Sitara Chemical Industries Limited

Annual Report 2012

bringing chemicals for

Life

بسم الله الرحمن الرحيم

Mosque at Sitara Chemicals Industries Limited

Financial Performance 2012

+33%
Gross Profit
Rs. 2,070 M
(2011: Rs. 1,554 M)

+90%
Profit Before Tax
Rs. 984 M
(2011: Rs. 518 M)

+1.75Rs.
Cash Dividend
Rs. 8 Per Share
(2011: Rs. 6.25 Per Share)

+20%
Sales
Rs. 7,464 M
(2011: Rs. 6,217 M)

+38%
Operating Profit
Rs. 1,669 M
(2011: Rs. 1,213 M)

+4.56%
Return on Capital Employed
11.44%
(2011: 6.88%)

+12.16Rs.
Earning Per Share
Rs. 32.13
(2011: Rs. 19.97)

Contents

Vision

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

Mission

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

Corporate Values

Code of Ethics And Business Practices

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

Company Information

Board of Directors
Haji Bashir Ahmed
(Chairman)

Mr. Muhammad Adrees
(Chief Executive Officer)

Mr. Muhammad Anis
Mr. Imran Ghafoor
Mr. Haseeb Ahmed
Mr. Muhammad Khalil
Mr. Ijaz Hussain

Company Secretary
Mr. Mazhar Ali Khan

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

Audit Committee
Mr. Muhammad Anis
Chairman
Mr. Haji Bashir Ahmed
Member
Mr. Imran Ghafoor
Member

Head of Internal Audit
Mr. Zakir Hussain
(ACA)

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 Pakisatan Limited
The Bank of Punjab
MCB Bank Limited
Standard Chartered Bank Pakisatan Limited
First Habib Bank Modaraba
Saudi Pak Industrial and Agricultrual Investment Co. (Pvt.) Limited
Al-Baraka Islamic Bank B.S.C. (E.C.)
Askari Commercial Bank Limited
Faysal Bank Limited
Habib Bank Limited
Burj Bank Limited
Bank Islami Pakistan Limited
Barclays Bank PLC Pakistan
Pak Oman Investment Company Ltd.
Silk Bank Limited
Summit Bank Limited (Formerly Arif Habib Bank Limited)
Habib Metropolitan Bank Limited
My Bank Limited
Bank Al-Habib Limited
Soneri Bank Limited

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

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

Chairman's Statement

On behalf of Board of Directors of Sitara Chemical Industries Ltd., I feel great pleasure to present before you the audited financial statements for the year ended June 30, 2012.

Overall Review

All compliments are for Almighty Allah who grants us success in all accomplishments. During the year your Company achieved another milestone by registering ever highest sales, profit after tax and earning per share. Obviously this happened with the great help of Almighty Allah and colossal efforts by the management. During last year we explored Indian market for supply of Caustic Soda Flakes and remained quite successful in developing our brand. This year, we made a big break through by starting export of Caustic Soda liquid to Indian market through Wahga Border. This arrangement contributed toward improvement in our sales of liquid products.

Further, current year financial results established our capability towards combating with local and international competition as well. Now, being intrinsic conditions, it seems insignificant to cite repeatedly about unfavourable conditions prevailing in Pakistan since a long time like electricity & gas supply, inflation and law and order situation. In given situations, the management of your Company, has proved its ability to face the challenges and corroborate its management potential.

During the year under review, renovation of electrolyzers were completed which resulted into improved efficiency, lower electricity consumption per ton and lesser maintenance cost. Major overhauling of Captive Power Plant completed for 6 engines where as spare parts for 2 remaining engines have arrived at factory site and maintenance work is under the way and will be completed shortly.

Financial Performance

Net sales of the company during the year under review are Rs. 7,464 million registering an increase of Rs. 1,247 million over last year. Sales for the Chemical Division are Rs. 6,286 million against last year that of Rs. 4,721 million and Sales for the Textile Division is Rs. 1,178 million against last year that of Rs. 1,496 million.

Net profit after tax for the year is Rs. 688 million having increase of Rs. 260 million from last year's figure. Earning per share for the year is Rs. 32.13 against Rs. 19.97 in last year.

Above results attained through worldwide improved economic conditions along with supply of gas and electricity, in unison with efforts of management of your company to improve sales while controlling cost of production and managing financial costs at minimum.

Future Outlook

Your company is dedicatedly considering alternate energy sources to overcome energy crises and develop uninterrupted electricity provision for better production and increase life of sophisticated equipment.

Acknowledgement

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

HAJI BASHIR AHMED
CHAIRMAN
Date: September 17, 2012
Faisalabad.

Directors' Report

Gentlemen, The Directors have pleasure in submitting their report and audited accounts of the Company for the year ended June 30, 2012

Profit Appropriations:	Rupees
Net profit for the year after tax before WPPF	741,673,379
Workers' Profit Participation Fund.	(53,191,432)
Net profit for the year	688,481,947
Incremental Depreciation net of Deferred Tax	49,889,182
Un-appropriated profit brought forward	2,105,971,555
Amount available for appropriation	2,849,607,623
Appropriations:	
Proposed cash dividend @ Rs. 8.00 per share	(171,435,256)
Un-appropriated profit carried forward	2,678,172,367
Earnings per share - Basic	32.13

Staff Retirement Benefits:

Company has maintained recognized provident fund, based on audited accounts as at June 30, 2012, Value of investment thereof was Rs. 35,657,549/-.

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

Board of Director:

The Board comprises of Five Executive and two 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.

Board of Director's Meetings:

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

	Name of Director	Meetings Attended
1	Haji Bashir Ahmed	5
2	Mr. Muhammad Adrees	5
3	Mr. Javeed Iqbal (Retired)	2
4	Mr. Muhammad Anis	5
5	Mr. Imran Ghafoor	5
6	Mr. Haseeb Ahmed	5
7	Mr. Muhammad Khalil	5
8	Mr. Ijaz Hussain (In-coming)	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 31st Annual General Meeting. Being eligible, they have offered themselves for re-appointment as Auditors of the Company from conclusion of the 31st Annual General Meeting until the conclusion of 32nd 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, 2013. 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 towards National Exchequer:

During the year, the Company's contribution to the national exchequer amounted to Rs. 1,201/= Million in respect of payments toward Sales tax, 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.

Export of Caustic Soda to India

Sitara Chemical Industries Ltd. is proud to be first in Pakistan to export top quality caustic soda liquid to India. Tankers have reached India via land route from Wahga Border. This trade initiative will open doors and strengthen relations between the two neighboring countries.

First Tanker to India for export of caustic soda

Production Operations:

During the year your company has produced 112,231 Metric Tons of Caustic Soda against last year's production of 102,946 Metric Tons. Production of Textile Division remained 8,012,202 Kgs of Yarn against 9,499,729 Kgs in the last year. During the year all 22,080 spindles remained operational.

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

We wish to express our gratitude towards Almighty Allah on successful renovation of electrolyzers and major overhauling of power

Renovation of electrolyzers

engines. This would ensure uninterrupted supply generated by Power Plant and also will increase efficiency of sophisticated membrane.

Production of yarn remained lower as compared to preceding year. During the year we initiated and completed BMR of textile division.

Research and Development:

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

Information Technology:

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

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

Environment, Health and Safety:

Your company is strongly committed to continued improvement of is environmental management system by adaptation of appropriate pollution prevention measures and complying with all relevant legislation and standards especially ISO 9001:2008 and ISO 14001:2004. Company is also committed to the slogan of "safety starts from the entrance". Trainings, awareness sessions and workshops are held continually at the plant for safety measures, emergency response and preparedness, chemical spillages, chlorine leakage, security and fire fighting drills etc. During the year under review various courses/ workshops/ awareness sessions were held at the site. On average 350 persons are trained per year on the above mentioned subjects.

Saftey Tools awareness display

Human Resource Development:

Your company always welcomed the opportunities for staff training, broadening their knowledge, vision and skill and awareness about changing technological


Annual Hajj Draw by CEO.

and learning developments. For this purpose multiple workshops/courses/seminars were held during the year under review wherein renowned consultants were called for to train the staff. Company has sent 30 employees to attend courses and workshops held at various well known institutions of Pakistan as well as abroad.


Winner of sports fare are hounered with prizes

Business Risks and Challenges:

Like other industries in Pakistan consistent supply of Gas is the major threat to the company, though during the year under review, same remained well and company gave very encouraging results. Further, 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. Company is also extending its product line, as well as thrashing out plans to arrange alternaive & reliable source of power.

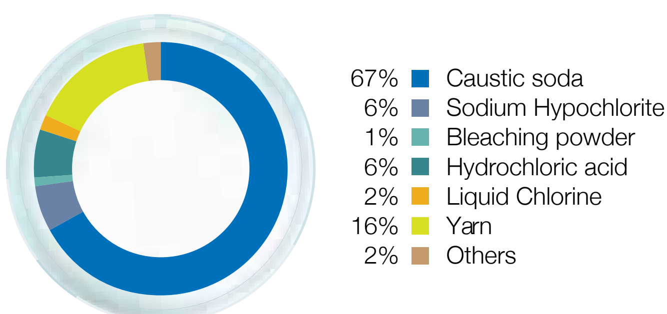
Corporate Social Responsibility

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

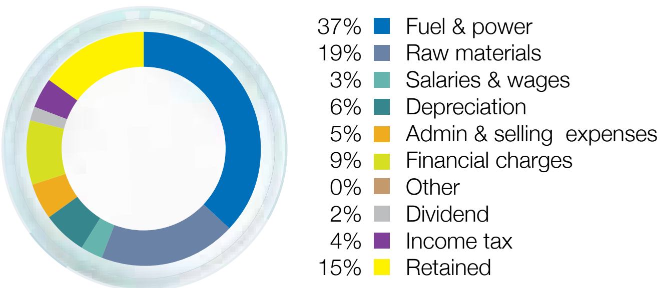
Inauguration of new departments at Aziz Fatima Hospital

SOURCE OF REVENUE

	Rs.(Million)	%
Caustic soda	5,073	67
Sodium Hypochlorite	470	6
Bleaching powder	117	1
Hydrochloric acid	472	6
Liquid Chlorine	122	2
Yarn	1,179	16
Others	119	2
	7,552	100

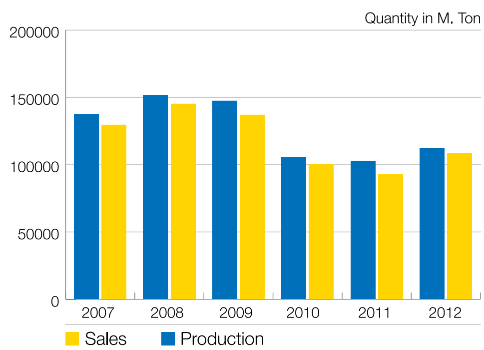


APPLICATION OF REVENUE

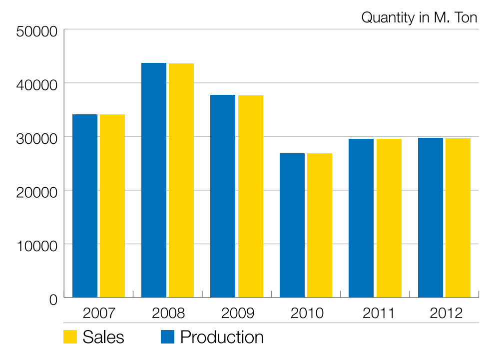


	Rs.(Million)	%
Fuel & power	2,792	37
Raw materials	1,429	19
Salaries & wages	237	3
Depreciation	456	6
Admin & selling expenses	350	5
Financial charges	683	9
Other	8	-
Dividend	134	2
Income tax	296	4
Retained	1,167	15
	7,552	100

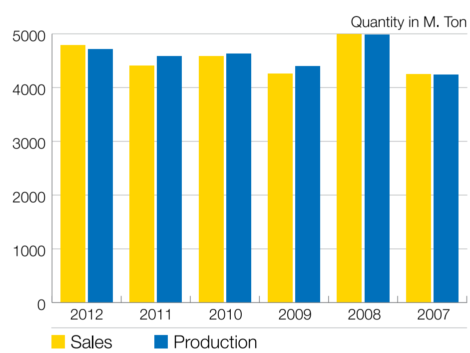
CAUSTIC SODA



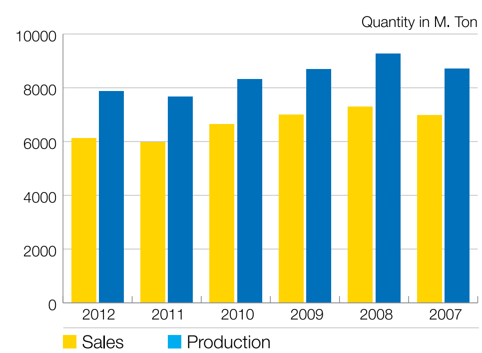
SODIUM HYPOCHLORITE



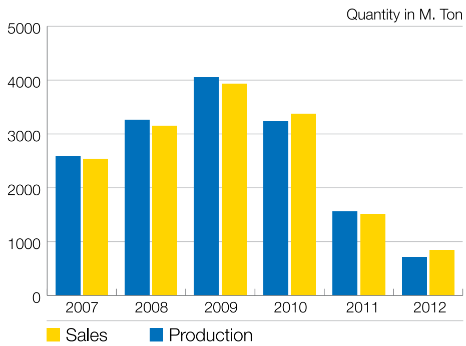
BLEACHING POWDER



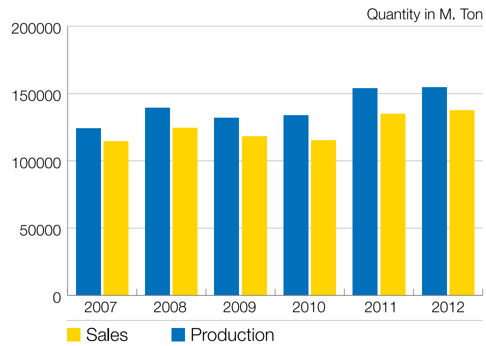
LIQUID CHLORINE



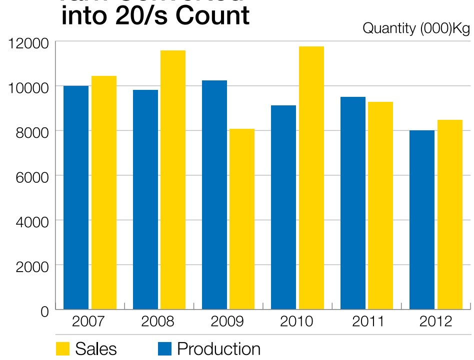
AMMONIUM CHLORIDE



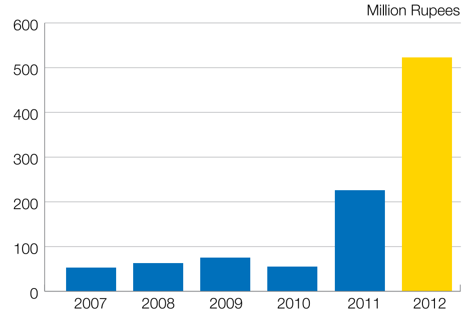
HYDROCHLORIC ACID



Yarn Converted into 20/s Count



EXPORT SALE



Acknowledgement:

"Our people are our strength and key drivers behind all our achievements. We acknowledge valuable contribution of every employee of the company in consistent growth and marvelous performance in the Financial Year 2012. We also cannot forget to say thanks to customers for the trust they put in our products all the time.

Directors also wish to express their gratitude to the shareholders of the company and financial institutions for their support and confidence in the management."

For and on behalf of the
BOARD OF DIRECTORS

MUHAMMAD ADREES
Chief Executive Officer

Corporate Governance

Statement of Directors' Responsibilities

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

There has been no-material departure from the best practices of the Corporate Governance, as detailed in the Listing Regulations.

Presentation of Financial Statements

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

Books of Account

Company has maintained proper books of account.

Accounting Policies

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

Statement of Compliance

with Best Practices of Code of Corporate Governance For The Year Ended June 30, 2012

The statement is being presented to comply with the Code of Corporate Governance contained in Regulation 35 (Chapter-XI) of the Listing Regulations of Karachi Stock Exchange (Guarantee) Ltd., for the purpose of establishing a framework of good governance, where by a listed company is managed in compliance with the best practices of corporate governance. The company has applied the principles contained in the Code in the following manner.

1) The company encourages the representation of independent non-executive directors and directors representing the minority interests on its Board of Directors. However, at present the Board includes five executive and two non-executive directors and no directors representing minority shareholders.

2) The Directors of the Board have confirmed that none of them is serving as a Director in more than ten listed companies, including the company.

3) All directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI, or being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4) During the year one casual vacancy occured that was duley filled by board of directors.

5) The meeting of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board has 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 minutes of the meetings were appropriately recorded and circulated.

6) The Board arranged an orientation course for its directors during the period to apprise them of their duties and responsibilities. The course was arranged in house and its duration was three hours.

7) The company has prepared a “Statement of Ethics and Business Practices”, which has been signed by the directors and employees of the company.

8) The Board has developed a vision / mission statement and overall corporate strategy. The Board also has developed significant policies of the company that will be approved by the board. A complete record of particulars of significant policies along with the dates on which they were approved or amended will be maintained.

9) 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.

10) The Board has set up an effective internal audit function.

11) The financial statements of the company were duly endorsed by the CEO and CFO before approval of the Board.

12) The Directors’ report for this period has been prepared in compliance with the requirement of

the Code and fully describes the salient matters required to be disclosed.

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 shareholdings.

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

15) All the powers of the Board have been duly exercised and the Board has taken 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.

16) The Board has formed an audit committee. It comprises 3 members, majority of them are non-executive directors.

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

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 the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19) The Statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20) The related party transactions and pricing methods have been placed before the audit committee and approved by the board of directors with necessary justifications for term and pricing method for the transactions that were on term equivalent to those that prevail in the arm's length transactions.

21) We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

Haseeb Ahmed
Directors

Muhammad Adrees
Chief Executive Officer

Pattern of Share Holding

As at June 30, 2012

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
982	1	100	25,591
597	101	500	143,130
215	501	1,000	149,862
181	1,001	5,000	391,836
41	5,001	10,000	292,800
21	10,001	15,000	252,518
5	15,001	20,000	89,398
3	20,001	25,000	68,304
2	25,001	30,000	58,375
2	30,001	35,000	62,612
2	35,001	40,000	74,344
3	40,001	45,000	127,384
1	45,001	50,000	46,465
1	50,001	55,000	50,657
1	55,001	60,000	57,750
2	65,001	70,000	134,641
1	75,001	80,000	76,175
1	80,001	85,000	84,210
1	85,001	90,000	85,234
2	95,001	100,000	198,844
3	120,001	125,000	363,825
1	135,001	140,000	138,915
1	145,001	150,000	150,000
1	175,001	180,000	176,830
1	245,001	250,000	247,071
1	260,001	265,000	263,002
1	290,001	295,000	291,221
1	310,001	315,000	313,818
1	320,001	325,000	324,555
1	370,001	375,000	373,346
1	375,001	380,000	375,540
1	445,001	450,000	445,814
1	475,001	480,000	479,999
1	715,001	720,000	718,716
1	900,001	905,000	904,386
1	13,390,001	13,395,000	13,392,238
2082			21,429,406

Detail of purchase/sale of shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses/minor children during 2011-2012
There has been No sale/purchase of shares held by aforesaid officals of the Company, during the year.

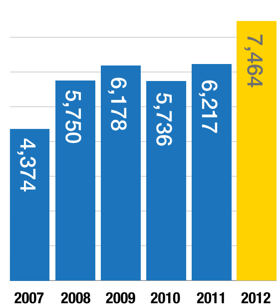
Pattern of Share Holding

	Number	Shares Held	Percentage
Associated Companies, Undertaking and Related Parties	-	-	-
Directors, CEO & their Spouse and Minor Children			
Haji Bashir Ahmed	1	577	0.00
Mr. Muhammad Adrees	1	13,392,238	62.49
Mr. Muhammad Anis	1	23,732	0.11
Mr. Imran Ghafoor	1	2,310	0.01
Mr. Haseeb Ahmed	1	375,540	1.75
Mr. Ejaz Hussain	1	324,555	1.52
Mr. Muhammad Khalil	1	525	0.00
Executive	-	-	-
Public Sector Companies and Corporation	-	-	-
Bank, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds.	10	1,649,536	7.70
Mutual Funds	6	1,450,469	6.77
Foreign Investors	2	2,127	0.01
Investment Companies	4	481,163	2.25
Co-Operative Societies	-	-	-
Charitable Trusts	1	1,861	0.01
Individuals	2029	3,226,776	15.06
Joint Stock Companies, others, etc.	22	486,447	2.27
Others	1	11,550	0.05
	2,082	21,429,406	100.00

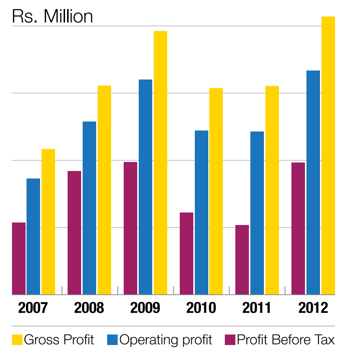
Six Years at a Glance

Operating Results (Rs, '000')	2012	2011	2010	2009	2008	2007
Sales	7,463,927	6,216,880	5,735,795	6,178,399	5,749,570	4,374,052
Gross profit	2,069,987	1,553,641	1,538,725	1,961,755	1,555,284	1,084,380
Operating profit	1,669,466	1,213,155	1,220,073	1,601,620	1,289,140	864,763
Profit before tax	984,051	518,229	609,962	987,894	919,300	536,916
Financial Ratios						
Gross Profit %	27.73	24.99	26.83	31.75	27.05	24.79
Operating Profit %	22.37	19.51	21.27	25.92	22.42	19.77
Profit before tax %	13.18	8.34	10.63	15.99	15.99	12.28
Earnings per share - Basic (Rs,)	32.13	19.97	22.67	30.89	30.49	20.11
Market value per share - (Rs.)	105.05	99.81	134.93	156.00	258.90	159.25
Cash Dividend Per Share - (Rs.)	8.00	6.25*	2.50*	7.50	7.50	5.50**
Inventory turn over (times)	6.03	6.72	6.58	6.48	8.10	7.75
Current ratio	0.63:1	0.87:1	0.84:1	0.91:1	0.79:1	0.98:1
Fixed assets turn over (times)	1.23	1.19	1.04	1.29	1.23	1.52
Price earning ratio	3.27	5.00	5.95	5.05	8.49	7.92
Return to capital employed %	11.44	6.88	7.45	12.71	14.66	12.51
Debt equity	33:67	42:58	51:49	52:48	55:45	57:43

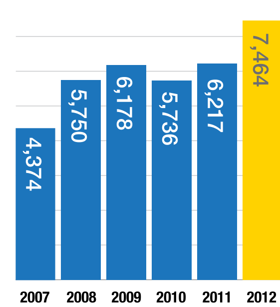
*05% bonus shares along with cash dividend was perposed.
**10% bonus shares along with cash dividend was perposed



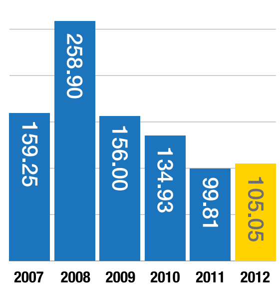
Sales



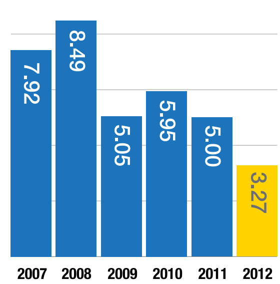
Gross Profit
Operating Profit
Profit Before Tax



Sales



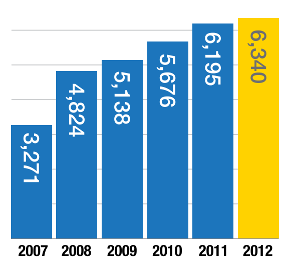
Market Value
Per Share - (Rs.)



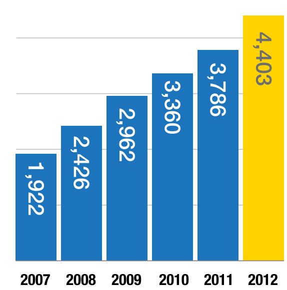
Price Earning Ratio

Six Years at a Glance

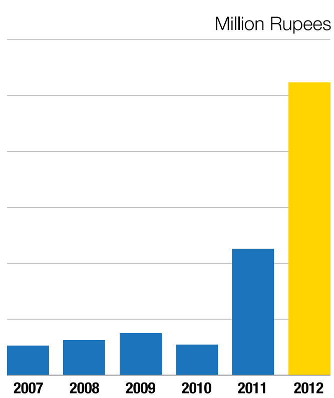
Assets Employed (Rs, '000')	2012	2011	2010	2009	2008	2007
Property, Plant and equipment	6,339,937	6,195,031	5,675,577	5,137,619	4,824,079	3,270,894
Investment property	2,820,036	1,576,856	2,724,588	2,705,805	1,255,842	688,531
Long Term Investment						
advances and deposits	1,005,399	229,142	130,815	126,659	669,954	375,663
Current assets	2,715,289	3,262,718	1,779,477	2,143,328	1,838,853	2,049,482
Current liabilities	(4,279,703)	(3,731,902)	(2,128,504)	(2,343,211)	(2,319,046)	(2,092,801)
	8,600,958	7,531,845	8,181,953	7,770,200	6,269,682	4,291,769
Financed by						
Ordinary capital	214,294	214,294	204,091	204,090	204,090	185,536
Reserves	4,188,592	3,572,117	3,156,262	2,757,899	2,221,939	1,736,681
Shareholders' equity	4,402,886	3,786,411	3,360,353	2,961,989	2,426,029	1,922,217
Surplus on revaluation	1,466,066	920,622	944,619	1,006,548	1,075,358	-
Long term and deferred liabilities	2,732,006	2,824,812	3,876,981	3,801,663	2,768,295	2,369,552
	8,600,958	7,531,845	8,181,953	7,770,200	6,269,682	4,291,769



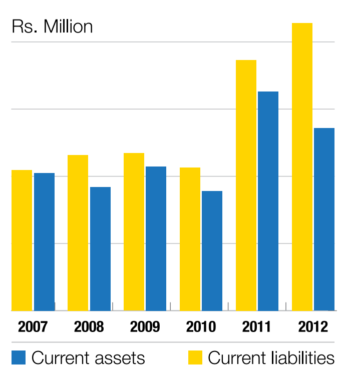
Fixed Assets



Shareholders' Equity



Export Sale



Current Assets & Current Liabilities

Notice of Annual General Meeting

Notice is hereby given that the 31ST Annual General Meeting of Sitara Chemical Industries Limited will be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwan-e-Sadr Road, Karachi, on Tuesday, October 23, 2012 at 4:00 p.m. to transact the following business:

Ordinary Business

1. To confirm the minutes of 30th Annual General Meeting held on October 22, 2011.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2012 together with the Reports of the Auditors and Directors thereon.
3. To approve payment of Cash Dividend at the rate of 80% (Rs.8 per share) as recommended by the Directors.
4. To appoint Auditors for the year ending June 30, 2013 and to fix their remuneration.
5. To transact any other ordinary business of the Company with the permission of the Chair.

By order of the Board

Karachi:
MAZHAR ALI KHAN
Company Secretary
September 17, 2012

NOTES:

i. The share transfer books of the company will remain closed from October 13, 2012 to October 23, 2012 (both days inclusive)

ii. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at Company's Share Registrar's Office M/s. Noble Computer Services (Pvt) Limited, 1st Floor, House of Habib Building (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi not less than 48 hours before the time of meeting.

iii. The member whose name appears on the register at the close of business on October 12, 2012 will be entitled to cash dividend.

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

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

Auditors' Report
& Financial Statements

Auditors' Report

to the Members

We have audited the annexed balance sheet of SITARA CHEMICAL INDUSTRIES LIMITED ("the Company") as at June 30, 2012 and the related profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-
   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2012 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants

M. Yousuf Adil Saleem

Engagement Partner
Talat Javed

September 17, 2012
Lahore

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 (the company) to comply with the relevant Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail at arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related part transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2012.

M. Yousuf Adil Saleem

Chartered Accountants
Engagement Partner: Talat Javed
Lahore
September 17, 2012

BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	4	6,339,937,335	5,378,904,086
Investment property	5	2,820,036,360	1,576,855,621
Long term investments	6	67,607,937	96,480,134
Long term loans and advances	7	827,493,584	840,659,837
Long term deposits	8	110,296,726	108,128,850
		10,165,371,942	8,001,028,528
Current assets			
Stores, spare parts and loose tools	9	3 66,962,117	279,947,941
Stock in trade	10	9 02,720,830	885,083,340
Trade debts	11	7 96,202,867	512,397,911
Loans and advances	12	4 37,603,208	311,576,542
Trade deposits and prepayments	13	6 ,680,502	7,036,816
Other receivables	14	9 ,079,166	7,773,380
Other financial assets	15	1 16,178,674	148,642,950
Cash and bank balances	16	7 9,861,668	140,776,990
		2 ,715,289,032	2,293,235,870
Non-current assets classified as held for sale	17	-	1,178,000,000
		2,715,289,032	3,471,235,870
Total assets		12,880,660,974	11,472,264,398

	Note	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
Equity			
Share capital	18	214,294,070	214,294,070
Reserves	19	1,338,984,262	1,332,211,601
Un-appropriated profits		2,849,607,623	2,239,905,349
		4,402,885,955	3,786,411,020
Surplus on revaluation of property, plant and equipment	20	1,466,066,473	920,621,624
Non-current liabilities			
Long term financing	21	1,334,775,746	1,810,242,786
Long term deposits	22	1 2,199,953	10,518,651
Deferred liabilities	23	1 ,385,029,870	1,004,050,778
		2,732,005,569	2,824,812,215
Current liabilities			
Trade and other payables	24	1,522,591,422	1,356,248,460
Profit / financial charges payable	25	92,938,164	120,376,568
Short term borrowings	26	1,544,904,214	1,269,000,000
Current portion of long term financing	21	862,779,540	954,033,710
Provision for taxation		240,420,881	218,292,609
Sales tax payable		16,068,756	22,468,192
		4,279,702,977	3,940,419,539
Contingencies and commitments	27		
Total equity and liabilities		12,880,660,974	11,472,264,398

The annexed notes from 1 to 46 form an integral part of these financial statements.

Muhammad Adrees
CHIEF EXECUTIVE OFFICER

Haseeb Ahmed
DIRECTORS

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Sales - net	28	7,463,926,517	6,216,879,954
Cost of sales	29	5,393,939,325	4,663,238,913
Gross profit		2,069,987,192	1,553,641,041
Other operating income	30	38,386,400	42,653,372
		2,108,373,592	1,596,294,413
Distribution cost	31	127,286,617	123,094,460
Administrative expenses	32	223,171,410	217,956,918
Other operating expenses	33	88,450,365	42,088,096
Finance cost	34	682,871,270	703,493,583
Share of loss/ (profit) of associates - net of tax	6.1	2,542,565	(8,568,037)
		1,124,322,227	1,078,065,020
Profit before taxation		984,051,365	518,229,393
Provision for taxation	35	295,569,418	90,238,072
Profit for the year		688,481,947	427,991,321
Earnings per share - basic and diluted	36	32.13	19.97

The annexed notes from 1 to 46 form an integral part of these financial statements.

Muhammad Adrees
CHIEF EXECUTIVE OFFICER

Haseeb Ahmed
DIRECTORS

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
Profit for the year	688,481,947	427,991,321
Other comprehensive income / (loss) for the year - net of tax		
Surplus / (deficit) on re-measurement of investments available for sale on fair value	6,825,812	17,549,600
Deficit / (surplus) realized on sale of investments available for sale on fair value	(48,701)	1,264,471
Revaluation reserve realized on disposal of assets	5,240,155	-
Share of other comprehensive income of associate	20,334	4,450
	12,037,600	18,818,521
Total comprehensive income for the year	700,519,547	446,809,842

The annexed notes from 1 to 46 form an integral part of these financial statements.

Muhammad Adrees
CHIEF EXECUTIVE OFFICER

Haseeb Ahmed
DIRECTORS

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		984,051,365	518,229,393
Adjustments for:			
Depreciation on property, plant and equipment		467,545,033	499,888,050
Depreciation on investment property		489,609	544,010
Impairment loss on investment in associated company		7,072,302	2,008,780
Finance cost		682,871,270	703,493,583
Share of profit of associates - net of tax		2,542,565	(8,568,037)
Loss / (Gain) on disposal of property, plant and equipment		12,024,365	(1,505,690)
Gain on sale of available for sale investments		(409,049)	(1,479,488)
Provision for employee benefits		4,963,570	3,762,494
Provision for doubtful debts		7,842,904	546,832
Profit on bank deposits		(12,961,483)	(17,501,412)
Dividend income		(6,493,185)	(3,421,625)
Operating cash flows before changes in working capital		2,149,539,266	1,695,996,890
Working capital changes	41	(329,394,438)	390,829,202
Cash generated from operations		1,820,144,828	2,086,826,092
Finance cost paid		(710,309,674)	(672,127,199)
Employee benefits paid		(2,767,698)	(4,595,027)
Taxes paid		(230,650,568)	(173,509,417)
Profit received		12,961,483	17,501,412
		(930,766,457)	(832,730,231)
Net cash from operating activities		889,378,371	1,254,095,861
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		11,129,067	5,029,690
Proceeds from disposal of available for sale investments		1,689,748	4,969,960
Additions to property, plant and equipment		(546,864,234)	(206,738,984)
Purchase of available for sale investments		-	(962,500)
Proceeds from term deposit		55,000,000	69,500,000
Purchase of investment property		(65,670,348)	(30,811,775)
Long-term loans and advances		13,166,253	(834,319,103)
Long term deposits		(2,167,876)	(69,163,400)
Dividend received		6,493,185	5,288,947
Net cash used in investing activities		(527,224,205)	(1,057,207,165)

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		400,000,000	111,661,500
Payment of long term financing		(966,721,210)	(868,433,337)
Short term borrowings		275,904,214	607,000,000
Long term deposits		1,681,302	1,712,956
Dividend paid		(133,933,794)	(51,022,398)
Net cash used in financing activities		(423,069,488)	(199,081,279)
Net decrease in cash and cash equivalents (A+B+C)		(60,915,322)	(2,192,583)
Cash and cash equivalents at beginning of the year		140,776,990	142,969,573
Cash and cash equivalents at end of the year	16	79,861,668	140,776,990

The annexed notes from 1 to 46 form an integral part of these financial statements.

Muhammad Adrees
CHIEF EXECUTIVE OFFICER

Haseeb Ahmed
DIRECTORS

Statement of Changes in Equity
For the year ended June 30, 2012

	Share capital	Share premium	General reserve	Unappropriated profit	Reserve on remeasurement of available for sale investments	Share of other comprehensive income of associate	Total
				Rupees			
Balance at July 01, 2010	204,089,590	97,490,410	1,225,000,000	1,817,708,481	(9,097,330)	-	3,335,191,151
Profit for the year	-	-	-	427,991,321	-	-	427,991,321
Other comprehensive income for the year							
Surplus on re-measurement of investments available for sale on fair value	-	-	-	-	17,549,600	-	17,549,600
Suplus realized on sale of investments available for sale on fair value	-	-	-	-	1,264,471	-	1,264,471
Share of other comprehensive income of associate	-	-	-	-	-	4,450	4,450
Total other comprehensive income	-	-	-	-	18,814,071	4,450	18,818,521
Total comprehensive income	-	-	-	427,991,321	18,814,071	4,450	446,809,842
Transfer to un-appropriated profit on account of incremental depreciation - net of tax	-	-	-	55,432,425	-	-	55,432,425
Distribution to owners							
Final dividend for the year ended June 30, 2010 @ Rs. 2.50 per share	-	-	-	(51,022,398)	-	-	(51,022,398)
Issue of bonus shares 1,020,448 ordinary shares of Rs. 10 each	10,204,480	-	-	(10,204,480)	-	-	-
Balance as at June 30, 2011	214,294,070	97,490,410	1,225,000,000	2,239,905,349	9,716,741	4,450	3,786,411,020
Profit for the year	-	-	-	688,481,947	-	-	688,481,947
Other comprehensive income for the year							
Surplus on re-measurement of investments available for sale on fair value	-	-	-	-	6,825,812	-	6,825,812
Deficit realized on sale of investments available for sale on fair value	-	-	-	-	(48,701)	-	(48,701)
Surplus realized on disposal of assets				5,240,155			5,240,155
Share of other comprehensive income of associate						20,334	20,334
Other comprehensive income realized on change in classification of investment in associate	-	-	-	24,784	-	(24,784)	-
Total other comprehensive income	-	-	-	5,264,939	6,777,111	(4,450)	12,037,600
Total comprehensive income	-	-	-	693,746,886	6,777,111	(4,450)	700,519,547
Transfer to un-appropriated profit on account of incremental depreciation - net of tax	-	-	-	49,889,182	-	-	49,889,182
Distribution to owners							
Final dividend for the year ended June 30, 2011 @ Rs. 6.25 per share	-	-	-	(133,933,794)	-	-	(133,933,794)
Balance as at June 30, 2012	214,294,070	97,490,410	1,225,000,000	2,849,607,623	16,493,852	-	4,402,885,955

The annexed notes from 1 to 46 form an integral part of these financial statements.

Muhammad Adrees
CHIEF EXECUTIVE OFFICER

Haseeb Ahmed
DIRECTORS

1. GENERAL INFORMATION

1.1 Sitara Chemical Industries Limited ("the Company") was incorporated in Pakistan on September 08, 1981 as a public limited company under Companies Act, 1913 (now Companies Ordinance, 1984). The Company is currently listed on Karachi, Lahore and Islamabad stock exchanges. The principal activities of the Company are operation of Chlor Alkali plant and yarn spinning unit. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hasan Road, Karachi, in the province of Sindh and the manufacturing facilities are located at 28/32 K.M., Faisalabad - Sheikhupura Road, Faisalabad, in the province of Punjab.

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

Principal business activities are as follows:

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

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

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

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

2.2 Standards, interpretation and amendment adopted during the year

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

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

Following are the amendments that are applicable for accounting periods beginning on or after January 1, 2011:

- IAS 1 (amendment), 'Presentation of financial statements', is effective for annual periods beginning on or after January 1, 2011. The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. This amendment does not have a material impact on the company's financial statements.

- IAS 24 (Revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. As this change only impacts presentation aspects, there is no impact on the profit for the year.

- IFRS 1 (Amendment) (effective 1 July 2011) These amendments include two changes to IFRS 1, 'First-time adoption of IFRS'. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The Company has determined that there is no material impact of the above amendment on the financial information.

- IFRS 7, 'Disclosures on transfers of financial assets' (Amendment), issued in October 2010. The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are as part the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The Company has determined that there is no significant transfer of financial assets that require disclosure under the guidance above.

- IFRS 7 (amendment), 'Financial instruments: Disclosures', is effective for annual periods beginning on or after January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment does not have a material impact on the company's financial statements.

- IAS 34 (amendment), 'Interim financial reporting', is effective for annual periods beginning on or after January 1, 2011. The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. This amendment does not have a material impact on the company's financial statements.

2.2.2 Standards, amendments to published standards and interpretations that are effective in current year but not relevant to the Company's operations

The other new standards amendments and interpretations that are mandatory for accounting period beginning on or after July 01, 2011 are considered not to be relevant or to have any significant impact on company's financial reporting and operations.

2.2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

		Effective date (accounting periods beginning on or after)
-IAS 1	Financial statement presentation	January 1, 2012
-IAS 19	Employee benefits	July 1, 2012
-IAS 32	Financial instruments : Presentation	July 1, 2012
-IAS 27	Separate financial statements	January 1, 2013
-IAS 28	Associates and joint ventures	January 1, 2013
-IFRS 7	Financial instruments: Disclosures	January 1, 2013
-IFRS 9	Financial instruments	January 1, 2013
-IFRS 10	Consolidated financial statements	January 1, 2013
-IFRS 11	Joint arrangements	January 1, 2013
-IFRS 12	Disclosure of interests in other entities	January 1, 2013
-IFRS 13	Fair value measurement	January 1, 2013
-IAS 32	Financial instruments: Presentation', on offsetting financial assets and financial liabilities	January 1, 2014
-IFRS 9	Financial instruments	January 1, 2015

2.3 SIGNIFICANT ESTIMATES

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

The principal accounting policies adopted are set out below :

3.2 Property, plant and equipment

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

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

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

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

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

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

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

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

Capital work-in-progress

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

3.3 Investment property

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

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

3.4 Investments

Regular way purchase or sale of investments

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

Investment in associates

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

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

Available for sale

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

De-recognition

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

3.5 Stores, spare parts and loose tools

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

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

3.6 Stock-in-trade

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

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

Work-in-process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realizable value

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

3.7 Trade debts and other receivables

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

3.8 Cash and cash equivalents

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

3.9 Impairment

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

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

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

3.10 Borrowings

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

3.11 Employee Benefit Costs

Defined contribution plan - Chemical division

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

Defined benefit plan - Textile division

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

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

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

3.12 Trade and other payables

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

3.13 Provisions

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

3.14 Taxation

Current

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

Deferred

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

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

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

3.15 Dividend and other appropriations

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

3.16 Financial instruments

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

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

3.17 Revenue recognition

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

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

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

3.18 Borrowing costs

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

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

3.19 Foreign currencies

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

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

3.20 Segment Reporting

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

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

3.21 Off setting of financial assets and financial liabilities

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

3.22 Related party transactions

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	6,061,685,806	5,210,179,412
Capital work-in-progress	4.7	278,251,529	168,724,674
		6,339,937,335	5,378,904,086

4.1 Operating assets as at June 30, 2012

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

Operating assets as at June 30, 2011

Description	Cost / revalued amount				Accumulated depreciation			Book value as at June 30, 2011	Rate (%)
	As at July 01, 2010	Revaluation surplus	Additions/ (disposals)	As at June 30, 2011	As at July 01, 2010	Charge for the year / (on disposals)	As at June 30, 2011		
	Rupees								
Freehold land	584,921,924	-	-	584,921,924	-	-	-	584,921,924	0
Building on freehold land:									
Mill	917,300,132	-	24,453,087	941,753,219	373,234,162	54,413,296	427,647,458	514,105,761	10
Head office	12,238,041	-	-	12,238,041	8,841,008	339,703	9,180,711	3,057,330	10
Plant and machinery	6,086,885,066	-	190,758,979	6,276,622,236	2,030,488,074	408,892,270	2,438,665,279	3,837,956,957	10
			(1,021,809)			(715,065)			
Grid station and electric installation	221,100,335	-	776,749	217,704,694	97,409,150	12,322,896	105,976,544	111,728,150	10
			(4,172,390)			(3,755,502)			
Containers and cylinders	69,848,461	-	-	69,790,823	28,014,086	4,183,111	32,149,497	37,641,326	10
			(57,638)			(47,700)			
Factory equipment	46,734,595	-	2,241,768	48,976,363	18,277,349	2,893,499	21,170,848	27,805,515	10
Electric equipment	27,243,290	-	2,373,921	29,617,211	12,364,754	1,567,262	13,932,016	15,685,195	10
Office equipment	38,853,054	-	1,118,641	38,172,802	18,372,812	2,078,397	19,053,625	19,119,177	10
			(1,798,893)			(1,397,584)			
Furniture and fittings	16,139,570	-	472,423	16,611,993	7,012,680	936,761	7,949,441	8,662,552	10
Vehicles	135,768,624	-	2,007,298	130,908,107	73,630,421	12,260,855	81,412,582	49,495,525	20
			(6,867,815)			(4,478,694)			
	8,157,033,092	-	224,202,866	8,367,317,413	2,667,644,496	499,888,050	3,157,138,001	5,210,179,412	
			(13,918,545)			(10,394,545)			

4.2 Depreciation for the year has been allocated as under:

	Note	2012 Rupees	2011 Rupees
Cost of sales	29	456,041,466	487,173,415
Administrative expenses	32	11,503,567	12,714,635
		467,545,033	499,888,050

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

Land

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

Building

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

Machinery (Textile)

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

Machinery (Chemical)

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

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

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

4.5 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at June 30, 2012 would have been as follows:

	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees
Land	200,415,091	-	200,415,091
Building on free hold land	891,964,156	456,541,777	435,422,379
Plant and Machinery	5,532,803,771	2,433,821,774	3,098,981,997
2012	6,625,183,018	2,890,363,551	3,734,819,467
2011	6,259,611,244	2,558,129,654	3,701,481,590

4.6 The following assets were disposed off during the year:

Description	Revalued amount/cost	Accumulated depreciation	Carrying value	Sale proceeds	Mode of disposal	Particulars of buyer
	Rupees					
Plant & Machinery						
Mach Coner	9,135,209	5,785,021	3,350,188	500,000	Negotiation	Nizami Power
Mach Coner	9,637,759	6,296,723	3,341,036	500,000	Negotiation	Nizami Power
Mach Coner	10,016,718	6,678,304	3,338,414	500,000	Negotiation	Nizami Power
Multi Mixer	1,535,567	764,120	771,447	215,517	Negotiation	Mian Zafar & Co.
Drawing Frame 4 Nos	5,832,918	3,043,983	2,788,935	800,000	Negotiation	Mian Zafar & Co.
CVT-3	1,535,567	778,673	756,894	250,000	Negotiation	Mian Zafar & Co.
Card Rieter 4 Nos	6,841,358	3,538,835	3,302,523	850,000	Negotiation	Mian Zafar & Co.
Card Rieter 4 Nos	6,841,358	3,538,836	3,302,522	850,000	Negotiation	Mian Zafar & Co.
Vehicles						
LRU-6938	1,160,694	941,220	219,474	650,000	Negotiation	Mr.Rizwan-Ul-Haq Sadiq
FSE-1338	505,690	387,094	118,596	471,000	Negotiation	Mr.Liaqat Ali Javed
Car Honda City Fsb-6438	843,419	709,175	134,244	635,000	Negotiation	Mr.Sikandar Khan
Hino F11J	3,420,068	1,884,136	1,535,932	4,485,000	Negotiation	Mr.Abdul Jabbar
Suzuki Carry Bolan	435,700	273,175	162,525	378,000	Negotiation	Mr.Usman Sikandar Sheikh
Motor Cycle	63,829	33,127	30,702	44,550	Insurance Claim	Adamjee Insurance Company Limited
2012	57,805,854	34,652,422	23,153,432	11,129,067		
2011	13,918,545	10,394,545	3,524,000	5,029,690		

	Note	2012 Rupees	2011 Rupees
4.7 Capital work-in-progress			
Civil work		45,253,201	47,398,032
Plant and machinery including in transit		205,364,789	94,133,197
Advance for property, plant and equipment		27,633,539	27,193,445
		278,251,529	168,724,674
5. INVESTMENT PROPERTY			
Land	5.1	2,815,629,876	1,571,959,528
Building	5.2	4,406,484	4,896,093
		2,820,036,360	1,576,855,621
5.1 Land			
Balance at beginning of the year		1,571,959,528	2,719,147,753
Add:			
Acquisitions during the year		65,670,348	30,811,775
Asset classified as held for sale reclassified as investment property		1,178,000,000	-
Less: classified as held for sale	17	-	(1,178,000,000)
Balance at end of year		2,815,629,876	1,571,959,528

	Note	2012 Rupees	2011 Rupees
5.2 Building			
Cost		13,035,566	13,035,566
Accumulated depreciation			
At beginning of year		8,139,473	7,595,463
For the year	32	489,609	544,010
At end of year		8,629,082	8,139,473
Written down value at end of year		4,406,484	4,896,093

For the purpose of capital appreciation and earning rental income, the Company has invested in open freehold land,residential plots and building portions covering area of 3,714 kanals and 2 marlas. These properties are purchased within the Province of Punjab.

The fair value of the investment property as at June 30, 2012 is Rs. 2,831 million. The fair value has been arrived at on the basis of a valuation carried out by W. W. Engineering Services (Private) Limited, independent valuer not connected with the Company. The valuation was arrived at by reference to market evidence of transaction price for similar items.

The rental income earned by the Company from its investment property amounted to Rs. 5.217 million (2011: Rs. 5.126 million). Direct operating expenses arising on the investment property in the period amounted to Rs. Nil (2011 : Rs. Nil).

	Note	2012 Rupees	2011 Rupees
6. LONG TERM INVESTMENTS			
Investments in associates	6.1	62,607,937	91,480,134
Other investment	6.2	5,000,000	5,000,000
		67,607,937	96,480,134
6.1 Investments in associates			
Quoted companies			
Sitara Energy Limited	6.1.1	-	15,872,237
Sitara Peroxide Limited	6.1.2	45,745,000	59,260,957
		45,745,000	75,133,194
Unquoted company			
Takaful Pakistan Limited	6.1.3	16,862,937	16,346,940
		62,607,937	91,480,134

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

	2012 Rupees	2011 Rupees
6.1.1 Sitara Energy Limited		
Cost	23,274,442	23,274,442
Share of post acquisition profits	25,653,235	22,670,954
Dividend	(6,068,797)	(6,068,797)
Share of other comprehensive income	24,784	4,450
Accumulated impairment losses	(25,844,351)	(24,008,812)
Transferred to available for sale investments	(17,039,313)	-
Carrying amount of investment	-	15,872,237

During the year, due to change in directorship, the Company has lost significant influence over Sitara Energy Limited and investment has been recognised as available for sale in accordance with the requirements of IAS 39.

	2012 Rupees	2011 Rupees
6.1.2 Sitara Peroxide Limited		
Cost	38,692,338	38,692,338
Share of post acquisition loss	(16,907,005)	(10,866,162)
Share of revaluation surplus	29,196,430	31,434,781
Accumulated impairment losses	(5,236,763)	-
	45,745,000	59,260,957

		2012	2011
Market value per share	Rupees	13.07	16.75
No. of shares held	Number	3,500,000	3,500,000
Ownership interest	Percent	6.35%	6.35%

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

	At June 30, 2012 Rupees	At March 31, 2011 Rupees
Non-current assets	2,121,792,528	2,206,824,197
Current assets	655,458,026	562,527,460
	2,777,250,554	2,769,351,657
Non-current liabilities	(1,048,904,001)	(1,256,388,625)
Current liabilities	(948,637,843)	(638,154,197)
	(1,997,541,844)	(1,894,542,822)
Net assets	779,708,710	874,808,835

	Fifteen months ended June 30, 2012 Rupees	Twelve months ended March 31, 2011 Rupees
Revenue	1,093,798,988	1,174,737,593
(Loss) / profit for the period	(95,100,125)	113,927,853
Company's share of associate's profit / (loss)	(6,040,843)	7,234,419

At the date of authorization for issue of these financial statements equity method has been applied on latest available un-audited financial statements for the year ended June 30, 2012 and for the quarter ended June 30, 2011 (2011: nine month ended March 31, 2011 and quarter ended June 30, 2010).

	2012 Rupees	2011 Rupees
6.1.3 Takaful Pakistan Limited		
Cost	30,000,000	30,000,000
Share of post acquisition loss	(13,137,063)	(13,653,060)
	16,862,937	16,346,940

		2012	2011
No. of shares held	Number	3,000,000	3,000,000
Ownership interest	Percent	10%	10%

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

	2012 Rupees	2011 Rupees
Non-current assets	73,837,463	75,303,464
Current assets	419,934,018	376,193,841
	493,771,481	451,497,305
Non-current liabilities	(175,434,631)	(171,381,777)
Current liabilities	(178,717,051)	(145,655,694)
	(354,151,682)	(317,037,471)
Net assets	139,619,799	134,459,834
Revenue	141,182,156	155,042,164
Profit / (loss) for the period	5,159,965	(15,402,352)
Company's share of associate's profit / (loss)	515,997	(1,540,908)

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

	Note	2012 Rupees	2011 Rupees
6.2 Other Investment			
Available for sale (Unquoted - at cost)			
Dawood Family Takaful Limited 500,000 (2011: 500,000) fully paid ordinary shares of Rs.10/- each		5,000,000	5,000,000

7. LONG TERM LOANS AND ADVANCES

	Note	2012 Rupees	2011 Rupees
Advance for investment property - considered good	7.1	821,699,686	838,699,755
Loans and advances	7.2	5,793,898	1,960,082
		827,493,584	840,659,837

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

	Note	2012 Rupees	2011 Rupees
7.2 Loans and advances			
Considered good			
Secured			
Executives - related parties	7.2.1	654,870	-
Staff	7.2.2	5,756,983	3,541,535
Unsecured			
Staff		19,200	22,600
		6,431,053	3,564,135
Less: current portion shown in current assets	12	637,155	1,604,053
	7.2.3	5,793,898	1,960,082

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

7.2.2 These are secured by way of registration of vehicles in the name of the Company.

7.2.3 The maximum aggregate amount due at the end of any month during the year was Rs. 6.130 million (2011 : Rs. 1.030 million).

	2012 Rupees	2011 Rupees
8. LONG TERM DEPOSITS		
Security deposits for:		
Electricity	38,762,230	38,910,050
Gas	71,479,096	69,163,400
Others	55,400	55,400
	110,296,726	108,128,850
9. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	150,229,139	109,658,055
Spare parts:		
In hand	185,545,023	169,526,335
In transit	30,328,373	-
	215,873,396	169,526,335
Loose tools	859,582	763,551
	366,962,117	279,947,941

	Note	2012 Rupees	2011 Rupees
10. STOCK IN TRADE			
Raw and packing material		542,410,560	380,482,727
Work in process		45,909,415	72,438,789
Finished goods		305,899,164	429,041,556
Waste		8,501,691	3,120,268
		902,720,830	885,083,340

	Note	2012 Rupees	2011 Rupees
11. TRADE DEBTS			
Related parties - considered good			
Sitara Textile Industries Limited		19,598,155	19,201,607
Sitara Fabrics Limited		12,116,261	12,114,409
Sitara Peroxide Limited		4,988,679	2,567,288
Sitara Energy Limited		-	180,706
Sitara Spinning Mills Limited		15,255	10,387
Aziz Fatima Trust Hospital		12,652	3,380
	11.1	36,731,002	34,077,777
Others			
- Considered good			
Local - unsecured		712,652,850	436,198,650
Foreign - secured		46,819,015	42,121,483
- Considered doubtful			
Unsecured		10,067,610	3,987,348
		769,539,475	482,307,481
Provision for doubtful debts	11.5	(10,067,610)	(3,987,347)
		759,471,865	478,320,134
		796,202,867	512,397,911

11.1 These are recoverable in ordinary course of business.

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

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

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

	2012 Rupees	2011 Rupees
11.5 Movement in provision for doubtful debts		
At beginning of the year	3,987,347	4,294,064
Impairment loss recognized	7,842,904	546,832
Amount recovered during the year	(1,762,641)	(853,549)
At end of the year	10,067,610	3,987,347

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

12. LOANS AND ADVANCES

	Note	2012 Rupees	2011 Rupees
Loans to employees - considered good		6,078	1,706
Current portion of long term loans and advances	7.2	637,155	1,604,053
		643,233	1,605,759
Advance tax		305,187,753	271,250,053
Advances - considered good			
For expenses		13,625,078	6,640,207
Letters of credit fee, margin and expenses		31,605,130	2,880,863
Suppliers and contractors		86,542,014	29,199,660
Advances - considered doubtful			
For expenses		49,203	49,203
Suppliers and contractors		10,100	579,024
Provision for doubtful advances		(59,303)	(628,227)
		-	-
		437,603,208	311,576,542

13. TRADE DEPOSITS AND PREPAYMENTS

	2012 Rupees	2011 Rupees
Trade deposits	6,272,880	6,322,801
Prepayments	407,622	714,015
	6,680,502	7,036,816

	Note	2012 Rupees	2011 Rupees
14. OTHER RECEIVABLES			
Unsecured - considered good			
Related parties	14.1	4,269,594	2,996,435
Insurance claim		959,131	1,007,370
Accrued profit		-	41,115
Others		3,850,441	3,728,460
		9,079,166	7,773,380

14.1 It represents the following balances due from related parties:

Sitara Peroxide Limited	3,217,019	2,230,135
Sitara Chemtek (Private) Limited	300,000	300,000
Sitara Spinning Mills Limited	494,165	232,281
Sitara Fabrics Limited	94,387	124,087
Sitara Textile Industries Limited	161,122	107,031
Sitara Trade and Services (Private) Limited	2,901	2,901
	4,269,594	2,996,435

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

	Note	2012 Rupees	2011 Rupees
15. OTHER FINANCIAL ASSETS			
Available for sale financial assets	15.1	91,178,674	68,642,950
Term deposit certificates	15.2	25,000,000	80,000,000
		116,178,674	148,642,950

15.1 Available for sale financial assets

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

2012	2011		2012	2011
No. of shares / units			Rupees	Rupees
468,024	416,022	Al-Meezan Investment Bank Limited	13,535,254	7,267,904
933,661	-	Sitara Energy Limited	15,405,406	-
197,000	197,000	D.G Khan Cement Company Limited	7,757,860	4,529,030
352,505	352,505	Descon Oxychem Limited	1,367,719	2,146,755
446,250	446,250	Engro Polymer & Chemical Limited	4,395,563	4,609,763
300,000	300,000	Fauji Cement Company Limited	1,689,000	1,236,000
65,625	43,750	Fauji Fertilizer Bin Qasim Limited	7,287,656	6,577,813
100,000	100,000	Hub Power Company Limited	4,189,000	3,750,000
36,000	36,000	Ittehad Chemicals Limited	842,760	1,059,480
-	100,000	Kohat Cement Company Limited	-	611,000
-	50,000	Maple Leaf Cement Factory Limited	-	103,000
326	326	Meezan Cash Fund (Units having face value of Rs. 50 each)	16,403	16,315
9,500	9,500	National Refinery Limited	2,198,205	3,346,470
-	185,000	Nimir Industrial Chemical Limited (Face value Rs. 5 each)	-	518,000
150,000	150,000	Pace (Pakistan) Limited	306,000	327,000
68,000	68,000	Pakistan Oilfield Limited	24,951,920	24,412,680
13,200	12,000	Pakistan Petroleum Limited	2,485,428	2,484,840
15,000	15,000	Pakistan State Oil Company Limited	3,537,600	3,968,700
50,000	50,000	Pakistan Telecommunication Limited	684,500	711,000
10,000	10,000	Pakistan Tobacco Company Limited	528,400	967,200
			91,178,674	68,642,950

15.2 These represent deposits made in different commercial banks. These are subject to profit margin ranging from 5.36% to 12.50% per annum receivable quarterly. These are maturing at various dates falling within one year.

	Note	2012 Rupees	2011 Rupees
16. CASH AND BANK BALANCES			
Cash in hand		9,307,332	5,896,995
Cash at banks			
In current accounts		35,697,325	8,532,493
In saving accounts	16.1	34,857,011	126,347,502
		70,554,336	134,879,995
		79,861,668	140,776,990

16.1 Effective mark-up rate in respect of deposit accounts range from 5.01% to 8.24% (2011 : 5.99% to 7.16%) per annum.

17. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In December 2010, management has decided to dispose off land measuring in total 2,301 Kanal and 16 Marla of the chemical division and accordingly it was been classified as held for sale and measured at its carrying amount being the lower of carrying amount and fair value less cost to sell. However, disposal of land could not be materialized and it has been classified as investment property.

18. SHARE CAPITAL

2012	2011		2012	2011
No. of shares			Rupees	Rupees
		Authorised		
		Ordinary shares of Rs. 10 each		
40,000,000	40,000,000	"A" class	400,000,000	400,000,000
20,000,000	20,000,000	"B" class	200,000,000	200,000,000
		Issued, subscribed and paid up		
		"A" class ordinary shares of Rs.10/- each		
8,640,000	8,640,000	- fully paid in cash	86,400,000	86,400,000
10,804,398	10,804,398	- issued as fully paid bonus shares	108,043,980	108,043,980
1,985,009	1,985,009	- issued as fully paid under scheme of arrangement for amalgamation	19,850,090	19,850,090
21,429,407	21,429,407		214,294,070	214,294,070

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

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

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

18.4 The reconciliation of "A" class ordinary shares is as follows:

	2012	2011
	Number of shares	
Opening balance	21,429,407	20,408,959
Add: shares issued during the year	-	1,020,448
Closing balance	21,429,407	21,429,407

	Note	2012 Rupees	2011 Rupees
19. RESERVES			
Capital			
Share premium	19.1	97,490,410	97,490,410
Revenue			
General reserve	19.2	1,225,000,000	1,225,000,000
Other			
Reserve on re-measurement of available for sale investments	19.3	16,493,852	9,716,741
Share of revaluation surplus		-	4,450
		1,338,984,262	1,332,211,601

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

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

19.3 This reserve represents the unrealized surplus on remeasurement of available for sale investments as of June 30, 2012.

	Note	2012 Rupees	2011 Rupees
20. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
At beginning of the year		889,186,843	944,619,268
Addition during the year - net of tax		602,812,537	-
Revaluation reserve realized on disposal of assets		(5,240,155)	-
Transfer to un-appropriated profit in respect of incremental depreciation charged during the year – (net of tax)	20.1	(49,889,182)	(55,432,425)
At end of the year		1,436,870,043	889,186,843
Share from associate		29,196,430	31,434,781
		1,466,066,473	920,621,624

	Note	2012 Rupees	2011 Rupees
20.1 Incremental depreciation charged during the year transferred to un-appropriated profit		76,752,587	85,280,654
Less: tax liability relating to incremental depreciation		26,863,405	29,848,229
		49,889,182	55,432,425

21. LONG TERM FINANCING

	Note	2012 Rupees	2011 Rupees
From banking companies and other financial institution - secured			
Diminishing Musharka (from financial institutions - secured)	21.1	745,650,746	1,245,117,789
Redeemable capital (issued to various institutions and individuals)	21.2	-	274,999,997
Term finances	21.3	589,125,000	290,125,000
		1,334,775,746	1,810,242,786

21.1 Diminishing Musharka (from financial institutions - secured)

Description	Note	Profit	Security	Repayment	2012 Rupees	2011 Rupees
Meezan Bank Limited	21.1.1	Three months KIBOR plus 1.25 % with a floor of 10.00 % and ceiling of 20.00 % (2011: Three months KIBOR plus 1.25 % with a floor of 10.00 % and ceiling of 20.00 %) payable on quarterly basis.	First specific and exclusive charge (2011: First specific and exclusive charge) over Calcium Chloride Plant & Chlorinated Paraffin Wax Plant.	Repayable in 16 quarterly installments commenced from September 28, 2009 and ending on June 28, 2013.	50,000,000	100,000,000
National Bank of Pakistan	21.1.1	Three months KIBOR plus 2.50 % (2011: Three months KIBOR plus 2.50 %) per annum payable on quarterly basis.	Exclusive charge by way of hypothecation over specific fixed assets of all the project assets of 7.56 MW Gas fired power project with 25% margin (2010: 25% margin).	Repayable in 12 quarterly installments commencing from July 06, 2010 and ending on April 06, 2013.	71,666,664	143,333,332
Faysal Bank Limited	21.1.1	Three months KIBOR plus 2.50 % (2011: Three months KIBOR plus 2.50 %) per annum payable on quarterly basis.	First pari-passu charge (2011: First specific and exclusive charge) amounting to Rs. 700 million (2011: Rs. 700 million) over Membrane -III.	Repayable in 20 quarterly installments commencing from September 29, 2010 and ending on June 29, 2015.	167,200,000	202,400,000
Faysal Bank Limited	21.1.1	Three months KIBOR plus 2.50 % (2011: Three months KIBOR plus 2.50 %) per annum payable on quarterly basis.	First pari-passu charge (2011: First specific and exclusive charge) amounting to Rs. 700 million (2011: Rs. 700 million) over Membrane -III.	Repayable in 20 equal quarterly installments commencing from July 31, 2011 and ending on April 30, 2016.	200,000,000	250,000,000
Standard Chartered Bank (Pakistan) Limited	21.1.1	Three months KIBOR plus 2.50 % (2011: Three months KIBOR plus 2.50 %) per annum payable on quarterly basis.	"Specific and exclusive charge (2011: Specific and exclusive charge) on existing setup of Membrane - II plant comprising of 06 Electrolyzes and its allied accessories.	Repayment in 16 quarterly installments commencing from September 25, 2010 and ending on June 25, 2014. During the year the Company has made payment of one installment in advance payable in next year.	120,312,500	206,250,000
Syndicated Facility	21.1.1	Three months KIBOR plus 1.93 % (2011: three month KIBOR plus 1.93%) per annum payable on quarterly basis.	Specific and exclusive charge (2011: Specific and exclusive charge) on Caustic Solidification Plant - II." 1st Exclusive charge on plant & accessories of M-1 (135 M/T),CSP-IV 100 (M.T), Bleaching plant 1 & 2 and Ammonium Chloride plant 1 & 2 amounting to Rs.1,200 million.	This syndicated Diminishing Musharka facility was sanctioned for amount Rs. 900 million arranged by Standard Chartered Bank (Pakistan) Limited. Other participants are MCB Bank Limited, Habib Bank Limited, Habib Metropolitan Bank Limited and Soneri Bank Limited, however withdrawn amount aggregated to Rs. 825 million. Facility is repayable in 16 quarterly installments commencing from September 24, 2010 and ending on June 24, 2014.	618,751,125	825,001,500
					1,227,930,289	1,726,984,832
Less: Current portion					482,279,543	481,867,043
					745,650,746	1,245,117,789

21.1.1 Effective rate of profit for the year is ranging from 13.44% to 15.28% (2011 : 13.54% to 16.30%) per annum.

21.2 Redeemable capital (issued to various institutions and individuals)

Description	Note	Profit	Security	Repayment	2012 Rupees	2011 Rupees
Privately placed diminishing musharaka based sukuk	21.2.1	Rental payments shall be calculated to provide return equivalent to bench mark rate plus incremental rental and service agency charges incurred by the trustee during the previous quarter. Bench mark rate is defined as 3 months KIBOR (2011: 3 months KIBOR) and incremental rental is defined as margin of 1.00% (2011: 1.00%) plus servicing agency expenses.	Exclusive and specific hypothecation charge (2011: Exclusive and specific hypothecation charge) in respect of Musharka assets which include all fixed assets of BMR and expansion of 210 MTD Caustic Soda Plant at 32 Km Faisalabad - Sheikhupura Road, Faisalabad and to the extent of beneficial rights of certificate holders.	Repayable in 12 equal quarterly installments commenced from April 02, 2010 and ending on January 2, 2013.	274,999,997	641,666,664
					274,999,997	641,666,664
Less: Current portion					274,999,997	366,666,667
					-	274,999,997

21.2.1 Effective rate of profit for the year is from 12.91% to 14.53% (2011 : from 13.29% to 15.30%) per annum.

21.3 Term Finances

Description	Note	Profit	Security	Repayment	2012 Rupees	2011 Rupees
Saudi Pak Industrial and Agricultural Investment Company Limited	21.3.1	Three months KIBOR plus 2.75 % (2011: three months KIBOR plus 2.75 %) per annum payable on quarterly basis.	First pari-passu charge amounting to Rs. 200 million over Membrane -III.	Repayable in 16 equal quarterly installments commencing from April 28, 2011 and ending on January 28, 2015.	103,125,000	140,625,000
Pak Oman Investment Company Limited.	21.3.1	Three months KIBOR plus 2.60 % (2011: three months KIBOR plus 2.60 %) per annum payable on quarterly basis.	First pari-passu charge amounting to Rs. 266.67 million over Membrane -III.	Repayable in 16 equal quarterly installments commencing from June 19, 2011 and ending on March 19, 2015.	137,500,000	187,500,000
The Bank of Punjab	21.3.1	Three months KIBOR plus 1.00 % (2011 : KIBOR plus 1.50 %) per annum payable on quarterly basis.	Specific and exclusive charge amounting to Rs. 120 million over CSP -III.	Repayable in 20 equal quarterly installments commencing from June 30, 2010 and ending on March 31, 2015.	54,000,000	67,500,000
Syndicated Facility	21.1.1	Three months KIBOR plus 1.50 % per annum payable on quarterly basis.	1st Exclusive charge on power plant -1 in favor of the investment agent (i-e Standard Chartered Bank Pakistan Ltd) for the benefit of the particpants amounting to Rs.533.333(M)	This syndicated Term Finance facility amounting to Rs. 400 million arranged by Standard Chartered Bank (Pakistan) Limited. Other participants are Burj Bank Limited & Standard Chartered Modarabah. Facility is repayable in 8 equal quarterly installments commencing from September 01, 2014 and ending on June 01, 2016.	400,000,000	-
					694,625,000	395,625,000
Less: Current portion					105,500,000	105,500,000
					589,125,000	290,125,000

21.3.1 Effective rate of profit for the year is from 14.17% to 15.26% (2011 : from 13.76% to 16.53%) per annum.

21.4 The aggregate un-availed long term financing facilities available amounted to Nil (2011: Nil).

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

	Note	2012 Rupees	2011 Rupees
Maturity			
6 months or less		468,629,355	477,016,855
6 - 12 months		394,150,188	477,016,855
1 - 5 years		1,334,775,749	1,810,242,786
		2,197,555,292	2,764,276,496

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

22. LONG TERM DEPOSITS

	Note	2012 Rupees	2011 Rupees
From customers		10,102,953	8,401,651
Others	22.1	2,097,000	2,117,000
		12,199,953	10,518,651

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

23. DEFERRED LIABILITIES

	Note	2012 Rupees	2011 Rupees
Deferred taxation	23.1	1,376,953,755	998,170,535
Staff retirement benefits - gratuity	23.2	8,076,115	5,880,243
		1,385,029,870	1,004,050,778

23.1 Deferred taxation

	2012 Rupees	2011 Rupees
This comprises the following:		
Deferred tax liability on taxable temporary differences arising in respect of:		
Tax depreciation allowance	1,081,269,872	828,482,024
Surplus on revaluation of property, plant and equipment	302,054,943	172,560,999
	1,383,324,815	1,001,043,023
Deferred tax asset on deductible temporary difference arising in respect of:		
Provision for employee benefits	2,826,640	1,290,535
Provision for doubtful debts	3,544,420	1,581,953
	6,371,060	2,872,488
	1,376,953,755	998,170,535

23.2 Staff retirement benefits - gratuity

	2012 Rupees	2011 Rupees
Movement in liability		
At beginning of year	5,880,243	6,712,776
Charge for the year	4,963,570	3,762,494
Benefits paid during the year	(2,767,698)	(4,595,027)
	8,076,115	5,880,243

	2012 Rupees	2011 Rupees
Balance sheet reconciliation as at June 30		
Present value of unfunded obligation	11,066,688	8,490,872
Unrecognized actuarial losses	(2,990,573)	(2,610,629)
Net liability recognized in the balance sheet	8,076,115	5,880,243
Charge to profit and loss account:		
Current service cost	3,381,406	1,768,027
Interest cost	994,983	1,071,080
Net actuarial loss recognized during the year	587,181	923,387
	4,963,570	3,762,494
Movement in the present value of defined benefit obligation		
Present value of obligation at July 1, 2011	8,490,872	10,536,595
Current service cost	3,381,406	1,768,027
Interest cost	994,983	1,071,080
Benefit paid during the year	(2,767,698)	(4,595,027)
Actuarial loss on obligation	967,125	(289,803)
Present value of obligation at June 30, 2012	11,066,688	8,490,872
Movement in unrecognized actuarial losses		
Balance as of July 1, 2011	(2,610,629)	(3,823,819)
Actuarial loss on obligation	(967,125)	289,803
Actuarial loss recognized during the period	587,181	923,387
Balance as of June 30, 2012	(2,990,573)	(2,610,629)
Principal actuarial assumptions		
Discount rate (per annum)	12.5%	14%
Expected rate of increase in salaries (per annum)	10.5%	12%
Expected average remaining working lives of employees (years)	3	3

24. TRADE AND OTHER PAYABLES

	Note	2012 Rupees	2011 Rupees
Creditors	24.1	319,772,658	113,797,644
Accrued liabilities	24.2	361,232,132	246,476,459
Advances from customers		8,846,928	46,059,013
Murabaha payable	24.3	721,654,613	855,106,191
Payable to provident fund - related party	24.4	1,316,996	1,010,803
Unclaimed dividend		10,033,673	9,343,947
Retentions / security deposits		42,027,924	30,463,479
Withholding tax		483,526	1,600,697
Workers' profit participation fund	24.5	16,161,942	27,469,782
Workers' welfare fund		41,008,946	24,846,680
Others		52,084	73,765
		1,522,591,422	1,356,248,460

24.1 It includes Nil (2011: Rs. 22.084 million) due to associated undertakings.

24.2 It includes Rs. Nil (2011: Rs. 9.255 million) due to associated undertakings.

24.3 The aggregate unavailed facilities available to the Company from banking companies amounted to Rs. 1109 million (2011: Rs. 1,741 million). These are subject to profit margin ranging from 12.51% to 14.10% (2011: 13.35% to 15.98%) per annum and are secured against joint pari-passu charge over present and future current assets of the chemical division and pledge of stocks and charge over present and future current assets of the textile division.

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

	Note	2012 Rupees	2011 Rupees
24.5 Workers' profit participation fund			
Workers' profit participation fund	24.5.1	15,730,176	27,048,182
Unclaimed Workers' profit participation fund		431,766	421,600
		16,161,942	27,469,782
24.5.1 Movement			
At beginning of year		27,048,182	13,870,428
Amount paid to workers on behalf of the fund		(64,509,438)	(14,503,085)
		(37,461,256)	(632,657)
Allocation for the year	33	53,191,432	27,680,839
At end of year		15,730,176	27,048,182

25. PROFIT / FINANCIAL CHARGES PAYABLE

	Note	2012 Rupees	2011 Rupees
Long term financing		50,544,347	76,802,033
Murabaha financing / short term borrowings		42,393,817	43,574,535
		92,938,164	120,376,568

26. SHORT TERM BORROWINGS

	Note	2012 Rupees	2011 Rupees
Secured			
From banking companies	24.3	1,544,904,214	1,269,000,000

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

27.1.1 In 1996, a demand of Rs. 2,297,292 was raised by Sales Tax authorities on account of input tax claimed on imported plant and machinery items which was alleged by taxation authorities as inadmissible. The Company had filed appeal before Appellate Tribunal, however, deposited the demanded amount under protest. The case has been remanded back to the Additional

Collector Sales Tax Faisalabad. Pending the outcome of case, since the Company is expecting favorable result of the matter, no provision has been made in these financial statements.

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

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

	Note	2012 Rupees	2011 Rupees
27.2 Commitments			
Outstanding letters of credit for raw material and spares		19,783,992	41,633,452
28. SALES - NET			
Local			
Chemical products		5,763,347,783	4,494,249,639
Textile products		1,177,669,295	1,496,001,347
		6,941,017,078	5,990,250,986
Export			
Chemical products		522,909,439	226,628,968
		7,463,926,517	6,216,879,954
29. COST OF SALES			
Raw material consumed	29.1	1,428,802,063	1,673,402,252
Fuel and power		2,791,620,301	2,260,610,837
Salaries, wages and benefits	29.2	237,042,045	235,839,946
Stores and spares		156,410,519	138,385,614
Repair and maintenance		48,923,184	70,736,851
Vehicle running and maintenance		33,890,232	25,856,606
Traveling and conveyance		26,794,940	19,096,172
Insurance		20,009,119	18,165,028
Depreciation	4.2	456,041,466	487,173,415
Others		7,602,652	4,691,122
		5,207,136,521	4,933,957,843

	2012 Rupees	2011 Rupees
Work-in-process		
Opening stock	72,438,789	22,218,508
Closing stock	(45,909,415)	(72,438,789)
	26,529,374	(50,220,281)
Cost of goods manufactured	5,233,665,895	4,883,737,562
Finished stocks		
Opening stock	432,161,824	211,499,589
Finished goods purchased	42,512,461	-
Closing stock	(314,400,855)	(432,161,824)
	160,273,430	(220,662,235)
Cost of goods sold - own manufactured products	5,393,939,325	4,663,075,327
- outside purchases	-	163,586
	5,393,939,325	4,663,238,913

29.1 Raw material consumed

	2012 Rupees	2011 Rupees
Opening stock	380,482,727	268,574,185
Purchases	1,590,729,896	1,785,310,794
	1,971,212,623	2,053,884,979
Closing stock	(542,410,560)	(380,482,727)
	1,428,802,063	1,673,402,252

29.2 Salaries, wages and benefits include Rs. 5,910,918 (2011: Rs. 4,895,552) in respect of employee retirement benefits.

30. OTHER OPERATING INCOME

	2012 Rupees	2011 Rupees
Income from financial assets		
Profit on term deposits certificate	2,437,795	10,422,170
Profit on bank deposits	10,523,688	7,079,242
Dividend income	6,493,185	3,421,625
Gain on sale of available for sale investments	409,049	1,479,488
	19,863,717	22,402,525
Income from other than financial assets		
Sale of scrap and waste	7,490,886	12,245,403
Rent income	5,217,499	5,126,432
Gain on disposal of property plant and equipment	-	1,505,690
Others	5,814,298	1,373,322
	18,522,683	20,250,847
	38,386,400	42,653,372

	Note	2012 Rupees	2011 Rupees
31. DISTRIBUTION COST			
Staff salaries and benefits	31.1	11,266,344	13,172,857
Freight, octroi and insurance		102,398,783	95,761,233
Advertisement		754,270	279,675
Vehicles running and maintenance		8,718,555	8,373,105
Traveling and conveyance		1,210,241	1,568,717
Postage and telephone		540,882	635,892
Printing and stationery		246,176	234,988
Others		2,151,366	3,067,993
		127,286,617	123,094,460

31.1 Staff salaries and benefits include Rs. 426,937 (2011 Rs. 418,242) in respect of employee retirement benefits.

	Note	2012 Rupees	2011 Rupees
32. ADMINISTRATIVE EXPENSES			
Directors' remuneration		34,380,141	31,322,709
Staff salaries and benefits	32.1	79,139,244	75,856,454
Postage, telephone and telex		3,779,928	4,144,306
Vehicles running and maintenance		8,864,058	8,563,560
Printing and stationery		3,369,915	3,132,239
Electricity		5,622,143	4,365,616
Rent, rates and taxes		1,206,410	1,207,103
Traveling and conveyance		9,649,092	9,318,212
Advertisement		5,188,835	6,311,963
Books and periodicals		92,661	104,645
Fees and subscription		13,498,326	15,655,399
Legal and professional		2,208,779	2,512,935
Repairs and maintenance		5,647,757	6,008,932
Auditors' remuneration	32.2	2,620,000	2,070,000
Entertainment		5,294,697	6,348,317
Donations	32.3	20,260,427	24,857,053
Insurance		1,127,410	1,244,335
Depreciation	4.2	11,503,567	12,714,635
Depreciation on investment property	5.2	489,609	544,010
Provision for bad debts and doubtful advances		7,842,904	546,832
Other		1,385,507	1,127,663
		223,171,410	217,956,918

32.1 Staff salaries and benefits include Rs. 3,516,107 (2011: Rs. 3,302,794) in respect of employee retirement benefits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
32.2 Auditors' remuneration		
Annual statutory audit	1,500,000	1,200,000
Half yearly and CoCG compliance reviews	500,000	300,000
Out of pocket	120,000	70,000
Tax advisory services	500,000	500,000
	2,620,000	2,070,000

32.3 It includes Rs. 12.647 million (2011: Rs. 19.592 million) donated to Aziz Fatima Trust (AFT), Faisalabad which is primarily running a charitable hospital for needy and poor people. Mr. Haji Bashir Ahmed, Mr. Muhammad Adrees & Imran Ghafoor, the directors of the Company are also the Trustees of the AFT.

	Note	2012 Rupees	2011 Rupees
33. OTHER OPERATING EXPENSES			
Worker's profit participation fund	24.5.1	53,191,432	27,680,839
Worker's welfare fund		16,162,266	12,398,477
Impairment loss on investment in associated company		7,072,302	2,008,780
Loss on disposal of property, plant and equipment		12,024,365	-
		88,450,365	42,088,096
34. FINANCE COST			
Long term financing		327,196,027	475,459,347
Murabaha payable / short term borrowings		348,422,678	226,360,914
Bank charges and commission		7,252,565	1,673,322
		682,871,270	703,493,583
35. PROVISION FOR TAXATION			
Current		240,420,881	218,292,609
Prior years		(21,579,740)	-
Deferred		76,728,277	(128,054,537)
		295,569,418	90,238,072

	2012 %	2011 %
35.1 Numerical reconciliation between the applicable and effective tax rate		
Applicable tax rate	35.00	35.00
Prior year adjustments	(0.02)	-
Effect of deferred tax	0.08	(11.59)
Tax credit of donations	(0.02)	(2.00)
Income taxed at different rates	(5.00)	(4.00)
Effective tax rate	30.04	17.41

36. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2012	2011
Profit for the year	Rupees	688,481,947	427,991,321
Weighted average number of ordinary shares outstanding during the year	Number	21,429,407	21,429,407
Earnings per shares	Rupees	32.13	19.97

37. FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk

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

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

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

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

37.1 Credit risk and concentration of credit risk

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

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

The Company does not hold collateral as security.
The Company's credit risk exposures are categorized under the following headings:

37.1.1 Counterparties

The Company conducts transactions with the following major types of counterparties:

Trade debts

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

Bank and investments

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

37.1.2 Exposure to credit risk

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

	2012 Rupees	2011 Rupees
Trade debts	796,202,867	512,397,911
Loans and advances	100,173,170	35,841,573
Other receivables	9,079,166	7,773,380
Other financial assets	116,178,674	148,642,950
Bank balances	70,554,336	134,879,995
	1,092,188,213	839,535,809

Geographically there is no concentration of credit risk.

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

	2012 Rupees	2011 Rupees
Chemical - local	723,778,918	411,557,243
Textile - local	67,714,891	96,865,273
Agri chemical - local	4,709,058	3,975,395
	796,202,867	512,397,911

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

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

	2012 Rupees	2011 Rupees
Textile	67,714,891	96,865,273
Chemicals	728,487,976	415,532,638
	796,202,867	512,397,911

37.1.3 Impairment losses

The aging of trade receivables at the reporting date is:

	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
	Rupees			
Not past due	227,851,168	-	129,509,312	-
Past due 0-30 days	222,605,425	-	95,865,920	-
Past due 30-60 days	88,014,398	-	15,378,960	-
Past due 60-90 days	31,819,969	-	9,624,041	-
Over 90 days	199,248,515	10,067,610	115,246,802	3,987,347
	769,539,475	10,067,610	365,625,035	3,987,347

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

	2012 Rupees	2011 Rupees
Balance at 1 July	3,987,347	4,294,064
Charge for the period	7,842,904	-
Impairment loss reversed	(1,762,641)	(306,717)
Balance at 30 June	10,067,610	3,987,347

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

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

	Note	2012 Rupees	2011 Rupees
At beginning of year		628,227	628,227
Impairment loss (recovered) / recognized		(568,924)	-
At end of year	12	59,303	628,227

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

37.2 Liquidity risk management

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

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

37.2.1 Liquidity and interest risk table

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

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

	Carrying amount	
	2012 Rupees	2011 Rupees
Trade and other payables		
Maturity up to one year	800,936,809	501,142,269
Short term borrowings		
Maturity up to one year	2,266,558,827	2,124,106,191
Long term financing		
Maturity up to one year	862,779,540	954,033,710
Maturity after one year and up to five years	1,334,775,749	1,810,242,786
Maturity after five years	-	-
	5,265,050,925	5,389,524,956

37.3 Market risk

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

37.3.1 Foreign currency risk management

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

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

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to foreign currency risk

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

	2012 US dollar	2011 US dollar
Trade debts	506,274	491,613

Commitments outstanding at year end amounted to Rs. 19.784 million (2011: Rs. 41.633 million) relating to letter of credits for import of plant and machinery, stores spare parts and raw material.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2012 Rupees	2011 Rupees	2012 Rupees	2011 Rupees
US$ 1	92.10	85.75	96.25	85.85

Sensitivity analysis

A 10 percent strengthening of the Pak Rupee against the USD at June 30, 2012 would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2011.

Decrease in profit and loss account	4,872,887	4,220,498

A 10 percent weakening of the Pak Rupee against the US $ at June 30, 2012 would have had the equal but opposite effect on US $ to the amounts shown above, on the basis that all other variables remain constant.

37.4 Interest rate risk

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

Profile

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

Floating rate instruments

Financial assets

Bank balances	5.01% to 8.24%	5.99% to 7.61%	34,857,011	126,347,502
Term deposits	5.36% to 12.50%	5.71% to 9.13%	25,000,000	80,000,000
Financial liabilities				
Long term financing	12.91% to 16.36%	13.29% to16.44%	1,334,775,746	1,810,242,786
			(1,274,918,735)	(1,603,895,284)

Fair value sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is only an immaterial impact on the Company's equity.

	Increase / (decrease) in basis points %	Effect on profit before tax Rupees
2012		
Short term borrowings	1.25%	27,441,656
Long term financing		31,011,449
		58,453,105
2011		
Short term borrowings	1.25%	18,193,917
Long term financing		39,283,280
		57,477,197

37.5 Equity Price Risk Management

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

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

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 75,773,268 (2011: Rs. 68,462,950). A decrease of 5% on the KSE market index would have an impact of approximately Rs 3,788,663 on the income or equity attributable to the Company, depending on whether or not the decline is significant and prolonged. An increase of 5% in the value of the listed securities would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

37.5.1 Fair value hierarchy

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

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

	Level 1	Level 2	Level 3	Total
	Rupees			
Financial assets at FVTPL				
Derivative financial assets	-	-	-	-
Non-derivative financial assets held for trading	-	-	-	-
Available-for-sale financial assets				
Quoted equity securities	91,178,674	-	-	91,178,674
Unquoted equity securities	-	-	5,000,000	5,000,000
Debt investments	-	-	-	-
Total	91,178,674	-	5,000,000	96,178,674
Financial liabilities at FVTPL				
Derivative financial liabilities	-	-	-	-
Total	-	-	-	-

There were no transfers between Level 1 and 2 in the period

37.6 Determination of fair values

Fair value of financial instruments

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

Available for sale investments as disclosed in other financial assets, are presneted at fair value by using quoted prices at Karachi Stock Exchange as at June 30, 2012. The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

37.7 Capital risk management

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

38. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2012			2011		
	Chief executive Officer	Directors	Executives	Chief executive Officer	Directors	Executives
	Rupees					
Remuneration	10,000,008	5,200,008	32,441,917	10,000,008	4,400,016	28,016,075
Retirement benefits	-	-	-	-	-	1,751,217
Perquisites						
House rent	3,999,996	2,079,996	9,606,584	3,999,996	1,759,980	8,404,843
Utilities	999,996	519,996	3,202,313	999,996	440,004	2,801,512
Medical allowance	-	-	3,201,023	-	-	2,801,737
Special allowance	-	-	316,207	-	-	278,391
Income tax	3,924,004	1,452,789	-	2,834,412	1,223,775	-
Reimbursement of expenses	-	-	1,857,016	-	-	-
	18,924,004	9,252,789	50,625,060	17,834,412	7,823,775	44,053,775
Number of persons	1	2	37	1	2	32

38.1 The Chief Executive, certain Directors and Executives are provided with free use of Company's cars and telephone etc having value amounting to Rs. 4.45 million (2011: Rs. 4.45 million).

38.2 Directors have waived their meeting fee.

39. TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of transactions	2012 Rupees	2011 Rupees
Associated undertakings	Sales	105,475,031	113,402,779
	Purchases	43,517,106	1,750,013
	Organizational expenses recovered	1,243,746	3,444,369
	Organizational expenses paid	1,851,187	5,156,582
	Power charges paid	-	717,224,842
	Dividend received	5,537,023	1,867,322
	Donation	14,867,525	19,547,864
Key management personnel	Remuneration to Executives	85,169,744	76,439,704
	Post-employment benefits	-	4,738,722

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

40. PLANT CAPACITY AND PRODUCTION

Chemical Division

	Designed capacity		Actual production		
	2012	2011	2012	2011	Reason of variation
	Tons				
Caustic soda	201,300	201,300	112,231	102,946	Due to consistent supply of gas
Sodium hypochlorite	66,000	66,000	29,740	29,530	Due to consistent supply of gas
Liquid chlorine	9,900	9,900	7,879	7,678	Due to increase in demand
Ammonium chloride	6,600	6,600	709	1,561	Short supply of ammonia gas
Bleaching powder	7,500	7,500	4,717	4,586	Due to increase in demand
Hydrochloric acid	212,200	212,200	154,748	153,787	Due to consistent supply of gas

	2012 Rupees	2011 Rupees
Textile Division		
Ring Spinning		
Number of spindles installed	22,080	22,080
Number of spindles worked	22,080	22,080
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	10,110,166	10,110,166
Actual production of yarn after conversion into 20/s count (Kgs)	8,012,202	9,499,729

41. WORKING CAPITAL CHANGES

	2012 Rupees	2011 Rupees
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(87,014,176)	10,431,129
Stock in trade	(17,637,490)	(382,791,058)
Trade debts	(291,647,860)	(79,487,618)
Loans and advances	(92,088,966)	18,611,057
Trade deposits and short-term prepayments	356,314	(1,395,488)
Other receivables	(1,305,786)	4,380,681
Tax refunds due from government	-	24,274,299
	(489,337,964)	(405,976,998)
Decrease in current liabilities		
Trade and other payables	166,342,962	764,563,422
Sales tax payable	(6,399,436)	32,242,778
	(329,394,438)	390,829,202

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	Reason	Amount Rupees
Trade deposit and prepayments	Tax refund and due from Government	"For better presentation"	9,774,586
Capital work in progress	Long term loans and advanes	"For better presentation"	816,126,890
Advance taxation	Provision for taxation	"For better presentation"	218,292,609

The above re-arrangements / reclassifications do not affect retained earnings for the year ended June 30, 2010. Therefore, the balance sheet for the year ended June 30, 2010 has not been prepared.

43. OPERATING RESULTS

	Chemical		Textile		Total	
	2012	2011	2012	2011	2012	2011
	Rupees					
Sales:						
Local						
Caustic soda	5,293,407,756	3,888,744,023	-	-	5,293,407,756	3,888,744,023
Sodium hypochlorite	539,533,763	493,052,834	-	-	539,533,763	493,052,834
Bleaching powder	135,475,557	114,192,537	-	-	135,475,557	114,192,537
Liquid chlorine	141,634,268	112,269,758	-	-	141,634,268	112,269,758
Hydrochloric acid	546,960,906	437,165,886	-	-	546,960,906	437,165,886
Ammonium chloride	29,338,400	40,621,181	-	-	29,338,400	40,621,181
Magnesium chloride and others	88,512,773	91,660,197	-	-	88,512,773	91,660,197
Agri chemicals	97,819,872	91,762,236	-	-	97,819,872	91,762,236
Yarn	-	-	1,179,412,713	1,487,373,588	1,179,412,713	1,487,373,588
Waste	-	-	8,113,357	8,627,759	8,113,357	8,627,759
Export						
Caustic soda flakes	509,848,366	198,628,870	-	-	509,848,366	198,628,870
Liquid chlorine	490,999	10,275,183	-	-	490,999	10,275,183
Hydrochloric acid	-	1,540,300	-	-	-	1,540,300
Bleaching powder	-	-	-	-	-	-
Ammonium chloride	-	1,766,784	-	-	-	1,766,784
Others	12,570,074	14,417,831	-	-	12,570,074	14,417,831
	7,395,592,734	5,496,097,620	1,187,526,070	1,496,001,347	8,583,118,804	6,992,098,967
Less:						
Commission and discount	178,483,026	183,839,973	3,626,205	-	182,109,231	183,839,973
Sales tax	930,852,486	541,752,822	6,230,570	-	937,083,056	541,752,822
Excise duty	-	49,626,218	-	-	-	49,626,218
Sales - net	6,286,257,222	4,720,878,607	1,177,669,295	1,496,001,347	7,463,926,517	6,216,879,954

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	Chemical		Textile		Total	
	2012	2011	2012	2011	2012	2011
	Rupees					
Sales - net	6,286,257,222	4,720,878,607	1,177,669,295	1,496,001,347	7,463,926,517	6,216,879,954
Cost of sales	(4,291,074,923)	(3,365,958,010)	(1,102,864,402)	(1,297,280,903)	(5,393,939,325)	(4,663,238,913)
Gross profit	1,995,182,299	1,354,920,597	74,804,893	198,720,444	2,069,987,192	1,553,641,041
Other operating income	34,614,602	31,436,583	3,771,798	11,216,789	38,386,400	42,653,372
Distribution cost	(126,192,230)	(120,901,905)	(1,094,387)	(2,192,555)	(127,286,617)	(123,094,460)
Administrative expenses	(192,754,330)	(194,849,077)	(27,797,080)	(21,037,841)	(220,551,410)	(215,886,918)
Finance cost	(669,008,429)	(687,852,013)	(13,862,841)	(15,641,570)	(682,871,270)	(703,493,583)
	(953,340,387)	(972,166,412)	(38,982,510)	(27,655,177)	(992,322,897)	(999,821,589)
Reportable segments profit before tax	1,041,841,912	382,754,185	35,822,383	171,065,267	1,077,664,295	553,819,452
Unallocated income / (expenses)						
Administrative expenses					(2,620,000)	(2,070,000)
Other operating expenses					(88,450,365)	(42,088,096)
Share of loss of associated company					(2,542,565)	8,568,037
Profit before taxation					984,051,365	518,229,393
Provision for taxation					295,569,418	90,238,072
Profit for the year					688,481,947	427,991,321
Other information						
Segment assets	9,144,842,872	6,639,891,168	85,067,177	940,911,083	9,229,910, 049	7,851,438,900
Unallocated corporate assets					3,650,750,925	3,412,307,475
					12,880,660,974	11,263,746,375
Segment liabilities	724,784,477	341,676,551	21,149,469	84,175,091	745,933,946	446,867,751
Unallocated corporate liabilities					12,134,727,028	10,816,878,624
					12,880,660,974	11,263,746,375
Capital expenditure	348,568,435	201,087,652	88,768,944	23,115,214	437,337,379	224,202,866
Depreciation	433,643,708	469,517,950	33,901,325	30,370,100	467,545,033	499,888,050

43.1 Inter-segment pricing / sales

There is no purchase and sale between the segments.

43.2 Products and services from which reportable segments derive their revenues

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

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

The textile segment is a spinning unit which produces yarn.

The Company does not have any geographical segment.

43.3 For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to reportable segments other than investments in associates, and tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

All liabilities are allocated to reportable segments other than current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

44. GENERAL

Figures have been rounded off to the nearest Rupee.

45. EVENTS AFTER THE BALANCE SHEET DATE

In respect of current year, the directors have proposed to pay final cash dividend of Rs. 171.435 million (2011: Rs. 133.934 million) at Rs. 8 (2011: Rs. 6.25) per ordinary share of Rs. 10 each for approval of the shareholders at the forthcoming Annual General Meeting. Financial effect of the proposed dividend has not been taken in these financial statements and will be accounted for subsequently in the year when such dividend is approved.

46. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on September 17, 2012 by the Board of Directors of the Company.

Muhammad Adrees
CHIEF EXECUTIVE OFFICER

Haseeb Ahmed
DIRECTORS

FORM OF PROXY

IMPORTANT

This form of Proxy, in order to be effective, must be deposited duly completed, at Company's Share Registrar's Office at M/s. Noble Computer Sercives (Pvt) Limited, 1st Floor, House of Habib Building (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society, Main Sharae Faisal, Karachi not less than 48 hours before the time of holding the meeting.

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

I/We ______________________________

of ______________________________

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

ordinary shares, hereby appoint ______________________________

of ______________________________

who is also a member of the Company, as my/our proxy in my/our absence to attend and vote or me/us on my/our behalf at the 31st Annual General Meeting of the Company to be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwan-e-Sadr Road, Karachi on Tuesday, October 23, 2012 at 4:00 p.m. and at any adjournment thereof. As witness my/our hand this ____________ day of ____________ 2012.

Signed by the said

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

____

Members' Signature

____

(Witness's Signature)

Place
Date

Sitara Chemical
Industries Limited

AFFIX
CORRECT
POSTAGE

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

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

Designed & Produced by
ASTRALHATCH INC.
0322 2595026