بسم الله الرحمن الرحيم

Contents

Vision

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

The Leading Chemical Company.

Commitment towards uncompromised Reliability, Quality, Service and safety.

Assure customer the most complete value package to become chosen partner in customer's view.

High return generation for sustainable growth.

View change as rule of life.

Together with the employees, to ensure success.

Mission

Better bottom line results with well contained risks through continuing growth and diversification.

Create opportunities for success through trusted and reliable partnership.

COMPANY INFORMATION

Board Of Directors

Chairman
Haji Bashir Ahmed

Chief Executive Officer (CEO)
Mr. Imran Ghafoor

Directors
Mr. Javed Iqbal
Mr. Muhammad Adrees
Mr. Muhammad Anis
Mrs. Noureen Javed
Mrs. Sharmeen Imran

Company Secretary

Mr. Mazhar Ali Khan

Chief Financial Officer (CFO)

Mr. Waqas Ashraf - ACA

Audit Committee

Chairman
Mr. Javed Iqbal

Members
Mrs. Sharmeen Imran
Mr. Muhammad Anis

Auditors

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

Legal Advisor

Mr. Sahibzada Waqar Arif

Bankers

Askari Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Silk Bank Ltd.
Standard Chartered Bank
United Bank Limited
Royal Bank of Scotland

Share Registrar

Noble computer Services (Pvt.) Limited
Sohni Centre, BS 5 & 6, Block-4, Federal B. Area,
Main Karimabad, Karachi-75950.
Ph:021-6801880, 6802326

Registered Office

601-602, Business Centre, Mumtaz Hasan Road, Karachi-74000
Ph:021-2401373, 2413944

Head Office & Project Location

26-Km Sheikhupura Road, Faisalabad.
Ph: 041-4364031-33

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixth Annual General Meeting of Sitara Peroxide Limited will be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwan-e-Sadr Road, Karachi, on Saturday, October 31, 2009 at 11:00 a.m. to transact the following business:

Ordinary Business

1. To confirm the minutes of Fifth Annual General Meeting held on October 31, 2008.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2009 together with the Reports of the Auditors and Directors.
3. To appoint Auditors for the year ending June 30, 2010 and to fix their remuneration.
4. To transact any other ordinary business of the Company with the permission of the Chair.

By order of the Board

Karachi:
October, 05,2009

MAZHAR ALI KHAN
Company Secretary

NOTES:

i. The share transfer books of the company will remain closed from October 21, 2009 to October 31, 2009 (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 the Registered Office of the company not less than 48 hours before the time of meeting.

iii. Shareholders who have deposited their shares into Central Depository Company are advised to bring their Computerised National Identity Card along with their CDC account number at the meeting venue.

iv. Shareholders are advised to notify any change in their address (es).

DIRECTORS' REPORT

Gentlemen,

We, the directors of your company, are pleased to submit our report and audited accounts of the Company for the year ended June 30, 2009.

BOARD OF DIRECTORS

At the end of last year, casual vacancy was occurred in the Board, due to the death of one of the Directors, Mst. Safia Begum (May Allah rests her soul in peace), during the year under review the same has been filled as per provisions of the Companies Ordinance 1984.

BOARD OF DIRECTORS' MEETING

During the year 5 board meetings were held and attended as follows:

	Name of Director	Meetings Attended
1.	Haji Bashir Ahmed	4
2.	Mr. Imran Ghafoor	5
3.	Mr. Javed Iqbal	4
4.	Mr. Muhammad Adrees	5
5.	Mr. Muhammad Anis	5
6.	Mrs. Naureen Javed	3
7.	Mrs. Sharmeen Imran	5

OPERATIONAL STATUS

PROFIT AND LOSS ACCOUNT

	2009	2008
	Rupees	
Sales	628,522,639	291,177,240
Cost of sales	525,874,440	271,719,483
Gross profit	102,648,199	19,457,757
Distribution cost	13,130,711	3,449,539
Administrative expenses	29,574,741	19,211,773
Finance cost	245,933,497	84,831,656
Other operating expense	2,056,746	1,411,566
	290,695,695	108,904,534
Loss before taxation	(188,047,496)	(89,446,777)
Provision for taxation	(88,140,943)	(29,567,716)
Loss for the year	(99,906,553)	(59,879,061)
Loss per share - basic and diluted	(1.82)	(1.10)

Plant remained in operation through out the year. During the first six months, due to electricity and natural gas shutdowns, the average capacity utilization was 50% of the installed capacity, in last six months of the year under review; average capacity utilization was 71%. We are pleased to inform you that maximum capacity achieved, in any single day was 104%.

Your company was designed as an import substituting plant which is aiming to create value primarily by reducing storage and handling costs. The greatest challenge for your company for the last year has been to reduce the packing cost. For this purpose the large consumers were offered bulk storage facility and by the grace of Allah we have succeeded in this objective. Since traditional Pakistan's textile sector doesn't accept any change easily therefore we had to try hard to convince the customers to shift to bulk storage in Hydrogen Peroxide. With constant efforts we aim to shift at least 20% of sales through bulk supply which would help us secure the market share for future and would bring down the product cost for your company. During the year we also manage to supply Hydrogen Peroxide in various packing forms and concentrations/grades to meet our clients' specific needs.

INDUSTRIAL OVERVIEW

Economically, the year under review proved to be devastating, as the giants of the financial world crumbled, real etate markets collapse, stock markets remained average, food and energy inflation soared new heights.

Alongwith global financial panic and economic crises, energy (electricity and natural gas) crises in the country had adversely effects the economical/industrial growth of the country and overall slowed down manufacturing activity. The growing competition in the international market and continuous increase in cost of three major items like electricity, wages and mark up will also adversely affect the Pakistani industry.

We are making our best efforts to cope with all manageable factors that are affecting your company's growth. As part of these efforts we had installed 3 MW Gas Gen-sets, by the installation of these Gen-sets, electricity shortage issue would be mitigated and by the grace of Allah, these Gen-sets are operational.

MARKETING OVERVIEW

"We believe in quality production and all that is essential for building long-term relationships with our customers for mutual success and growth."

We believe in creating opportunities for success by building our credibility and maintaining reliable partnerships. Sitara peroxide Limited is bound to become the most trusted supplier for Hydrogen Peroxide, available in various forms and concentrations to meet our clients' specific needs. Your company has established a strong marketing and sale network to capture the maximum market share.

Global financial panic has seriously damaged the global economy. Your company as part of a global economy gets a direct impact from what happens in the rest of the world. The key risk to the company's profitability stems from the adverse movement in international Hydrogen Peroxide prices. As the global economy collapsed the prices of commodities nose dived and reached there lowest levels, the lowest in 60 years.

With international suppliers willing to sell their products below their costs to improve their liquidity your company had to reduce the prices as well to compete with the ever reducing prices of Hydrogen Peroxide in the international market. As US & European economies are going through there toughest times and Pakistan's textile sector was heavily dependant on these markets hence also facing a very tough time. Decrease in demand for textile items in these markets from Pakistan, results in poor demand for Hydrogen Peroxide. Since your company is largely dependant on the textile sector it was faced with a tough time.

Due to overall industry crises and poor economic situation, market demand of your product also remained low during the first six months of the year but from the start of third quarter, demand gained momentum and keeping in view growth in market share of Hydrogen Peroxide of your company, the company was confident that it will be able to maximize its profit resulting in higher EPS and return on investment. But due to continuous dumping from different countries namely China, South Korea, Belgium, Taiwan, Turkey, Indonesia and Thailand, the company could not gain its due market share. The company's profitability was adversely affected by the dumped imports of Hydrogen Peroxide. In addition to losses and reduced market share, dumped imports also affected the cash flows, inventory levels and return on investment of the company. The company had to reduce its sales prices in order to gain market share. This resulted in huge losses to the company which hindered the achievement of business objectives and also resulted in lower return on Investment.

ISLAMIC SHARIAH COMPLIANT FINANCING

Your company was actively striving to get out of conventional interest based financial arrangements from the last year. We feel pleasure to inform you that your company has marked the successful close of secured, privately placed diminishing Musharaka based Sukuk Issue of PKR 1,400 Million.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

In accordance with the requirements of Code of Corporate Governance, Directors are pleased to report as under:

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 CEO 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. These statements have been drawn up in conformity of the requirements of the Companies Ordinance 1984 and directives issued by the Securities and Exchange Commission of Pakistan.

Accounting Policies

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

Books of Account

Company has maintained proper books of account as required under the Companies Ordinance 1984.

Application of International Accounting Standards

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements; any departure therefrom 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 on Compliance

Statement on Compliance of Corporate Governance is annexed.

Pattern Of Shareholding

The pattern of shareholding of the Company is annexed. No trading was made in shares of the Company by its Directors, CEO, CFO, Company Secretary, their spouses and minor children, except as disclosed in pattern of shareholding.

Financial Data

Key Financial Data for the last 4 years is as under:

	2009	2008	2007	2006
	Rupees in thousand			
Sales	628,523	291,177	-	-
Gross Profit	102,648	194,578	-	-
Issued, Subscribed & Paid up Capital	551,000	550,095	301,000	1,525
Share Deposit Money	-	-	-	133,723
Share Subscription Money	-	-	249,005	-
Non-Current Liabilities	1,321,594	964,660	782,692	278,685
Current Liabilities	727,460	618,417	979,755	43,269
Non-Current Assets	2,395,168	1,604,713	1,347,705	447,774
Current Assets	573,599	446,731	964,747	9,427

AUDITORS

The existing auditors M/S M. Yousuf Adil Saleem & Company, Chartered Accountants, shall retire on the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment as Auditors of the Company for the Financial year ending June 30, 2010. The audit committee has recommended the appointment of aforesaid M/S M. Yousuf Adil Saleem & Company, as external Auditors for the Financial year ending June 30, 2010.

FUTURE PROSPECTS

We are pleased to inform you that your company despite all these difficulties managed to improve its position and increase the market share as compared to the last year. As the global economy is on the road to recovery, we anticipate a good year a head. Main challenge for us for the last year was to hold our head strong and see our company face the tough times and by the grace of Allah, we have succeeded in it and now as the global economy rebounds the international prices for Hydrogen Peroxide are expected to rebound and would in return make your company stronger.

We have filed application with NTC for levy of antidumping duty on dumped imports for the above mentioned countries. It is pertinent to mention that National Tariff Commission has issued a notice of initiation of Anti-dumping Investigation against Alleged Dumping of Hydrogen Peroxide into Pakistan.

For the year 2009-10, increase in the import duty of Hydrogen Peroxide from 5% to 10% would help your company to maintain a reasonable margin for its product. Secondly with the initiation of anti-dumping investigation against dumping of Hydrogen Peroxide in Pakistan positive impact is expected for your company. With the levy of antidumping duty, it shall clear the green path for company and your company shall by the grace of Allah achieve its objectives. With the implementation of above your company shall be fairly insulated from extreme scenarios and shall be less affected by the adverse movements in the international prices of Hydrogen Peroxide.

ACKNOWLEDGMENT

On behalf of board, I would like to express profound gratitude to our dedicated employees and dynamic management for their excellent support, committed efforts and strong leadership, which have enabled Sitara to achieve decent results. Our thanks also go to the financial institutions and shareholders for their continued support, which is key to the success of the company.

We take this opportunity to affirm our continued commitment towards services and excellence. Insha-Allah the coming years will see the Company growing at accelerated pace.

For and on behalf of the
Board of Directors

October 05, 2009
Faisalabad

IMRAN GHAFOOR
Chief Executive Officer

PATTERN OF SHAREHOLDING

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
74	1	100	1,489
7,940	101	500	3,963,082
2,004	501	1,000	1,997,575
2,117	1,001	5,000	5,677,746
427	5,001	10,000	3,445,818
105	10,001	15,000	1,336,681
51	15,001	20,000	958,000
37	20,001	25,000	884,200
18	25,001	30,000	520,000
13	30,001	35,000	428,500
15	35,001	40,000	584,000
9	40,001	45,000	384,500
13	45,001	50,000	625,616
9	50,001	55,000	472,400
3	55,001	60,000	175,432
5	60,001	65,000	319,014
3	65,001	70,000	199,001
2	70,001	75,000	146,500
1	80,001	85,000	85,000
2	90,001	95,000	187,329
6	95,001	100,000	600,000
3	100,001	105,000	308,822
2	105,001	110,000	218,000
1	110,001	115,000	115,000
1	115,001	120,000	120,000
1	120,001	125,000	123,500
2	135,001	140,000	276,000
1	140,001	145,000	143,000
1	145,001	150,000	150,000
1	170,001	175,000	175,000
1	190,001	195,000	195,000
3	195,001	200,000	595,500
1	205,001	210,000	210,000
1	280,001	285,000	284,000
1	295,001	300,000	300,000
1	320,001	325,000	324,500
1	415,001	420,000	416,000
1	430,001	435,000	431,795
1	490,001	495,000	490,500
1	580,001	585,000	582,000
1	1,095,001	1,100,000	1,100,000
1	1,995,001	2,000,000	2,000,000
1	2,620,001	2,625,000	2,624,435
1	3,495,001	3,500,000	3,500,000
1	17,425,001	17,430,000	17,425,065
12,884			**55,100,000**

AS AT JUNE 30, 2008

Categories of Shareholders	Number	Share Held	Percentage
Associated Companies, Undertaking and Related Parties			
Sitara Chemical Industries Limited	1	3,500,000	6.35
NIT & ICP	1	104,322	0.19
Directors, CEO & their Spouse and Minor Children			
Haji Bashir Ahmed	1	2,500	0.00
Mrs. Naureen Javed	1	4,500	0.01
Mr. Muhammad Adrees	1	10,000	0.02
Mr. Muhammad Anees	1	10,000	0.02
Mr. Javed Iqbal	2	2,010,000	3.65
Mrs. Naila Anees	1	10,000	0.02
Mrs. Sharmeen Imran	2	2,634,435	4.78
Mrs. Safia Begum	1	50,000	0.09
Mrs. Rukhsana Adrees	1	100,000	0.18
Mr. Imran Ghafoor	1	17,425,065	31.62
Executive	-	-	-
Public Sector Companies and Corporation	-	-	-
Bank, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds.	15	1,969,400	3.57
Charitable Trusts	1	5,000	0.01
Shareholders holding ten Percent or more voting interest in the Company	-	-	-
Foreign Investors	3	81,000	0.15
Individuals	12,748	24,758,640	44.93
Investment Companies	4	22,307	0.04
Joint Stock Companies	97	2,385,489	4.33
Others	2	17,342	0.03
	12,884	**55,100,000**	**100.00**

There was NO purchase/sale of shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses/minor children during 2008-2009.

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE 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 PEROXIDE LIMITED ("the Company") to comply with the Listing Regulations of Karachi Stock Exchange in Pakistan where the Company is listed.

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

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

Further, Sub-Regulation (xiii) of Listing Regulations 37 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 in arm's length transactios 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 party transactions by the Board of Directors and placement of such transactios 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.

(CHARTERED ACCOUNTANTS)

October 05, 2009
Lahore

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

1. The Board of Directors of the Company comprises of six non-executive directors and one executive director. At present there is no director representing minority shareholders. However, the Company encourages representation of director representing minority interests and of independent non-executive directors on its Board.

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

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

4. Casual vacancy was occurred in the Board during the last year, due to the death of one of the Directors, during the year under review the same has been filled as per provisions of the Companies Ordinance 1984.

5. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all directors and employees of the company.

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

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

8. The meetings of the Board were presided over by the Chairman (in the absence of the Chairman, by any director with the approval of the board) and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda were circulated at least seven days before the meetings. The working papers were circulated generally seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged an orientation course for its directors to apprise them of their duties and responsibilities. Directors / CEO are well conversant with listing regulations, legal requirements and operational imperatives of the Company.

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

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

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

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

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

15. The Board has formed an audit committee. It comprises three members, majority of them are non-executive directors including the Chairman of committee.

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

17. The Board has set up an effective internal audit function with adequate number of employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are effectively involved in the internal auidi funcition on a full time basis.

18. The related party transactions and pricing metheds have been placed before the audit committee and approved by the Board of Directors. The transactions were made on terms equivalent to those that prevail in arm's length transactions.

19. The Statutory auditors of the Company had confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

October 05, 2009
Faisalabad

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SITARA PEROXIDE LIMITED ("the Company") as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII OF 1980).

(CHARTERED ACCOUNTANTS)

Hafiz Mohammad Yousaf
(Engagement Partner)

October 05, 2009
Lahore

BALANCE SHEET

	Note	2009	2008
		Rupees	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	2,386,363,980	1,568,181,243
Long-term deposits	5	8,115,220	3,831,480
Long-term advances	6	688,859	1,469,557
Deferred tax asset	7	-	31,230,499
		2,395,168,059	1,604,712,779
CURRENT ASSETS			
Stores, spare parts and loose tools	8	62,967,533	45,544,982
Stock-in-trade	9	343,495,218	286,957,763
Trade debts	10	48,650,629	19,101,103
Advances	11	23,152,416	13,667,178
Trade deposits and short term prepayments	12	19,697,781	32,496
Other receivables	13	650,238	-
Advance income tax	14	27,013,211	10,598,929
Sales tax refundable	15	41,301,759	59,160,722
Cash and bank balances	16	6,669,818	11,667,942
		573,598,603	446,731,115
		2,968,766,662	2,051,443,894

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

AS AT JUNE 30, 2009

	Note	2009	2008
		Rupees	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 60,000,000 (2008: 60,000,000) ordinary shares of Rs.10 each		600,000,000	600,000,000
Issued, subscribed and paid up capital	17	551,000,000	550,095,000
Accumulated losses		(181,634,733)	(81,728,180)
		369,365,267	468,366,820
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	18	550,347,858	-
NON-CURRENT LIABILITIES			
Long-term financing	19	1,223,174,800	963,855,125
Liabilities against assets subject to finance lease	20	-	335,899
Deferred liabilities			
Employee benefits - unfunded	21.1	932,396	469,849
Deferred taxation	21.2	97,486,503	-
		1,321,593,699	964,660,873
CURRENT LIABILITIES			
Trade and other payables	22	158,517,415	163,526,775
Mark-up accrued on loans	23	34,767,391	50,735,852
Short-term borrowings	24	260,865,451	395,047,680
Current portion of:			
- long-term financing	19	271,299,467	7,200,000
- liabilities against assets subject to finance lease	20	347,331	243,111
Provision for taxation	32	1,662,783	1,662,783
		727,459,838	618,416,201
CONTINGENCIES AND COMMITMENTS	25	-	-
		2,968,766,662	2,051,443,894

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		Rupees	
Sales - net	26	628,522,639	291,177,240
Cost of sales	27	525,874,440	271,719,483
Gross profit		102,648,199	19,457,757
Distribution cost	28	13,130,711	3,449,539
Administrative expenses	29	29,574,741	19,211,773
Other operating expenses	30	2,056,746	1,411,566
Finance cost	31	245,933,497	84,831,656
		290,695,695	108,904,534
Loss before taxation		(188,047,496)	(89,446,777)
Provision for taxation	32	(88,140,943)	(29,567,716)
Loss for the year		(99,906,553)	(59,879,061)
Loss per share - basic and diluted	33	(1.82)	(1.10)

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(188,047,496)	(89,446,777)
Adjustments for:			
Depreciation of property, plant and equipment		105,239,939	50,372,252
Provision for employee benefits		670,997	469,849
Finance cost		245,933,497	156,256,779
		163,796,937	117,652,103
Working capital changes			
(Increase)/decrease in stores, spare parts and loose tools		(17,422,551)	66,247,198
(Increase)/decrease in stock-in-trade		(56,537,455)	1,147,850
Increase in trade debts		(29,549,526)	(19,101,103)
Increase in advances		(9,485,238)	(9,222,372)
(Increase)/decrease in trade deposits and short term prepayments		(19,665,285)	325,615
Increase in other receivables		(650,238)	-
(Decrease)/increase in trade and other payables		(5,009,360)	110,192,451
		(138,319,653)	149,589,639
Cash generated from operations		25,477,284	267,241,742
Finance cost paid		(261,901,958)	(179,915,711)
Sales tax refunded/(paid)		17,858,963	(13,257,647)
Employee benefits paid		(208,450)	-
Income taxes paid		(16,454,782)	(1,133,605)
		(260,706,227)	(194,306,963)
Net cash (used in)/from operating activities		(235,228,943)	72,934,779
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(156,176,373)	(287,795,217)
Increase in long-term deposits		(4,283,740)	(3,655,000)
Decrease/(increase) in long-term advances		780,698	(1,469,557)
Net cash used in investing activities		(159,679,415)	(292,919,774)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity issue expenses		-	(5,078,646)
Share deposit money received		905,000	90,000
Share subscription money refunded		-	(234,261,000)
Proceeds from long-term financing		1,485,674,800	178,004,677
Repayment of long-term financing		(962,255,658)	(114,064,587)
Net decrease in short-term borrowings		(134,182,229)	(97,507,375)
Payment of liabilities against assets subject to finance lease		(231,679)	(207,950)
Net cash from/(used in) financing activities		389,910,234	(273,024,881)
Net decrease in cash and cash equivalents		(4,998,124)	(493,009,876)
Cash and cash equivalents at beginning of year		11,667,942	504,677,818
Cash and cash equivalents at end of year	16	6,669,818	11,667,942

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

	Share capital	Share subscription money	Accumulated losses	Total
	Rupees			
Balance as at June 30, 2007	301,000,000	249,005,000	(16,770,473)	533,234,527
Shares issued during the year	249,095,000	(249,095,000)	-	-
Equity issue expenses	-	-	(5,078,646)	(5,078,646)
Share subscription money received during the year	-	90,000	-	90,000
Loss for the year ended June 30, 2008	-	-	(59,879,061)	(59,879,061)
Balance as at June 30, 2008	550,095,000	-	(81,728,180)	468,366,820
Shares issued during the year	905,000	(905,000)	-	-
Share subscription money received during the year	-	905,000	-	905,000
Loss for the year ended June 30, 2009	-	-	(99,906,553)	(99,906,553)
Balance as at June 30, 2009	**551,000,000**	**-**	**(181,634,733)**	**369,365,267**

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

1. LEGAL STATUS AND OPERATIONS

1.1 Sitara Peroxide Limited ("the Company") is limited by shares, incorporated in Pakistan on March 08, 2004 as a public limited company under the Companies Ordinance, 1984. The Company is formally listed on Karachi Stock Exchange from July 23, 2007. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hassan Road, Karachi in the province of Sindh and the manufacturing facilities are located at 26 KM Sheikhupura Road, Faisalabad in the province of the Punjab.

The principal activity of the Company is manufacturing and sale of hydrogen peroxide (H_2O_2). The Company has started commercial production from January 01, 2008.

1.2 These financial statements are presented in Pak Rupees, 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 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 as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS-7) - FINANCIAL INSTRUMENTS: DISCLOSURE

IFRS 7 - Financial Instruments: Disclosure requires extensive disclosures about the significance of financial instruments for the Company's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. These requirements incorporate many of the requirements previously in IAS 32 - Financial Instruments: Presentation. The Company has adopted this standard from the financial year beginning July 01, 2008 and its initial application has led to extensive disclosures in the Company's financial statements.

2.3 NEW ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them:

	Effective from
IAS - 1 Presentation of financial statements (as revised)	January 1, 2009
IAS - 23 Borrowing cost (as revised)	January 1, 2009
IAS - 32 (amendments) - Financial instruments: Presentation and consequential	
amendments to IAS 1 Presentation of Financial Statements	January 1, 2009
amendments to IAS 27 Consolidated and separate financial statements	January 1, 2009

IFRS - 2 Share based payment	January 1, 2009
IFRS - 3 Business combinations	January 1, 2009
IFRS - 4 Insurance contracts	January 1, 2009
IFRS - 8 Operating segments	January 1, 2009
IFRIC - 15 Agreements for the construction of real estate	January 1, 2009
IFRIC - 16 Hedge of net investment in a foreign operation	October 1, 2008
IFRIC - 17 Distribution of non-cash assets to owners	January 1, 2009
IFRIC - 18 Transfer of assets from customers	January 1, 2009
amendments to IAS-39 Financial Instruments: Recognition and Measurement	January 1, 2009
amendments to IFRS-7 Improving disclosures about financial instruments	January 1, 2009
amendments to IAS-39 and IFRIC 9: Embedded derivatives	January 1, 2009
amendments to IFRS-2 share based payments	January 1, 2010

The management believes that these accounting standards and interpretations do not have any material impact on the present transactions of the Company. The Company would comply with these standards, interpretations and amendments when applicable.

2.4 INTERPRETATIONS TO EXISTING STANDARDS THAT ARE EFFECTIVE AND NOT APPLICABLE TO THE COMPANY

The following interpretation to existing standards has been published and is mandatory for the Company's accounting year beginning on July 01, 2008 but is not relevant for the Company's operations:

IFRIC 12 - Service Concession Agreements

IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development financing, operation and maintenance of infrastructure for public sector services. Since the Company is not involved in public sector services, the implementation of this interpretation does not affect its financial statements

2.5 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, and the results of which form the basis for making judgment about carrying value 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 estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.5.1 EMPLOYEE BENEFITS

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income.

The calculation requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation. The assumptions are determined by independent actuaries on annual basis.

2.5.2 PROPERTY, PLANT AND EQUIPMENT

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

2.5.3 TAXATION

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 ACCOUNTING CONVENTION

These financial statements have been prepared under historical cost convention modified by:
- revaluation of certain property, plant and equipment
- financial instruments at fair value
- recognition of certain employee retirement benefits at present value

THE PRINCIPAL ACCOUNTING POLICIES ADOPTED ARE SET OUT BELOW:

3.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except freehold land laboratory equipment, office equipment, furniture and fittings and vehicles are stated at revalued amounts less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount. Laboratory equipment, office equipment, furniture and fittings and vehicles are stated at cost less accumulated depreciation and impairment in value,if any. Capital work-in-progress is stated at cost less impairment in value, if any. Cost also includes borrowing cost wherever applicable.

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.

Subsequent costs are recognized as part of asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to profit and loss account applying the straight line method over its estimated useful life at the rates specified in relevant note to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off.

Surplus arising on revaluation of property, plant and equipment 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 property, plant and equipment during the year is transferred by the Company to its un-appropriated profit.

Gains or losses on disposal of assets, if any, are included in the profit and loss account, as and when incurred.

All expenditures 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 ASSETS SUBJECT TO FINANCE LEASE

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

3.4 STORES, SPARE PARTS AND LOOSE TOOLS

These are valued at cost 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.

3.5 Stock-in-trade

These are valued at the lower of average cost and net realizable value. Cost is computed applying the following bases:

Raw material	- weighted average cost.
Work-in-process	- average manufacturing cost.
Finished goods	- average manufacturing cost.
Waste	- net realizable value.

Average manufacturing cost in relation to work-in-process and finished goods includes prime cost and appropriate production overheads, based on normal capacity.

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

3.6 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 value 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, unless asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 assets is increased to the revised recoverable amount but limited the extent of the carrying value that would have been determined (net of depreciation and amortization) had no impairment loss been charged in the previous periods. Reversal of impairment loss is recognized as income.

3.7 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized 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.

The gain or loss relating to financial instruments is recognized immediately in the profit and loss account.

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

3.8 OFF-SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

3.9 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 period end. Balances considered bad and irrecoverable are written off when identified.

3.10 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.

3.11 TRADE AND OTHER PAYABLES

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

3.12 EMPLOYEE BENEFITS

The Company operates an unfunded gratuity scheme (defined benefit plan) for its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the schemes on the basis of actuarial valuation and are charged to income.

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

The most recent valuation was carried out as at June 30, 2009 using the "Projected Unit Credit Method". Actuarial gains / losses are recognized in accordance with the limits set-out by IAS - 19 "Employee Benefits".

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

Details of the scheme are given in relevant note to these financial statements.
The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

3.13 PROVISIONS

Provisions are recognized in the balance sheet when the Company has a present, legal or constructive obligation as a result of past events, 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 of obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.14 REVENUE RECOGNITION

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

Revenue from export sales is recognized on shipment of goods to customers.

3.15 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 group has an unconditional right to defer settlement of liability for at least 12 months after the balance sheet date.

3.16 LEASES

Leases are classified as finance lease, whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance cost and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance cost is charged to profit and loss account.
Rentals payable under operating leases are charged to profit and loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

3.17 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 account for the year.

3.18 TAXATION

CURRENT

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

DEFERRED

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amount 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" and "Technical Release - 30" of the Institute of Chartered Accountants of Pakistan.

Deferred tax liability is recognized for all taxable temporary differences while deferred 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 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 the tax rates that have been enacted or substantively enacted at the balance sheet date.

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 translated 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 profit or loss for the year.

3.20 RELATED PARTY TRANSACTIONS

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

4 PROPERTY, PLANT AND EQUIPMENT

	Note	2009 Rupees	2008 Rupees
Operating assets	4.1	**2,228,698,017**	1,476,082,120
Capital work in progress	4.7	**157,665,963**	92,099,123
		2,386,363,980	1,568,181,243

4.1 Operating assets-as at june 30, 2009

Particulars	Cost: As at July 01, 2008	Cost: Revaluation	Cost: Additions/ Transfers	Cost: As at June 30, 2009	Accumulated Depreciation: As at July 01, 2008	Accumulated Depreciation: Charge for the year	Accumulated Depreciation: As at June 30, 2009	Book value As at June 30, 2009	Annual depreciation Rate %
	Rupees								
Operating assets									
Owned									
Land-freehold	65,112,852	93,648,648	-	158,761,500	-	-	-	158,761,500	
Building on freehold land	75,179,955	24,394,824	64,156,086	163,730,865	1,879,500	6,103,490	7,982,990	155,747,875	5
Plant and machinery	1,240,279,752	628,209,422	7,394,752	1,875,883,926	41,076,046	83,050,865	124,126,911	1,751,757,015	6.67
Electric installations	130,346,851	19,003,725	3,404,553	152,755,129	6,480,932	13,205,270	19,686,202	133,068,927	10
Laboratory equipment	298,974	-	3,133,746	3,432,720	14,946	232,655	247,601	3,185,119	10
Factory equipment	10,163,014	1,989,684	-	12,152,698	497,684	1,016,301	1,513,985	10,638,713	10
Office equipment	983,157	-	717,515	1,700,672	47,148	131,628	178,776	1,521,896	10
Furniture and fixtures	1,819,113	-	994,379	2,813,492	90,840	208,298	299,138	2,514,354	10
Vehicles	1,527,609	-	10,808,502	12,336,111	174,461	1,122,795	1,297,256	11,038,855	20
	1,525,711,277	767,246,303	90,609,533	2,383,567,113	50,261,557	105,071,302	155,332,859	2,228,234,254	
Leased									
Vehicle	843,200	-	-	843,200	210,800	168,637	379,437	463,763	20
	843,200	-	-	843,200	210,800	168,637	379,437	463,763	
2009	**1,526,554,477**	**767,246,303**	**90,609,533**	**2,384,410,313**	**50,472,357**	**105,239,939**	**155,712,296**	**2,228,698,017**	

4.1.1 Depreciation charge for the year has been allocated as follows:

	Note	2009 Rupees	2008 Rupees
Cost of sales	27	**103,608,581**	49,949,108
Administrative expenses	29	**1,631,358**	423,144
		105,239,939	50,372,252

4.2 Operating asstes - at june 30, 2008

Particulars	Cost			Accumulated Depreciation			Book value	
	As at July 01, 2007	Additions / Transfers	As at June 30, 2008	As at July 01, 2007	charge for the year	As at June 30, 2008	As at June 30, 2008	Annual depreciation Rate %
	Rupees							
Operating assets								
Ownedz								
Land-freehold	-	65,112,852	65,112,852	-	-	-	65,112,852	-
Building on freehold land	-	75,179,955	75,179,955	-	1,879,500	1,879,500	73,300,455	5
Plant and machinery	-	1,240,279,752	1,240,279,752	-	41,076,046	41,076,046	1,199,203,706	6.67
Electric installations	-	130,346,851	130,346,851	-	6,480,932	6,480,932	123,865,919	10
Laboratory equipment	-	298,974	298,974	-	14,946	14,946	284,028	10
Factory equipment	-	10,163,014	10,163,014	-	497,684	497,684	9,665,330	10
Office equipment	-	983,157	983,157	-	47,148	47,148	936,009	10
Furniture and fixtures	-	1,819,113	1,819,113	-	90,840	90,840	1,728,273	10
Vehicles	496,669	1,030,940	1,527,609	57,945	116,516	174,461	1,353,148	20
	496,669	1,525,214,608	1,525,711,277	57,945	50,203,612	50,261,557	1,475,449,720	
Leased								
Vehicle	843,200	-	843,200	42,160	168,640	210,800	632,400	20
	843,200	-	843,200	42,160	168,640	210,800	632,400	
2008	1,339,869	1,525,214,608	1,526,554,477	100,105	50,372,252	50,472,357	1,476,082,120	

4.3 The Company started trial run production on November 5, 2007. The commercial production was started on January 1, 2008 and the profits resulting from trial run production are allocated to plant and machinery and building proportionately.

	Note	2009	2008
		Rupees	
The operating results of the trial run production are as follows:			
Sales - net		-	41,379,420
Cost of sales		-	29,295,667
Operating profit		-	12,083,753

4.3.1 Un-allocated capital expenditure

	Note	2009	2008
Balance at beginning of year		-	27,524,418
Add: additions during the year		-	25,872,535
Less: operating profit of trial run production	4.3	-	(12,083,753)
Less: capitalized during the year		-	(41,313,200)
Balance at end of year		-	-

4.4 During the year revaluation of property, plant and equipment except laboratory equipment, office equipment, furniture and fixtures and vehicles was carried out by M/S Maricon Consultants (Pvt) Limited, independent valuers not connected with the Company and was incorporated in the financial statements for the year ended June 30, 2009.This revaluation resulted in surplus of Rs. 767,246,303. Forced sale value is used as basis for revaluation of these property, plant and equipment. Anterior to fixing forced sale value allowance of 15% have been considered for all relevant aspects including location, size, envoirement, marketability, in the area and the economic/political conditions of the countrary.

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

4.6 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets would have been as under:

	Cost	Accumulated depreciation	Book value
		Rupees	
Freehold land	65,112,852	-	65,112,852
Building on freehold land	139,336,041	7,982,990	131,353,051
Plant and machinery	1,247,674,504	124,126,910	1,123,547,594
Electric installation	133,751,404	19,686,200	114,065,204
Factory equipment	10,163,014	1,513,985	8,649,029
	1,596,037,815	153,310,085	1,442,727,730

	Note	2009	2008
		------ Rupees ------	

4.7 CAPITAL WORK- IN- PROGRESS

	Note	2009	2008
Civil works		17,243,018	56,587,549
Plant and machinery	4.7.1	115,329,257	26,765,477
Factory equipment		-	357,042
Electric installations and appliances		7,389,338	1,723,187
Office equipment		-	174,612
Advances for fixed assets		17,704,350	6,491,256
		157,665,963	92,099,123

4.7.1 These include mark-up of Rs. 744,384 (2008 : Rs. Nil). Effective mark up capitalization rate is 12.35% (2008 : Nil %) per annum.

5 LONG-TERM DEPOSITS

	2009	2008
Security deposit to Central Depository Company Limited	50,000	50,000
Lease key money	126,480	126,480
Security deposit for electricity connection	3,640,000	3,640,000
Security deposit for musharaka arrangements	4,283,740	-
Other deposit	15,000	15,000
	8,115,220	3,831,480

6 LONG-TERM ADVANCES

	2009	2008
To supplier of services; unsecured, considered good	688,859	1,469,557

7 DEFERRED TAX ASSET

This comprises the following:

Deferred tax liability on taxable temporary differences arising in respect of:

	2009	2008
Accelerated depreciation rates	-	275,238,245
Deferred tax assets on deductible temporary differences arising in respect of:		
Unused tax losses	-	306,304,297
Provision for gratuity	-	164,447
	-	306,468,744
	-	31,230,499

7.1 During the year deffered tax asset has been converted into deffered tax liablity. For current year figures please refer note 21.2 to these financial statements.

	Note	2009	2008
		Rupees	
8 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores	8.1	21,002,508	5,015,599
Spare parts		41,945,520	40,492,567
Loose tools		19,505	36,816
		62,967,533	45,544,982

8.1 Stores include stores in transit Rs. 7,968,823 (2008: Nil).

	Note	2009	2008
9 STOCK-IN-TRADE			
Raw material	27.1	31,997,549	82,070,866
Work-in-process		206,684,397	165,787,242
Finished goods		68,577,564	1,199,970
Packing material		36,235,708	37,899,685
		343,495,218	286,957,763
10 TRADE DEBTS			
Unsecured; considered good			
Related party - Sitara Textile Industries Limited		2,052,000	1,584,000
Others		46,598,629	17,517,103
		48,650,629	19,101,103
11 ADVANCES			
Considered good			
Advances:			
to employees - secured	11.1	347,298	77,991
for expenses - unsecured		9,916,871	1,620,896
to suppliers - unsecured		12,888,247	9,964,891
Bank guarantee margin		-	2,003,400
		23,152,416	13,667,178

11.1 These are secured against employee retirement benefits and will be adjusted against salaries of the employees.

	Note	2009	2008
12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Deposits	12.1	19,639,655	-
Prepaid insurance		58,126	32,496
		19,697,781	32,496

12.1 This includes Rs. 18,809,059 deposited with Nazir of the Honorable Sindh High Court as was required by the said Court to file writ petition against the recovery notice issued by the Custom department amounting to Rs. 18,809,059 to deposit Government due involved in clearance of import shipments secured vide post dated cheques and indemnity bonds.

	Note	2009	2008
		----------------Rupees	---
13 OTHER RECEIVABLES			
Insurance claim receivables		650,238	-
14 ADVANCE INCOME TAX			
Balance at beginning of year		10,598,929	9,465,324
Add: Paid during the year		16,454,782	1,133,605
		27,053,711	10,598,929
Less: Adjusted during the year		(40,500)	-
Balance at end of year		27,013,211	10,598,929

15 This represents accumulated difference of input tax on purchases and out put tax payable.

16 CASH AND BANK BALANCES	2009	2008
Cash in hand	2,968,543	5,825,638
Cash at banks - current account	3,701,275	5,842,304
	6,669,818	11,667,942

17. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2009	2008			
----Number of shares-----				
55,009,500	30,100,000	Ordinary shares of Rs 10 each fully paid in cash	550,095,000	301,000,000
90,500	24,909,500	Ordinary shares of Rs 10 each fully paid in cash issued during the year	905,000	249,095,000
55,100,000	55,009,500		551,000,000	550,095,000

17.1 The Company has only one class of ordinary shares which carry no right to fixed income. The holder of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to vote at meetings of the Company. All shares rank equally with regard to Company's residual assets.

17.2 The Company has no reserved shares for issue under option and sales contracts.

17.3 3,500,000 (2008 : 3,000,000) ordinary shares of Rs. 10 each are held by Sitara Chemical Industries Limited - an associated undertaking.

	Note	2009	2008
		------ Rupees -------	
18 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Surplus arose on revaluation carried out during the year		767,246,303	-
Less: deferred tax liability on account of surplus arose on revaluation of property, plant and equipment during the year	21.2	216,898,445	-
Balance at the end of year		550,347,858	-
19 LONG-TERM FINANCING			
From banking companies - secured			
Under Diminishing Musharaka arrangements			
Obtained during the year	19.1	1,400,000,000	-
Less: current portion		262,500,000	-
Balance at the end of year		1,137,500,000	-
Under Diminishing Musharaka arrangements			
Obtained during the year	19.2	85,674,800	-
Less: current portion		-	-
Balance at the end of year		85,674,800	-
Under mark-up arrangements			
Balance at beginning of year		794,919,712	899,915,035
Add: obtained during the year		-	4,677
Less: paid during the year	19.3	794,919,712	105,000,000
		-	794,919,712
Balance at the end of year		-	794,919,712
From director - unsecured			
Balance at beginning of year		7,200,000	7,200,000
Less: current portion	19.4	7,200,000	7,200,000
Balance at the end of year		-	-
From Chief Executive Officer - Unsecured			
Balance at beginning of year		168,935,413	-
Add: obtained during the year		-	178,000,000
Less: paid during the year	19.5	167,335,946	9,064,587
		1,599,467	168,935,413
Less: current portion		1,599,467	-
Balance at the end of year		-	168,935,413
		1,223,174,800	963,855,125

19.1 During the year the Company issued privately placed diminishing musharaka based SUKUK certificates ("the certificates"), arranged by consortium of banks, amounting to Rs. 1,400 million. The important terms of these are as follows:

The certificates carrying rentals at the rate of 3 months KIBOR plus 1.10% per annum payable quarterly in arrears commenced from November 19, 2008. The principal amount is payable quarterly in five years including a grace period of one year. The certificates are secured by first charge on fixed assets of the Company through equitable mortgage of land and building and hypothecation charge on plant and machinery amounting to Rs. 1,866 million with a margin of 25%.

Out of the proceeds received from the issuance of these certificates, entire balances of conventional long-term and short-term financing from financial institutions have been repaid / adjusted on August 19, 2008.

19.2 During the year the Company obtained advance against diminishing musharika facility of Rs. 86 millon from Meezan Bank Limited to purchase two Gas Gensets. This facility carries mark-up at at the rate of three months KIBOR plus 1.75% per annum with floor of 10.0% and cap of 22.0% payable quarterly. This facility is payable in three year's including grace period of one year started from July 1, 2009 on quarterly basis. This facility is secured against the specific charge on the purchased asset.

19.3 These facilities were obtained from various banking companies. Principal was payable in half yearly installments from September 29, 2007 to October 03, 2012. These facilities were secured against first joint pari passu charge over all present and future fixed assets of the Company. The Company has made premature payment on August 19, 2008 of the entire balance of these long term facilities out of the proceeds received from the issuance of SUKUK certificates. Please refer note 19.1.

19.4 This is unsecured and interest free loan from director of the Company. This loan is repayable on demand by the director of the Company.

19.5 This loan is obtained from Chief Executive Officer of the Company out of the funds borrowed by him from Atlas Bank Limited at the rate of three months KIBOR plus 2.00% per annum and from Royal Bank of Scotland (RBS) at the rate of three months KIBOR plus 1.50% per annum. The mark-up is payable quarterly. All actual expenses / mark-up charged by the financial institutions on the loans are payable by the Company. The loan is payable at January 2010. There is no specific repayment requirement during the tenor of loan. However, the Company has made payment on August 19, 2008 of Rs. 95 Million of this financing out of the proceeds received from the issuance of SUKUK certificates. Please refer note 19.1.

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

Maturity	Effective rate of interest	2009	2008
		Rupees	
6 months or less	Ranging from 11.47% to 16.56% per annum	87,500,000	90,000,000
6 - 12 months		175,000,000	90,000,000
1 - 5 years		1,223,174,800	614,919,712
Over 5 years		-	-
		1,485,674,800	794,919,712

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

20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009	2008
Present value of minimum lease payment	347,331	579,010
Less: current portion	347,331	243,111
	-	335,899

The Company has acquired vehicle under finance lease arrangement from a banking company. The rentals under lease arrangement are payable on monthly basis. The present value of minimum lease payment has been discounted at an implicit interest rate of 15.07% (2008: 15.07%) per annum.

Taxes repair and insurance costs are born by the Company. The Company intends to exercise its option to purchase the above asset upon completion of the lease period.

The reconciliation between minimum lease payments and their present value is as under:

	Note	2009	2008
		Rupees	
Minimum			
Not later than one year		360,525	294,468
Later than one year but not later than five years		-	347,331
		360,525	641,799
Finance cost allocated to future periods		13,194	62,789
		347,331	579,010
Current portion		347,331	243,111
		-	335,899
Present value of minimum lease payments			
Not later than one year		347,331	243,111
Later than one year but not later than five years		-	335,899
		347,331	579,010

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

	2009	2008
Maturity		
6 months or less	135,841	117,218
6 - 12 months	198,293	126,083
1 - 5 years	-	335,899
	334,134	579,200

The carrying amounts of assets held under finance lease approximate their fair values as the rate used for discounting is the rate implicit in the lease.

21 DEFERRED LIABILITIES

	Note	2009	2008
Employee benefits - unfunded	21.1	932,396	469,849
Deferred taxation	21.2	97,486,503	-
		98,418,899	469,849

21.1 Employee benefits - unfunded

The calculation requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation. The assumptions are determined by independent actuaries on annual basis. The results of the actuarial valuation carried out as at June 30, 2009 are as follows:

Movement in net liability recognized in the balance sheet:

	2009	2008
Balance at beginning of year	469,849	-
Add: expense charged to profit and loss account	670,997	469,849
Less: paid during the year	(208,450)	-
Balance at end of year	932,396	469,849
Balance sheet reconciliation as at balance sheet date:		
Present value of obligations	1,358,944	486,399
Less: unrecognized actuarial losses	(426,548)	(16,550)
Liability recognized in the balance sheet	932,396	469,849
Charge for the year:		
Current services cost	434,647	356,881
Interest cost	58,368	12,104
Liability charges due to applicaiton of IAS - 19	177,982	100,864
Expense recognized in the profit and loss account	670,997	469,849

	2009	2008
Principal actuarial assumptions:		
Discount rate - per annum	13%	12%
Expected rate of growth per annum in future salaries	13%	11%
Average expected remaining working life time of employees	7 years	7 years

The most recent valuation was carried out as at June 30, 2009 using the "Projected Unit Credit Method". Actuarial gains / losses are recognized in accordance with the limits set-out by IAS - 19 ("Employee Benefits").

	Note	2009	2008
		------------ Rupees	
21.1.1 History of present value of deferred employee benefits			
Present value of defined obligations at the end of year		1,358,944	-
Experience adjustment arising on plan liabilities (gains)/losses		(426,548)	-
21.2 Deferred taxation			
The balance of deferred tax is in respect of following temporary differences:			
Depreciation on property, plant and equipment		263,719,677	-
Finance Lease		37,491	-
Provision for employee benefits - unfunded		(300,231)	-
Unused tax losses	21.3	(382,868,879)	-
		(119,411,942)	-
Deferred tax liability on account of surplus arose on revaluation of property, plant and equipment during the year	18	216,898,445	-
		97,486,503	-

21.3 Deferred tax asset has been recognized as the management believes that the taxable profit will be available and temporary differences will reverse in forseeable future.

21.4 During the year deferred tax asset has been converted into deffered tax liability. For comparative figures please refer note 7 to these financial statements.

22 TRADE AND OTHER PAYABLES

	Note	2009	2008
Creditors	22.1	22,321,758	14,515,707
Advances from customers		19,002,934	10,699,838
Payable to contractors		-	2,625,796
Payable to associates	22.2	76,256,506	67,538,578
Bills payable		23,140,094	51,653,376
Accrued liabilities		15,679,001	13,138,008
Retention money		1,378,984	2,539,528
Withholding tax		338,138	265,944
Others		400,000	550,000
		158,517,415	163,526,775

22.1 Creditors include Rs. 27,158 (2008: Rs. 433,666) payable to Sitara Chemical Industries Limited (associated company) in ordinary course of business.

22.2 This includes Rs. 75,069,965 (2008 : 66,541,426) payable to Sitara Energy Limited (associated company) against purchase of electricity and Rs. 1,186,540 (2008 : 997,152) payable to Sitara Chemical Industries Limited (associated company) against share of common expenses.

	Note	2009	2008
		Rupees	

23 MARK-UP ACCRUED ON LOANS

Mark-up accrued on:			
Long-term financing		26,686,092	40,148,591
Short-term borrowings		8,081,299	10,587,261
		34,767,391	50,735,852

24 SHORT-TERM BORROWINGS

From banking companies - secured			
Running finance		260,865,451	395,047,680

24.1 The aggregate unavailed short term borrowing facilities amounting to Rs. 239 million (2008: 105 million)

24.2 These facilities have been obtained from various banks for working capital requirements, under mark-up arrangements against aggregate sanctioned limit of Rs. 500 million (2008: 500 million). These facilities carry mark-up at the rates ranging from three months KIBOR plus 1.10% to three months KIBOR plus 2.50% (2008: three months KIBOR plus 1.25% to three months KIBOR plus 2.00%) per annum on daily product payable quarterly. The aggregate short term borrowings facilities are secured against first pari passu charge amounting to Rs. 700 million over current assets and equitable mortgage charge amounting to Rs. 400 million over fixed assets of the Company and personal guarantee of directors of the Company. These facilities are expiring on various dates by March 31, 2010.

24.3 Facilities available for opening letter of credit amounting to Rs. 300 million (2008: 195 million) of which facilities amounting to Rs. 46,165,880 (2008 : 51,653,376) were utilized at the year end. These facilities are secured against lien on shipping documents. These facilities are expiring on various dates by March 31, 2010.

25 CONTINGENCIES AND COMMITMENTS

25.1 CONTINGENCIES

Bank guarantees issued by banks in favour of Sui Northern Gas Pipelines Limited for supply of gas		40,068,000	40,068,000
Following are issued in favour of Collector of Custom against release of machinery. The Company is claiming exemption from levy of custom duty.			
Bank guarantee		-	1,806,220
Indemnity bonds		11,270,252	11,270,252
Post dated cheques		7,209,066	7,209,066
		58,547,318	60,353,538

25.2 COMMITMENTS

Under Contracts for:			
Civil work		4,822,906	7,146,453
Plant and machinery		-	469,500
Irrevocable letters of credit for:			
Packing Material		23,025,786	-
		27,848,692	7,615,953

26 SALES - NET

Local sales		622,726,945	291,177,240
[illegible]		5,795,694	-
		628,522,639	291,177,240

	Note	2009	2008
		Rupees	

27 COST OF SALES

	Note	2009	2008
Raw material consumed	27.1	157,276,729	208,731,432
Fuel and power		198,764,429	90,316,533
Packing material consumed		135,030,426	68,702,843
Stores, spare parts and loose tools consumed		7,096,689	858,593
Salaries, wages and benefits	27.2	22,915,195	9,840,980
Repairs and maintenance		3,069,642	457,121
Insurance		4,566,465	2,950,294
Depreciation	4.1.1	103,608,581	49,949,108
Traveling and conveyance		799,791	316,277
Vehicle running and maintenance		829,902	330,675
Entertainment		175,770	29,570
Others		15,570	44,353
		634,149,189	432,527,779
Work-in-process			
Balance at beginning of year		165,787,242	-
Balance at end of year		206,684,397	165,787,242
		(40,897,155)	(165,787,242)
Cost of goods manufactured		593,252,034	266,740,537
Finished goods			
Balance at beginning of year		1,199,970	-
Trial run stock		-	6,178,916
Balance at end of year		68,577,564	1,199,970
		(67,377,594)	4,978,946
Cost of goods sold		525,874,440	271,719,483

27.1 Raw material consumed

	2009	2008
Balance at beginning of year	82,070,866	274,003,636
Purchases	107,203,412	16,798,662
	189,274,278	290,802,298
Less: Balance at end of year	31,997,549	82,070,866
	157,276,729	208,731,432

27.2 Salaries, wages and benefits include Rs. 386,997 (2008: Rs. 271,189) in respect of employee benefits.

28 DISTRIBUTION COST

	2009	2008
Salaries and benefits	1,345,307	1,304,328
Printing and stationery	-	55,675
Traveling and conveyance	112,492	10,889
Vehicle running and maintenance	127,241	35,023
Entertainment	17,626	5,003
Freight and octroi	9,905,868	1,989,221
Commission on local sales	1,401,234	-
Commission on export sales	21,467	-
Other expenses	199,476	49,400
	13,130,711	3,449,539

	Note	2009	2008
		Rupees	

29 ADMINISTRATIVE EXPENSES

	Note	2009	2008
Salaries and benefits	29.1	13,922,449	6,658,860
Director s remuneration	35	2,678,576	2,142,852
Electricity and gas		126,940	127,437
Printing and stationery		1,450,800	1,319,037
Insurance		485,418	25,252
Repairs and maintenance		161,084	331,033
Traveling and conveyance		2,233,453	1,139,197
Rent, rates and taxes		510,349	197,304
Vehicle running and maintenance		733,000	166,211
Entertainment		143,250	126,136
Telephone and postage		673,453	446,492
Advertisement		1,247,155	1,658,107
Fees, subscription and periodicals		1,021,054	3,135,474
Charity and donations	29.2	75,000	-
Legal and professional charges		1,458,531	612,750
Auditors' remuneration	29.3	574,879	370,000
Depreciation	4.1.1	1,631,358	423,144
Others		447,992	332,487
		29,574,741	19,211,773

29.1 Salaries and benefits include Rs. 284,000 (2007: 198,660) in respect of employee benefits.

29.2 No director or his spouse had any interest in the donee institution.

29.2 Auditors' remuneration

	2009	2008
Statutory audit fee	300,000	200,000
Half yearly review	120,000	50,000
compliance report on Code of Corporate Govenance	125,000	100,000
Out-of-pocket expenses	29,879	20,000
	574,879	370,000

30 OTHER OPERATING EXPENSES

	2009	2008
Exchange loss on bills payable	2,056,746	1,411,566

31 FINANCE COST

	2009	2008
Mark-up on:		
Long-term financing form banking companies	199,150,552	48,768,820
Long-term financing form chief executive officer	10,196,681	9,375,266
Short-term borrowings	27,938,965	26,041,361
Liabilities against assets subject to finance lease	62,944	39,632
Bank charges and commission	8,584,355	606,577
	245,933,497	84,831,656

	Note	2009	2008
		------------ Rupees ------------	

32 PROVISION FOR TAXATION

Provision for income tax	40,500	1,662,783
Deferred taxation	(88,181,443)	(31,230,499)
	(88,140,943)	(29,567,716)

32.1 Assessments of the Company for the tax years 2004 to 2008 are deemed to have been completed under section 120(1) of the Income Tax Ordinance, 2001. However, the tax year 2007 has been selected for audit under section 177 of the Income Tax Ordinance, 2001. Audit proceedings for the said tax year are still in progress and tax liability at this stage cannot be determined.

33 LOSS PER SHARE - BASIC AND DILUTED

The calculation of basic loss per share is based on the following data:

Loss for the year (Rupees)	(99,906,553)	(59,879,061)
Number of shares		
Weighted average number of ordinary shares	55,020,833	54,254,140
Loss per share - basic (Rupees)	(1.82)	(1.10)

No figure for diluted loss per share has been presented as the Company has not issued any instrument carrying options which would have an impact on earnings per share when exercised.

34 CAPITAL DISCLOSURE

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 reserve or/and issue new shares.

35 REMUNERATION TO CHIEF EXECUTIVE OFFICER AND EXECUTIVES

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

	2009		2008	
	Chief Executive Officer	Executive	Chief Executive Officer	Executive
	---------- Rupees ----------			
Basic salary	1,785,720	2,965,992	1,428,564	553,200
House rent	803,574	889,800	642,852	165,960
Utilities allowance	89,282	296,580	71,436	55,320
Medical allowance	-	296,628	-	55,320
Government allowance	-	51,000	-	10,200
Other allowance	-	14,400	-	-
	2,678,576	4,514,400	2,142,852	840,000
Number of persons	1	5	1	1

	Note	2009	2008
		Rupees	

35.1 Three executives are also provided with Company maintained cars.

35.2 No remuneration or meeting fee was paid to the directors and chief executive officer of the Company.

36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, 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 due to related parties are shown under receivables and payables and remuneration of directors and key management personnel is disclosed in note 35 to these financial statements. Other significant transactions with related parties are as follows:

Nature of Relationship	Nature of transaction	2009	2008
Associated companies			
	Organizational expenses charged	347,515	501,878
	Purchases	133,508,688	78,961,288
	Sales	12,156,465	7,284,000
Key management personnel			
	Long term loan obtained from Chief Executive Officer	-	178,000,000
	Repayment of loan from Chief Executive Officer	167,335,946	9,064,587
	Markup accrued on borrowing from Chief Executive Officer	10,196,681	9,375,266
	Remuneration and other benefits	7,192,976	2,982,852
Employee benefit plan	Paid during the year	208,450	-

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

37 PLANT CAPACITY AND ACTUAL PRODUCTION

	2009	2008
	Tons	
Production Capacity	30,000	15,000
Actual production	18,045	8,254

37.1 The average production during the year was 60% (2008 : 55%). The main reason was the energy crises in the country which adversly effects the industrial growth.

38 FINANCIAL RISK MANAGEMENT

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

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 include 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 Companys 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 committee undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors (BOD).

38.1 Credit risk and concentration of credit risk

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

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

The Company does not hold collateral as security.

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

Counterparties

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

Trade debts

Trade debts are essentially due from local customers against sale of Hydrogen Peroxide 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 shipment to foreign customers are generally covered by letters of credit.

	Note	2009	2008
		------------- Rupees -----	

38.1.1 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:

	2009	2008
Trade debts	48,650,629	19,101,103
Advances	23,152,416	13,667,178
Other receivables	650,238	-
Bank balances	3,701,275	5,842,304
	76,154,558	38,610,585

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 was:

	2009	2008
Trade debtors - local	46,618,607	19,101,103

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

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

	2009	2008
Hydrogen peroxide	46,618,607	19,101,103

Impairment losses

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.

38.2 Liquidity risk management

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 24.1 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

38.2.1 Liquidity and interest risk table

The following table detail 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 note 19.6 and 20 to these financial statements.

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

	Note	2009	2008
		------------ Rupees ------------	
Carrying amount			
Trade and other Payables			
Maturity upto one year		158,517,414	163,526,775
Short term borrowings			
Maturity upto one year		260,865,451	395,047,680
Long term financing			
Maturity upto one year		271,646,798	7,443,111
		691,029,664	566,017,566

38.3 Market risk

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

38.3.1 Foreign currency risk management

Pak Rupee (PKR) is the functional currency of the Company and as a result currency exposure arise 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 currency risk

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

	2009		2008	
	USD	**EURO**	**USD**	**EURO**
Trade debts	25,056	-	-	-
Bills payables	(293,626)	-	-	-
	(268,570)	-	-	-

Commitments outstanding at year end amounted to Rs. 23 million (2008: Nil) relating to letter of credits for import of stores, spare parts and raw material.

The following significant exchange rates applied during the year:

	2009	2008	2009	2008
	Rupees		Rupees	
USD 1	78.82	62.61	81.2	68.1

Sensitivity analysis

A 10 percent strengthening of the Pak Rupee against the USD at June 30, 2009 would have increased 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, 2008.

	Reporting date mid sopt rate 2009	2008
	Rupees	
Increase in profit	2,100,217	-

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2009 would have had the equal but opposite effect on profit or loss by the amounts shown above, on the basis that all other variables remain constant.

38.4 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 interest rate profile of the Company's interest bearing financial instruments was:

	2009	2008	2009	2008
	%		Rupees	
Floating rate instruments				
Financial liabilities				
Long term financing	14.48% to 16.56%	11.47% to 12.17%	1,494,474,267	971,055,125
			1,494,474,267	(971,055,125)

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 %	Effect on profit before tax Rupees
2009		
Short term borrowings		1,626,042
Long term financing	1.00%	24,244,666
		25,870,708

	Increase / (Decrease) in basis %	Effect on profit before tax Rupees
2008		
Short term borrowings		2,264,285
Long term financing	1.00%	4,934,644
		7,198,929

38.5 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 arms length transaction other than in a forced or liquidation sale.

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

39 RE-CLASSIFICATION AND RE-ARRANGEMENTS

Corresponding figures have been re-classified and re-arranged wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant re-arrangements are as follows:

From	To	Reason	Rupees
Advances, trade deposits and short term prepayments	Advances	For better presentation	13,667,178
Advances, trade deposits and short term prepayments	Trade deposits and short term prepayments	For better presentation	32,496
Advances, trade deposits and short term prepayments	Advance income tax	For better presentation	10,598,929
Tax service-audit remuneration	Legal and professional charges	For better presentation	166,000
Certificate and other services	Legal and professional charges	For better presentation	87,250

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on October 05, 2009

41 GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER DIRECTOR

FORM OF PROXY

IMPORTANT

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

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

Please quote Registered Folio Number / CDC Account Numbers

I/We ______________________________

of ______________________________

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

ordinary shares, hereby appoint Mr/Mrs/Mst. ______________________________

of ______________________________

who is also a member of the Company, as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwan-e-sadr Road, Karachi on Saturday, October 31, 2009 at 11:00 am and at any adjournment thereof.

As witness my/our hand this ______________ day of ______________ 2009

Signed by the said ______________ in the presence of ______________

______________ ______________________________

____
(Member's Signature)

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

Place ______________

____
(Witness's Signature)

Date ______________