



Sitara Chemical Industries Limited  
**Annual Report**  
2016



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# Financial Performance 2016





Sales  
**+12.51%**  
Rs. 9,814M  
(2015: Rs. 8,723 M)

Profit Before Tax %  
**11.44%**

Cash Dividend  
**115%**  
(2015: Rs. 90)

Market value per share  
**364.00**  
(2015: Rs. 300.20)

Earning Per Share  
**Rs. 35.90**

Gross Profit %  
**21.69%**

Profit After Tax %  
**7.84%**

Operating Profit %  
**14%**





# Vision

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

# Mission

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





# Code of Ethics and Business Practices

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



# Company Information

## → Board of Directors

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

## → Company Secretary

Mr. Mazhar Ali Khan

## → Chief Financial Officer

Mr. Anwar-ul-Haq (FCA)

## → Audit Committee

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

## → Human Resource and Remuneration Committee

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

## → Head of Internal Audit

Mr. Zakir Hussain (FCA)

## → Auditors

Deloitte Yousuf Adil  
Chartered Accountants

## → Legal Advisor

Mr. Sahibzada Muhammad Arif

## → Bankers

Meezan Bank Limited  
National Bank of Pakistan  
Allied Bank Limited  
United Bank Limited  
Bank Alfalah Limited  
Dubai Islamic Bank Pakistan Limited  
The Bank of Punjab  
MCB Bank Limited  
Standard Chartered Bank Pakistan Limited  
Al-Baraka Islamic Bank B.S.C. (E.C.)  
Faysal Bank Limited  
Habib Bank Limited  
Burj Bank Limited  
Bank Islami Pakistan Limited  
Habib Metropolitan Bank Limited  
Bank Al-Habib Limited  
Soneri Bank Limited  
The Bank of Khyber  
Askari Commercial Bank

→ Website of the Company  
[www.sitara.com.pk](http://www.sitara.com.pk)

→ Registered Office  
601-602 Business Centre, Mumtaz Hassan Road, Karachi

→ Shares Registrar Address  
THK Associates (Private) Limited  
2<sup>nd</sup> Floor, State Life Building No.3  
Dr. Ziauddin Ahmed Road  
Karachi-75530.

→ Factories  
28/32 KM, Faisalabad - Sheikhpura  
Road, Faisalabad.



# Directors' Report



In the name of Allah, the Most Beneficent, the Most Gracious, the Most Merciful  
On behalf of the Board of Directors of Sitara Chemical Industries Limited, I am pleased to present the audited financial statements for the Year ended June 30, 2016.

## Overall Review:

All praises to Almighty Allah who blessed us to successfully accomplish self reliance strategy during the Year 2016, which encourage us to diversify and increase our products line. By the Grace of Allah, we are pleased to assert all of our stakeholders a promising future.

Alhamdulillah, 40 MW Coal Fired Power Plant has started its commercial production. Honorable Prime Minister of Pakistan, Mian Muhammad Nawaz Sharif, inaugurated the Power Plant on September 03, 2016. By adding this Coal Fired Power Plant, your company has attained self sufficiency and has ensured smooth energy availability at reasonably reduced rates. This will lead to increase market share in days to come and improve profitability of your Company. Commissioning activities of Calcium Chloride Prill Plant has almost finished and hopefully plant will start its commercial production in next month.

Government has introduced certain serious steps towards improvement in industrialization in the country. That includes extending tax benefits for new industry, zero load shedding for the industrial feeders, tax remission for Sharia'a compliant companies. These steps coupled with improved Law & Order situation, reduced fuel prices, improved Consumer Purchasing Power and consistent Monetary Policy have provided the Takeoff position for Industrialization. Recent reforms in Land Development sector will also accelerate industrialization process.

However, during year under discussion, we witnessed no improvement in Geopolitical situation with our neighboring countries, which have put pressure on Export businesses.

Our inspiration is governed by self employed Principles. Your Company is committed to the stakeholders and the communities for mutual growth and sustainability and to providing a fair, safe and diverse work environment for our employees.

## Financial Performance:

Alhamdulillah, your Company had posted 12.51% increase in net sales and 35.46% increased in gross Profits over the last year. Total net sales for the year are Rs. 9,814 million against Rs. 8,723 million of last year. Sales for the Chemical Division are Rs. 8,147 million against Rs. 7,132 million of last year and Sales for Textile Division are Rs. 1,667 million against Rs. 1,591 million of last year. Net Profit after tax for the year is Rs. 769.22 million against 986.43 million in corresponding year, whereas Earning per Share for the year is Rs. 35.90.

## Future Outlook:

Alhamdulillah, successful commissioning of Coal Fired Power Plant has encouraged your management and we expect the regular supply round the year. This facility has created room for diversification and induction of new product lines.

## Acknowledgments:

We take this opportunity to thank our valued business partners and stakeholders for their continuous support, trust and assistance.

The Company is also immensely proud of and thankful to employees for their committed and passionate efforts, loyalty and dedication.

## Muhammad Adrees

Chief Executive Officer  
Sitara Chemical Industries Limited  
Faisalabad, September 23, 2016



# Directors' Report

## Gentlemen,

The Directors have pleasure in submitting their report and audited accounts of the Company for the year ended June 30, 2016

<b>Profit and Loss Account</b>	<b>Rupees</b>
Net profit for the year after tax before WPPF	852,549,509
Workers Profit Participation Fund	(83,327,970)
Net Profit for the year	769,221,539
Incremental depreciation including deferred tax	67,677,437
Un-appropriated profit brought forward	5,121,448,020
<b>Amount available for appropriation</b>	<b>5,958,346,996</b>
Appropriations:	
Proposed cash dividend @ 11.50 per share	(246,438,181)
Un-appropriated profit carried forward	5,711,908,816
<b>Earning per share- basic and diluted</b>	<b>35.90</b>

## Staff Retirement Benefits

Company has maintained recognized provident fund, based on audited accounts as at June 30, 2016 value of investment thereof was Rs.48,442,534/-.

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

## Board of Directors

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

During the year, Mr. Nawaz ul Haq has resigned from the board of directors of company and Mr. Muneeb ul Haq was nominated by the board to fill the casual vacancy. The board placed on record its appreciation for valuable contribution made by Mr. Nawaz ul Haq and well comed Mr. Muneeb ul Haq as new directors of the company.

### Board of Directors Meeting

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

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

### Audit Committee Meetings

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

1	Mr. Abdul Awal	7
2	Mr. Muhammad Khalil	7
3	Mr. Nawaz ul Haq	5
4	Mr. Muneeb ul Haq	2

### Human Resource and Remuneration Committee

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

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

### Corporate Governance

Statement of Compliance of Corporate Governance is annexed.

### Pattern of Shareholding

The pattern of shareholding of the Company is annexed along with trading in shares of the Company by its Directors their spouse and minor

children, CEO, CFO, head of internal audit and Company Secretary.

### Auditors

The existing auditors M/s. Deloitte Yousuf Adil, Chartered Accountants, shall retire on the conclusion of 35th Annual General Meeting. Being eligible, they have offered themselves for re-appointment as Auditors of the Company from conclusion of the 35th Annual General Meeting until the conclusion of 36th Annual General Meeting. The Audit Committee has recommended the appointment of aforesaid M/s. Deloitte Yousuf Adil, as external auditors for the year ending June 30, 2017. The external auditors have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm, and all its partners are in compliance with the International Federation of Accountants' Guidelines on Code of Ethics, as adopted by the ICAP.

### Contribution to National Exchequer

During the year, The Company's contribution to the national exchequer amounting to Rs. 1,869.309/-million in respect of payment towards sales tax and income tax. This does not include the import duties, withholding tax deducted by the company from employees, suppliers and contractors and deposited into the treasury.

### Production Operations:

During the year your company has produced 135,103 Metric Tons of Caustic Soda against last year's production of 113,196 Metric Tons. Production of Textile Division remained 9,218,045 Kgs of Yarn against 8,862,784 Kgs in the last year. During the year all 26,304 spindles remained operational.



# Directors' Report

## Coal Fired Power Plant & Calcium Chloride Prill Plant

Alhamdulillah, 40 MW Coal Fired Power Plant has started its commercial production. Honorable Prime Minister of Pakistan, Mian Muhammad Nawaz Sharif, inaugurated the Power Plant on September 03, 2016. By adding this Coal Fired Power Plant, your company has attained self sufficiency and has ensured smooth energy availability at reasonably reduced rates. This will lead to increased market share in days to come and improve profitability of your Company.



Inauguration of Coal Fired Power Plant (40 MW)

Commissioning activities of Calcium Chloride Prill Plant has almost finished and hopefully plant will start its commercial production in next month.



Inauguration Ceremony of Coal Fired Power Plant (40 MW)

## Research and Development:

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

## Information Technology:

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

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

### Environment, Health and Safety:

We are a Health & Safety conscious organization, recognized to an international standards. Alhamdulillah, We have successfully attained OHSAS 18001:2007 Certification from SGS during the year under review.

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



Safety Drill on chlorine leakage

### Human Resource Development:

Human Resource planning and management is one of the most focused point at the highest management level. The company has a Human Resource and Management committee which is involved in selection, evaluation, compensation and succession planning of the key management personal. it is also involved in recommending improvement in human resource policy and its periodic review. Your company always welcomed the opportunities for staff training, broadening their knowledge, vision and skill and awareness about changing technological and learning developments. For this purpose multiple workshops / courses / seminars were held during the year under review wherein renowned consultants were called for to train the staff. Company has sent 45 employees to attend courses and workshops held at various well known institutions of Pakistan .



Annual Hajj draw

### Corporate Social Responsibility

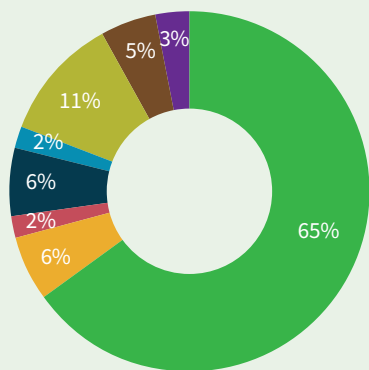
Your company always remains proactive to contribute towards general public welfare activities. We manage and arrange medical camps and health awareness campaigns frequently. In this regard various activities have been also held at factory site.



ICU at Aziz Fatima Hospital



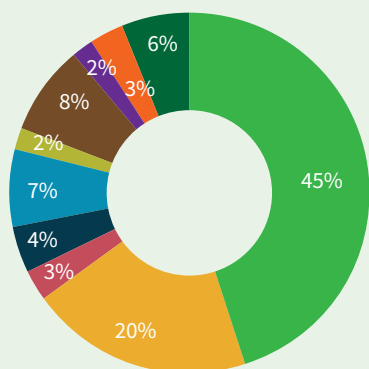
# Directors' Report



- Caustic soda
- Sodium Hypochlorite
- Bleaching powder
- Hydrochloric acid
- Liquid Chlorine
- Yarn
- Fabric
- Others

## SOURCE OF REVENUE

	Rs. (Million)	%
Caustic soda	6,766	65
Sodium Hypochlorite	621	6
Bleaching powder	173	2
Hydrochloric acid	634	6
Liquid Chlorine	202	2
Yarn	1,157	11
Fabric	504	5
Others	279	3
<b>Total</b>	<b>10,336</b>	<b>100</b>

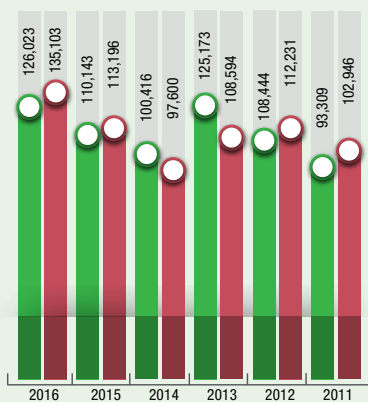


- Fuel & power
- Raw materials
- Salaries & wages
- Depreciation
- Admin & selling expenses
- Financial charges
- Other
- Dividend
- Income tax
- Retained

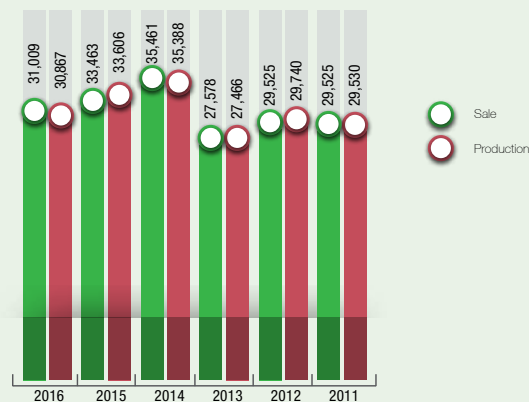
## APPLICATION OF REVENUE

	Rs. (Million)	%
Fuel & power	4,491	45
Raw materials	2,091	20
Salaries & wages	334	3
Depreciation	462	4
Admin & selling expenses	738	7
Financial charges	251	2
Other	866	8
Dividend	192	2
Income tax	354	3
Retained	644	6
<b>Total</b>	<b>10,336</b>	<b>100</b>

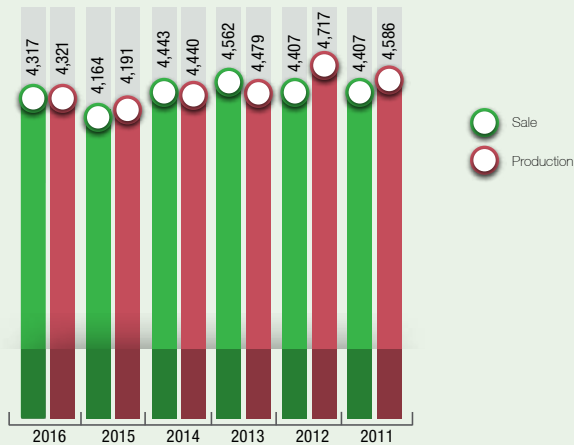
### Caustic Soda (Quantity 'M.Ton')



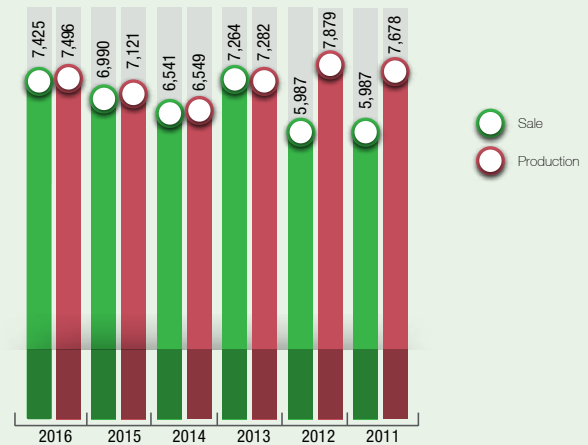
### Sodium Hypochlorite (Quantity (Kgs) '000')



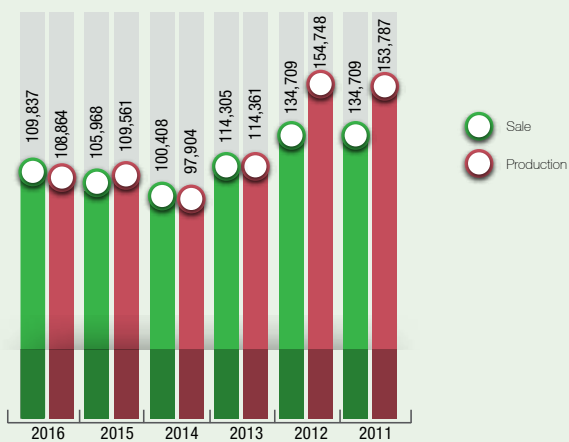
**Bleaching Power**  
(Quantity "M.Ton")



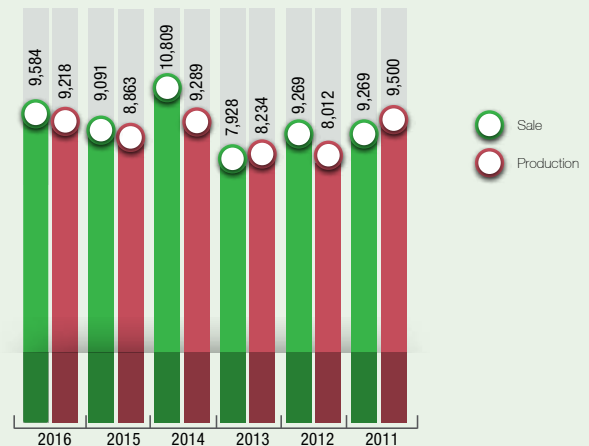
**Liquid Chlorine**  
(Quantity "M.Ton")



**Hydrochloric Acid**  
(Quantity "M.Ton")



**Cotton yarn converted into 20/s count**  
Quantity (Kgs) "000"



**Acknowledgment:**

“Our people are our strength and key drivers behind all our achievements. We acknowledge valuable contribution of every employee of the company in consistent growth and marvelous performance in the Financial Year 2016. We also cannot forget to say thanks to customers for the trust they put in our products all the time. Directors also wish to express their gratitude to the shareholders of the company and financial institutions for their support and confidence in the management.”

For and on behalf of the  
BOARD OF DIRECTORS

**Muhammad Adrees**  
Chief Executive Office  
Faisalabad.  
September 23, 2016



## مالیاتی کارکردگی

الحمد للہ دوران رواں سال آپ کی کمپنی نے تمام اشیاء کی فروخت میں 12.51 فیصد اضافہ اور 35.46 فیصد مجموعی منافع میں اضافہ کیا ہے۔ دوران سال تمام مصنوعات کی فروخت 9814 ملین روپے رہی۔ جبکہ گزشتہ سال یہ فروخت 8723 ملین روپے تھی۔ کیمیکل ڈویژن کی فروخت 8147 ملین روپے رہی۔ جبکہ پچھلے سال یہ فروخت 7132 ملین روپے تھی۔ ٹیکسٹائل ڈویژن کی فروخت 1667 ملین روپے رہی۔ جبکہ گزشتہ سال یہ فروخت 1591 ملین روپے تھی۔ دوران سال آپ کی کمپنی نے 769.22 ملین روپے خالص منافع کمایا ہے۔ جو گزشتہ سال 986.43 ملین روپے تھا۔ فی حصص آمدنی 35.90 روپے رہی۔

## مستقبل کا نقطہ نظر

الحمد للہ کول فائر پاور پلانٹ کی کامیاب تنصیب نے ہمیں حوصلہ افزائی فراہم کی ہے اور ہمیں پورا سال بلا تعطل بجلی کی فراہمی جاری رہے گی۔ یہ سہولت نئی مصنوعات کو متعارف کروانے میں معاون ثابت ہوگی۔

## اعتراف

ہم اپنے قابل قدر کاروباری شراکت داروں اور سٹیک ہولڈرز کا ان کی مسلسل حمایت، اعتماد اور مدد کرنے کے لیے شکر یہ ادا کرتے ہیں۔ کمپنی اپنے ملازمین کی پر جوش کوششوں، وفاداری اور لگن کے جذبے کو بے حد فخر کی نگاہ سے دیکھتی ہے۔

محمد اد ریس

چیف ایگزیکٹو آفیسر

ستارہ کیمیکل انڈسٹریز لمیٹڈ

فیصل آباد

23 ستمبر 2016

# ڈائریکٹرز رپورٹ

اللہ تعالیٰ کے بابرکت نام سے جو بہت رحم کرنے والا ہے

ستارہ کیمیکل انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے میں 30 جون 2016 کو ختم ہونے والے مالی سال کے لیے آڈیٹڈ فنانشل سٹیٹمنٹس کو پیش کر رہا ہوں۔

## مجموعی جائزہ

تمام تعریفیں اللہ تعالیٰ کے لیے ہیں جس نے ہمیں کامیابی سے مالی سال 2016 کے دوران خود انحصاری کی حکمت عملی کو پورا کرنے کی توفیق دی جس سے ہماری مصنوعات کی لائن میں اضافہ اور متنوع بنانے میں مدد ملی۔

ہم اپنے تمام سٹیک ہولڈرز کے لیے امید افزا مستقبل کی امید کرتے ہیں۔ الحمد للہ 40 میگاواٹ کول فائر پاور پلانٹ نے اپنی تجارتی پیداوار شروع کر دی ہے۔ پاکستان کے وزیر اعظم محترم میاں محمد نواز شریف صاحب نے اس کو نئے سے چلنے والے پاور پلانٹ کا 3 ستمبر 2016 کو اپنے مبارک ہاتھوں سے افتتاح فرمایا۔ اس پاور پلانٹ کی وجہ سے آپ کی کمپنی نے خود انحصاری حاصل کر لی ہے اور مناسب قیمتوں پر بلا تعطل توانائی کی دستیابی کو بھی یقینی بنایا ہے۔ جس سے آپ کی کمپنی کے منافع کو بہتر بنانے اور مارکیٹ شیئر میں اضافہ کرنے میں مدد ملے گی۔

کیلیشیم کلورائیڈ پرل پلانٹ کی تنصیب کا کام تقریباً ختم ہو گیا ہے۔ اور امید ہے کہ پلانٹ آئندہ ماہ تجارتی پیداوار شروع کر دے گا۔ حکومت نے ملک میں صنعتکاری میں بہتری لانے کے لیے بعض سنجیدہ اقدامات متعارف کروائے ہیں۔ یہی وجہ ہے کہ نئی صنعت کے لیے ٹیکس فوائد میں توسیع، صنعتی علاقوں میں بجلی کی مسلسل فراہمی اور شریعت کے قوانین پر پوری اترنے والی کمپنیوں کے لیے چھوٹ دی گئی ہے۔ امن و امان کی بہتر صورتحال، ایندھن کی کم قیمتیں، صارفین کی بہتر قوت خرید، مسلسل مونیٹرنگ پالیسی نے پاکستانی معیشت کو بہتر اڑان کے لیے سازگار ماحول مہیا کر دیا ہے۔

لیئڈ ڈویلپمنٹ کے شعبے میں حالیہ اصلاحات سے صنعتکاری کے شعبے میں تیزی دیکھنے میں آئے گی۔ تاہم زیر بحث سال کے دوران ہمسایہ ممالک اور اس سے جڑی جغرافیائی سیاسی صورتحال میں کوئی خاص بہتری دیکھنے میں نہیں آئی۔ جس کی وجہ سے برآمد کنندگان کے کاروبار پر دباؤ دیکھنے میں آ رہا ہے۔

ہم نے وقت کے ساتھ سیکھے ہوئے اصولوں سے کاروبار میں ترقی کی ہے، آپ کی کمپنی تمام سٹیک ہولڈرز اور ان کی باہمی ترقی اور پائیداری کے لیے کوشاں ہے اور اپنے ملازمین کے لیے منصفانہ محفوظ اور متنوع کام کا ماحول فراہم کرنے کے لیے پرعزم ہے



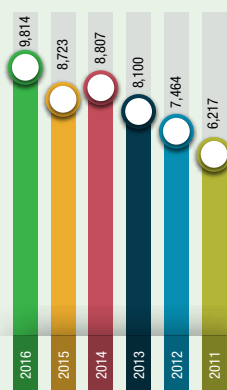
# Six Years at a Glance

Operating results (Rupees in Millions)	2016	2015	2014	2013	2012	2011
Sales	9,814	8,723	8,807	8,100	7,464	6,217
Gross profit	2,129	1,572	2,139	2,505	2,070	1,554
Operating profit	1,374	1,446	1,551	1,863	1,717	1,221
Profit before tax	1,123	1,112	1,146	1,376	984	518

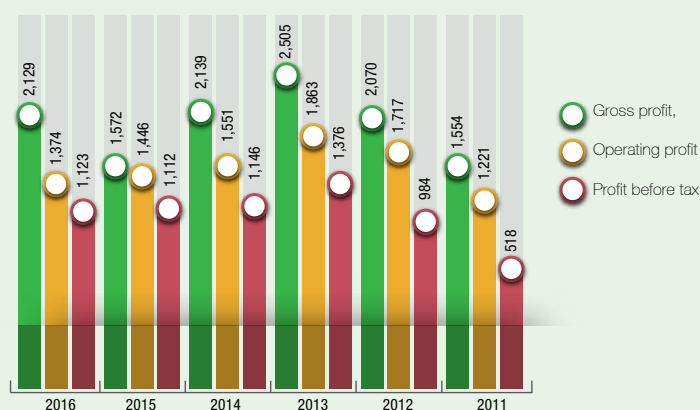
## Financial ratios

Gross Profit %	21.69	18.02	24.29	30.93	27.73	25.00
Operating Profit %	14.00	16.58	17.61	23.00	23.00	19.64
Profit before tax %	11.44	12.75	13.01	16.99	13.18	8.33
Earnings per share - Basic (Rs.)	35.90	46.03	40.19	48.40	32.13	19.97
Market value per share - (Rs.)	364.00	300.20	296.50	199.99	105.05	99.81
Cash Dividend Per Share - (Rs.)	11.50	9.00	10.50	10.00	8.00	6.25*
Inventory turn over (times)	8.44	8.94	7.05	5.85	6.03	6.72
Current ratio	0.75:1	1.04:1	0.87:1	0.73:1	0.61:1	0.87:1
Fixed assets turn over (times)	1.12	1.51	1.53	1.36	1.23	1.13
Price earning ratio	10.14	6.52	7.38	4.14	3.27	5.00
Return to capital employed %	9.71	10.96	12.42	15.59	11.44	6.88
Debt equity	24:76	14:86	17:83	21:79	33:67	42:58

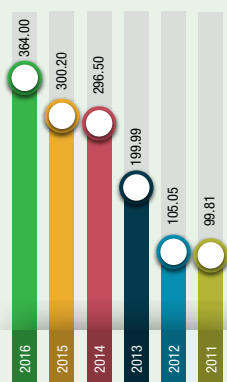
**Sales**  
(Rs in Million)



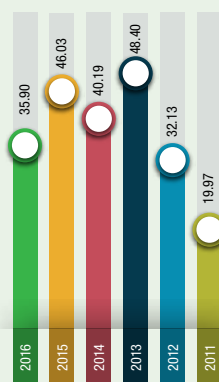
**Gross profit, Operating profit & Profit before tax**  
Rupees in millions



**Market Value per Share - (Rs.)**



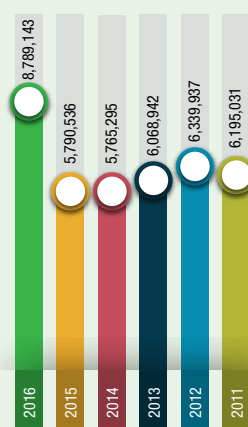
**Earnings per share - Basic (Rs.)**



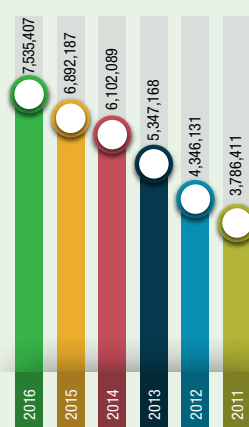
# Six Years at a Glance

Assets employed (Rupees in Millions)	2016	2015	2014	2013	2012	2011
Property, Plant and equipment	8,789,143	5,790,536	5,765,295	6,068,942	6,339,937	6,195,031
Intangible assets	14,544	16,159	17,955	19,950	-	-
Investment property	2,872,992	2,716,463	3,004,815	2,868,379	2,820,036	1,576,856
Long Term Investment	100,125	99,192	68,280	63,431	67,608	-
Advances and deposits	1,376,035	1,375,492	928,309	929,735	937,791	229,142
Current assets	4,702,364	4,446,080	3,601,755	3,008,549	2,475,187	3,262,718
Current liabilities	(6,286,868)	(4,293,654)	(4,160,633)	(4,135,006)	(4,039,282)	(3,731,902)
	11,568,335	10,150,268	9,225,776	8,823,980	8,601,277	7,531,845
Financed by						
Ordinary capital	214,294	214,294	214,294	214,294	214,294	214,294
Reserves	7,321,113	6,677,893	5,887,795	5,132,874	4,131,837	3,572,117
Shareholders' equity	7,535,407	6,892,187	6,102,089	5,347,168	4,346,131	3,786,411
Surplus on revaluation	1,355,695	1,305,696	1,347,409	1,429,501	1,521,196	920,622
Long term and deferred liabilities	2,677,233	1,952,385	1,776,278	2,047,311	2,733,950	2,824,812
	11,568,335	10,150,268	9,225,776	8,823,980	8,601,277	7,531,845

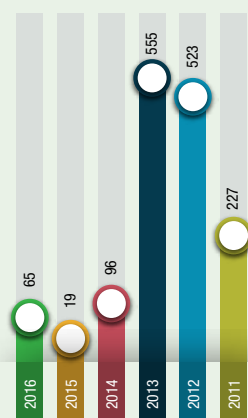
**Fixed assets**  
Rupees "000"



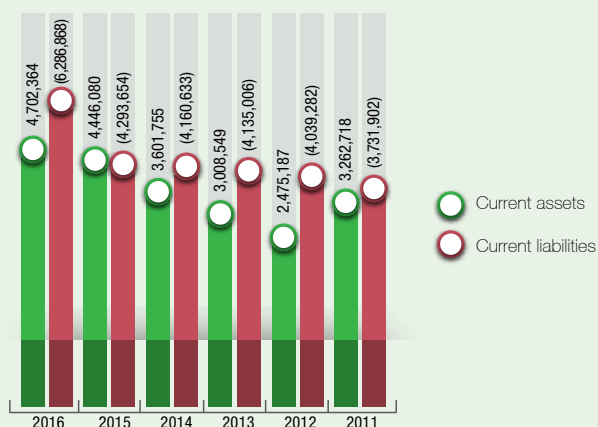
**Shareholders' equity**  
Rupees "000"



**Export Sales**  
Rupees in millions



**Current assets & Current liabilities**  
Rupees in "000"





# Corporate Governance

## Statement of Directors' Responsibilities

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

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

## Presentation of Financial Statements

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

## Books of Account

Company has maintained proper books of account.

## Accounting Policies

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

## Application of International Accounting Standards

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

## Internal Control System

System of internal control is sound in design and has been effectively implemented and monitored.

## Taxation

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

## Going Concern

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

## Audit Committee

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

## Human Resource and Remuneration Committee

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

# Statement of Compliance

with the Code of Corporate Governance  
for the year ended June 30, 2016.

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulations of Pakistan Stock Exchange (PSX) for the purpose of establishing framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interests on the Board of Directors (the Board). At present the Board comprises of:

Category	Names
Independent	Mr. Abdul Awwal
Executive	Mr. Muhammad Adrees Mr. Haseeb Ahmed
Non-executive	Mr. Waheed Akhter Sher Mr. Muhammad Yousuf Adil Mr. Muhammad Khalil Mr. Muneeb ul Haq

The independent directors meet the criteria of independence under clause 5.19.1 (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on board of more than seven listed companies, including this Company.
3. All the resident 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 Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One (1) casual vacancy occurred on the board during the year which was filled within 90 days.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in clause (xi) of CCG, one of the seven Directors of the Company is exempted from the requirement of directors' training program, while Five directors have got certified with directors training program upto June 30, 2016 and remaining one director will complete his training within stipulated time.
10. There has been no change in the position of CFO, Company Secretary and Head of Internal Audit during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company

# Statement of Compliance

with the Code of Corporate Governance  
for the year ended June 30, 2016.

other than that disclosed in the pattern of shareholding.

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

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

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

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

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

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance

with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

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

23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

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

Faisalabad  
September 23, 2016



**Muhammad Adrees**  
Chief Executive Officer



# Pattern of Shareholding

for the year ended June 30, 2016

Number of Shareholders	Shareholdings		Total Number of Shares
	From	To	
962	1	100	24,388
474	101	500	113,775
163	501	1,000	111,928
118	1,001	5,000	273,315
27	5,001	10,000	191,603
9	10,001	15,000	116,857
3	15,001	20,000	53,224
4	20,001	25,000	90,075
1	25,001	30,000	27,600
2	30,001	35,000	61,601
3	40,001	45,000	129,422
1	45,001	50,000	45,565
1	50,001	55,000	50,609
2	55,001	60,000	117,114
2	65,001	70,000	130,764
1	70,001	75,000	74,700
1	80,001	85,000	84,210
1	85,001	90,000	85,234
1	105,001	110,000	107,000
1	110,001	115,000	112,775
2	120,001	125,000	242,550
1	145,001	150,000	150,000
1	210,001	215,000	214,338
1	310,001	315,000	314,555
1	370,001	375,000	373,346
1	375,001	380,000	375,540
1	390,001	395,000	395,000
1	520,001	525,000	520,814
1	665,001	670,000	666,216
1	900,001	905,000	904,386
1	1,875,001	1,880,000	1,878,500
1	13,390,001	13,395,000	13,392,402
1790			21,429,406

# Pattern of Shareholding

for the year ended June 30, 2016

	Number	Shares Held	Percentage
National Bank of Pakistan - Trustee Department Investment Corporation of Pakistan	3	717,522	3.35
Directors, CEO & their Spouse and Minor Children			
Mr. Muhammad Adrees	1	13,392,402	62.50
Mr. Haseeb Ahmed	1	375,540	1.75
Mr. Muhammad Khalil	1	525	0.00
Mr. Abdul Awal	1	500	0.00
Mr. Muneeb-ul Haq	1	500	0.00
Mr. Waheed Akhter Sher	1	500	0.00
Mr. Muhammad Yousuf Adil	1	500	0.00
Bank, Development Finance Institutions, Non Banking Finance Institutions.	7	2,400,617	11.20
Insurance Companies	2	1,299,386	6.06
Modarabas and Mutual Funds	6	205,350	0.97
Foreign Companies	2	27,900	0.13
General Public (Local)	1720	2,402,847	11.21
General Public (Foreign)	18	95,885	0.45
Associated Companies, Undertaking and Related Parties	-	-	-
Joint Stock Companies, others, etc.	22	439,797	2.05
Others	3	69,635	0.33
	1,790	21,429,406	100.00

Detail of purchase/sale of shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses/minor children during 2015-2016

Mr. Muhammad Yousuf Adil (Director of the Company) acquired 500 qualification shares during the year.  
Mr. Muneeb-ul-Haq (Director of the Company) acquired 500 qualification shares during the year.

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

a	Mr. Muhammad Adrees, Chief Executive	13,392,402
b	JS Bank Limited	1,878,500

The Board has determined threshold in respect of trading of Company's shares by executives and employees who are drawing annual basic salary of Rs. 2.4 million or more.

None of the employee of the company has made any trade of shares of the company who falls beyond the threshold of Rs. 2.4 million annual basic salary.

# Notice of Annual General Meeting

Notice is hereby given that the 35th Annual General Meeting of Sitara Chemical Industries Limited will be held at The Institute of Chartered Accountants of Pakistan (ICAP) Auditorium Hall, Chartered Accountants Avenue, Clifton, Karachi, on Friday, October 28, 2016 at 3:00 p.m. to transact the following business:

## Ordinary Business

1. To confirm the minutes of Extra Ordinary General Meeting held on July 1, 2016.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2016 together with the Reports of Auditors and Directors thereon.
3. To approve payment of Cash Dividend at the rate of 115% (Rs.11.50 per share) as recommended by the Board of Directors.
4. To appoint auditors for the year ending June 30, 2017 and to fix their remuneration.

## Special Business:

5. To approve the following resolution authorizing the company to transmit annual audited financial statements, auditors' report and directors' report etc. ("annual audited accounts") to members through CD/DVD/USB at their registered addresses as allowed by the Securities and Exchange Commission of Pakistan (SECP).

"Resolved that transmission of annual audited financial statements, auditors' report and directors' report etc. ("annual audited accounts") to members at their registered addresses in soft Form i.e. CD/DVD/USB as Notified by SECP Vide its SRO No. 470(I)/2016 dated May 31, 2016 be and is hereby approved"

6. To propose and if thought fit, pass with or without modification, the following Special Resolution, to make addition in the object clause of Memorandum of Association of the Company subject to the approval of the Securities and Exchange Commission of Pakistan u/s 21 of the Companies Ordinance, 1984:

"Resolved that new sub clauses 70 to 74 be and are hereby added in Clause III of the Memorandum of Association and the existing sub-clauses 70 and 71 be and are hereby renumbered accordingly.

Further resolved that the Chief Executive / Company Secretary of the Company be and is hereby authorized to do all acts to effect the Special Resolution for the purpose of addition / alteration to be made in the Memorandum of Association of the Company and to appoint any other person or firm in this respect, on behalf of the Company."

7. To transact any other ordinary business of the Company with the permission of the Chair.

By order of the Board

**Karachi**

Dated : September 23, 2016

**MAZHAR ALI KHAN**

Company Secretary



# Notice of Annual General Meeting

## NOTES:

### 1. CLOSURE OF SHARE TRANSFER BOOKS.

The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from October 22, 2016 to October 28, 2016 (both days inclusive). Transfers received in order at the Share Registrar Office of the company by the close of business on October 21, 2016 will be treated in time for the purpose of payment of cash dividend, if approved by the shareholders.

### 2. PARTICIPATION IN THE ANNUAL GENERAL MEETING.

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

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

#### a) For attending the meeting:

- i) In case of individuals, the account holders or sub-account holders and their registration details are uploaded as per the regulations, shall authenticate their identity by showing their original Computerized National Identity Card (CNIC), or Original Passport at the time of attending the meeting.
- ii) In case of Corporate Entities, the Board of Directors' resolution/power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.

#### b) For appointing proxies:

- i) In case of individuals, the account holders or sub account holders and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form. The proxies shall produce their original CNIC or original passport at the time of meeting.
- ii) In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the company's registrar.
- iii) Form of proxy is attached to the notice of meeting being sent to the members

#### 4(a) In compliance with the directives issued by the Securities and Exchange Commission of Pakistan and/or Federal Board of Revenue from time to time, members who have not yet provided their dividend mandate information and CNIC and/or NTN number (as the case may be) are requested to kindly provide the same at their earliest as follows:

- i. The shareholders who hold company's shares in physical form are requested to submit the above information to the Share Registrar at the address mentioned above.
- ii. Shareholders maintaining the shareholdings under Central Depository System (CDS) are advised to submit the above information directly to relevant Participant/CDC Investor Account Service.

Members are also requested to update their tax paying status (Filer/Non-Filer) to the Company's Share Registrar. The above information may please be provided as follows:

Folio/ CDS ID/AC #	Name	National Tax #	CNIC # (In case of individuals)	Income Tax return for the year 2015 filed (Yes or No.)
--------------------	------	----------------	---------------------------------	--

This would enable us to process future dividend payments, if any, in accordance with the tax payment status of the members. The rates of deduction of Income tax under Section 150 of the Income Tax Ordinance, 2001 from dividend payment have been revised as follows:

1. Rate of tax deduction for filer of income tax returns	12.50%
2. Rate of tax deduction for non-filer of income tax returns	20.00%

- (b) The FBR has clarified that where the shares are held in joint accounts/names, each account/ joint holder will be treated individually as either a filer or a non-filer and tax will be deducted according to his/her shareholding. The shareholders, who are having joint shareholding status, are requested to kindly intimate their joint shareholding to the Share Registrar of the Company M/s. THK Associates (Pvt) Limited in the following format:

Folio/ CDC A/c No.	Name of Shareholders (principle/ joint holders)	No. of Shares or percentage (Proportion)	CNIC No.	Signature

- The audited financial statements of the Company for the year ended June 30, 2016 have been placed at the Company's website.
- The SECP has initiated e-dividend mechanism through its Notification 8(4)SM/CDC/2008 dated April 05, 2013. In order to avail benefits of e-dividend shareholders are hereby advised to provide details of their bank mandate specifying: (i) title of account, (ii) account number, (iii) bank name, (iv) branch name,, code and address to Company's Share Registrar M/s. THK Associates (Pvt.) Ltd. Shareholders who hold shares with Participants / Central Depository Company of Pakistan (CDC) are advised to provide the mandate to the concerned Broker /CDC.
- The SECP The SECP has under and pursuant to SRO No. 787(I)/2014 dated September 8, 2014, permitted companies to circulate their annual balance sheet and profit and loss accounts, auditor's report and directors' report etc ("Annual Report") along with the Notice of Annual General Meeting ("Notice") to its shareholders by email. Shareholders of the Company who wish to receive the Company's Annual Report and notices of Annual General Meeting by email are requested to provide their email addresses to the Company's Share Registrar, THK Associates (Private) Limited.
- The Securities and Exchange Commission of Pakistan (SECP) vide their SRO 779(1)/2011 dated August 18, 2011, SRO 831(1)2012 of 5TH July 2012, SRO 19(1)/2014 dated January 10, 2014 and SRO 275(1)/2016 dated

# Notice of Annual General Meeting

March 31, 2016 has directed the company to print your CNIC number on your dividend warrants and if your CNIC number is not available in our records, your dividend warrant will not be issued / dispatched to you. In order to comply with the regulatory requirement, you are requested to kindly send photocopy of your CNIC to your Participant / Investor Account Services or (in case of physical shareholding) to Company's Share Registrar, THK Associates (Pvt) Limited.

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

## **STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984 PERTAINING TO THE SPECIAL BUSINESS**

### **Item No.5 of the Agenda**

The SECP has allowed companies through SRO 470(1)/2016 Dated May 31, 2016 to circulate the annual audited financial statements, auditors' report and directors' report etc. ("annual accounts") to its members through CD/DVD/USB at their registered addresses after approval by members. Printed copy of above referred statements shall be provided to such members who opt for having hard copy.

### **Item No.6 of the Agenda**

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

The proposed sub clauses 70 to 74 of the object clause to be added in the Memorandum of Association are as under:

- 70.** To carry on the business of running Radio and Television channels running on radio wave frequency as well as on satellite signal. Making documentary and recording program and functional, religious, reality show, feature film, serial, drama, and different other program which can be broadcasted or telecasted. To carry on the business of participating for broadcasting right of national and international event, games and all other activity which can be broadcasted and/or telecasted. To carry on business of opening a Radio and/or Television news, music, cinema, reality, religious, knowledge, devotional, health, entertainment, educational, science, exploration, travel, historical, fashion promotion, sports, motoring, wrestling and other channels .
- 71.** To carry on the business of all sorts of telecommunication and broadcasting, telecasting, relaying, transmitting, distributing or running any video, audio, voice, or other programmes or software, (both proprietary and third party) over television, radio, internet, telecom or any other media.
- 72.** To carry on the business of Cable services encompassing distribution, relaying, transmission of signals including but not limited to TV, voice over Internet Protocol, Video On Demand or any other services through cable within and outside Pakistan by means of any system.
- 73.** To offer internet based services including but not limited to offering international and domestic voice, voice-over-internet protocol (VOIP), Broadband internet, wireless, data and hosting services to business and residential retail customers and other carriers located in the territory of Pakistan and to apply and obtain licenses to carry on these objects.
- 74.** To create/raise infrastructure of dark fibers, right of way, duct space & tower for relaying and transmission of signals for internet and telecom based cable services to end subscribers and customers in Pakistani territory, to offer such infrastructure to others business establishment on lease and commercial terms and to apply and obtain licenses to carry on these objects.



Auditors' Report  
and Financial  
Statements

2016



ings

67,228,166

Dividends  
41%

\$ 13,946,511

6,504,606

1,960,477

7,736,223

5,825,769

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35,973,586

\$ 31,254,580

\$ 3,599,566

\$ 27,655,014

# Auditors' Report

to the members

We have audited the annexed balance sheet of SITARA CHEMICAL INDUSTRIES LIMITED (the Company) as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company in respect of as required by 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 Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

*Deloitte Jousuf Akht*

Chartered Accountants

Engagement Partner: Rana M. Usman Khan  
Lahore  
Date: September 23, 2016

# Review Report

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **SITARA CHEMICAL INDUSTRIES LIMITED** (the Company) for the year ended June 30, 2016 to comply with the regulations of the Pakistan Stock Exchange where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

*Deloitte Jousuf Advit*

Chartered Accountants

Engagement Partner: Rana M. Usman Khan

Lahore

Date: September 23, 2016



# Balance Sheet

as at June 30, 2016

	Note	2016	2015
		Rupees	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	8,789,142,634	5,790,535,775
Intangible assets	6	14,543,550	16,159,500
Investment property	7	2,872,992,031	2,716,463,181
Long term investments	8	100,125,447	99,192,142
Long term loans and advances	9	1,265,176,666	1,265,059,329
Long term deposits	10	110,858,087	110,433,287
		13,152,838,415	9,997,843,214
<b>Current assets</b>			
Stores, spare parts and loose tools	11	413,630,215	380,378,519
Stock in trade	12	1,103,513,578	717,460,100
Trade debts	13	1,124,985,220	1,187,078,233
Advance sales tax		61,213,694	24,617,271
Loans and advances	14	1,597,383,728	1,658,999,791
Trade deposits and prepayments	15	6,579,875	7,777,958
Other receivables	16	9,563,828	11,726,462
Other financial assets	17	197,069,564	201,064,597
Cash and bank balances	18	188,424,647	256,977,410
		4,702,364,349	4,446,080,341
<b>Total assets</b>		<b>17,855,202,764</b>	<b>14,443,923,555</b>



Muhammad Adrees  
Chief Executive Officer



Haseeb Ahmed  
Director

	Note	2016	2015
		Rupees	
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	19	214,294,070	214,294,070
Reserves	20	1,362,766,177	1,363,581,652
Un-appropriated profit		5,958,346,996	5,314,312,674
<b>Total equity</b>		<b>7,535,407,243</b>	<b>6,892,188,396</b>
Surplus on revaluation of property, plant and equipment	21	1,355,694,582	1,305,695,730
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term financing	22	1,655,406,665	858,000,824
Long term deposits	23	3,885,303	9,920,553
Deferred liabilities	24	1,017,941,286	1,084,464,281
		2,677,233,254	1,952,385,658
<b>Current liabilities</b>			
Trade and other payables	25	2,790,765,212	2,121,584,542
Profit / financial charges payable	26	82,952,314	55,225,614
Short term borrowings	27	2,672,033,974	1,836,486,471
Current portion of long term financing	22	741,116,185	280,357,144
		6,286,867,685	4,293,653,771
Contingencies and commitments	28		
<b>Total equity and liabilities</b>		<b>17,855,202,764</b>	<b>14,443,923,555</b>

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



Muhammad Adrees  
Chief Executive Officer



Haseeb Ahmed  
Director

# Profit and Loss Account

for the year ended June 30, 2016

	Note	2016	2015
		Rupees	
Sales - net	29	9,813,778,375	8,722,879,814
Cost of sales	30	(7,684,836,486)	(7,151,198,900)
Gross profit		2,128,941,889	1,571,680,914
Distribution cost	31	(224,860,975)	(230,737,924)
Administrative expenses	32	(512,805,184)	(442,810,106)
Other operating expenses	33	(83,327,970)	(82,637,992)
Finance cost	34	(250,950,254)	(333,242,327)
		(1,071,944,383)	(1,089,428,349)
		1,056,997,506	482,252,565
Other income	35	62,356,299	632,761,496
		1,119,353,805	1,115,014,061
Share of profit / (loss) of associates - net of tax	8.1	3,703,016	(2,571,094)
		1,123,056,821	1,112,442,967
Provision for taxation	36	(353,835,282)	(126,011,653)
Profit for the year		769,221,539	986,431,314
Earnings per share - basic and diluted	37	35.90	46.03

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



Muhammad Adrees  
Chief Executive Officer



Haseeb Ahmed  
Director

# Statement of Comprehensive Income

for the year ended June 30, 2016

	2016	2015
	Rupees	
Profit for the year	769,221,539	986,431,314
<i>Items that may be reclassified subsequently to profit and loss</i>		
Surplus / (Deficit) on re-measurement of investments available for sale to fair value	2,388,067	(5,799,350)
Reclassification adjustments relating to available-for-sale financial assets disposed off during the year	(2,770,518)	(38,868,396)
Total items that may be reclassified subsequently to profit and loss	(382,451)	(44,667,746)
<i>Item that will not be reclassified to profit or loss</i>		
Remeasurement of post retirement benefits obligation	(627,571)	(2,725,232)
Impact of deferred tax	194,547	872,074
Total items that will not be reclassified to profit and loss	(433,024)	(1,853,158)
Total comprehensive income for the year	<u>768,406,064</u>	<u>939,910,410</u>

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



Muhammad Adrees  
Chief Executive Officer



Haseeb Ahmed  
Director



# Cash Flow Statement

for the year ended June 30, 2016

	Note	2016	2015
		Rupees	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		1,123,056,821	1,112,442,967
Adjustments for:			
Depreciation on property, plant and equipment		492,673,165	520,367,814
Depreciation on investment property		5,518,129	6,114,502
Amortization on intangible assets		1,615,950	1,795,500
Finance cost		250,950,254	333,242,327
Share of (profit) / loss of associates - net of tax		(3,703,016)	2,571,094
(Gain) / Loss on disposal of property, plant and equipment		(859,980)	(6,917,546)
(Gain) on disposal of investment property		-	(527,223,473)
(Gain) on sale of available for sale investments		(2,770,518)	(42,818,478)
Provision for employee benefits		8,184,388	10,252,108
Provision for doubtful debts		11,675,480	52,295
Profit on bank deposits		(9,490,786)	(16,983,632)
Dividend income		(5,550,566)	(9,726,214)
Operating cash flows before changes in working capital		1,871,299,321	1,383,169,264
Working capital changes	42	247,856,017	(45,268,839)
Cash generated from operations		2,119,155,338	1,337,900,425
Finance cost paid		(223,223,554)	(338,482,518)
Employee benefits paid		(5,418,240)	(5,458,595)
Taxes paid		(389,585,853)	(434,939,043)
Profit received		9,490,786	16,983,632
		(608,736,861)	(761,896,524)
Net cash from operating activities		1,510,418,477	576,003,901



Muhammad Adrees  
Chief Executive Officer



Haseeb Ahmed  
Director

# Cash Flow Statement

for the year ended June 30, 2016

	Note	2016	2015
		Rupees	
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		4,723,339	19,727,591
Proceeds from disposal of investment property		-	22,210,464
Proceeds from disposal of available for sale investments		4,803,142	129,813,675
Additions to property, plant and equipment		(3,328,794,989)	(558,418,132)
Purchase of available for sale investments		1,579,958	(140,901,019)
Purchase of investment property		(162,046,979)	(58,188,305)
Long-term loans and advances		(117,337)	-
Long term deposits		(424,800)	-
Dividend received		5,550,566	9,726,214
Net cash used in investing activities		(3,474,727,100)	(576,029,512)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		1,538,521,518	572,287,040
Payment of long term financing		(280,356,638)	(690,278,945)
Short term borrowings-net		835,547,503	153,842,148
Long term deposits		(6,035,250)	3,534,694
Dividend paid		(191,921,273)	(219,149,384)
Net cash used in financing activities		1,895,755,860	(179,764,447)
Net decrease in cash and cash equivalents (A+B+C)		(68,552,763)	(179,790,058)
Cash and cash equivalents at beginning of the year		256,977,410	436,767,468
Cash and cash equivalents at end of the year	18	188,424,647	256,977,410

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



Muhammad Adrees  
Chief Executive Officer



Haseeb Ahmed  
Director

# Statement Of Changes In Equity

for the year ended June 30, 2016

	Capital reserves				Revenue reserves			Total
	Share capital	Share premium	Reserve on re-measurement of available for sale investments	re-measurement on post retirement benefits obligation - net of tax	General reserve	Un-appropriated profit		
	Rupees							
Balance at July 01, 2014	214,294,070	97,490,410	91,692,060	(4,079,914)	1,225,000,000	4,477,692,982	6,102,089,608	
Total comprehensive income Profit for the year	-	-	-	-	-	986,431,314	986,431,314	
Other comprehensive income Surplus on re-measurement of investments available for sale at fair value Remeasurement of post retirement benefits - net of tax	-	-	(44,667,746)	(1,853,158)	-	-	(44,667,746) (1,853,158)	
Total other comprehensive income	-	-	(44,667,746)	(1,853,158)	-	-	(46,520,904)	
Total comprehensive income	-	-	(44,667,746)	(1,853,158)	-	986,431,314	939,910,410	
Transfer to un-appropriated profit on account of incremental depreciation - net of tax	-	-	-	-	-	75,197,152	75,197,152	
Transactions with owners Final dividend for the year ended June 30, 2014 @ Rs. 10.5 per share	-	-	-	-	-	(225,008,774)	(225,008,774)	
Balance as at June 30, 2015	214,294,070	97,490,410	47,024,314	(5,933,072)	1,225,000,000	5,314,312,674	6,892,188,396	
Balance at July 01, 2015	214,294,070	97,490,410	47,024,314	(5,933,072)	1,225,000,000	5,314,312,674	6,892,188,396	
Total comprehensive income Profit for the year	-	-	-	-	-	769,221,539	769,221,539	
Other comprehensive income Re-measurement of investments available for sale at fair value Remeasurement of post retirement benefits - net of tax	-	-	(382,451)	(433,024)	-	-	(382,451) (433,024)	
Total other comprehensive income	-	-	(382,451)	(433,024)	-	-	(815,475)	
Total comprehensive income	-	-	(382,451)	(433,024)	-	769,221,539	768,406,064	
Transfer to un-appropriated profit on account of incremental depreciation - net of tax	-	-	-	-	-	67,677,437	67,677,437	
Transactions with owners Final dividend for the year ended June 30, 2015 @ Rs. 9 per share	-	-	-	-	-	(192,864,654)	(192,864,654)	
Balance as at June 30, 2016	214,294,070	97,490,410	46,641,863	(6,366,096)	1,225,000,000	5,958,346,996	7,535,407,243	

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

  
Muhammad Adrees  
Chief Executive Officer

  
Haseeb Ahmed  
Director

# Notes to the Financial Statements

for the year ended June 30, 2016

## 1. GENERAL INFORMATION

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

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

Principal business activities are as follows:

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

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

## 2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

### 2.1 Statement of compliance

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

### 2.2 Standards, interpretation and amendment adopted during the year

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

2.2.1 The following standards, amendments and interpretations are effective for the year ended June 30, 2016. These standards, interpretations and the amendments are either not relevant



# Notes to the Financial Statements

for the year ended June 30, 2016

to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

IFRS 10 – Consolidated Financial Statements	Effective from accounting period beginning on or after January 01, 2015
IFRS 11 – Joint Arrangements	Effective from accounting period beginning on or after January 01, 2015
IAS 27 (Revised 2011) – Separate Financial Statements	Effective from accounting period beginning on or after January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	Effective from accounting period beginning on or after January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	Effective from accounting period beginning on or after January 01, 2015

IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps to evaluate the nature of and risks associated with the reporting entity's interest in other entities and the effects of those interests on its financial statements. The application of IFRS 12 did not have an impact on the financial statements of the Company, except for certain additional disclosures (refer note 8.1.1 & 8.1.2 ).

IFRS 13 – Fair Value Measurement	Effective from accounting period beginning on or after January 01, 2015
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IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied. The application of IFRS 13 did not have an impact on the financial statements of the Company, except for certain additional disclosures (refer note 5.5 & 38.4.1).

# Notes to the Financial Statements

for the year ended June 30, 2016

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

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

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	Effective from accounting period beginning on or after January 01, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective date is deferred indefinitely. Earlier adoption is permitted
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	Effective from accounting period beginning on or after January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	Effective from accounting period beginning on or after January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	Effective from accounting period beginning on or after January 01, 2017

# Notes to the Financial Statements

for the year ended June 30, 2016

Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	Effective from accounting period beginning on or after January 01, 2016

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

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

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

### 3. SIGNIFICANT ESTIMATES

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

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables, slow moving inventory, measurement of defined benefit obligations and assumptions used in discounted cash flow projections for deferred sale receivable. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the

# Notes to the Financial Statements

for the year ended June 30, 2016

financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of preparation

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

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

The principal accounting policies adopted are set out below :

### 4.2 Property, plant and equipment

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

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

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

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

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

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

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



# Notes to the Financial Statements

for the year ended June 30, 2016

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

## Capital work-in-progress

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

## 4.3 Intangible Assets

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

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

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

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

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

## 4.4 Investment property

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

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

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

# Notes to the Financial Statements

for the year ended June 30, 2016

## 4.5 Investments

### Regular way purchase or sale of investments

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

### Investment in associates

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

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

### Available for sale

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

### De-recognition

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

## 4.6 Stores, spare parts and loose tools

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

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

## 4.7 Stock-in-trade

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

# Notes to the Financial Statements

for the year ended June 30, 2016

Raw and packing materials	Average cost except for those in transit which are stated at invoice price plus other charges paid thereon up to the balance sheet date.
Work-in-process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realizable value

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

## 4.8 Trade debts and other receivables

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

## 4.9 Cash and cash equivalents

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

## 4.10 Impairment

### Non Financial Assets

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

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

### Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence

# Notes to the Financial Statements

for the year ended June 30, 2016

indicates that one or more events had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets or securities are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

## 4.11 Borrowings

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

## 4.12 Employee retirement benefits

### Defined contribution plan - Chemical division

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

### Defined benefit plan - Textile division

The Company operates an unfunded gratuity scheme for all those permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provision is made to cover the obligation under scheme on the basis of actuarial valuation and is charged to income. The most recent Actuarial Valuation was carried out at June 30, 2016 using "Projected Unit Credit Method". The amount recognized in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

## 4.13 Trade and other payables

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

## 4.14 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.



# Notes to the Financial Statements

## for the year ended June 30, 2016

However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 4.15 Taxation

#### Current

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

#### Deferred

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

Deferred tax liabilities are generally recognised for taxable temporary differences.

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

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

### 4.16 Dividend and other appropriations

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

### 4.17 Financial instruments

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

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

# Notes to the Financial Statements

for the year ended June 30, 2016

## 4.18 Revenue recognition

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

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

## 4.19 Borrowing costs

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

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

## 4.20 Foreign currencies

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

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

## 4.21 Segment Reporting

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

# Notes to the Financial Statements

for the year ended June 30, 2016

be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

## 4.22 Off setting of financial assets and financial liabilities

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

## 4.23 Earnings per share

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

# Notes to the Financial Statements

for the year ended June 30, 2016

5. PROPERTY, PLANT AND EQUIPMENT	Note	2016		2015	
		Rupees		Rupees	
Operating assets	5.1	5,307,232,629	5,439,242,497		
Capital work-in-progress	5.8	3,481,910,005	351,293,278		
		<u>8,789,142,634</u>	<u>5,790,535,775</u>		

## 5.1 Operating assets - as at June 30, 2016

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



# Notes to the Financial Statements

for the year ended June 30, 2016

## Operating assets - as at June 30, 2015

Description	At July 01, 2014		Cost / revalued amount		As at June 30, 2015		As at July 01, 2014		Charge for the year / (on disposals)		Accumulated depreciation		Book value as at June 30, 2015	Rate (%)
	At July 01, 2014	Additions / (disposals)	(Write offs) / Transfer	As at June 30, 2015	As at July 01, 2014	Year / (on disposals)	(Write offs) / Transfer	At June 30, 2015	Rate (%)					
Freehold land	628,362,000	-	-	625,816,000	-	-	-	-	-	-	-	-	625,816,000	
Building on freehold land:		(2,000,000)	(546,000)											
Mill	641,848,252	19,713,320	546,000	659,923,472	115,094,151	52,748,010	-	166,766,885	493,156,587	10				
Head office	12,238,041	(2,184,100)	-	12,238,041	10,004,588	223,345	-	10,227,933	2,010,108	10				
Plant and machinery	5,193,889,390	215,579,424	(783,220)	5,405,274,008	925,888,010	431,261,260	(665,416)	1,355,059,723	4,050,214,285	10				
Grid station and electric installation	217,738,937	5,800	-	217,744,737	136,159,661	8,157,979	-	144,317,640	73,427,097	10				
Containers and cylinders	80,608,742	(10,861,278)	-	69,747,464	34,927,530	4,516,016	-	34,225,306	35,522,158	10				
Factory equipment	60,168,389	3,645,820	(210,575)	63,603,634	30,298,596	3,166,342	(183,175)	33,281,763	30,321,871	10				
Electric equipment	54,700,865	10,904,806	(1,147,506)	64,458,165	19,052,189	3,888,665	(632,106)	22,308,748	42,149,417	10				
Office equipment	43,045,810	3,859,342	(1,393,167)	45,511,985	24,437,808	2,073,333	(1,044,500)	25,466,641	20,045,344	10				
Furniture and fittings	23,204,434	1,698,148	-	24,902,582	11,030,837	1,289,755	-	12,320,592	12,581,990	10				
Vehicles	159,383,214	9,914,145	3,411,586	155,038,641	100,303,686	13,043,109	1,424,131	101,041,001	53,997,640	20				
	7,115,188,074	265,320,805	(2,751,248)	7,344,258,729	1,407,197,056	520,367,814	(1,859,781)	1,905,016,232	5,439,242,497					
		(33,498,902)				(20,688,857)								

	Note	2016	2015
		Rupees	
Cost of sales	30	462,033,207	490,438,744
Administrative expenses	32	30,639,754	29,929,070
		<u>492,672,961</u>	<u>520,367,814</u>

5.2 Depreciation for the year has been allocated as under:

# Notes to the Financial Statements

for the year ended June 30, 2016

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

#### Land

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

#### Buildings

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

#### Machinery (Textile)

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

#### Machinery (Chemical)

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

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

- 5.4 The revaluation surplus, net of deferred tax, is credited to surplus on revaluation of property, plant and equipment.
- 5.5 The revaluation performed at June 30, 2016 has resulted in a further surplus of Rs. 166 million. Out of the total revaluation surplus of Rs. 1,491 million, Rs. 1,294 million net of tax (June 2015: Rs. 1,246 million) remains undepreciated as at June 30, 2016.

Details of the Company's revalued assets and information about fair value hierarchy, as at June 30, 2016 are as follows.

	Level 1	Level 2	Level 3	Total
		Rupees		
Land - freehold	-	673,431,000	-	673,431,000
Buildings on freehold land	-	514,926,000	-	514,926,000
Plant and machinery	-	3,850,433,000	-	3,850,433,000

# Notes to the Financial Statements

## for the year ended June 30, 2016

5.6 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at June 30, 2016 would have been as follows:

	Cost Rupees	Accumulated depreciation Rupees	Book Value Rupees
Land	227,207,929	-	227,207,929
Buildings on free hold land	623,950,791	189,586,233	434,364,558
Plant and Machinery	4,217,426,681	1,330,853,173	2,886,573,508
<b>2016</b>	<b>5,068,585,401</b>	<b>1,520,439,406</b>	<b>3,548,145,995</b>
<b>2015</b>	<b>5,159,772,089</b>	<b>1,152,314,423</b>	<b>4,007,457,666</b>

5.7 The following assets were disposed off during the year:

Description	Revalued amount / cost	Accumulated depreciation	Carrying value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees						
<b>Plant &amp; machinery</b>						
Fork Lifter	2,007,000	1,079,717	927,283	450,427	Negotiations	Muhammad Adeel
<b>Factory Equipment</b>						
Spectrophotometer	445,000	136,690	308,310	50,000	Negotiations	Business Dynamic Enterprises
<b>Electric Equipment</b>						
Air Conditioners	944,645	570,275	374,370	149,576	Negotiations	Muhammad Shafi
<b>Office Equipment</b>						
Epson Printers	912,995	652,143	260,852	57,350	Negotiations	Zaheer Abbas
<b>Computer Equipment</b>						
PCs Pentium-IV / Monitor LCDs	655,745	420,255	235,490	116,493	Negotiations	Zaheer Abbas
<b>Vehicles</b>						
Car Honda City	816,599	768,408	48,191	657,811	Negotiations	Muhammad Kashif
Car Toyota Corolla	1,309,230	1,169,323	139,907	725,000	Negotiations	Muhammad Saeed
Car Honda City	992,000	793,894	198,106	748,800	Negotiations	Ghafoor Bashir (Pvt) Limited
Car Honda City 1300CC	1,697,220	562,346	1,134,874	1,527,263	Insurance Claim	Adamjee Insurance
Car Honda Civic	1,421,124	1,185,149	235,975	240,618	Negotiations	Sitara Spinning Mills Limited
<b>2016</b>	<b>11,201,558</b>	<b>7,338,199</b>	<b>3,863,358</b>	<b>4,723,338</b>		
<b>2015</b>	<b>33,498,902</b>	<b>20,688,857</b>	<b>12,810,045</b>	<b>19,727,591</b>		

# Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016	2015
		Rupees	
<b>5.8 Capital work-in-progress</b>			
Civil work		725,276,475	237,498,148
Plant and machinery including in transit		2,694,906,541	72,412,385
Advance for property, plant and equipment		21,662,764	18,942,514
Major spare parts and stand-by equipment qualifying as property, plant and equipment		40,064,225	22,440,231
		<u>3,481,910,005</u>	<u>351,293,278</u>
<b>6. INTANGIBLE ASSETS</b>			
Computer software		21,000,000	21,000,000
Accumulated amortization	6.1	(6,456,450)	(4,840,500)
		<u>14,543,550</u>	<u>16,159,500</u>
<b>6.1</b>	Computer software are being amortized using reducing balance method.		
		2016	2015
	Note	Rupees	
<b>7. INVESTMENT PROPERTY</b>			
Land	7.1	2,819,104,635	2,657,057,656
Building	7.2	53,887,396	59,405,525
		<u>2,872,992,031</u>	<u>2,716,463,181</u>
<b>7.1 Land</b>			
Balance at beginning of the year		2,657,057,656	2,939,295,351
Add:			
Acquisitions during the year		162,046,979	874,314,695
Less:			
Disposal during the year		-	(1,156,552,390)
Balance at end of year		<u>2,819,104,635</u>	<u>2,657,057,656</u>
<b>7.2 Building</b>			
Cost		77,920,666	77,920,666
Accumulated depreciation			
At the beginning of year		18,515,141	12,400,639
For the year	32	5,518,129	6,114,502
At the end of year		24,033,270	18,515,141
Written down value at the end of year		<u>53,887,396</u>	<u>59,405,525</u>



# Notes to the Financial Statements

for the year ended June 30, 2016

The Company has invested in freehold land, residential plots and building portions covering area of 3,229 kanals and 7 Marlas for the purpose of capital appreciation and earning rental income. These properties are situated within the Province of Punjab.

The fair value of the investment property as at June 30, 2016 is Rs 3,150 million. The fair value has been arrived at on the basis of a valuation carried out by Hamid Mukhtar & Company (Private) Ltd., an independent valuer not connected with the Company. The valuation was arrived at by reference to market evidence of transaction price for similar items.

The rental income earned by the Company from its investment property amounted to Rs. 28.011 million (2015: Rs.24.307 million).

8.	LONG TERM INVESTMENTS	Note	2016 Rupees	2015
	Investments in associates	8.1	95,125,447	94,192,142
	Other investment	8.2	5,000,000	5,000,000
			100,125,447	99,192,142
8.1	Investments in associates			
	Quoted company			
	Sitara Peroxide Limited	8.1.1	70,467,659	72,515,576
	Unquoted company			
	Takaful Pakistan Limited	8.1.2	24,657,788	21,676,566
			95,125,447	94,192,142

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

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

# Notes to the Financial Statements

for the year ended June 30, 2016

8.1.1 Sitara Peroxide Limited		2016	2015
	Note	Rupees	
Cost		38,692,338	38,692,338
Share of post acquisition loss		(19,439,628)	(20,161,425)
Share of revaluation surplus		56,451,712	59,221,426
Accumulated impairment losses		(5,236,763)	(5,236,763)
		70,467,659	72,515,576
Market value per share	Rupees	18.15	13.15
No. of shares held	Number	3,500,000	3,500,000
Ownership interest	Percent	6.35%	6.35%

Summarized financial information in respect of Sitara Peroxide Limited is set out below:

	2016	2015
	Rupees	
Non-current assets	2,195,391,184	2,379,947,727
Current assets	1,000,703,911	985,486,639
	3,196,095,095	3,365,434,366
Non-current liabilities	(989,335,279)	(1,217,993,630)
Current liabilities	(954,478,614)	(906,268,827)
	(1,943,813,893)	(2,124,262,457)
Net assets	1,252,281,202	1,241,171,909
Revenue	1,376,852,531	1,292,985,514
Profit / (loss) for the period	11,366,878	(56,500,696)
Company's share of associate's profit / (loss)	721,797	(3,587,794)

Due to non availability of annual audited financial statements of associate at the date of authorization for issue of these financial statements, equity method has been applied on latest available un-audited financial statements for nine months ended March 31, 2016, and for the quarter ended June 30, 2015. (2015: on latest available un-audited financial statements for nine months ended March 31, 2015, and for the quarter ended June 30, 2014).

8.1.2 Takaful Pakistan Limited		2016	2015
		Rupees	
Cost		30,000,000	30,000,000
Share of post acquisition loss		(5,342,212)	(8,323,434)
		24,657,788	21,676,566

# Notes to the Financial Statements

for the year ended June 30, 2016

		2016	2015
No. of shares held	Number	3,000,000	3,000,000
Ownership interest	Percent	10%	10%

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

	At March 31, 2016	At March 31, 2015
	Rupees	
Non-current assets	79,721,948	54,651,856
Current assets	500,605,060	547,147,022
	580,327,008	601,798,878
Non-current liabilities	(240,921,020)	(259,273,725)
Current liabilities	(160,990,671)	(188,330,161)
	(401,911,691)	(447,603,886)
Net assets	178,415,317	154,194,992
Revenue	275,368,662	186,480,542
Profit for the period	29,812,218	10,166,999
Company's share of associate's profit	2,981,222	1,016,700

Due to non availability of annual audited financial statements of associate at the date of authorization for issue of these financial statements, equity method has been applied on latest available un-audited financial statements for three months ended March 31, 2016, and for the nine months ended December 31, 2015. (2015: on latest available un-audited financial statements for three months ended March 31, 2015, and for nine months ended December 31, 2014).

8.2	Other Investment	Note	2016	2015
			Rupees	
	Available for sale (Unquoted - at cost)			
	Dawood Family Takaful Limited 500,000 (2015: 500,000) fully paid ordinary shares of Rs.10/- each	8.2.1	5,000,000	5,000,000

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

# Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016	2015
		Rupees	
<b>9. LONG TERM LOANS AND ADVANCES</b>			
Deferred consideration on sale of investment property			
Less: Current portion	14	1,663,223,951 (400,000,000)	1,663,223,951 (400,000,000)
Loans and advances	9.1 9.2	1,263,223,951 1,952,715	1,263,223,951 1,835,378
		<u>1,265,176,666</u>	<u>1,265,059,329</u>

9.1 In previous year, the Company entered into a sale agreement for 1,474 kanals of land, situated at 199 RB with a cooperative housing society for Rs. 2,015 million, to be recovered in installments over the period of 5 years. The sale was recognized at the present value of the receivable amounting to Rs. 1,663 million, determined using discounted cash flows method.

The progress payments in respect of the sale transaction have been delayed, however, the management is confident that the sale transaction will be executed as per the agreement and receipt of progress payments will commence during the next financial year.

The receivable is secured by way of retention of title of land which will be transferred gradually over the payment term.

	Note	2016	2015
		Rupees	
<b>9.2 Loans and advances</b>			
Considered good			
Secured			
Staff		5,225,997	2,963,428
Unsecured			
Staff		143,115	141,275
		<u>5,369,112</u>	<u>3,104,703</u>
Less: current portion shown in current assets	14. 9.2.1	3,416,397 1,952,715	1,269,325 1,835,378

9.2.1 The maximum aggregate amount due at the end of any month during the year was Rs. 3.849 million (2015 : Rs. 3.747 million).

# Notes to the Financial Statements

for the year ended June 30, 2016

10. LONG TERM DEPOSITS	Note	2016	2015
		Rupees	
Security deposits for:			
Electricity		38,775,110	38,775,110
Gas		71,599,777	71,599,777
Others		483,200	58,400
		110,858,087	110,433,287
11. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		390,501,268	344,803,163
Spare parts		21,641,629	34,138,700
Loose tools		1,487,318	1,436,656
		413,630,215	380,378,519
12. STOCK IN TRADE			
Raw and packing material		441,133,453	229,404,002
Work in process		9,670,181	8,101,608
Finished goods		642,759,036	459,787,706
Waste		9,950,908	20,166,784
		1,103,513,578	717,460,100
13. TRADE DEBTS			
Related parties - considered good			
Sitara Textile Industries Limited		23,970,194	24,502,812
Sitara Fabrics Limited		259,977	-
Sitara Peroxide Limited		3,659,556	3,555,407
Sitara Chemtek (Private) Limited		41,444,361	37,070,115
Sitara Spinning Mills Limited		10,588	30,365
Aziz Fatima Trust Hospital		266,995	155,868
	13.1	69,611,671	65,314,567
Others			
- Considered good			
Local - unsecured		1,055,373,549	1,121,763,666
- Considered doubtful			
Unsecured		35,911,976	25,036,496
		1,091,285,525	1,146,800,162
Provision for doubtful debts	13.5	(35,911,976)	(25,036,496)
		1,055,373,549	1,121,763,666
		1,124,985,220	1,187,078,233



# Notes to the Financial Statements

for the year ended June 30, 2016

13.1 These are recoverable in ordinary course of business.

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

	Upto 2 months	2 to 6 months	More than 6 months	As at June 30, 2016	As at June 30, 2015
	Rupees				
Sitara Textile Industries Limited	12,108,687	11,861,507	-	23,970,194	24,502,812
Sitara Fabrics Limited	43,421	214,295	2,261	259,977	-
Sitara Peroxide Limited	1,968,180	1,691,375	-	3,659,555	3,555,407
Sitara Chemtek (Private) Limited	-	630,927	40,813,435	41,444,362	37,070,115
Sitara Spinning Mills Limited	10,588	-	-	10,588	30,365
Aziz Fatima Trust Hospital	183,188	49,198	34,609	266,995	155,868
	<u>14,314,064</u>	<u>14,447,302</u>	<u>40,850,305</u>	<u>69,611,671</u>	<u>65,314,567</u>

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

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

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

13.5 Movement in provision for doubtful debts	Note	2016	2015
		Rupees	
At beginning of the year		25,036,496	24,984,201
Charged during the year		11,675,480	52,295
Amount recovered during the year		(800,000)	-
At end of the year	13.5.1	<u>35,911,976</u>	<u>25,036,496</u>

13.5.1 In determining the recoverability of a trade debt, the Company considers any change in the credit quality of the trade debt from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that no further provision is required.

# Notes to the Financial Statements

for the year ended June 30, 2016

14. LOANS AND ADVANCES	Note	2016	2015
		Rupees	
Current portion of long term loans and advances	9.2	3,416,397	1,269,325
Current portion of deferred consideration on sale of investment property	9.1	400,000,000	400,000,000
		<u>403,416,397</u>	<u>401,269,325</u>
Advance tax		158,854,033	238,755,873
Advances - considered good			
For expenses		9,668,847	10,468,165
Letters of credit fee, margin and expenses	14.1	633,461,400	636,731,563
Suppliers and contractors		391,983,051	371,774,865
		<u>1,035,113,298</u>	<u>1,018,974,593</u>
Advances - considered doubtful			
For expenses		49,203	49,203
Suppliers and contractors		1,876,227	10,100
Provision for doubtful advances	14.2	(1,925,430)	(59,303)
		<u>-</u>	<u>-</u>
		<u>1,597,383,728</u>	<u>1,658,999,791</u>
14.1 These include advances against L/Cs for Coal Fired Power Plant amounting Rs. 438 million ( 2015: 420 million)			
	Note	2016	2015
		Rupees	
14.2 Movement in provision for doubtful advances			
At beginning of the year		59,303	59,303
Charged during the year		1,866,127	-
At end of the year		<u>1,925,430</u>	<u>59,303</u>
15. TRADE DEPOSITS AND PREPAYMENTS			
Trade deposits		5,761,937	6,957,773
Prepayments		817,938	820,185
		<u>6,579,875</u>	<u>7,777,958</u>
16. OTHER RECEIVABLES			
Unsecured - considered good			
Related parties	16.1	6,845,732	6,243,449
Insurance claim		-	3,886,887
Others		2,718,096	1,596,126
		<u>9,563,828</u>	<u>11,726,462</u>

# Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016	2015
		Rupees	
16.1	It represents the following balances due from related parties:		
	Sitara Peroxide Limited	5,362,075	4,988,204
	Sitara Chemtek (Private) Limited	300,000	300,000
	Sitara Spinning Mills Limited	912,375	657,963
	Sitara Fabrics Limited	94,387	94,387
	Sitara Textile Industries Limited	173,994	199,994
	Sitara Trade and Services (Private) Limited	2,901	2,901
		<u>6,845,732</u>	<u>6,243,449</u>

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

17.	<b>OTHER FINANCIAL ASSETS</b>		
	Available for sale financial assets	17.1	
		197,069,564	201,064,597
		<u>197,069,564</u>	<u>201,064,597</u>

17.1 Available for sale financial assets  
Fully paid ordinary shares of Rs. 10 each (unless otherwise stated)

2016		2015			
No. of shares / units				Rupees	
519,506	519,506	Meezan Bank Limited	22,079,005	21,299,746	
933,661	933,661	Sitara Energy Limited	32,351,354	34,545,457	
72,000	72,000	D.G Khan Cement Company Limited	13,715,270	10,279,440	
352,505	352,505	Descon Oxychem Limited	2,125,605	1,663,824	
446,250	446,250	Engro Polymer & Chemical Limited	3,793,125	4,368,788	
65,000	50,000	Ittehad Chemicals Limited	1,697,800	2,339,500	
55,000	55,000	Pakistan Oilfield Limited	19,111,400	22,210,100	
14,020	14,020	Pakistan Petroleum Limited	2,173,801	2,302,925	
443	443	Al-Meezan Investment Management Limited	22,204	22,193	
-	278,501	Meezan Sovereign Fund (Units having face value of Rs. 50 each)	-	15,016,754	
-	1,736,844	Meezan Cash Fund (Units having face value of Rs. 50 each)	-	87,015,870	
1,494,226	-	Meezan Islamic Income Fund (Units having face value of Rs. 50 each)	75,000,000	-	
2,659,190	-	NAFA Islamic Aggressive Income Fund (Units having face value of Rs. 50 each)	25,000,000	-	
			<u>197,069,564</u>	<u>201,064,597</u>	

# Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016	2015
		Rupees	
<b>18. CASH AND BANK BALANCES</b>			
Cash in hand		37,224,404	23,088,130
Cash at banks			
In current accounts		139,847,526	68,954,102
In saving accounts	18.1	11,352,717	164,935,178
		151,200,243	233,889,280
		188,424,647	256,977,410

18.1 Effective mark-up rate in respect of deposit accounts ranges from 2.76% to 5.75% (2015 : 4.93% to 8.79%) per annum.

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

## 19. SHARE CAPITAL

2016	2015		2016	2015
No. of shares			Rupees	
		<b>Authorized</b>		
		Ordinary shares of Rs. 10 each		
40,000,000	40,000,000	Class "A"	400,000,000	400,000,000
20,000,000	20,000,000	Class "B"	200,000,000	200,000,000
		<b>Issued, subscribed and paid up</b>		
		Class "A" ordinary shares of Rs.10/- each		
8,640,000	8,640,000	- fully paid in cash	86,400,000	86,400,000
10,804,398	10,804,398	- issued as fully paid bonus shares	108,043,980	108,043,980
		- issued as fully paid under scheme		
1,985,009	1,985,009	of arrangement for amalgamation	19,850,090	19,850,090
21,429,407	21,429,407		214,294,070	214,294,070

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

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

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

	Note	2016	2015
		Rupees	
<b>20. RESERVES</b>			
Capital			
Share premium	20.1	97,490,410	97,490,410
Revenue			
General reserve	20.2	1,225,000,000	1,225,000,000
Other			
Reserve on re-measurement of available for sale investments	20.3	46,641,863	47,024,314
Reserve on re-measurement of post retirement benefits net of tax		(6,366,096)	(5,933,072)
		1,362,766,177	1,363,581,652

# Notes to the Financial Statements

for the year ended June 30, 2016

- 20.1 This represents premium realized on issue of right shares amounting to Rs. 34,551,000 during 1991-92, 1993-94 and 1994-95 at the rates of 10%, 10% and 12.50% respectively and amounting to Rs. 62,939,400 on issue of 1,985,009 fully paid ordinary shares to the shareholders of Sitara Spinning Mills Ltd under scheme of amalgamation of Sitara Chemical Industries Limited and Sitara Spinning Mills Limited, sanctioned by Honorable Sindh High Court in 1999.
- 20.2 The general reserve is used from time to time to transfer profits from un-appropriated profit. There is no policy of regular transfer.
- 20.3 This reserve represents the unrealized surplus on remeasurement of available for sale investments as at June 30, 2016.

	Note	2016	2015
		Rupees	
<b>21. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
At beginning of the year		1,246,474,304	1,321,671,456
Addition during the year - net of tax		120,446,002	-
Transfer to un-appropriated profit in respect of incremental depreciation charged during the year – (net of tax)	21.1	(67,677,437)	(75,197,152)
At end of the year		1,299,242,869	1,246,474,304
Share from associate		56,451,713	59,221,426
		<u>1,355,694,582</u>	<u>1,305,695,730</u>
<b>21.1</b>			
Incremental depreciation charged during the year transferred to un-appropriated profit		99,525,643	110,584,048
Less: tax liability relating to incremental depreciation		(31,848,206)	(35,386,896)
		<u>67,677,437</u>	<u>75,197,152</u>
<b>22. LONG TERM FINANCING</b>			
<b>From banking companies and other financial institutions - secured</b>			
Diminishing Musharka (from financial institutions - secured)	22.1	1,655,406,665	858,000,824
		<u>1,655,406,665</u>	<u>858,000,824</u>



# Notes to the Financial Statements

## for the year ended June 30, 2016

### 22.1 Diminishing Musharka (from financial institutions - secured)

Description	Note	Profit	Security	Repayment	2016		2015	
					Rupees		Rupees	
Faysal Bank Limited	22.1.1	Three months KIBOR plus 2% per annum payable on quarterly basis. (2015: Three months KIBOR plus 2%)	First pari - passu hypothecation charge of Rs. 700 million over Membrane - III of the Company	Repayable in 20 equal quarterly installments commencing from July 31, 2011 and ending on April 12, 2016.	-		50,000,000	
Soneri Bank Limited.	22.1.1	Three months KIBOR plus 1.4 % per annum payable on quarterly basis. (2015: Three months KIBOR plus 1.4 % per annum)	First pari-passu charge amounting to Rs. 280. million over Membrane -Unit III plant of the Company.	This Diminishing Musharka facility was sanctioned for amount Rs. 196.875 million . Facility is repayable in 9 quarterly installments commencing from March 31, 2014 and ending on March 31, 2016.	-		87,499,500	
Dubai Islamic Bank Limited	22.1.1	Three months KIBOR plus 1.25 % per annum payable on quarterly basis.	1st Exclusive charge of Rs.667 million over Plant and Machinery of Company's BMR -II Caustic Soda plant.	This Shirkat -ul- Milk (Musharka) facility was sanctioned for an amount of Rs.500 million, Facility is repayable in 14 quarterly installments commencing from March 26, 2015 and ending on June 26, 2018.	285,714,284		428,571,428	
MCB Syndicated Diminishing Musharkah Facility		Three months KIBOR plus 1.15 % per annum payable on quarterly basis.	a) Exclusive hypothecation charge over all the Present and Future Fixed Assets ( Excluding Land and Building) of the Customer in respect of the CFPP project of the Customer Located on land measuring 444 Kanals and 06 Marla's situated at Chak No. 97 R.B, Tehsil Jaranwala, District Faisalabad. b) Specific/ exclusive mortgage charge over Project Land and Building.	This syndicated Diminishing Musharka finance facility was sanctioned for amount Rs. 2,000 million arranged by MCB Bank and Meezan Bank . Other participants are United Bank, Faysal Bank, Albaraka Bank and The Bank of Khyber. However, withdrawn amount is approx. Rs. 1,947 million upto June 30, 2016. Facility is repayable in 14 quarterly installments commenced from October 10, 2014 and ending on Oct 10, 2019.	1,947,843,643		572,287,040	
Soneri Bank Limited.	22.1.1	Three months KIBOR plus 1.25 % per annum payable on quarterly basis. (2015: Nil)	Specific/ exclusive charge amounting to Rs. 467 Million on following present and future plant machinery and building (excluding land) of the Company: a) Plant machinery and equipment for calcium chloride plant. b) Power plant including two Gensets along with accessories, machinery and building with estimated values aggregating to Rs. 320 million.	This Diminishing Musharka finance facility was sanctioned for amount Rs. 350 million. However, withdrawn amount is Rs. 162.964 million upto June 30, 2016. Facility is repayable in sixteen equal quarterly installments commenced from December 21, 2016 and ending on August 21, 2020.	162,964,921		-	
Less: Current portion					2,396,522,848		1,138,357,968	
					741,116,185		280,357,144	
					<u>1,655,406,663</u>		<u>858,000,824</u>	

22.1.1 Effective rate of profit for the year is ranging from 7.32% to 9.47% (2015 : 8.25% to 12.17%) per annum.

# Notes to the Financial Statements

for the year ended June 30, 2016

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

	Note	2016 Rupees	2015
Maturity			
6 months or less		363,602,712	140,178,572
6 - 12 months		377,513,473	140,178,572
1 - 5 years		1,655,406,663	858,000,824
		<u>2,396,522,848</u>	<u>1,138,357,968</u>

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

	Note	2016 Rupees	2015
<b>23. LONG TERM DEPOSITS</b>			
From customers		2,715,303	8,750,553
Others	23.1	1,170,000	1,170,000
		<u>3,885,303</u>	<u>9,920,553</u>

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

## 24. DEFERRED LIABILITIES

	Note	2016 Rupees	2015
Deferred taxation	24.1	990,387,500	1,060,304,214
Staff retirement benefits - gratuity	24.2	27,553,786	24,160,067
		<u>1,017,941,286</u>	<u>1,084,464,281</u>

### 24.1 Deferred taxation

This comprises the following:

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

Tax depreciation allowance	818,530,900	898,648,834
Surplus on revaluation of property, plant and equipment	191,401,136	177,346,949
	<u>1,009,932,036</u>	<u>1,075,995,783</u>

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

Provision for employee benefits	(8,485,299)	(7,714,213)
Provision for doubtful debts	(11,059,237)	(7,977,356)
	<u>(19,544,536)</u>	<u>(15,691,569)</u>
	<u>990,387,500</u>	<u>1,060,304,214</u>

# Notes to the Financial Statements

for the year ended June 30, 2016

24.2 Staff retirement benefits - gratuity	Note	2016	2015
		Rupees	
<b>Movement in liability</b>			
At beginning of the year		24,160,067	16,641,322
Charge for the year		8,184,388	10,252,108
Remeasurement loss recognized in other comprehensive income		627,571	2,725,232
Benefits paid during the year		(5,418,241)	(5,458,595)
At end of the year		27,553,785	24,160,067
<b>Balance sheet reconciliation as at June 30, 2016</b>			
Present value of unfunded obligation		27,553,785	24,160,067
Net liability recognized in the balance sheet		27,553,785	24,160,067
<b>Charge to profit and loss account:</b>			
Current service cost		6,092,921	8,373,978
Interest cost		2,091,467	1,878,130
		8,184,388	10,252,108

## Risk associated with defined benefit plans

### Investment risks

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

### Longevity risks

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

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

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
		2016	2015
Rupees			
Discount rate	1%	(2,517,049)	(2,038,293)
Salary growth	1%	2,906,653	2,357,906
<b>Principal actuarial assumptions</b>			
Discount rate (per annum)		9.0%	9.8%
Expected rate of increase in salaries (per annum)		6.8%	7.5%
Expected average remaining working lives of employees (years)		3	3

# Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016	2015
		Rupees	
<b>25. TRADE AND OTHER PAYABLES</b>			
Creditors		855,580,562	756,035,469
Accrued liabilities		967,099,604	573,477,692
Advances from customers		63,440,507	44,559,381
Murabaha payable	25.1	731,031,640	624,997,416
Payable to provident fund - related party	25.2	-	1,575,430
Unclaimed dividend		14,660,494	13,717,113
Retentions / security deposits		79,932,989	51,829,867
Withholding tax		2,200,105	2,227,957
Workers' profit participation fund	25.3	2,569,424	1,878,672
Workers' welfare fund		74,106,566	51,161,183
Others		143,321	124,362
		<u>2,790,765,212</u>	<u>2,121,584,542</u>

**25.1** The aggregate unavailed facilities from banking companies amounted to Rs. 1,196 million (2015: 1,114 million). These are subject to profit margin ranging from 6.79% to 10.00% (2015: 7.68% to 11.68%) per annum and are secured against joint pari-passu charge over present and future current assets of the chemical division and pledge of stocks and charge over present and future current assets of the textile division.

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

	Note	2016	2015
		Rupees	
<b>25.3 Workers' profit participation fund</b>			
Workers' profit participation fund	25.4	2,320,338	1,460,502
Unclaimed Workers' profit participation fund		249,086	418,170
		<u>2,569,424</u>	<u>1,878,672</u>
<b>25.4 Movement</b>			
At beginning of the year		1,460,502	1,052,635
Less: amount paid to workers on behalf of the fund		59,522,751	59,474,736
		(58,062,249)	(58,422,101)
Allocation for the year	33.	60,382,587	59,882,603
At end of the year		<u>2,320,338</u>	<u>1,460,502</u>

# Notes to the Financial Statements

for the year ended June 30, 2016

		2016	2015
26. PROFIT / FINANCIAL CHARGES PAYABLE	Note	Rupees	
Long term financing		41,715,290	16,848,300
Murabaha financing / short term borrowings		41,237,024	38,377,314
		<u>82,952,314</u>	<u>55,225,614</u>
<b>27. SHORT TERM BORROWINGS</b>			
Secured			
From banking companies	25.1	2,672,033,974	1,835,710,936
Bank overdraft		-	775,535
		<u>2,672,033,974</u>	<u>1,836,486,471</u>
<b>28. CONTINGENCIES AND COMMITMENTS</b>			
<b>28.1 Contingencies</b>			
Guarantees issued by banks on behalf of the Company		186,459,365	180,908,165
<b>28.2 Commitments</b>			
Outstanding letters of credit for raw material and spares		301,573,087	603,071,207
<b>29. SALES - NET</b>			
Chemical		10,091,856,577	8,799,091,419
Textile		1,732,819,901	1,600,858,490
		<u>11,824,676,478</u>	<u>10,399,949,909</u>
Less:			
Commission and discount		519,988,023	431,895,959
Sales tax		1,490,910,080	1,245,174,136
Sales - net		<u>9,813,778,375</u>	<u>8,722,879,814</u>



# Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016	2015
		Rupees	
<b>30. COST OF SALES</b>			
Raw material consumed	30.1	2,090,515,860	1,827,288,040
Fuel and power		4,490,919,592	4,049,773,197
Salaries, wages and benefits	30.2	333,841,055	300,541,064
Stores and spares		397,049,140	400,615,765
Repair and maintenance		36,315,728	44,256,132
Vehicle running and maintenance		2,161,659	2,152,230
Travelling and conveyance		23,663,847	25,095,007
Insurance		16,856,662	17,328,749
Depreciation	5.2	462,033,207	490,438,744
Amortization	6.1	1,615,950	1,795,500
Others		4,187,812	3,841,793
		<u>7,859,160,512</u>	<u>7,163,126,221</u>
Work in process			
Opening stock		8,101,608	10,253,979
Closing stock		(9,670,181)	(8,101,608)
		<u>(1,568,573)</u>	<u>2,152,371</u>
Cost of goods manufactured		<u>7,857,591,939</u>	<u>7,165,278,592</u>
Finished stocks			
Opening stock - including waste		479,954,490	465,874,798
Closing stock - including waste		(652,709,943)	(479,954,490)
		<u>(172,755,453)</u>	<u>(14,079,692)</u>
		<u>7,684,836,486</u>	<u>7,151,198,900</u>
<b>30.1 Raw material consumed</b>			
Opening stock		229,404,002	405,581,919
Purchases		2,302,245,311	1,651,110,123
		<u>2,531,649,313</u>	<u>2,056,692,042</u>
Closing stock		(441,133,453)	(229,404,002)
		<u>2,090,515,860</u>	<u>1,827,288,040</u>

**30.2** Salaries, wages and benefits include Rs. 6,529,050 (2015: Rs. 8,266,219) in respect of employee retirement benefits.

# Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016	2015
		Rupees	
<b>31. DISTRIBUTION COST</b>			
Staff salaries and benefits		17,333,840	17,089,402
Freight, octroi and insurance		170,978,266	189,204,143
Advertisement		28,119,268	17,595,112
Vehicles running and maintenance		1,431,904	1,396,229
Travelling and conveyance		4,242,953	2,563,463
Postage and telephone		971,663	867,458
Printing and stationery		194,441	157,571
Others		1,588,640	1,864,546
		<u>224,860,975</u>	<u>230,737,924</u>
<b>32. ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		35,516,718	28,249,709
Staff salaries and benefits	32.1	228,648,634	186,992,725
Postage, telephone and telex		4,815,043	4,055,988
Vehicles running and maintenance		15,334,046	15,580,068
Printing and stationery		3,454,596	3,038,304
Electricity		51,099,392	27,707,793
Rent, rates and taxes		6,022,802	5,629,200
Travelling and conveyance		13,770,115	16,012,384
Advertisement		13,742,024	9,960,047
Books and periodicals		222,882	158,839
Fees and subscription		10,431,574	18,027,233
Legal and professional		3,658,556	3,170,240
Repairs and maintenance		16,087,661	22,463,332
Auditors' remuneration	32.2	2,820,000	2,620,000
Entertainment		10,089,384	7,879,415
Donations	32.3	44,728,308	51,745,741
Insurance		2,603,129	2,494,964
Depreciation	5.2	30,639,754	29,929,070
Depreciation on investment property	7.2	5,518,129	6,114,502
Provision for bad debts and doubtful advances		12,741,607	157,237
Others		860,830	823,315
		<u>512,805,184</u>	<u>442,810,106</u>

32.1 Staff salaries and benefits include Rs.1,655,338 (2015: Rs.1,963,688) in respect of employee retirement benefits.

# Notes to the Financial Statements

for the year ended June 30, 2016

32.2 Auditors' remuneration	Note	2016	2015
		Rupees	
Annual statutory audit		1,650,000	1,500,000
Half yearly and COCG compliance reviews		550,000	500,000
Out of pocket		120,000	120,000
Tax advisory services		500,000	500,000
		2,820,000	2,620,000

32.3 It includes Rs. 24.35 million (2015: Rs. 19.92 million) donated to Aziz Fatima Trust (AFT), Faisalabad which is primarily running a charitable hospital for needy and poor people. Mr. Muhammad Adrees, the director of the Company is also Trustee of the AFT.

33. OTHER OPERATING EXPENSES	Note	2016	2015
		Rupees	
Workers' profit participation fund	25.4	60,382,587	59,882,603
Workers' welfare fund		22,945,383	22,755,389
		83,327,970	82,637,992

34. FINANCE COST		2016	2015
Long term financing		34,073,293	102,281,614
Murabaha payable / short term borrowings		214,013,381	228,928,647
Bank charges and commission		2,863,580	2,032,066
		250,950,254	333,242,327

35. OTHER INCOME		2016	2015
<b>Income from financial assets</b>			
Profit on investments		2,770,518	3,747,751
Profit on bank deposits		9,490,786	13,235,881
Dividend income		5,550,566	9,726,214
Exchange gain		290,918	-
Gain on sale of available for sale investments		-	42,818,478
		18,102,788	69,528,324
<b>Income from other than financial assets</b>			
Gain on disposal of property, plant and equipment		859,980	6,917,546
Gain on disposal of investment Property		-	527,223,473
Sale of scrap and waste		3,246,684	3,850,918
Rent income		28,010,633	24,306,799
Others		12,136,214	934,436
		44,253,511	563,233,172
		62,356,299	632,761,496

# Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016 Rupees	2015
<b>36. PROVISION FOR TAXATION</b>			
Current	36.2	462,561,700	247,210,052
Prior		6,898,141	4,804,978
Deferred		(115,624,559)	(126,003,377)
		<u>353,835,282</u>	<u>126,011,653</u>
		2016 %	2015 %
<b>36.1 Numerical reconciliation between the applicable and effective tax rate</b>			
Applicable tax rate		32.00	33.00
Prior year adjustments		0.61	0.43
Lower rate applicable to certain income		(1.28)	(0.03)
Effect of tax credits		1.84	3.46
Super tax rate		3.00	3.00
Effect of change in statutory rate change		(2.95)	(11.28)
Income taxed at different rates		(1.71)	(17.11)
Effective tax rate		<u>31.51</u>	<u>11.47</u>

**36.2** Super tax @3% has been levied as per the Finance Act, 2015 and extended for the current financial year as per Finance Act 2016.

## **37. EARNINGS PER SHARE - BASIC AND DILUTED**

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

	Note	2016 Rupees	2015
Profit for the year	Rupees	769,221,539	986,431,314
Weighted average number of ordinary shares outstanding during the year	Number	21,429,407	21,429,407
Earnings per share	Rupees	35.90	46.03

# Notes to the Financial Statements

for the year ended June 30, 2016

## 38. FINANCIAL RISK MANAGEMENT

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

Credit risk  
Liquidity risk  
Market risk

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

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

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

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

### 38.1 Credit risk and concentration of credit risk

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

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



# Notes to the Financial Statements

for the year ended June 30, 2016

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

## 38.1.1 Counterparties

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

### Trade debts

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

### Bank and investments

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

## 38.1.2 Exposure to credit risk

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

Financial assets at amortised cost:

Note	2016	2015
	Rupees	
Trade debts	1,124,985,220	1,187,078,233
Loans and advances	2,064,875,849	2,045,466,981
Other receivables	9,563,828	11,726,462
Bank balances	151,200,243	233,889,280
	3,350,625,140	3,478,160,956

Geographically there is no concentration of credit risk.

# Notes to the Financial Statements

for the year ended June 30, 2016

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

	Note	2016	2015
		Rupees	
Chemical - local		680,905,788	817,367,721
Textile - local		444,079,432	369,710,512
		<u>1,124,985,220</u>	<u>1,187,078,233</u>

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

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

Chemicals	680,905,788	817,367,721
Textile	444,079,432	369,710,512
	<u>1,124,985,220</u>	<u>1,187,078,233</u>

### 38.1.3 Impairment losses

The aging of trade receivables at the reporting date is:

	Gross 2016	Impairment 2016	Gross 2015	Impairment 2015
	Rupees			
Not past due	761,766,622	-	-	-
Past due 0-30 days	166,643,928	-	763,871,155	-
Past due 30-60 days	24,855,146	-	212,818,408	-
Past due 60-90 days	13,045,114	-	16,343,137	-
Over 90 days	194,586,386	35,911,976	219,082,029	25,036,496
	<u>1,160,897,196</u>	<u>35,911,976</u>	<u>1,212,114,729</u>	<u>25,036,496</u>

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

	2016	2015
	Rupees	
Balance at 1 July, 2015	25,036,496	24,984,201
Charge for the period	11,675,480	52,295
Impairment loss reversed	(800,000)	-
Balance at 30 June, 2016	<u>35,911,976</u>	<u>25,036,496</u>

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.

# Notes to the Financial Statements

for the year ended June 30, 2016

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

	Note	2016 Rupees	2015
At beginning of year		59,303	59,303
Impairment loss (recovered) / recognized		1,866,127	-
At end of year	14.2	1,925,430	59,303

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

## 38.2 Liquidity risk management

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 25.1 to these financial statements is 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 details the Company's remaining contractual maturity for its financial liabilities at amortised cost. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay. For effective markup rate please see relevant notes to these financial statements.

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

# Notes to the Financial Statements

for the year ended June 30, 2016

	Carrying amount	
	2016	2015
	Rupees	
Trade and other payables		
Maturity up to one year	1,980,857,477	1,441,319,314
Short term borrowings		
Maturity up to one year	3,403,065,614	2,461,483,887
Long term financing		
Maturity up to one year	741,116,185	280,357,144
Maturity after one year and up to five years	1,655,406,665	858,000,824
Maturity after five years	-	-
	<u>7,780,445,941</u>	<u>5,041,161,169</u>

## 38.3 Market risk

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

### 38.3.1 Foreign currency risk management

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

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

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

# Notes to the Financial Statements

for the year ended June 30, 2016

## Exposure to foreign currency risk

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

There are no foreign currency debtors as at June 30, 2016.

Commitments outstanding at year end amounted to Rs. 301.573 million (2015: Rs. 603.071 million) relating to letter of credits for import of plant and machinery, stores spare parts and raw material.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees
USD 1	104.59	102.15	104.82	101.70

## Sensitivity analysis

A 5 percent weakening of the Pak Rupee against the USD at June 30, 2016 would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2015.

	2016	2015
	Rupees	
(Increase) / Decrease in profit and loss account	-	-

A 5 percent strengthening of the Pak Rupee against the USD at June 30, 2016 would have had the equal but opposite effect on US \$ to the amounts shown above, on the basis that all other variables remain constant.

### 38.3.2 Other price risk

Other price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The effects of changes in fair value of such investments made by Company, on the future profits are not considered to be material in the overall context of these financial statements.



# Notes to the Financial Statements

for the year ended June 30, 2016

## 38.3.3 Interest rate risk

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

### Profile of financial instruments at amortised cost

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

	2016 %	2015 %	2016 Rupees	2015
<b>Floating rate instruments</b>				
<b>Financial assets</b>				
Bank balances	2.76% to 5.75%	4.93% to 8.79%	11,352,717	164,935,178
<b>Financial liabilities</b>				
Short term borrowings	6.79% to 10.00%	7.68% to 11.68%	2,672,033,974	1,836,486,471
Long term financing	7.32% to 9.47%	8.25% to 12.17%	2,396,522,848	1,138,357,968
			<u>(5,057,204,105)</u>	<u>(2,809,909,261)</u>

### Fair value sensitivity analysis for floating rate instruments

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

	Increase / (decrease) in basis points %	Effect on profit before tax Rupees
<b>2016</b>		
Short term borrowings	-1.00%	29,322,748
Long term financing		17,674,404
		<u>46,997,152</u>
<b>2015</b>		
Short term borrowings	-1.00%	22,444,832
Long term financing		10,228,161
		<u>32,672,993</u>

# Notes to the Financial Statements

for the year ended June 30, 2016

## 38.4 Equity Price Risk Management

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

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

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 197,069,564 (2015: Rs. 201,064,597). An increase of 25% on the KSE market index would have an impact of approximately Rs. 49,267,391 on the income or equity attributable to the Company, depending on whether or not the increase is significant and prolonged. An decrease of 25% in the value of the listed securities would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

### 38.4.1 Fair value hierarchy

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

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

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

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2 Rupees	Level 3	Total
<b>Available-for-sale financial assets</b>				
Quoted equity securities	197,069,564	-	-	197,069,564
Unquoted equity securities	-	-	5,000,000	5,000,000
<b>Total</b>	<b>197,069,564</b>	<b>-</b>	<b>5,000,000</b>	<b>202,069,564</b>

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

## 38.5 Determination of fair values

### Fair value of financial instruments

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

Available for sale investments as disclosed in other financial assets, are presented at fair value by using quoted prices at Pakistan Stock Exchange as at June 30, 2016. The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

# Notes to the Financial Statements

for the year ended June 30, 2016

## 38.6 Capital risk management

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

	2016	2015
	Rupees	
Total Borrowings	5,068,556,824	2,974,844,439
Less: Cash and bank balances	188,424,647	256,977,410
Net debt	4,880,132,177	2,717,867,029
Total equity including revaluation on land, building and plant and machinery	8,891,101,825	8,197,584,126
Total capital	13,771,234,002	10,915,451,155
Gearing ratio	35.44%	24.90%

## 39. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2016			2015		
	Chief executive	Directors	Executives	Chief executive	Directors	Executives
	Rupees					
Remuneration	12,000,000	3,500,004	69,701,131	10,000,008	2,800,008	56,271,765
<b>Perquisites</b>						
House rent	4,800,000	1,400,004	19,676,504	3,999,996	1,119,996	15,142,670
Utilities	1,200,000	349,992	6,906,715	999,996	279,996	5,299,643
Medical allowance	-	-	6,970,288	-	-	5,324,511
Special allowance	-	-	667,052	-	-	514,833
Income tax	4,744,500	961,375	-	5,148,432	931,897	-
Reimbursement of expenses	-	-	3,586,014	1,139,098	1,830,282	-
	<u>22,744,500</u>	<u>6,211,375</u>	<u>107,507,704</u>	<u>21,287,530</u>	<u>6,962,179</u>	<u>82,553,422</u>
Number of persons	1	1	76	1	1	58

# Notes to the Financial Statements

for the year ended June 30, 2016

39.1 The Chief Executive, certain Directors and Executives are provided with free use of Company maintained cars and telephone etc. having value amounting to Rs 5.57 million (2015: Rs. 4.18 million).

39.2 Directors have waived their meeting fees.

## 40. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise holding company, subsidiary and associated undertakings, other related group companies, directors of the company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of directors and key management personnel is disclosed in note 39.

Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2016	2015
		Rupees	
Associated undertakings	Sales	86,458,079	70,798,971
	Purchases	870,063	85,784
	Organizational expenses recovered	763,595	893,379
	Organizational expenses paid	1,641,027	1,395,083
	Donation	24,350,270	23,073,252
Key management personnel	Remuneration to Executives	136,463,579	110,803,131

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

# Notes to the Financial Statements

for the year ended June 30, 2016

## 41. PLANT CAPACITY AND PRODUCTION

Chemical Division	Designed capacity		Actual production		Reason of variation
	2016	2015	2016	2015	
	Tons				
Caustic soda	201,300	201,300	135,103	113,196	Due to energy and gas crisis
Sodium hypochlorite	66,000	66,000	30,867	33,606	Demand based production
Liquid chlorine	9,900	9,900	7,496	7,121	Demand based production
Bleaching powder	7,500	7,500	4,321	4,191	Demand based production
Hydrochloric acid	212,200	212,200	108,864	109,561	Due to energy and gas crisis

### Textile Division

	2016	2015
Ring Spinning		
Number of spindles installed	26,304	26,304
Number of spindles worked	26,304	26,304
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	10,207,021	9,151,720
Actual production of yarn after conversion into 20/s count (Kgs)	9,218,045	8,862,784

## 42. WORKING CAPITAL CHANGES

	2016	2015
	Rupees	
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(33,251,696)	20,786,865
Stock in trade	(386,053,478)	164,250,596
Trade debts	50,417,533	75,427,104
Advance Sales Tax	(36,596,423)	(24,617,271)
Loans and advances	(18,285,777)	(664,261,129)
Trade deposits and short-term prepayments	1,198,083	789,052
Other receivables	2,162,634	(5,824,807)
	(420,409,124)	(433,449,590)
Increase / (decrease) in current liabilities		
Trade and other payables	668,265,141	424,777,737
Sales tax payable	-	(36,596,986)
	247,856,017	(45,268,839)

# Notes to the Financial Statements

## for the year ended June 30, 2016

### 43. OPERATING RESULTS

	Chemical		Textile		Total	
	2016	2015	2016	2015	2016	2015
	Rupees					
Sales:						
Local						
Caustic soda	7,851,607,829	6,685,076,499	-	-	7,851,607,829	6,685,076,499
Sodium hypochlorite	726,767,894	776,362,513	-	-	726,767,894	776,362,513
Bleaching powder	203,439,133	188,945,486	-	-	203,439,133	188,945,486
Liquid chlorine	236,441,263	218,312,341	-	-	236,441,263	218,312,341
Hydrochloric acid	742,099,362	675,652,131	-	-	742,099,362	675,652,131
Magnesium chloride and others	266,523,756	228,794,744	-	-	266,523,756	228,794,744
Agri chemicals	-	6,939,233	-	-	-	6,939,233
Yarn	-	-	1,157,267,385	1,215,279,635	1,157,267,385	1,215,279,635
Waste	-	-	10,703,460	7,936,070	10,703,460	7,936,070
Fabrics	-	-	504,374,051	377,642,785	504,374,051	377,642,785
Export						
Caustic soda flakes	64,124,032	13,934,860	-	-	64,124,032	13,934,860
Liquid chlorine	-	-	-	-	-	-
Others	1,116,242	5,073,612	-	-	1,116,242	5,073,612
	10,092,119,511	8,799,091,419	1,672,344,896	1,600,858,490	11,764,464,407	10,399,949,909
Less:						
Commission and discount	514,811,272	421,597,229	5,176,751	10,298,730	519,988,023	431,895,959
Sales tax	1,430,698,009	1,245,174,136	-	-	1,430,698,009	1,245,174,136
Sales - net	8,146,610,230	7,132,320,054	1,667,168,145	1,590,559,760	9,813,778,375	8,722,879,814
Sales - net	8,146,610,230	7,132,320,054	1,667,168,145	1,590,559,760	9,813,778,375	8,722,879,814
Cost of sales	(6,142,804,642)	(5,651,985,202)	(1,542,031,844)	(1,499,213,698)	(7,684,836,486)	(7,151,198,900)
Gross profit	2,003,805,588	1,480,334,852	125,136,301	91,346,062	2,128,941,889	1,571,680,914
Other income	35,700,305	618,689,749	26,655,994	14,071,747	62,356,299	632,761,496
Distribution cost	(195,108,295)	(213,041,473)	(29,752,680)	(17,696,451)	(224,860,975)	(230,737,924)
Administrative expenses	(456,917,488)	(390,573,920)	(53,067,696)	(49,616,186)	(509,985,184)	(440,190,106)
Finance cost	(250,121,636)	(328,532,012)	(828,618)	(4,710,315)	(250,950,254)	(333,242,327)
	(866,447,114)	(313,457,656)	(56,993,000)	(57,951,205)	(923,440,114)	(371,408,861)
Reportable segments profit before tax	1,137,358,474	1,166,877,196	68,143,301	33,394,857	1,205,501,775	1,200,272,053
Unallocated income / (expenses)						
Administrative expenses					(2,820,000)	(2,620,000)
Other operating expenses					(83,327,970)	(82,637,992)
Share of income / (loss) of associated company					3,703,016	(2,571,094)
					1,123,056,821	1,112,442,967
Provision for taxation					(353,835,282)	(126,011,653)
Profit for the year					769,221,539	986,431,314



# Notes to the Financial Statements

for the year ended June 30, 2016

	Chemical		Textile		Total	
	2016	2015	2016	2015	2016	2015
Rupees						
<b>Other information</b>						
Segment assets	11,831,420,319	8,455,002,150	1,608,078,772	1,508,230,272	13,439,499,091	9,963,232,422
Unallocated corporate assets					4,415,703,673	4,480,691,133
					<u>17,855,202,764</u>	<u>14,443,923,555</u>
Segment liabilities	1,845,224,343	1,269,557,139	123,392,742	121,035,267	1,968,617,085	1,390,592,406
Unallocated corporate liabilities					6,995,483,854	4,855,447,023
					<u>8,964,100,939</u>	<u>6,246,039,429</u>
Capital expenditure	193,923,080	200,969,803	4,255,182	68,308,589	198,178,262	269,278,392
Depreciation	449,290,226	478,303,717	43,382,939	42,064,097	492,673,165	520,367,814

## 43.1 Inter-segment pricing / sales

There is no purchase and sale between the segments.

## 43.2 Products and services from which reportable segments derive their revenues

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

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

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

The Company does not have any geographical segment.

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

All assets are allocated to reportable segments other than investments in associates, and tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and All liabilities are allocated to reportable segments other than current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

# Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016	2015
		Rupees	
44.	<b>Provident Fund Related Disclosure</b>		
	The following is based on latest audited financial statement of the Fund:		
	Size of the Funds - Total Assets	66,953,760	64,463,875
	Cost of Investments made	30,500,000	30,500,000
	Percentage of investments made	72%	78%
	Fair Value of investments	44.1	48,442,534
			50,544,892

#### 44.1 Break up of fair value of investments

	2016		2015	
	Rupees	...%...	Rupees	...%...
Mutual Funds	45,832,165	94.6%	35,723,627	70%
Bank Balances	2,610,369	5.4%	4,821,265	10%
Debt Securities	-	-	10,000,000	20%
	48,442,534	100%	50,544,892	100%

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

45. The total average number of employees during the year and as at June 30, 2016 and 2015 respectively are as follows:

	2016	2015
Average number of employees during the year		
Permanent	956	885
Contractual	900	910
Number of employees as at June 30, 2016		
Permanent	1,075	837
Contractual	878	921

# Notes to the Financial Statements

for the year ended June 30, 2016

## 46. EVENTS AFTER THE BALANCE SHEET DATE

In respect of current year, the directors have proposed to pay final cash dividend of Rs.246.48 million (2015: Rs. 192.865 million) at Rs. 11.50 (2015: Rs. 9) per ordinary share of Rs. 10 each for approval of the shareholders at the forthcoming Annual General Meeting. Financial effect of the proposed dividend has not been taken in these financial statements and will be accounted for subsequently in the year when such dividend is approved.

Finance Act, 2015 introduced income tax at the rate of 10% on undistributed reserves where such reserves of the Company are in excess of its paid up capital and the Company derives profits for a tax year but does not distribute requisite cash dividend within six months of the end of the said tax year. Liability in respect of such income tax, if any, is recognised when the prescribed time period for distribution of dividend expires.

## 47. GENERAL

Figures have been rounded off to the nearest Rupee.

## 48. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 23, 2016 by the Board of Directors of the Company.



Muhammad Adrees  
Chief Executive Officer










Haseeb Ahmed  
Director



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# FORM OF PROXY ANNUAL GENERAL MEETING

I/We \_\_\_\_\_ S/o/D/o/W/o \_\_\_\_\_  
of \_\_\_\_\_ being  
a member of **SITARA CHEMICAL INDUSTRIES LIMITED** and holder of \_\_\_\_\_  
Ordinary Shares as per Share Register Folio No. \_\_\_\_\_ and/or CDC Participant ID No.  
\_\_\_\_\_ and Account / Sub-account No. \_\_\_\_\_ do hereby appoint Mr./Mrs./  
Miss \_\_\_\_\_  
\_\_\_\_\_ Folio No./CDC No. \_\_\_\_\_ of \_\_\_\_\_ failing him/her,  
Mr./Mrs./Miss \_\_\_\_\_ Folio No./CDC No. \_\_\_\_\_ of  
\_\_\_\_\_ as my/our proxy to attend, act and vote for me/us on my/our behalf at  
Annual General Meeting of the Company to be held on Friday, October 28, 2016 at 3:00 pm at the  
Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi and  
at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally  
present at such meeting.

\_\_\_\_\_  
Signature of Shareholder  
Folio / CDC A/C No.

\_\_\_\_\_  
Signature of Proxy



Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Witness:

Witness:

1. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
CNIC or \_\_\_\_\_  
Passport No. \_\_\_\_\_

2. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
CNIC or \_\_\_\_\_  
Passport \_\_\_\_\_

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on member's behalf.
2. If a member is unable to attend the meeting. He/She may complete and sign this form and send it to the Company's Share Registrar M/s. THK Associates (Pvt) Limited 2nd Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi-75530 so as to reach not less than 48 hours before the time appointed for holding the Meeting.
3. For CDC Account Holders / Corporate Entities; in addition to the above, the following requirements have to be met:
  - (a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers be stated on the form.
  - (b) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
  - (c) The proxy shall produce his original CNIC or original passport at the time of the meeting. In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.



Sitara Chemical  
Industries Limited

AFFIX  
CORRECT  
POSTAGE

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



# ستارہ کیمیکل انڈسٹریز لمیٹیڈ

پراکسی فارم

اجلاس عام

میں / ہم

ستارہ کیمیکل انڈسٹریز لمیٹیڈ کے ممبران رجسٹرڈ فولیو نمبر / شرکاء کی آئی ڈی / سی ڈی سی سب اکاؤنٹ نمبر کے مطابق عمومی شیئرز رکھتے ہیں بذریعہ ہذا \_\_\_\_\_ کو تقرر کرتے ہیں۔ رجسٹرڈ فولیو نمبر / شرکاء کی آئی ڈی / سی ڈی سی سب اکاؤنٹ نمبر \_\_\_\_\_ یا اُس کے شرکت نہ کرنے کی صورت میں \_\_\_\_\_ رجسٹرڈ فولیو نمبر / شرکاء کی آئی ڈی / سی ڈی سی سب اکاؤنٹ نمبر کو بطور پراکسی 28 اکتوبر 2016 بوقت 3:00 بجے سے پہلے مقام انسٹیوٹ آف چارٹرڈ اکاؤنٹینٹس آف پاکستان چارٹرڈ اکاؤنٹینٹس ایونیو کلفٹن، کراچی کمپنی کے منعقد ہونے والے اجلاس عام اور اُس کے کسی التواء تک میری / ہماری جانب سے ووٹ دینا اور اجلاس میں شرکت کرنے کا حق دیتا ہوں۔

ریونیو اسٹامپ - 5 روپے

دستخط شیئر ہولڈر

دستخط پراکسی

بتاریخ \_\_\_\_\_ سہ ۲۰۱۶

گواہان:

دستخط \_\_\_\_\_ دستخط \_\_\_\_\_

نام \_\_\_\_\_ نام \_\_\_\_\_

ایڈریس \_\_\_\_\_ ایڈریس \_\_\_\_\_

شناختی کارڈ \_\_\_\_\_ شناختی کارڈ \_\_\_\_\_

پاسپورٹ \_\_\_\_\_ پاسپورٹ \_\_\_\_\_

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

۲۔ اگر کوئی رکن اجلاس عام میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مکمل اور تصدیق شدہ کمپنی کے شیئر رجسٹر اری میسرز THK ایسوسی ایٹس، دوسری منزل، اسٹیٹ لائف بلڈنگ نمبر ۳، ڈاکٹر ضیاء الدین احمد روڈ، کراچی۔ 75530 کو اجلاس کے منعقد ہونے سے 48 گھنٹے قبل بھجوائیں۔

۳۔ CDC اکاؤنٹ ہولڈرز / کارپوریٹ انٹیٹس مندرجہ بالا کے علاوہ مذکورہ شقوں پر عمل کریں:

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

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

(c) پراکسی کے لئے لازم ہے کہ وہ اجلاس کے وقت اپنا اصل قومی شناختی کارڈ یا پاسپورٹ تصدیق کے لئے فراہم کرے۔ Corporate Entity کی صورت میں بورڈ

آف ڈائریکٹرز کی تصدیق شدہ قرارداد کی نقل بشمول Power of Attorney دستخط کے ساتھ (بجرا اگر پہلے ہی جمع کروادی گئی ہے) پراکسی فارم کے ہمراہ کمپنی کے شیئرز رجسٹر کو جمع کروائے۔



## **DIVIDEND MANDATE FORM**

It is to inform you that under section 250 of the Companies Ordinance, 1984 a shareholder may, if so desire, directs the Company to pay dividend through his / her / its bank account.

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan from time to time relating to the subject you being the registered shareholder of Sitara Chemical Industries Limited are hereby given the opportunity to authorize the Company to directly credit in your bank account cash dividend if any, declared by the Company in future.

PLEASE NOTE THAT THIS DIVIDEND MANDATE IS OPTIONAL AND NOT COMPULSORY, IN CASE YOU DO NOT WISH YOUR DIVIDEND TO BE DIRECTLY CREDITED INTO YOUR BANK ACCOUNT THEN THE SAME SHALL BE PAID TO YOU THROUGH THE DIVIDEND WARRANTS.

Do you wish the cash dividend declared by the Company, if any, is directly credited in your bank account, instead of issue of dividend warrants. Please tick any of the following boxes:

YES	NO
-----	----

If yes, then please provide the following information:

<b>(i) Shareholder's Detail</b>	
Name of the shareholder	
Folio No.	
CNIC No.	
Passport No. (in case of Foreign Shareholder)	
Land Line Phone No.	
Cell No.	
<b>(ii) Shareholder's Bank Detail</b>	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	

The Company is hereby authorized to directly credit cash dividend declared by it, if any, from time to time, in the above-mentioned bank account.

It is stated that the above-mentioned information is correct, and that I will intimate the changes in the above-mentioned information to the company and the concerned Share Registrar as soon as they occur.

Signature of the Member/Shareholder

Date:

Note:

- The shareholders who hold shares in physical form are requested to submit the attached Dividend Mandate Form after duly filled in to the Share Registrar concerned.
- Shareholders maintaining their shareholdings under Central Depository System (CDS) are advised to submit this form directly to relevant Participant/ CDC Investor Account Service.
- Please attach attested photocopy of the CNIC/Passport (in case of Foreign Shareholder)



The Share Registrar,  
Sitara Chemical Industries Limited,  
M/s THK Associates (Pvt.) Ltd.,  
Second Floor, State Life Building-3,  
Dr. Ziauddin Ahmed Road, Karachi-75530,  
Telephone No. 021-111-000-322,

Dear Sir,

Request for E-Transmission of Annual Report

Pursuant to S.R.O. 787(I)/2014 dated September 08, 2014 issued by the Securities and Exchange Commission of Pakistan (SECP), kindly note the requisite information for electronic transmission of annual balance sheet and profit and loss account, auditor's report and directors report etc. (Audited Financial Statements) along with notice of annual general meeting (Notice) [collectively referred to as 'Annual Report'] of Sitara Chemical Industries Limited (SITC). The email address provided hereunder may please be recorded in the members' register of the Company being maintained under Section 147 of the Companies Ordinance, 1984.

Particulars	
Name of shareholder	
Folio No. / CDC ID No.	
CNIC No.	
Passport No. (for foreign shareholder)	
E-mail address	
Land Line Telephone No.	
Cell No.	

It is stated that the above-mentioned information is correct and I hereby agree and give my consent for future transmission of the Company's Annual Report via email address provided above.

It is further stated that being the shareholder of the Company, it is my responsibility to communicate any change in the registered email address in a timely manner.

Yours Truly,

\_\_\_\_\_  
Shareholder's Signature

Complete Address: - \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Copy to:

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







**Sitara Chemical** Industries Limited

601-602 Business Centre, Mumtaz Hassan Road,  
Off. II Chundrigar Road, Karachi-74000  
Tel: 021-32420620, 32413944