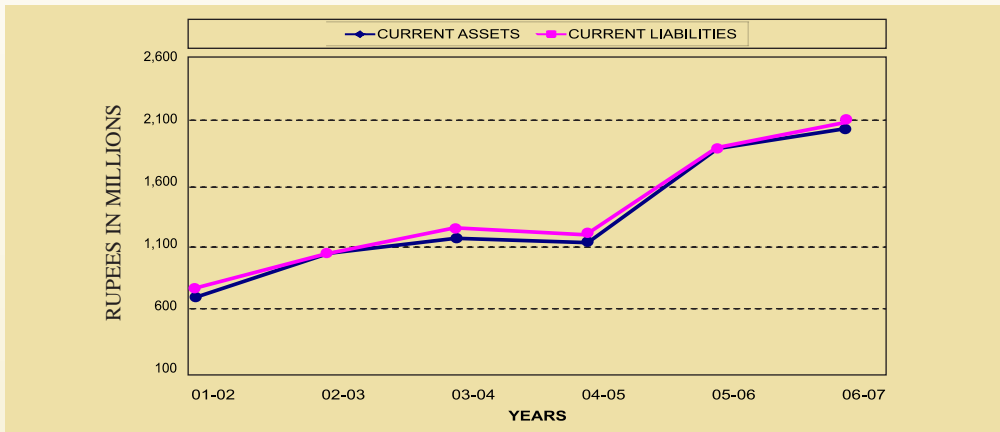
	2007	2006	2005	2004	2003	2002	2001
	(Rupees in thousands)						
Fixed assets	3,939,870	3,215,290	2,270,057	1,807,882	1,784,297	1,241,564	1,259,767
Capital Work-in-progress	265,995	239,452	172,631	54,564	32,563	489,606	6,906
Long term investments, advances and deposits	129,222	32,328	36,995	15,873	9,854	5,441	1,083
Current assets	2,049,482	1,883,405	1,142,525	1,173,026	1,045,146	717,217	962,144
Current liabilities	(2,092,801)	(1,872,650)	(1,203,098)	(1,144,851)	(1,046,747)	(764,496)	(967,232)
	4,291,768	3,497,825	2,419,110	1,906,494	1,825,113	1,689,332	1,262,668

Financed by

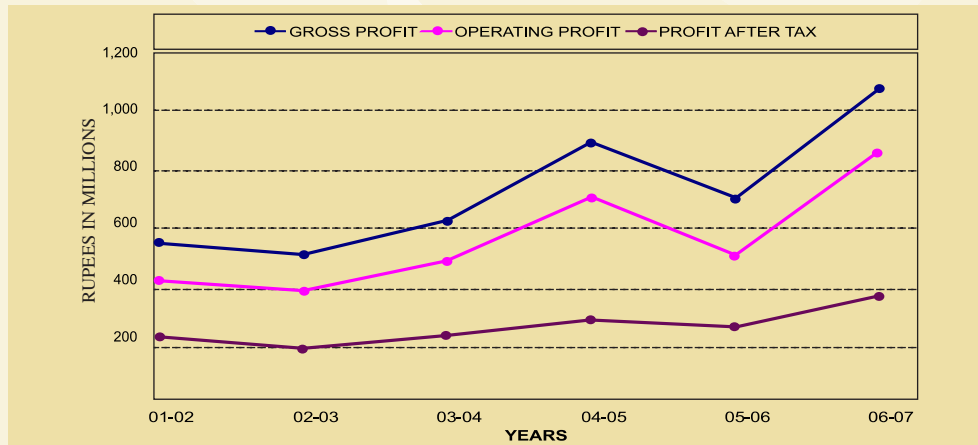
Ordinary share capital	185,536	185,536	185,536	185,536	185,536	185,536	185,536
Reserves	1,736,681	1,472,356	1,287,644	1,033,579	785,266	565,887	426,339
Shareholders' equity	1,922,217	1,657,892	1,473,180	1,219,115	970,802	751,423	611,875
Surplus on revaluation	-	-	-	106,394	116,083	290,038	290,038
Long term and deferred liabilities	2,369,551	1,839,933	945,930	580,985	738,228	647,871	360,755
	4,291,768	3,497,825	2,419,110	1,906,494	1,825,113	1,689,332	1,262,668



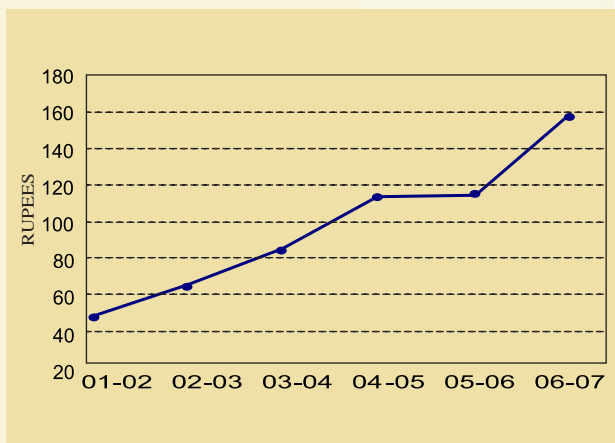
CURRENT ASSETS VS CURRENT LIABILITIES



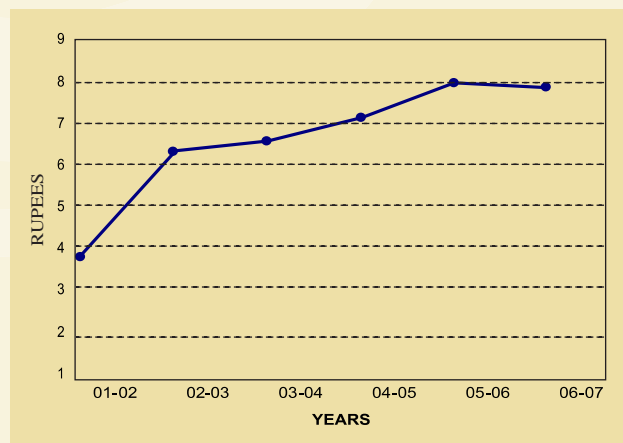
PROFITABILITY



SHARE MARKET PRICE TREND AS ON JUNE 30



PRICE EARNING RATIO





STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement is being presented to comply with the Code of Corporate Governance as contained in the listing regulations of Stock Exchanges.

Company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors and director representing minority interests on its Board of Directors. However, at present the Board includes three executive and five non-executive directors and no directors representing minority shareholder.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, or a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. If a casual vacancy occurs in the Board that will be filled up by the directors within 15 days thereof.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all directors and employees of the company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman or CEO (in case of absence of Chairman) and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda were circulated at least seven days before the meetings. The working papers were circulated seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged an orientation course for its directors to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The director's report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirement of the Code.
15. The Board has formed an audit committee. It comprises three members, majority of them are non-executive directors.
16. The meetings of the audit committee held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the person 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 regards.
20. We confirm that all other material principles contained in the Code have been complied with.

HAJI BASHIR AHMED
Chairman

MUAHAMMAD ADREES
Chief Executive Officer



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **SITARA CHEMICAL INDUSTRIES LIMITED** to comply with the relevant Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the company for the year ended June 30, 2007.

Date: September 05, 2007
Karachi

M. YOUSUF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Sitara Chemical Industries Limited** as at June 30, 2007 and the related profit and loss account, 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 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with 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, 2007 and of the profit, its 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 the Central Zakat Fund established under Section 7 of that Ordinance.

Date: September 05, 2007
Karachi

M. YOUSUF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS



BALANCE SHEET AS AT JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
SHARE CAPITAL AND RESERVES			
Authorised Capital 30,000,000 (2206: 30,000,000) ordinary shares of Rs. 10/- each		<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid up capital	3	185,535,990	185,535,990
Reserves	4	1,736,681,301	1,472,356,077
		1,922,217,291	1,657,892,067
NON-CURRENT LIABILITIES			
Long term financing	5	1,846,515,061	1,396,392,795
Cottribution to takaful reserve by TFC holders	6	-	8,873,824
Long term Murabaha	7	19,438,047	58,314,131
Long term deposits	8	12,706,103	16,125,543
Deferred liabilities	9	490,893,126	360,226,949
CURRENT LIABILITIES			
Trade and other payables	10	1,417,614,806	1,209,553,762
Profit/financial charges payable	11	57,628,576	34,562,748
Current portion of non-current liabilities	12	222,627,643	271,457,486
Taxation			
Income tax		368,638,456	331,862,829
Sales tax		26,291,893	25,213,360
		2,092,801,374	1,872,650,185
CONTINGENCIES AND COMMITMENTS	13		
		<u>6,384,571,002</u>	<u>5,370,475,494</u>

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER



	Note	2007 Rupees	2006 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	14	4,205,865,813	3,439,641,677
Investment property	15	14,345,772	15,100,813
Long term investment	16	75,395,579	11,203,932
Long term loans and advances	17	521,340	761,397
Long term deposits	18	38,960,050	20,363,050
CURRENT ASSETS			
Stores, spares and loose tools	19	208,020,031	210,104,864
Stock in trade	20	441,676,362	407,042,247
Trade debts	21	561,086,919	353,050,222
Loans and advances	22	560,761,814	495,779,205
Trade deposits and short term prepayments	23	6,063,998	5,022,304
Other receivables	24	11,779,550	7,243,685
Investments	25	7,399,248	4,180,475
Cash and bank balances	26	252,694,526	400,981,623
		2,049,482,448	1,883,404,625
		<u>6,384,571,002</u>	<u>5,370,475,494</u>

DIRECTOR



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007**

	Note	2007 Rupees	2006 Rupees
Sales - net	27	4,374,051,881	3,811,890,043
Cost of goods sold	28	(3,289,672,158)	(3,106,772,480)
Gross profit		1,084,379,723	705,117,563
Other operating income	29	29,617,604	9,939,001
		1,113,997,327	715,056,564
Distribution cost	30	(54,814,588)	(54,522,873)
Administrative expenses	31	(164,803,036)	(140,981,544)
Other operating expenses	32	(39,893,557)	(23,904,315)
Finance cost	33	(317,624,373)	(137,785,602)
Share of profit of associated company		54,132	359,465
Profit before taxation		536,915,905	358,221,695
Provision for taxation	34	163,876,020	91,709,031
Net profit for the year		373,039,885	266,512,664
Earnings per share-Basic and diluted	36	20.11	14.36

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2007

	2007 Rupees	2006 Rupees
A) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	536,915,905	358,221,695
Adjustments for:		
Depreciation of property, plant and equipment	260,033,297	156,154,717
Depreciation on investment property	755,041	794,786
Reversal of impairment loss on investment in associated company	(14,150,131)	-
Impairment loss on investment in associated company	-	4,541,476
Finance cost	317,624,373	137,785,602
Share profit of associated company	(54,132)	(359,465)
(Gain) / loss on disposal of property, plant and equipment- net	(549,324)	427,854
Provision for staff gratuity	2,268,519	2,434,263
Provision for doubtful advances	7,461,069	-
Bad debts	-	19,609
	1,110,304,617	660,020,531
Operating cash flows before movements in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	2,084,833	(27,698,496)
Stock in trade	(34,634,115)	(87,896,548)
Trade debts	(208,036,697)	(105,750,243)
Loans and advances	(62,417,845)	968,193
Trade deposits and short term prepayments	(1,041,694)	(1,911,256)
Other receivables	(4,535,865)	(2,043,761)
Increase / (decrease) in current liabilities		
Trade and other payable	218,761,906	615,149,189
	1,020,485,140	1,050,837,609
Cash generated from operations		
Finance cost paid	(294,558,545)	(167,836,787)
Income tax paid	(15,910,199)	(196,067,419)
Gratuity paid	(2,764,081)	(1,265,410)
	707,252,315	685,667,993
Net cash from operating activities		



	2007 Rupees	2006 Rupees
B) CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,034,782,109)	(1,154,696,758)
Proceeds from disposal of property, plant and equipment	9,074,000	3,141,050
Investments	(50,611,840)	(175,810)
Long term loans and advances	240,057	372,118
Long term deposits	(18,597,000)	93,149
Net cash flows used in investing activities	<u>(1,094,676,892)</u>	<u>(1,151,266,251)</u>
C) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(223,968,573)	(184,984,672)
Repayment of long term Murabaha	(38,876,084)	(19,438,042)
Proceeds from redeemable capital - Islamic sukuk certificates	625,000,000	1,100,000,000
Repayment of takful reserve to TFC holders	(8,612,829)	(6,726,960)
Repayment of principal portion of finance lease - Ijara	-	(18,286,849)
Long term deposits	(3,419,440)	2,163,969
Dividends paid	(110,985,594)	(86,638,289)
Net cash flows from financing activities	<u>239,137,480</u>	<u>786,089,157</u>
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(148,287,097)	320,490,899
Cash and cash equivalents at the beginning of the year	400,981,623	80,490,724
Cash and cash equivalents at the end of the year	<u>252,694,526</u>	<u>400,981,623</u>

The annexed notes form an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2007

	Issued, subscribed and paid up capital	Capital Reserves (Note 4)	Revenue Reserves			Takaful Reserves	Total
			General Reserve	Unappropriated Profit	Total		
----- Rupees -----							
Balance as at July 01, 2005	185,535,990	98,603,344	700,000,000	439,040,414	1,139,040,414	50,000,000	1,473,179,748
Unrealised gains on available for sale investments		1,690,851	-	-	-	-	1,690,851
Net income / (expense) recognised directly in equity		1,690,851	-	-	-	-	1,690,851
Profit for the year		-	-	266,512,664	266,512,664	-	266,512,664
Total recognised income and expense for the period		1,690,851	-	266,512,664	266,512,664	-	268,203,515
Transferred to general reserve		-	175,000,000	(175,000,000)	-	-	-
Final dividend for the year ended June 30, 2005 @ Rs. 4.50 per share		-	-	(83,491,196)	(83,491,196)	-	(83,491,196)
Balance as at June 30, 2006	185,535,990	100,294,195	875,000,000	447,061,882	1,322,061,882	50,000,000	1,657,892,067
Unrealised gains on available for sale investments		2,606,933	-	-	-	-	2,606,933
Net income / (expense) recognised directly in equity		2,606,933	-	-	-	-	2,606,933
Profit for the year		-	-	373,039,885	373,039,885	-	373,039,885
Total recognised income and expense for the period		2,606,933	-	373,039,885	373,039,885	-	375,646,818
Transferred to general reserve		-	300,000,000	(300,000,000)	-	-	-
Final dividend for the year ended June 30, 2006 @ Rs. 6 per share		-	-	(111,321,594)	(111,321,594)	-	(111,321,594)
Balance as at June 30, 2007	185,535,990	102,901,128	1,175,000,000	408,780,173	1,583,780,173	50,000,000	1,922,217,291

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

1. GENERAL INFORMATION

1.1 Sitara Chemical Industries Limited (The Company) was incorporated in Pakistan on September 08, 1981 as a public limited company under Companies Act, 1913 (now Companies Ordinance, 1984). The company is currently listed on all Stock Exchanges in Pakistan. The principal activities of the Company is 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 - Shekhupura Road, Faisalabad, in the province of Punjab.

The Company is currently organised 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

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

2. SIGNIFICANT ACCOUNTING POLICIS

2.1 STATEMENT OF COMPLIANCE

These financial statement have been prepared in accordance with the requirements of Companies Ordinance, 1984 (the Ordinance) and directions issued by the Securities and Exchange Commission of Pakistan, and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standard as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 *Standards, interpretations and amendments to published approved accounting standards that are not yet effective*

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after January 1, 2007 are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:-

<i>IAS - 1</i>	Presentation of Financial Statements amendments relating to capital disclosures	Effective from accounting period beginning on or after January 1, 2007
<i>IFRS - 2</i>	Share based payment	Effective from accounting period beginning on or after January 1, 2007



<i>IFRS - 3</i> Business combinations	Effective from accounting period beginning on or after January 1, 2007
<i>IFRS - 5</i> Non-current assets held for sale and discontinued operations	Effective from accounting period beginning on or after January 1, 2007
<i>IFRS - 6</i> Exploration for and evaluation of mineral resources	Effective from accounting period beginning on or after January 1, 2007
<i>IFRIC - 11</i> Group and treasury share transactions	Effective from accounting period beginning on or after March 1, 2007
<i>IFRIC - 12</i> Services concession arrangements	Effective from accounting period beginning on or after January 1, 2008
<i>IFRIC - 13</i> Customer loyalty program	Effective from accounting period beginning on or after July 1, 2008

2.3 Basis of preparation

These financial statements have been prepared under the “historical cost convention”, modified by long term investments valued on equity method, certain financial instruments at fair value and recognition of certain employee benefits at present value.

The principal accounting policies adopted are set out below:

2.4 Employee Benefit Costs

Defined contribution plan - Chemical division

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

Defined benefit plan - Textile division

The Company operates an unfunded gratuity scheme for all those permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provision is made to cover the obligation under scheme on the basis of actuarial valuation and is charged to income. The most recent Actuarial Valuation was carried out at June 30, 2007 using “Projected Unit Credit Actuarial Method”.

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

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

Details of the schemes are given in note 9.2 to these financial statements.



2.5 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.

2.6 Provisions

Provisions are recognised 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.

2.7 Taxation

Current

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

Deferred

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

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

Deferred income tax assets and liabilities are measured at the tax rate 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.

2.8 Dividend and other appropriations

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

2.9 Property, plant and equipment

Company owned

Property, plant and equipment except free hold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment in value, if any. Land and capital work-in-progress are stated at cost less impairment in value, if any. Cost includes borrowing cost as referred in note 2.2.

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



When parts of an item of Property, plant and equipment have different useful lives, they are recognised as a 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.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively.

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

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 asset as and when these assets are available for use.

2.10 Non-operating land

Non operating land is stated at cost.

2.11 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 the written down value so as to write off the depreciable amount of building over its estimated useful life 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 capitalised while no depreciation is charged for the month in which the property is disposed off.

2.12 Investments

Regular way purchase or sale of investments

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

Investment in associates

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

These investments are initially recognised at cost and are subsequently valued using equity method.

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 recognised at fair value plus transaction cost and subsequently remeasured at fair value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from remeasurement at fair value is recognised directly in the equity under fair value reserve until sold, collected, or otherwise disposed off at which time, the cumulative gain or loss previously recognised in equity is included in profit and loss account.



Derecognition

All investments are de-recognised 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.

2.13 Stores, spares and loose tools

These are valued at lower of cost and net realisable 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, upto balance sheet date.

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

2.14 Stock in trade

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

Raw and packing materials	Weighted average cost except for those in transit which are state at invoice price plus other changes paid thereon up to the balance sheet date
Work in process	
Chemical Products	- Prime cost
Textile Product	- Average manufacturing cost
Finished goods	- Average manufacturing cost
Waste	- Net realisable value

Prime cost represent average manufacturing cost less factory overhead.

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

2.15 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.

2.16 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.

2.17 Impairment

The company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised 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 initial cost of the asset. Reversal of impairment loss is recognised as income.

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

2.18 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and derecognised 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.

2.19 Revenue recognition

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

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

2.20 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.

2.21 Foreign Currencies

Transactions in currencies other than Pakistani Rupees 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.



2.22 Segment Reporting

A segment is a distinguishable component within a Company that is engaged in providing products (business segment), or in providing products with a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is being prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company.

2.23 Related party transactions

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

2.24 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 realise the asset and settle the liability simultaneously.

2.25 Critical accounting estimates and judgment

The preparation of financial statements in conformity with IASs 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 recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimated in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2007 Number of Shares	2006		2007 Rupees	2006 Rupees
8,640,000	8,640,000	Ordinary shares of Rs. 10/- each fully paid in cash	86,400,000	86,400,000
7,928,590	7,928,590	Issued as fully paid bonus shares	79,285,900	79,285,900
1,985,009	1,985,009	Issued as fully paid under scheme of arrangement for amalgamation	19,850,090	19,850,090
<u>18,553,599</u>	<u>18,553,599</u>		<u>185,535,990</u>	<u>185,535,990</u>



3.1 There were no movements during the reporting year.

3.2 The company has one class of ordinary shares which carry no right to fixed income.

3.3 No shares are held by any associated company.

3.4 The company has no reserved shares under options and sales contracts.

	Note	2007 Rupees	2006 Rupees
4. RESERVES			
Capital reserves	4.1	102,901,128	100,294,195
Revenue reserves	4.2	1,583,780,173	1,322,061,882
Takaful reserves	4.3	50,000,000	50,000,000
		1,736,681,301	1,472,356,077
4.1 Capital reserves			
Share premium		97,490,410	97,490,410
Fair value reserves on available for sale investments	25	5,410,718	2,803,785
		102,901,128	100,294,195
4.2 Revenue reserves			
General reserve			
Opening balance		875,000,000	700,000,000
Transferred from profit and loss appropriation account		300,000,000	175,000,000
		1,175,000,000	875,000,000
Unappropriated profit			
Opening balance		447,061,882	439,040,414
Net profit for the year		373,039,885	266,512,664
Final dividend for June 30, 2006			
Rs. 6 per share (2005: Rs. 4.50 per share)		(111,321,594)	(83,491,196)
Transferred to general reserve		(300,000,000)	(175,000,000)
		408,780,173	447,061,882
		1,583,780,173	1,322,061,882
4.3 Takaful reserves			

In order to mitigate risk of loss to the T.F.C holders, a shariah compliant takaful arrangement has been made, to which the company has contributed its share of Rs 50. Million.



	Note	2007 Rupees	2006 Rupees
5. LONG TERM FINANCING			
Secured			
From banking companies and other financial institution			
Diminishing musharika	5.1	199,640,061	296,392,795
Redeemable capital	5.2	1,646,875,000	1,100,000,000
		<u>1,846,515,061</u>	<u>1,396,392,795</u>
5.1 Diminishing musharika			
The Bank of Punjab	5.1.1	234,567,450	306,742,050
Meezan Bank Limited	5.1.2	61,825,346	91,219,318
Due within one year shown under current liabilities		(96,752,735)	101,568,573
		<u>199,640,061</u>	<u>296,392,795</u>

5.1.1 The facility is repayable in 20 equal quarterly instalments commenced from January 01, 2006 and ending on October 01, 2010. This is secured by way of first pari passu charge of Rs. 494 million over fixed assets of Chemical Division. It carries profit at average six months KIBOR Plus 150 basis points payable on quarterly basis. KIBOR will be set three working days prior to each quarterly period.

5.1.2 The facility is repayable in 21 quarterly instalments commenced from April 18, 2005 and ending on April 17, 2010. This is secured by way of exclusive charge over imported plant of Chemical Division purchased through this facility. It carries profit at six months KIBOR plus 200 basis points payable on quarterly basis.

5.1.3 Effective rate of profit for the year was from 10.87% to 12.56% per annum (2006: from 10.26% to 11.55% per annum).

**5.2 Redeemable capital
(Participatory - Secured)**

Islamic Sukuk Certificates

	Listed TFCs	1st Tranche	2nd tranche	2007	2006
	Rupees				
Opening balance	122,400,000	1,100,000,000	-	1,222,400,000	241,200,000
Issued/contributed during the year	-	-	625,000,000	625,000,000	1,100,000,000
Paid during the year	(122,400,000)	-	-	(122,400,000)	(118,800,000)
	<u>-</u>	<u>1,100,000,000</u>	<u>625,000,000</u>	<u>1,725,000,000</u>	<u>1,222,400,000</u>
Less: Due within one year shown under current liabilities	-	-	(78,125,000)	(78,125,000)	(122,400,000)
	<u>-</u>	<u>1,100,000,000</u>	<u>546,875,000</u>	<u>1,646,875,000</u>	<u>1,100,000,000</u>

Sanctioned/Sale Price/Disbursed amount	360M	1100M	625M
Effective rate of profit (per annum)	12%	11% - 12%	12%
Remaining no. of installments	-	12	16
Date of payment of last installments	30/06/2007	30/06/2011	30/03/2010
Note	5.2.1	5.2.2	5.2.3



5.2.1 TFC holders are entitled to two level share in the profits of Chemical Division of the Company in the following manner:-

On first Rs. 100 million of yearly operating profit @ 12% per annum of the face value of outstanding TFCs, payable on six monthly basis. Level One Profit is to be paid even in case of loss or lesser profit and is deductible from principal at the time of redemption, in case these payments do not correspond with sufficient profit in respective years.

2% per annum of the face value of outstanding TFCs for each Rs. 100 million additional operating profit (proportion to apply on profit not in multiple of R. 100 million) - Level Two Profit, 75% of such profit shall be paid along with next six monthly payment of Level One Profit and the remaining 25% shall be retained on account of takaful arrangement.

These are secured by way of equitable mortgage of land and building and first hypothecation charge over plant and machinery and other present and future fixed assets of Chemical Division of the Company in favour of Trustee acting on trust for TFC holders.

The Trustee has the right to nominate one representative as a director on the board of Directors of the Company.

5.2.2 Rental payments shall be calculated to provide return equivalent to bench mark plus incremental rental plus service agency charges incurred by the trustee during the previous quarter. Bench mark is defined as 3 months KIBOR and incremental rental is defined as margin of 1.65% plus a production link factor. Margin will be subject to a cap of 1.70% per annum.

These are secured against creation of exclusive and specific hypothecation charge in respect of musharaka assets which include all fixed assets of BMR and expansion of 210 MTD Caustic Soda Plant at 32 Km Faisalabad - Sheikupura Road, Faisalabad and to the extent of beneficial rights of certificate holders'.

5.2.3 Rental payments shall be calculated to provide return equivalent to bench mark rate plus incremental rental and service agency charges incurred by the trustee during the previous quarter. Bench mark rate is defined as 3 months KIBOR and incremental rental is defined as margin of 1.70% plus servicing agency expenses. Bench mark plus margin will be subject to floor of 2% and a cap of 28% per annum.

These are secured against creation of exclusive and specific hypothecation charge in respect of musharaka assets to the extent of beneficial rights of certificate holders.

	2007 Rupees	2006 Rupees
6. CONTRIBUTION TO TAKAFUL RESERVE BY TFC HOLDERS		
Opening balance	17,486,653	20,384,563
Contribution for the year	-	3,829,050
Paid during the year	(8,612,829)	(6,726,960)
	8,873,824	17,486,653
Less: Due within one year shown under current liabilities	(8,873,824)	(8,612,829)
	-	8,873,824



	Note	2007 Rupees	2006 Rupees
7. LONG TERM MURABAHA			
- Secured - From banking companies			
Murabaha term finance		58,314,131	97,190,215
Due within one year shown under current liabilities		(38,876,084)	(38,876,084)
		19,438,047	58,314,131
7.1	The facility is repayable in 12 equal quarterly installments commenced from January 29, 2006 and ending on October 29, 2008. This is secured by way of first exclusive hypothecation charge of Rs. 153 million over plant and machinery imported through this facility. This is further secured against personal guarantee of directors. It is subject to profit at the following rates payable on quarterly basis:-		
First 18 months	At Six months KIBOR plus 3.5% per annum with cap of 8.25%		
Next 12 months	At Six months KIBOR plus 4.5% per annum with cap of 9.25%		
Next 12 months	At Six months KIBOR plus 5.5% per annum with cap of 10.25%		
	Effective rate of profit for the year was from 8.25% to 9.25% per annum (2006: 8.25% per annum).		
8. LONG TERM DEPOSITS			
From customers		11,036,103	14,455,543
Others	8.1	1,670,000	1,670,000
		12,706,103	16,125,543
8.1	These represent interest free security deposits received from transporters and are repayable on cancellation or withdrawal of contracts.		
9. DEFERRED LIABILITIES			
Deferred taxation	9.1	486,301,148	355,139,409
Staff retirement benefits-gratuity	9.2	4,591,978	5,087,540
		490,893,126	360,226,949
9.1 Deferred taxation			
This comprises the following:-			
Deferred tax liabilities on taxable temporary differences arising in respect of:			
Accelerated depreciation rates		573,714,988	452,929,946
Share in associates post acquisition profits		932,638	-
		574,647,626	452,929,946
Deferred tax assets on deductible temporary difference arising in respect of:			
Uncleared tax losses/credit		86,634,222	95,999,476
Provision for gratuity		784,455	851,992
Provision doubtful debts		927,801	939,069
		88,346,478	97,790,537
		486,301,148	355,139,409



	Note	2007 Rupees	2006 Rupees
9.2 Staff retirement benefit - Gratuity			
The amounts recognized in the profit and loss account against staff gratuity are as follows:-			
Charge for the year			
Current service cost		1,730,035	1,951,246
Interest cost		517,248	417,911
Net actuarial loss recognized during the year		21,236	65,106
		<u>2,268,519</u>	<u>2,434,263</u>
Balance sheet reconciliation as at June 30			
Present value of unfunded obligation		5,479,288	5,747,205
Unrecognized actuarial losses		(887,310)	(659,665)
Net liability recognized in the balance sheet		<u>4,591,978</u>	<u>5,087,540</u>
Movement in liability			
Opening liability		5,087,540	3,918,687
Charge for the year		2,268,519	2,434,263
Benefits paid		(2,764,081)	(1,265,410)
		<u>4,591,978</u>	<u>5,087,540</u>
Principal actuarial assumptions			
Discount rate (Per annum)		10%	8%
Expected rate of increase in salaries (Per annum)		9%	9%
Expected average remaining working lives of employees (years)		5	4
10. TRADE AND OTHER PAYABLES			
Creditors	10.1	126,031,067	208,204,585
Accrued and other liabilities	10.2	200,566,076	205,640,610
Advances from customers	10.3	59,155,959	66,592,812
Murabaha payable	10.4	957,300,000	666,875,989
Payable to provident fund-related party		1,043,930	826,349
Unclaimed dividend		3,816,305	3,480,305
Retentions / security deposits		20,024,681	19,178,886
Withholding tax		1,391,241	1,919,755
Workers' profit participation fund	10.5	29,077,742	19,264,879
Workers' welfare fund		19,207,805	17,569,592
		<u>1,417,614,806</u>	<u>1,209,553,762</u>



10.1 It includes Rs. 70 million (2006: Rs. 158.062 million) due to associated undertakings.

10.2 It includes Rs. 71.60 million (2006: Rs. 102.387 million) due to an associated undertaking.

10.3 It includes Rs. 41.507 million (2006: Rs. 41.507 million) due to an associated undertaking.

10.4 The aggregate unavailed facilities available to the Company from commercial banks amounted to Rs. 928 million (2006: Rs. 98 million). These are subject to profit margin ranging from 9.40% to 12.31% (2006: Rs 8.96% to 11.20%) per annum payable quarterly and are secured against first pari passu charge over present and future current assets of the Chemical Division and pledge of stocks and charge over present and future current assets of the Textile Division.

	Note	2007 Rupees	2006 Rupees
10.5 Workers' profit participation			
Workers' profit participation fund	10.6.1	28,832,534	18,242,749
Unclaimed Workers' profit participation fund		245,208	1,022,130
		<u>29,077,742</u>	<u>19,264,879</u>
10.5.1 Worker profit participation fund			
Balance as at July 01		18,242,749	23,467,832
Less:			
Amount paid to workers on behalf of the fund		3,636,000	6,582,000
Amount deposited in workers' welfare fund		14,606,749	16,885,832
		<u>18,242,749</u>	<u>23,467,832</u>
		-	-
Allocation for the year		28,832,534	18,242,749
Balance as at June 30		<u>28,832,534</u>	<u>18,242,749</u>
11. PROFIT / FINANCIAL CHARGES PAYABLE			
Long term financing		35,610,367	20,934,997
Murabaha financing		22,018,209	13,627,751
		<u>57,628,576</u>	<u>34,562,748</u>
12. CURRENT PORTION OF NON CURRENT LIABILITIES			
Long term financing			
Diminishing musharika	5.1	96,752,735	101,568,573
Redeemable capital	5.2	78,125,000	122,400,000
Contribution to takaful reserve by TFC holders	6	8,873,824	8,612,829
Long term murabaha	7	38,876,084	38,876,084
		<u>222,627,643</u>	<u>271,457,486</u>



	Note	2007 Rupees	2006 Rupees
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13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

Sales tax demand not acknowledged in view of pending appeals		3,398,136	3,398,136
Suppliers' claim not acknowledged in view of pending case in Civil Court		889,867	889,867
Guarantees issued by banks on behalf of the company		106,381,476	111,438,658

13.2 Commitments

Capital expenditure		29,561,622	620,939,404
Outstanding letters of credit for Raw material and spares		121,934,552	245,919,773
Purchase of godown		17,500,000	-

14. PROPERTY, PLANT AND EQUIPMENT

			Restated
Operating assets			
Chemical division	14.1	2,691,696,307	2,170,433,171
Textile division	14.2	366,081,569	315,970,018
Capital work in progress	14.5	265,995,377	239,452,336
Non operating land	14.6	882,092,560	713,786,152
		4,205,865,813	3,439,641,677

14.1 Operating Assets (Chemical Division)

Particulars	COST			DEPRECIATION			Written down value at June 30, 2007	Rate %
	At July 01, 2006	Additions/ (deletions)/ transfers	At June 30, 2007	Accumulated at July 01, 2006	For the year / (adjustment)	Accumulated at June 30, 2007		
Rupees								
Company owned								
Freehold land	41,995,133	-	41,995,133	-	-	-	41,995,133	
Building on freehold land								
Mill	318,687,535	51,545,854	370,233,389	134,309,213	19,744,971	154,054,184	216,179,205	10
Head office	23,724,876	657,195	24,382,071	8,624,065	1,510,081	10,134,146	14,247,925	10
Plant and machinery	2,620,435,095	680,795,515	3,301,230,610	872,084,635	189,378,603	1,061,463,238	2,239,767,372	10
Grid station and electric installation	148,710,372	-	148,710,372	54,456,132	9,425,424	63,881,556	84,828,816	10
Containers and cylinders	34,467,070	-	34,467,070	19,686,951	1,478,012	21,164,963	13,302,107	10
Factory equipment	25,455,610	2,146,217	27,585,427	9,984,309	1,624,412	11,599,378	15,986,049	10
Electric equipment	11,703,400	1,888,877	13,592,277	6,085,580	671,142	6,756,722	6,835,555	10
Office equipment	23,059,287	1,242,243	24,301,530	9,944,789	1,366,106	11,310,895	12,990,635	10
Furniture and fittings	8,995,550	1,116,504	10,112,054	3,645,599	549,212	4,194,811	5,917,243	10
Vehicles	68,259,192	16,211,334	82,602,562	36,238,676	7,944,942	42,956,295	39,646,267	20
		(1,867,964)			(1,227,323)			
Rupees	3,325,493,120	755,603,739	4,079,212,495	1,155,059,949	233,692,905	1,387,516,188	2,691,696,307	
		(1,884,364)			(1,236,666)			
2006 Rupees	2,328,656,108	1,003,906,546	3,325,493,120	1,025,667,648	133,129,028	1,155,059,949	2,170,433,171	
		(7,069,534)			(3,736,727)			

14.1.1 Additions to plant and machinery include borrowing cost capitalised amounting to Rs. 25.7 million (2006: Rs. 17.876 million) in respect of specific borrowings obtained carrying profit at the rate from 11.90% (2006: 10.01% to 10.8%) per annum.



14.2 Operating Assets (Textile Division)

Particulars	COST			DEPRECIATION			Written down value at June 30, 2007	Rate %
	At July 01, 2006	Additions/ (deletions)/ transfers	At June 30, 2007	Accumulated at July 01, 2006	For the year / (adjustment)	Accumulated at June 30, 2007		
Rupees								
Company owned								
Freehold land	120,970,314	-	120,970,314	-	-	-	120,970,314	
Building on freehold land	115,624,914	9,837,046	125,461,959	81,493,445	4,826,651	86,320,096	39,141,863	10
Plant and machinery	286,583,106	73,034,476 (16,837,914)	342,779,668	139,091,689	19,745,248 (9,177,614)	149,659,323	193,120,345	10
Electric installation	12,322,120	-	12,322,120	7,341,751	498,037	7,839,788	4,482,332	10
Factory equipment	1,185,508	1,117,038	2,302,546	725,127	68,599	793,726	1,508,820	10
Electric appliances	3,928,242	35,350	3,963,592	2,410,870	152,910	2,563,780	1,399,812	10
Office equipment	3,960,111	286,811	4,246,922	2,123,783	197,427	2,321,210	1,925,712	10
Furniture and fittings	787,602	18,200	805,802	412,500	39,181	451,681	354,121	10
Vehicles	10,482,879	- (707,000)	9,775,879	6,275,612	812,339 (490,322)	6,597,629	3,178,250	20
Rupees	555,844,795	84,328,921 (17,544,914)	622,628,802	239,874,777	26,340,392 (9,667,936)	256,547,233	366,081,569	
2006 Rupees Restated	455,973,101	100,939,273 (1,067,579)	555,844,795	217,680,570	23,025,689 (831,482)	239,874,777	315,970,018	

14.3 Depreciation for the year has been allocated as under:

Note	Chemical Division		Textile Division		Total		
	2007	2006	2007	2006	2007	2006	
Rupees							
Cost of goods manufactured	28.1	224,308,620	125,272,972	26,046,486	22,612,164	250,355,106	147,885,136
Administrative expenses	31	9,384,285	7,856,056	293,906	413,525	9,678,191	8,269,581
Rupees		233,692,905	133,129,028	26,340,392	23,025,689	260,033,297	156,154,717



14.4. The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Written down value	Net disposal value	Mode of disposal	Particulars of purchaser
Chemical Division						
Rupees						
Vehicle	1,054,500	790,188	264,312	552,000	Negotiation	Irshad Ali H#25 Street No. 6 Madina Town Block Y, Faisalabad
Vehicle	813,464	437,136	376,328	575,000	Insurance claim	IGI insurance Company.
Facotry equipment	16,400	9,342	7,058	4,000	Negotiation	Vvican Company (Pvt) Ltd. Y.M.C. A Building 16 Shohreh-e Quadain, Lahore
Textile Division						
Pland and machinery	8,362,295	4,579,041	3,783,254	2,965,000	Negotiation	S.N. Enterprises Basement 51, street no. 2 Gulistan Gulistan Market, Faisalabad
Pland and machinery	2,594,340	1,544,210	1,050,130	1,250,000	Negotiation	3-S Textile Spinning Mills Limited 27 Km Sheikupura Road Khurianwala, Faisalabad
Pland and machinery	303,118	169,219	133,899	350,000	Negotiation	Elahi Cotton Mills Limited 270-Sector 1-9 Industrial Area Islamabad
Pland and machinery	5,578,161	2,885,144	2,693,017	2,675,000	Negotiation	Paradise Spinning Mills (Pvt) Limited 18-Empress Road, Lahore
Vehicle	354,000	241,204	112,796	350,000	Negotiation	Syed Zulfiqar Ali 9-13/116 B-3 Jan Muhammad Road Quetta
Vehicle	353,000	249,118	103,882	353,000	Negotiation	Abdul Qayyam Khan 128-C Jinnah Square, Aleemabad Liaquat Market, Karachi
Rupees 2007	19,429,278	10,904,602	8,524,676	9,074,000		
Rupees 2006	8,137,113	4,568,209	3,568,904	3,141,050		

**2007
Rupees**

**2006
Rupees**

14.5 Capital work in progress

Civil work	3,349,780	20,146,409
Plant and machinery including in transit Rs. 73,806,556/- (2006: Rs. 45,977,525/-)	83,831,804	50,831,311
Advance for property, plant and equipment	178,813,793	168,474,616
	265,995,377	239,452,336

14.6 Non operating land

Freehold land	621,306,427	621,306,427
Advance for purchase of land	260,786,133	92,479,725
	882,092,560	713,786,152

The land has been acquired for future expansion.



	Note	2007 Rupees	2006 Rupees
15. INVESTMENT PROPERTY			
Cost - as at July 01		23,724,876	23,724,876
Accumulated depreciation			
Opening balance		(8,624,063)	(7,829,283)
for the year	31	(755,041)	(794,780)
		(9,379,104)	(8,624,063)
Written down value - as at June 30		14,345,772	15,100,813

The fair value of the investment property as at June 30, 2007 is Rs. 45.674 million. The fair value has been arrived at on the basis of a valuation carried out by Empire Enterprises, independent values not connected with the Company. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The property rental income earned by the Company from its investment property amounted to Rs 3,740 (2006: Rs. 3,755) million. Direct operating expenses arising on the investment property in the period amounted to Rs. 0.448 (2006: Rs. 0.335) million.

The Company have rented out significant portion of property, in prior years the property was included in property, plant and equipment. As per the requirements of IAS - 40 "Investment Property", the rented out property should be classified as investment property. This has been accounted for retrospectively and the comparative information has been restated in accordance with the treatment specified in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Error". Accordingly, the cost and accumulated depreciation of the aforesaid property is transferred to Investment property and following financial statements line items for the year June 30, 2006 have been restated:

	As per audited accounts 2006	Effect of prior year adjustment	Restated Amount
<i>Restatement in profit and loss account</i>			
Depreciation-Administrative expenses textile division (31)	1,208,305	(794,780)	413,525
Depreciation on investment property- Administrative expenses textile division (31)	-	794,780	794,780
<i>Restatement in balance sheet</i>			
Property, plant and equipment (14)	2,740,956,338	(15,100,813)	2,725,855,525
Investment property (16)	-	15,100,813	15,100,813



	Note	2007 Rupees	2006 Rupees
16. Long term investment			
In related parties	16.1	55,395,579	11,203,932
Other Investment	16.2	20,000,000	-
		<u>75,395,579</u>	<u>11,203,932</u>

	Ownership Interest		2007 Rupees	2006 Rupees
	2007 %	2006 %		
16.1 Investments in related parties				
Investment in associate-listed companies				
Sitara Energy Limited (16.1.1)	4.89%	4.89%	25,395,579	11,203,932
Sitara Peroxide Limited (16.1.2)	5.44%	-	30,000,000	-
			<u>55,395,579</u>	<u>11,203,932</u>

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

16.1.1 Sitara Energy Limited

Cost of 933,661 (2006: 933,661) fully paid ordinary shares of R. 10/- each	23,274,442	23,274,442
Share of post acquisition profit, net of dividend received	9,313,765	9,272,249
	32,588,207	32,546,691
Accumulated impairment loss	(7,192,628)	(21,342,759)
	<u>25,395,579</u>	<u>11,203,932</u>

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

	July 01, 2006 to March 31 2007	2006
Total assets	2,423,402,000	2,095,777,722
Total liabilities	(1,454,940,000)	(1,128,164,911)
Net assets	968,462,000	967,612,811
Company's share of net assets	47,357,792	47,316,266
Revenue	1,093,213,000	1,346,030,924
Profit for the period / year	849,000	6,952,528
Company's share of associate's profit for the year	41,516	340,001

Due to non availability of annual financial statements of associate at the date of authorisation for issue of these financial statements, equity method has been applied on latest available financial statements for period ended March 31, 2007.



	Note	2007 Rupees	2006 Rupees
16.1.2. Sitara Peroxide Limited			
Cost of 3,000,000 (2006: nil) fully paid ordinary shares of Rs. 10/- each		<u>30,000,000</u>	<u>-</u>

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

	As at November 30, 2006	
Total assets	<u>958,652,099</u>	-
Total liabilities	<u>(657,652,099)</u>	-
Net assets	<u>301,000,000</u>	-
Company's share of net assets	<u>16,374,400</u>	-

Sitara peroxide has not started commercial operations during the year ended June 30, 2007, therefore there is no revenue and profit and investment is carried at cost. Further, due to non availability of annual financial statements of associate at the date of authorisation for issue of these financial statements, information disclosed above is taken from latest available financial statements for period from July 01, 2006 to November 30, 2006.

	Note	2007 Rupees	2006 Rupees
16.2 Other Investment			
Available for sale - at cost Unlisted Company Takaful Pakistan Limited 2,000,000 (2006: Nil) fully paid ordinary shares of Rs. 10/-each		<u>20,000,000</u>	<u>-</u>

17. LONG TERM LOANS AND ADVANCES

Related parties - Considered good			
Secured			
Executives	17.1	681,281	690,290
Staff	17.2	137,941	704,359
		<u>819,222</u>	<u>1,394,649</u>
Unsecured			
Staff		161,762	47,300
Due within one year shown under current assets		<u>(459,644)</u>	<u>(680,552)</u>
		<u>521,340</u>	<u>761,397</u>

17.1 These are secured by way of registration of vehicles in the name of the Company and lien on Provident Fund.



17.2 Loans and advances to executives represent car loans given as per the Company's policy. Reconciliation of carrying amount for current year is as under:-

	2007 Rupees	2006 Rupees
Opening balance	690,290	-
Effect of promotions to executives during the year	-	983,952
Repayments during the year	(310,310)	(293,662)
Disbursed during the year	301,301	-
	681,281	690,290
Due within one year shown under current assets	(308,644)	(310,310)
	372,637	379,980

The maximum aggregate amount due from at the end of any month during the year was Rs. 1.590 million (2006: Rs. 0.983 million).

18. LONG TERM DEPOSITS

Security deposits		
Electricity	38,904,650	20,309,450
Other	55,400	53,600
	38,960,050	20,363,050

19. STORES, SPARES AND LOOSE TOOLS

Stores	72,147,543	59,46,746
Spares		
In hand	124,697,454	127,330,716
In transit	10,111,105	22,095,563
	134,808,559	149,426,279
Loose tools	1,063,929	1,131,839
	208,020,031	210,104,864

Stores and spares include items that may result in fixed capital expenditure but are not distinguishable.

20. STOCK IN TRADE

Raw and packing material	140,944,051	114,581,643
Work in process	16,840,840	19,415,705
Finished goods	280,583,940	272,822,040
Waste	3,307,531	222,859
	441,676,362	407,042,247

Stock in trade includes pledged stock with banks of Rs. 56.358 million (2006: Rs. 238.407 million).



		2007 Rupees	2006 Rupees
21. TRADE DEBTS			
Considered good			
Foreign - Secuted	21.1	8,945,915	2,056,161
Local - secured		-	5,218,524
Local - unsecured			
Related parties	21.2	21,045,828	10,588,807
Other		531,095,176	335,186,730
Considered doubtful		2,683,057	2,683,057
Less: Provision for doubtful debts		(2,683,057)	(2,683,057)
		561,086,919	353,050,222

21.1 These debts are secured against letter of credit issued by foreign banks.

21.2 It includes the following balances due from related parties:-

Sitara Fbrics Limited	1,640	2,492
Sitara Textile Industries Limited	20,656,592	10,586,315
Sitara Spinning Mills Limited	5,439	-
Sitara Peroxide Limited	382,157	-
	21,045,828	10,588,807

22. LOANS AND ADVANCES

Considered good

Loans

Executive - related party		-	22,500
Employees other than executives - ralted parties		376,958	264,534
Current portion of long term loans and advances	17	459,644	680,552
		836,602	967,586

Advances

For expenses		5,953,479	9,415,450
For land	22.1	69,000,000	-
Letters of credit fee, margin and expenses		5,042,359	11,157,385
Income tax		472,251,246	462,225,413
Suppliers and contractors		7,678,128	12,013,371

Considered doubtful - advances

For expenses		5,068,789	-
For land		2,392,280	-
Less: Provision for doubtful advances		(7,461,069)	-
		-	-
		560,761,814	495,779,205

22.1 This amount was given as advance for purchase of land, however it is subsequently recovered by the Company.



	Note	2007 Rupees	2006 Rupees
23. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		5,552,214	4,656,569
Short term prepayments		511,784	365,735
		<u>6,063,998</u>	<u>5,022,304</u>
24. OTHER RECEIVABLES			
<i>Unsecured - Considered good</i>			
Related parties	24.1	6,061,520	2,117,334
Export rebate		197,047	197,047
Insurance claim		3,556,023	3,202,723
Others		1,964,960	1,726,581
		<u>11,779,550</u>	<u>7,243,685</u>
24.1 It includes the following balances due from related parties:-			
Aziz Fatima Trust Hospital		406,988	406,988
Sitara Spinning Mills Limited		1,729,381	1,251,464
Sitara Fabrics Limited		94,387	169,831
Sitara Peroxide Limited		874,432	218,640
Sitara Textile Industries Limited		1,129,039	67,510
Sitara Trade and Services		2,901	2,901
Sitara Devolpers (Pvt) Limited		1,824,392	-
		<u>6,061,520</u>	<u>2,117,334</u>
25. INVESTMENTS			
Available for sale - at fair value			
Listed Companies			
Ittehad Chemicals Limited			
36,000 (2006: 30,000) fully paid ordinary shares of Rs. 10/- each		444,000	444,000
Al-Meezan Investment Bank Limited			
195,789 (2006: 122,369) fully paid ordinary shares of Rs. 10/- each		1,544,530	932,690
		<u>1,988,530</u>	<u>1,376,690</u>
Surplus in value of investment		5,410,718	2,803,785
		<u>7,399,248</u>	<u>4,180,475</u>
26. CASH AND BANK BALANCES			
Cash in hand		6,214,046	12,127,188
Cash at banks			
On current accounts		29,651,955	38,363,697
On PLS-saving accounts	26.1	216,828,525	350,490,738
		<u>246,480,480</u>	<u>388,854,435</u>
		<u>252,694,526</u>	<u>400,981,623</u>

26.1 Effective mark-up rate in respect of deposit accounts range from 5.04% to 7.2% (2006: 4% to 6%) per annum.



27. SEGMENT ANALYSIS

Segmental results and other information is provided below on the basis of business segment. These segments are:

Chemical division - represent Chlor Alkali plant

Textile division - represents Spinning unit

	Note	Chemical Division		Textile Division		Total	
		2007 Rupees	2006 Rupees	2007 Rupees	2006 Rupees	2007 Rupees	2006 Rupees
Sale							
Own products							
Local							
Caustic soda		3,419,735,122	3,014,307,678	-	-	3,419,735,122	3,014,307,678
Sodium hypochlorite		334,229,055	262,238,906	-	-	334,229,055	262,238,906
Bleaching powder		75,748,071	73,200,958	-	-	75,748,071	73,200,958
Liquid chlorine		94,722,116	77,377,186	-	-	94,722,116	77,377,186
Hydrochloric acid		154,400,691	136,756,018	-	-	154,400,691	136,756,018
Ammonium chloride		34,320,539	26,583,241	-	-	34,320,539	26,583,241
Hydrated lime and others		46,393,392	29,417,235	-	-	46,393,392	29,417,235
Agri chemicals		27,798,783	39,534,703	-	-	27,798,783	39,534,703
Yarn		-	-	794,958,375	663,992,231	794,958,375	663,992,231
Waste		-	-	7,433,195	4,534,712	7,433,195	4,534,712
Export							
Hydrochloric acid		7,775,531	24,051,520	-	-	7,775,531	24,051,520
Liquid chlorine		6,484,564	9,453,208	-	-	6,484,564	9,453,208
Bleaching powder		8,857,934	8,566,981	-	-	8,857,934	8,566,981
Ammonium chloride		4,594,654	3,902,218	-	-	4,594,654	3,902,218
Castic soda flakes		10,560,260	-	-	-	10,560,260	-
Others		15,065,846	9,381,380	-	-	15,065,846	9,381,380
		4,240,686,558	3,714,771,232	802,391,570	668,526,943	5,043,078,128	4,383,298,175
Commission and discount		(116,663,764)	(87,373,965)	(1,543,194)	(442,433)	(118,206,958)	(87,816,398)
		4,124,022,794	3,627,397,267	800,848,376	668,084,510	4,924,871,170	4,295,481,777
Sales tax		(550,819,289)	(483,591,734)	-	-	(550,819,289)	(483,591,734)
Sales - net		3,573,203,505	3,143,805,533	800,848,376	668,084,510	4,374,051,881	3,811,890,043
Cost of goods sold	28	(2,549,086,636)	(2,551,479,392)	(740,585,522)	(555,293,088)	(3,289,672,158)	(3,106,772,480)
		1,024,116,869	592,326,141	60,262,854	112,791,422	1,084,379,723	705,117,563
Other operating income	29	25,741,961	4,951,474	3,875,643	4,987,527	29,617,604	9,939,001
		1,049,858,830	597,277,615	64,138,497	117,778,949	1,113,997,328	715,056,564
Distribution cost	30	(51,582,151)	(52,919,639)	(3,232,437)	(1,603,234)	(54,814,588)	(54,522,873)
Administrative expenses	31	(148,173,600)	(121,805,376)	(16,629,436)	(19,176,168)	(164,803,036)	(140,981,544)
Other operating expenses	32	(39,893,557)	(23,904,315)	-	-	(39,893,557)	(23,904,315)
Finance cost	33	(285,262,320)	(133,462,222)	(32,362,053)	(4,323,380)	(317,624,373)	(137,785,602)
Share of profit of associated company		54,132	359,465	-	-	54,132	359,465
Segment results/ profit before taxation		525,001,334	265,545,528	11,914,571	92,676,167	536,915,905	358,221,695
Provision for taxation						163,876,020	91,709,031
Profit after taxation						373,039,885	266,512,664
Other segment information							
Segment assets		5,255,352,402	4,417,249,073	1,053,823,021	942,022,489	6,309,175,423	5,359,271,562
Investment in associates		75,395,579	11,203,932	-	-	75,395,579	11,203,932
						6,384,571,002	5,370,475,494
Segment liabilities		3,804,708,095	3,034,493,864	289,007,160	346,226,734	4,093,715,255	3,380,720,598
Unallocated liabilities						368,638,456	331,862,829
						4,462,353,711	3,712,583,427



27.1 Inter-segement pricing / sales

There is no purchase and sale between the segements.

28. COST OF GOODS SOLD

Note	Chemical Division		Textile Division		Total	
	2007	2006	2007	2006	2007	2006
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Finished goods-opening stock	39,212,289	17,821,675	233,832,610	96,772,812	273,044,899	114,594,487
Purchase of finished goods	-	12,947,747	-	-	-	12,947,747
Cost of goods manufactured	28.1	2,563,390,172	2,559,922,259	737,128,558	692,352,886	3,300,518,730
		2,602,602,461	2,590,691,681	970,961,168	789,125,698	3,573,563,629
Finished goods-closing stock		(53,515,825)	(39,212,289)	(230,375,646)	(233,832,610)	(283,891,471)
		2,549,086,636	2,551,479,392	740,585,522	555,293,088	3,289,672,158
28.1 Cost of goods manufactured						
Raw material consumed						
Opening stock		59,140,397	42,760,760	55,441,246	147,671,260	114,581,643
Purchases - including purchase expenses		387,221,499	397,938,605	587,365,010	433,718,212	974,586,509
		446,361,896	440,699,365	642,806,256	581,389,472	1,089,168,152
Closing stock		(55,427,725)	(59,140,397)	(85,516,326)	(55,441,246)	(140,944,051)
		390,934,171	381,558,968	557,289,930	525,948,226	948,224,101
Fuel and power		1,701,265,049	1,810,815,180	80,375,008	81,826,351	1,781,640,057
Salaries, wages and benefits		107,825,752	78,860,488	43,067,766	34,834,642	150,893,518
Retirement benefits		1,335,168	1,353,470	1,566,264	1,890,773	2,901,432
Overheads						
Stores and spares		66,108,427	115,420,979	23,195,813	27,285,328	89,304,240
Repair and maintenance		36,472,584	18,257,383	370,788	506,642	36,843,372
Vehicle running and maintenance		11,925,703	10,952,513	414,149	363,282	12,339,852
Traveling and conveyance		10,552,161	7,194,418	18,856	41,975	10,571,017
Insurance		9,702,640	6,874,922	1,364,247	1,233,565	11,066,887
Depreciation 14.3		224,308,620	125,272,972	26,046,486	22,612,164	250,355,106
Other		3,629,197	4,360,254	175,086	107,163	3,804,283
		2,564,059,472	2,560,921,547	733,884,393	696,650,111	3,297,943,865
Work in process						
Opening stock		8,358,358	7,359,070	11,057,347	6,760,122	19,415,705
Closing stock		(9,027,658)	(8,358,358)	(7,813,182)	(11,057,347)	(16,840,840)
		(669,300)	(999,288)	3,244,165	(4,297,225)	2,574,865
		2,563,390,172	2,559,922,259	737,128,558	692,352,886	3,300,518,730
29. OTHER OPERATING INCOME						
Sales of scrap and waste		4,406,748	1,538,865	377,926	408,412	4,784,674
Profit on deposits		4,605,886	2,895,427	125,384	674,716	4,731,270
Rent income		-	-	3,291,911	3,439,096	3,291,911
Gain on disposal of property, plant and equipment		483,302	-	66,022	450,903	549,324
Reversal of impairment loss on investment in associates		14,150,131	-	-	-	14,150,131
Other		2,095,894	517,182	14,400	14,400	2,110,294
		25,741,961	4,951,474	3,875,643	4,987,527	29,617,604
30. DISTRIBUTION COST						
Staff salaries and benefits		10,387,277	11,578,087	-	-	10,387,277
Retirement benefits		341,635	271,496	-	-	341,635
Freight, octroi and insurance		29,814,310	30,632,849	2,494,785	1,148,249	32,309,095
Advertisement		740,294	1,636,683	-	-	740,294
Bank charges		-	-	-	145,607	-
Vehicles running and maintenance		4,042,411	4,625,726	72,000	60,000	4,114,411
Traveling and conveyance		1,931,157	2,116,429	89,591	66,559	2,020,748
Postage and telephone		832,743	858,872	102,240	95,956	934,983
Printing and stationery		389,085	307,799	-	-	389,085
Other		3,103,239	891,698	473,821	86,863	3,577,060
		51,582,151	52,919,639	3,232,437	1,603,234	54,814,588



31. ADMINISTRATIVE EXPENSES

	Chemical Division		Textile Division		Total	
	2007 Rupees	2006 Rupees	2007 Rupees	2006 Rupees	2007 Rupees	2006 Rupees
Directors' remuneration	20,706,767	18,062,500	3,656,210	4,076,594	24,362,977	22,139,094
Staff salaries and benefits	47,126,161	43,086,765	7,455,678	8,238,237	54,581,839	51,325,002
Retirement benefits	1,134,763	1,114,485	702,255	543,490	1,837,018	1,657,975
Postage, telephone and telex	3,104,758	2,930,555	503,880	432,001	3,608,638	3,362,556
Vehicles running and maintenance	6,457,678	5,308,712	478,754	490,214	6,936,432	5,798,926
Printing and stationery	3,542,898	4,482,174	-	-	3,542,898	4,482,174
Electricity	3,233,791	2,628,320	325,985	389,584	3,549,776	3,017,904
Rent, rates and taxes	578,825	420,606	4,285	10,060	583,110	430,666
Traveling and conveyance	4,842,457	3,958,304	102,747	171,176	4,945,204	4,129,480
Advertisement	8,406,112	7,582,992	69,420	37,720	8,475,532	7,620,712
Books and periodicals	83,963	76,629	-	-	83,963	76,629
Fees and subscription	7,584,344	2,354,385	216,795	305,436	7,801,139	2,659,821
Legal and professional	622,225	1,076,690	25,398	85,260	647,623	1,161,950
Repairs and maintenance	3,593,164	4,016,302	71,726	165,276	3,664,890	4,181,578
Auditors remuneration (31.1)	1,145,000	1,122,000	-	173,000	1,145,000	1,295,000
Entertainment	3,725,015	1,511,127	143,395	125,653	3,868,410	1,636,780
Donation (31.2)	12,841,734	10,400,031	1,601,697	2,518,514	14,443,431	12,918,545
Insurance	1,537,177	1,191,330	193,074	192,583	9,678,191	8,269,581
Depreciation (14.3)	9,384,285	7,856,056	293,906	413,525	-	9,064,361
Depreciation on investment property (15)	-	-	755,041	794,780	755,044	794,780
Bad debts	-	19,609	-	-	-	19,609
Provision for doubtful advances	7,461,069	-	-	-	7,461,069	-
Other	1,071,415	2,605,804	29,190	13,065	1,100,605	2,618,869
	148,173,100	121,805,376	16,619,416	19,176,168	164,803,036	140,981,544
31.1 Auditors' remuneration						
Statutory audit	565,000	307,000	-	133,000	565,000	440,000
Tax advisory services	580,000	385,000	-	-	580,000	385,000
Consultancy and sundry services	-	430,000	-	40,000	-	470,000
	1,145,000	1,122,000	-	173,000	1,145,000	1,295,000
31.2 All the directors of the Company, including Chief Executive, except Mr. Haseeb Ahmed and Mrs. Rukhsana Adress are the trustees of Aziz Fatima Trust, Faisalabad to whom Rs. 7.601/- million (2006: Rs. 7.391 million) have been donated.						
32. OTHER OPERATING EXPENSE						
Loss on disposal of property, plant and equipment	-	878,757	-	-	-	878,757
Exchange loss	104,660	241,333	-	-	104,660	241,333
Worker's profit participation fund	28,832,534	18,242,749	-	-	28,832,534	18,242,749
Worker's welfare fund	10,956,363	-	-	-	10,956,363	-
Impairment loss on investment in associated company	-	4,541,476	-	-	-	4,541,476
	39,893,557	23,904,315	-	-	39,893,557	23,904,315
33. FINANCE COSTS						
Long term financing	209,563,040	92,135,848	-	-	209,563,040	92,135,848
Long term murabaha	6,729,555	9,166,272	-	-	6,729,555	9,166,272
Liabilities against assets subject to finance lease	-	-	-	414,858	-	414,858
Murabaha payable	61,512,596	30,587,913	31,940,638	3,876,089	93,453,234	34,464,002
Bank charges and commission	7,457,129	1,572,189	421,415	32,433	7,878,544	1,604,622
	285,262,320	133,462,222	32,362,053	4,323,380	317,624,373	137,785,602



	2007 Rupees	2006 Rupees
34. PROVISION FOR TAXATION		
Current		
for the year	21,894,183	993,678
for prior years	10,807,482	-
Company's share of associates tax	12,616	19,464
Deferred	131,161,739	90,695,889
	163,876,020	91,709,031

34.1 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001 and falls under final tax regime and hence tax has been provided under section 154 and 169 of the Income Tax Ordinance, 2001.

35. DIVIDEND AND APPROPRIATION

In respect of current year, the directors have propose to pay final cash dividend of Rs. 102/- million at Rs.5.5. per ordinary share of Rs. 10/- each and to issue bonus shares of Rs 18.5 million at Rs 10 ordinary share of Rs 10 each for approved of the shareholder 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 of approved.

36. EARNINGS PER SHARE

- Basic and diluted

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

Profit for the year	Rs. 373,039,885	266,512,664
Weighted average number of ordinary shares outstanding during the year	18,553,599	18,553,599
Earnings per shares	Rs. 20.11	14.36



37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

37.1 Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

	Profit / mark up bearing			Non profit / mark up bearing				2007 Total	2006 Total
	Maturity upto one year	Maturity after one year but before five years	Sub total	Maturity upto one year	Maturity after one year but before five years	Maturity after five years	Sub total		
----- Rupees ----->									
Financial assets:									
Long term investments	-	-	-	-	-	75,395,579	75,395,579	75,395,579	11,203,932
Long term loans and advances	-	-	-	459,644	521,340	-	980,984	980,984	761,397
Long term deposits	-	-	-	-	38,960,050	-	38,960,050	38,960,050	20,363,050
Trade debts	-	-	-	561,086,919	-	-	561,086,919	561,086,919	353,050,222
Loans and advances	-	-	-	69,836,602	-	-	69,836,602	69,836,602	967,589
Trade deposits	-	-	-	5,552,214	-	-	5,552,214	5,552,214	7,243,569
Other receivables	-	-	-	11,779,550	-	-	11,779,550	11,779,550	7,243,685
Investments	-	-	-	7,399,248	-	-	7,399,248	7,399,248	4,180,475
Cash and bank									
balances	216,828,525	-	216,828,525	35,866,001	-	-	35,866,001	252,694,526	400,981,623
	<u>216,828,525</u>	<u>-</u>	<u>216,828,525</u>	<u>622,980,178</u>	<u>39,481,390</u>	<u>75,395,579</u>	<u>737,857,147</u>	<u>954,685,672</u>	<u>803,408,539</u>
Financial liabilities:									
Long term financing	174,877,735	1,846,515,061	2,021,392,796	-	-	-	-	2,021,392,796	1,620,361,368
Contribution to takaful reserves by TFC holders	-	-	-	8,873,824	-	-	8,873,824	8,873,824	17,486,653
Long term morabaha	38,876,084	19,438,047	58,314,131	-	-	-	-	58,314,131	97,190,215
Long term deposits	-	-	-	-	12,706,103	-	12,706,103	12,706,103	16,125,543
Trade and other payables	-	-	-	1,308,782,059	-	-	1,308,782,059	1,308,782,059	1,078,993,364
Profit / financial charge payable	-	-	-	57,628,576	-	-	57,628,576	57,628,576	34,562,748
	<u>213,753,819</u>	<u>1,865,953,108</u>	<u>2,079,706,927</u>	<u>11,375,284,450</u>	<u>12,706,103</u>	<u>-</u>	<u>1,389,990,562</u>	<u>3,467,697,483</u>	<u>2,864,719,891</u>
Off balance sheet items:									
Commitments									
(other than letter of credit)	-	-	-	29,561,622	-	-	29,561,622	29,561,622	39,482,734
Letter of credit	-	-	-	121,934,552	-	-	121,934,552	121,934,552	827,376,443
Bank guarantees	-	-	-	106,381,476	-	-	106,381,476	106,381,476	111,438,658
Purchase of godown	-	-	-	17,500,000	-	-	17,500,000	17,500,000	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,377,650</u>	<u>-</u>	<u>-</u>	<u>275,377,650</u>	<u>275,377,650</u>	<u>978,297,835</u>
Total	<u>213,753,819</u>	<u>1,865,953,108</u>	<u>2,079,706,927</u>	<u>1,650,662,109</u>	<u>12,706,103</u>	<u>-</u>	<u>1,663,368,212</u>	<u>3,743,075,139</u>	<u>3,843,017,726</u>
On balances sheets gap	<u>3,074,706</u>	<u>(1,865,953,108)</u>	<u>(1,862,878,402)</u>	<u>683,304,281</u>	<u>26,775,287</u>	<u>75,395,579</u>	<u>(581,133,415)</u>	<u>(2,444,011,817)</u>	<u>(2,086,327,888)</u>
Off balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,377,650</u>	<u>-</u>	<u>-</u>	<u>275,377,650</u>	<u>275,377,650</u>	<u>(978,297,835)</u>

37.2 The effective interest / markup rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.



37.3 Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 1,023.6 (2006: Rs. 803.4) million, the financial assets which are subject to credit risk amounted to Rs. 770.991 (2006: Rs. 402.42) million. The Company believes that it is not exposed to major concentration of credit risk. The management monitors and limits the Company's exposure to credit risk through monitoring of clients credit exposure review and conservative estimates of provision for doubtful receivable.

37.4 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.

37.5 Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. However, the company is not exposed to any significant foreign currency risk. As at June 30, 2007, the total foreign currency risk exposure was Rs. 8.945 million (2006: Rs. 2.056 million) in respect of trade debts.

37.6 Yield rate risk arises from the possibility that changes in yield rates will affect the value of financial instruments. The Company is exposed to yield rate risk as discussed in the respective notes. The yield rates are disclosed in respective notes.

37.7 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

38. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2007			2006		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Remuneration	6,800,003	4,849,999	10,062,923	5,472,000	4,849,532	8,743,619
Retirement benefits						
Perquisite	-	-	414,011	-	-	435,594
House rent	2,719,994	1,735,008	3,028,530	2,188,800	2,042,298	3,307,764
Utilities	680,003	484,993	1,006,276	547,200	382,470	874,678
Conveyance allowance	-	75,000	300	-	-	43,070
Special allowance	-	205,000	95,931	-	-	107,723
Income tax	2,568,750	1,508,988	-	3,158,880	2,428,974	-
Reimbursement of expenses	-	-	-	122,691	946,249	-
	<u>12,768,750</u>	<u>8,858,988</u>	<u>14,607,971</u>	<u>11,489,571</u>	<u>10,649,523</u>	<u>13,512,448</u>
Number of persons	1	2	12	1	2	12

38.1 The Chief Executive, certain Directors and Executives are provided with free use of company's cars and telephone. The monetary value of these benefits approximates Rs. 1,455,674/- (2006: Rs. 1,373,962/-).

38.2 Directors have waived their meeting fee.



39. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, trusts, directors of the Company and key management personal. 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 43. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2007 Rupees	2006 Rupees
Associated Undertakings	Sales	48,248,673	35,202,180
	Purchases	526,287	56,488,033
	Organizational expenses recovered	2,036,499	1,855,721
	Organizational expenses paid	359,684	62,000
	Power charges paid	977,091,295	1,143,665,458
Director	Installments for purchase of land	32,500,000	-

40. PLANT CAPACITY AND PRODUCTION (CHEMICAL DIVISION)

	Designed capacity		Actual production		Reason for short fall
	Tons		Tons		
	2007	2006	2007	2006	
Caustic soda	178,200	178,200	137,473	129,838	} Due to lack in demand
Sodium hypochlorite	49,500	49,500	34,132	26,707	
Bleaching powder	7,500	7,500	4,244	4,121	
Liquid chlorine	8,000	8,000	8,707	8,129	
Ammonium chloride	3,000	3,000	2,583	2,740	
Hydrochloric acid	143,000	143,000	124,068	115,832	

(TEXTILE DIVISION)

	2007	2006
Ring Spinning		
Number of spindles installed	22,080	22,080
Number of spindles worked	22,080	22,080
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs.)	10,110,166	10,110,166
Actual production of yarn after conversion into 20/s count (Kgs.)	9,978,032	10,991,174

41. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue on September 5, 2007 by the Board of Directors of the Company.

42. RECLASSIFICATION

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

From	To	Nature	Amount re-classified
Redeemable capital	Long term financing	Long term loan	1,100,000,000
Short term financing	Trade and other payables	Murabaha payable	666,875,989
Non operating land	Property, plant and equipments	Free hold land	713,786,152
Other operating expenses	Other operating income	Gain on sale of fixed assets	450,903

CHIEF EXECUTIVE

DIRECTOR



FORM OF PROXY

IMPORTANT

This form of Proxy, in order to be effective, must be deposited duly completed, at the Company's Registered Office at 601-602, Business Centre, Mumtaz Hassan Road, Karachi not less than 48 hours before the time of holding the meeting.

A Proxy must be a member of the Company. Signature should agree with the specimen registered with the company.

Please quote Registered Folio Number/CDC Accounts Number

I/We _____

of _____

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

ordinary shares, hereby appoint _____

of _____

who is also a member of Company, as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Twenty Sixth Annual General Meeting of the Company to be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwan-e-Sadar Road, Karachi, on Saturday, October 21, 2007 at 3:00 p.m. and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2007

Signed by the said _____ in the presence

of _____

(Member's Signature)

Place _____

(Witness's Signature)

Date _____

Affix Rs. 5/-

Revenue Stamp which must be cancelled either by signature over it or by some othe means