Sitara Chemical
Industries Limited

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Annual Report 2008

SITARA
CHEMICAL
INDUSTRIES
LIMITED

بسم الله الرحمن الرحيم

BALANCE SHEET AS AT JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	3	4,824,079,425	3,270,893,931
Investment property	4	1,255,841,661	688,531,521
Long-term investments	5	88,081,892	75,395,579
Long-term loans and advances	6	542,906,320	261,307,473
Long-term deposits	7	38,965,450	38,960,050
CURRENT ASSETS			
Stores, spare parts and loose tools	8	333,535,521	208,020,031
Stock-in-trade	9	526,915,795	441,676,362
Trade debts	10	563,788,198	561,086,919
Loans and advances	11	352,774,003	560,761,814
Trade deposits and short-term prepayments	12	8,818,690	6,063,998
Other receivables	13	8,317,612	11,779,550
Investments	14	8,425,510	7,399,248
Cash and bank balances	15	240,942,737	252,694,526
		2,043,518,066	2,049,482,448
		8,793,392,814	6,384,571,002

The annexed notes from 1 to 44 form an integral part of these financial statements.

MUHAMMAD ADREES
CHIEF EXECUTIVE OFFICER

	Note	2008 Rupees	(Restated) 2007 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	16	600,000,000	300,000,000
Issued, subscribed and paid up share capital	16	204,089,590	185,535,990
Reserves	17	2,262,883,533	1,650,047,079
		2,466,973,123	1,835,583,069
SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT	18	1,075,357,757	
NON-CURRENT LIABILITIES			
Long-term financing	19	1,797,673,176	1,846,515,061
Long-term murabaha	20	-	19,438,047
Long-term deposits	21	12,942,874	12,706,103
Deferred liabilities	22	916,735,262	577,527,348
CURRENT LIABILITIES			
Trade and other payables	23	1,878,483,567	1,417,614,806
Profit / financial charges payable	24	37,425,936	57,628,576
Current portion of non current liabilities	25	268,279,930	222,627,643
Provision for taxation		321,580,389	368,638,456
Sales tax		17,940,800	26,291,893
		2,523,710,622	2,092,801,374
CONTINGENCIES AND COMMITMENTS	26		
		8,793,392,814	6,384,571,002

IMRAN GHAFOOR
DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
Sales-net	27	5,479,570,069	4,374,051,881
Cost of sales	28	3,924,285,790	3,289,672,158
Gross profit		1,555,284,279	1,084,379,723
Other operating income	29	64,557,333	29,617,604
		1,619,841,612	1,113,997,327
Distribution cost	30	71,549,434	54,814,588
Administrative expenses	31	168,728,675	164,803,036
Other operating expenses	32	90,423,247	39,893,557
Finance cost	33	368,094,645	317,624,373
Share of loss / (profit) of associated company-net of tax		1,745,441	(41,516)
		700,541,442	577,094,038
Profit before taxation		919,300,170	536,903,289
Provision for taxation	34	296,954,801	163,863,404
Profit for the year		622,345,369	373,039,885
Earnings per share - basic and diluted	35	30.49	18.28

The annexed notes from 1 to 44 form an integral part of these financial statements.

MUHAMMAD ADREES
CHIEF EXECUTIVE OFFICER

IMRAN GHAFOOR
DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	Share Capital	Reserves							Total
		Capital				Revenue Reserves			
		Share premium	Takaful reserves	Reserve for bonus shares	Others (Note 14)	General Reserve	Unappro-- priated Profit	Total	
				Rupees					
Balance as at July 01, 2006 as previously stated	185,535,990	97,490,410	50,000,000	-	2,803,785	875,000,000	447,061,882	1,472,356,077	1,657,892,067
Effect of prior year error as per note 42	-	-	-	-	-	-	(86,634,222)	(86,634,222)	1,657,892,067
Balance as at July 01, 2006- restated	185,535,990	97,490,410	50,000,000	-	2,803,785	875,000,000	360,427,660	1,385,721,855	3,315,784,134
Unrealized gains on available for sale investments	-	-	-	-	2,606,933	-	-	2,606,933	2,606,933
Net income / (expense) recognized directly in equity	-	-	-	-	2,606,933	-	-	2,606,933	2,606,933
Profit for the year	-	-	-	-	-	-	373,039,885	373,039,885	373,039,885
Total recognized income and expense for the year	-	-	-	-	2,606,933	-	373,039,885	375,646,818	375,646,818
Transferred to general reserve	-	-	-	-	-	300,000,000	(300,000,000)	-	-
Final dividend for the year ended June 30, 2006 @ Rs.6 per share	-	-	-	-	-	-	(111,321,594)	(111,321,594)	(111,321,594)
Balance as at June 30, 2007	185,535,990	97,490,410	50,000,000	-	5,410,718	1,175,000,000	322,145,951	1,650,047,079	1,835,583,069
Unrealized loss on available for sale investments	-	-	-	-	(482,865)	-	-	(482,865)	(482,865)
Net income / (expense) recognized directly in equity	-				(482,865)			(482,865)	(482,865)
Transfer to profit and loss on sale of available for sale investments	-	-	-	-	(5,410,718)	-	-	(5,410,718)	(5,410,718)
Profit for the year	-	-	-	-	-	-	622,345,369	622,345,369	622,345,369
	-	-	-	-	(5,410,718)	-	622,345,369	616,934,651	616,934,651
Total recognized income and expense for the year	-	-	-	-	(5,893,583)	-	622,345,369	616,451,786	616,451,786
Final dividend for the year ended June 30, 2007 @ Rs.5.50 per share	-	-	-	-	-		(102,044,794)	(102,044,794)	(102,044,794)
Transfer to reserve for issue of bonus shares				18,553,600			(18,553,600)	-	-
Issue of bonus shares @ 10% of ordinary shares	18,553,600	-	-	(18,553,600)	-	-	-	(18,553,600)	-
Transfer to unappropriated profit on account of incremental depreciation	-	-	-	-	-	-	76,038,990	76,038,990	76,038,990
Deferred tax related to incremental depreciation	-	-	-	-	-	-	40,944,072	40,944,072	40,944,072
Transfer of takaful reserve to general reserve			(50,000,000)			50,000,000		-	-
Balance as at June 30, 2008	204,089,590	97,490,410	-	-	(482,865)	1,225,000,000	940,875,988	2,262,883,533	2,466,973,123

The annexed notes from 1 to 44 form an integral part of these financial statements.

MUHAMMAD ADREES
CHIEF EXECUTIVE OFFICER

IMRAN GHAFOOR
DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	2008 Rupees	2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	919,300,170	536,903,289
Adjustments for:		
Depreciation on property, plant and equipment	416,078,439	260,033,297
Depreciation on investment property	1,316,245	755,041
Reversal of impairment loss on investment in associate	-	(14,150,131)
Impairment loss on investment in associated company	568,246	-
Finance cost	368,094,645	317,624,373
Share of loss / (profit) of associated company	1,745,441	(41,516)
Loss / (gain) on disposal of property, plant and equipment-net	18,097,445	(549,324)
Gain on disposal of investment property	(35,948,978)	-
Gain on sale of available for sale investments	(6,861,232)	-
Exchange gain	(224,853)	-
Provision for employee benefits	2,217,391	2,268,519
Provision for doubtful debts	1,121,516	7,461,069
Operating cash flows before changes in working capital	1,685,504,475	1,110,304,617
(Increase) / decrease in stores, spare parts and loose tools	(125,515,490)	2,084,833
Increase in stock-in-trade	(85,239,433)	(34,634,115)
Increase in trade debts	(3,597,942)	(208,036,697)
Increase in loans and advances	(59,598,806)	(62,417,845)
Increase in trade deposits and short-term prepayments	(2,754,693)	(1,041,694)
Decrease /(increase) in other receivables	3,461,938	(4,535,865)
Increase in trade and other payables	460,587,432	218,761,906
	187,343,006	(89,819,477)
Cash generated from operations	1,872,847,481	1,020,485,140
Finance cost paid	(388,297,285)	(294,558,545)
Employee benefits paid	(1,967,256)	(2,764,081)
Income taxes paid	(109,402,923)	(15,910,199)
	(499,667,464)	(313,232,825)
Net cash from operating activities	1,373,180,017	707,252,315

	2008 Rupees	2007 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	20,327,159	9,074,000
Proceeds from disposal of investment property	41,507,287	-
Proceeds from disposal of available for sale investments	8,849,762	-
Purchases of property, plant and equipment	(451,764,359)	(1,034,782,109)
Purchases of long term investments	(15,000,000)	-
Purchase of available for sale investments	(8,908,375)	(50,611,840)
Purchase of investment property	(574,184,694)	-
Long term loans and advances	(281,598,847)	240,057
Long term deposits	(5,400)	(18,597,000)
Net cash used in investing activities	(1,260,777,467)	(1,094,676,892)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from repayment of long-term financing	1,300,000,000	(223,968,573)
Payment of long-term financing	(1,274,877,735)	-
Payment of long-term murabaha	(38,876,084)	(38,876,084)
Proceeds from redeemable capital-Islamic sukuk certificates	-	625,000,000
Repayment of takaful reserve to TFC holders	(8,873,824)	(8,612,829)
Long term deposits	236,771	(3,419,440)
Dividend paid	(101,763,467)	(110,985,594)
Net cash (used) in / from financing activities	(124,154,339)	239,137,480
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,751,789)	(148,287,097)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	252,694,526	400,981,623
CASH AND CASH EQUIVALENTS AT END OF YEAR	240,942,737	252,694,526

The annexed notes from 1 to 44 form an integral part of these financial statements.

MUHAMMAD ADREES
CHIEF EXECUTIVE OFFICER

IMRAN GHAFOOR
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1 GENERAL INFORMATION

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

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

Principal business activities are as follows: -

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

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

2.2 Initial application of a standard or an interpretation

Amendment to IAS 1- Presentation of financial statements - “Capital Disclosures”, introduces new disclosures about the level of entity's capital and how it manages capital. Adoption of this amendment has only resulted in additional disclosures given in note 37.8 to the financial statements.

2.3 New accounting standards and IFRS interpretations that are not yet effective

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

IFRS 7 'Financial Instruments: Disclosures' (effective from April 28, 2008) requires extensive disclosures about the significance of financial instruments for the company's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. These requirements incorporate many of the requirements previously in IAS 32 - Financial Instruments : Presentation. The company plans to apply this standard from the financial year beginning July 01, 2008 and its initial application is expected to have extensive disclosures in the company's financial statements.

IFRS 8 'Operating Segments' (effective from January 01, 2009) replaces IAS 14 and requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

IFRIC 12 'Service Concession Agreements' (effective from January 01, 2008) applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Since the company is not involved in public sector services, the implementation of this interpretation is unlikely to affect its financial statements.

IFRIC 13 'Customer Loyalty Programs' (effective from July 01, 2008) clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. The company is not offering any such incentive to its customers.

IFRIC 14 - IAS 19 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective from January 01, 2008) provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

IFRIC 15 - Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 01 January 2009).

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation (annual periods beginning on or after 01 October 2008)

2.4 Standards and interpretations to existing standards that are effective and not relevant for the company’s operations

The following standards and interpretations to existing standards have been published and are mandatory for the company’s accounting year beginning on July 01, 2007 but are not relevant for the company’s operations:

IFRS 2 'Share-based Payment' requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date.

IFRS3 'Business Combinations' requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses. Under IAS 36 Impairment of Assets (as revised in 2004), impairment reviews are required annually, or more frequently if there are indications that goodwill might be impaired. IFRS 3 prohibits the amortisation of goodwill. Previously, under IAS 22, goodwill was carried in the balance sheet at cost less accumulated amortisation and accumulated impairment losses. Amortisation was charged over the estimated useful life of the goodwill, subject to the rebuttable presumption that the maximum useful life of goodwill was 20 years. Another principal impact of the new Standard has been the recognition of contingent liabilities that would not have been recognised separately from goodwill under the predecessor Standard, IAS 22.

IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' requires that assets or group of assets that are classified as held for sale are carried at lower of carrying amount and fair value less costs to sell as against the carrying amount required under previous IAS 35 - Discontinued Operations. Standard specifies that an asset classified as held for sale or included within a disposal group that is classified as held for sale is not depreciated. Further any related liability, and assets and liabilities included within a group classified as held for sale, are presented separately on the face of balance sheet.

IFRIC 11 - IFRS 2 'Group and Treasury Shares Transactions' requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained.

2.5 Basis of preparation

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

-revaluation of certain property, plant and equipment
-long term investments 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 :

2.6 Property, plant and equipment

Property, plant and equipment except free hold land and capital work-in-progress are stated at cost except plat and machinary free hold land and building, which are stated at revalued amount less accumulated depreciation and accumulated impairment losses, if any. Freehold land and capital work-in-progress are stated at cost less impairment in value, if any. Cost includes borrowing cost as referred in note 2.23.

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

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

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

Depreciation is charged to income applying the reducing balance method at the rates specified in note 3 to the 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 recognised as and when incurred.

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

2.7 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 capitalised while no depreciation is charged for the month in which the property is disposed off.

2.8 Investments

Regular way purchase or sale of investments

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

Investment in associates

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

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

Available for sale

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

Derecognition

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

2.9 Stores, spares parts and loose tools

These are valued at lower of cost and net realisable value less allowance for the obsolete and slow moving items. Cost is determined using moving average method. Items in transit are valued at cost comprising invoice value and other charges incurred thereon, upto balance sheet date. Net realisable value represents estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost to make the sales.

2.10 Stock in trade

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

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

Prime cost represent average manufacturing cost less factory overhead.

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

2.11 Trade debts and other receivables

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

2.12 Cash and cash equivalents

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

2.13 Impairment

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

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

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

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Borrowings

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

2.16 Employee Benefit Costs

Defined contribution plan - Chemical division

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

Defined benefit plan - Textile division

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

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

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

2.17 Trade and other payables

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

2.18 Provisions

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

2.19 Taxation

Current

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

Deferred

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

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

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

2.20 Dividend and other appropriations

Dividend is recognised 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.

2.21 Financial instruments

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

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

2.22 Revenue recognition

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

- Sales of goods are recognised when goods are delivered and title has passed.

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

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

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

2.23 Borrowing Costs

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

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

2.24 Foreign Currencies

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

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

2.25 Segment Reporting

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

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

2.26 Related party transactions

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

2.27 Off setting of financial assets and financial liabilities

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

2.28 Critical accounting estimates and judgment

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

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

	Note	2008 Rupees	2007 Rupees
3 PROPERTY, PLANT AND EQUIPMENT			
Operating Assets	3.1	4,577,112,041	3,004,898,554
Capital work in progress	3.6	246,967,384	265,995,377
		4,824,079,425	3,270,893,931

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

3.1 Operating Assets

Description	COST / REVALUATION				DEPRECIATION				Annual rate of depreciation %
	As at July 01, 2007	Additions/ (disposals)	Revaluation increase	As at June 30, 2008	As at July 01, 2007	Charge for the year / (Accumulated depreciation on disposals)	As at June 30, 2008	Book value as at June 30, 2008	
	Rupees								
Company owned									
Freehold land	109,331,084	65,148,500	386,093,553	560,573,137	-	-	-	560,573,137	
Building on freehold land									
Mill	484,114,502	125,127,471 (1,212,102)	92,957,428	700,987,299	242,175,197	36,604,455 (953,233)	277,826,419	423,160,880	10
Head office	35,962,917	-	-	35,962,917	7,578,187	465,986	8,044,173	27,918,744	10
Plant and machinery	3,644,010,278	215,288,335 (230,322,866)	1,076,873,196	4,705,848,943	1,211,122,561	351,626,827 (193,322,055)	1,369,427,333	3,336,421,610	10
Grid station and electric installation	161,032,492	7,492,230	-	168,524,722	71,721,344	8,988,589	80,709,933	87,814,789	10
Containers and cylinders	34,467,070	437,100 (172,081)	-	34,732,089	21,164,963	1,346,321 (130,667)	22,380,617	12,351,472	10
Factory equipment	29,887,973	3,074,213 (193,864)	-	32,768,322	12,393,104	1,838,177 (155,012)	14,076,269	18,692,053	10
Electric equipment	17,555,869	2,122,993	-	19,678,862	9,320,502	889,967	10,210,469	9,468,393	10
Office equipment	28,548,452	7,264,602	-	35,813,054	13,632,105	1,637,260	15,269,365	20,543,689	10
Furniture and fittings	10,917,856	1,359,614	-	12,277,470	4,646,492	701,246	5,347,738	6,929,732	10
Vehicles	92,378,441	43,477,294 (5,825,688)	-	130,030,047	49,553,924	11,979,611 (4,741,030)	56,792,505	73,237,542	20
2008	4,648,206,934	470,792,352 (237,726,601)	1,555,924,177	6,437,196,862	1,643,308,379	416,078,439 (199,301,997)	1,860,084,821	4,577,112,041	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

For Comparative period

Description	COST / REVALUATION				DEPRECIATION			Book value as at June 30, 2007	Annual rate of depreciation %
	As at July 01, 2006	Additions/ (disposals)	Revaluation increase	As at June 30, 2007	As at July 01, 2006	Charge for the year / (Accumulated depreciation on disposals)	As at June 30, 2007		
	Rupees								
Company owned									
Freehold land	109,331,084	-	-	109,331,084	-	-	-	109,331,084	
Building on freehold land									
Mill	434,312,449	61,382,900	-	495,695,349	215,802,658	24,571,622	240,374,280	255,321,069	10
Head office	23,724,876	657,195	-	24,382,071	8,624,065	755,040	9,379,105	15,002,966	10
Plant and machinery	2,907,018,201	753,829,991 (16,837,914)	-	3,644,010,278	1,011,176,324	209,123,851 (9,177,614)	1,211,122,561	2,432,887,717	10
Grid station and electric installation	161,032,492	-	-	161,032,492	61,797,883	9,923,461	71,721,344	89,311,148	10
Containers and cylinders	34,467,070	-	-	34,467,070	19,686,951	1,478,012	21,164,963	13,302,107	10
Factory equipment	26,641,118	3,263,255 (16,400)	-	29,887,973	10,709,436	1,693,011 (9,343)	12,393,104	17,494,869	10
Electric equipment	15,631,642	1,924,227	-	17,555,869	8,496,450	824,052	9,320,502	8,235,367	10
Office equipment	27,019,398	1,529,054	-	28,548,452	12,068,572	1,563,533	13,632,105	14,916,347	10
Furniture and fittings	9,783,152	1,134,704	-	10,917,856	4,058,099	588,393	4,646,492	6,271,364	10
Vehicles	78,742,070	16,211,334 (2,574,964)	-	92,378,440	42,514,288	8,757,281 (1,717,645)	49,553,924	42,824,516	20
2007	3,827,703,552	839,932,660 (19,429,278)	-	4,648,206,934	1,394,934,726	259,278,256 (10,904,602)	1,643,308,380	3,004,898,554	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

	Note	Year ended June 30, 2008 Rupees	Year ended June 30, 2007 Rupees
3.2 Depreciation for the year has been allocated as under:			
Cost of Sale	28	404,112,559	250,355,106
Administrative expenses	31	11,965,880	8,923,150
		416,078,439	259,278,256

3.3 During the Year Company revalued freehold land, building and plant & machinery. The fair value has been arrived at on the basis of a valuation carried out by Hamid Mukhtar & Company (Pvt) Ltd, independent valuers not connected with the Company. The basis used for the evaluation of these property plant and equipment are as follows:

Land Valuation

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

Building Valuation

New construction value (new replacement value of each item of the buildings) was arrived at looking 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 Valuation (Textile)

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

Machinery Valuation (Chemical)

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

Depreciation due to usage has been applied on all assets of machinery at 7.50% per annum on Written down Value basis to arrive at a fair Present/Depreciated Market Value of the assets.

3.4 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at June 30, 2008 would have been as follows:

	Cost	Accumulated Depreciation	Book Value
		Rupees	
Land	174,479,584	-	174,479,584
Building on free hold land	643,992,788	276,574,849	367,417,939
Plant and Machinery	3,628,975,747	1,261,740,014	2,367,235,733
	4,447,448,119	1,538,314,863	2,909,133,256

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

3.5 Following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Written down vaue	Sale Proceed	Mode of disposal	Particulars of purchaser
	Rupees					
Vehicles						
Toyota Hilux FDV-358	607,141	545,787	61,354	430,000	Negotiation	Mr. Qdeem Khan S/o Abdul Qadeer khan Mundiali Din Muhammad Colony, Po Kot Abdul Malik Tehsil Ferozwala, Distt Sheikhupura.
Fork Lifter Daewoo	1,358,900	1,091,876	267,024	90,500	Scrap	
Toyota Corolla FDY-7938	992,012	756,328	235,684	498,500	Negotiation	Mustansar Sayyed S/O M.Sayyed Maqbool Susan Road Madina Town, Faisalabad
Suzuki Mehran ACB-561	297,050	258,601	38,449	160,000	Negotiation	M/s Ashraf Motors&Property FL-22 Rashid Minhas Road Gulshan-E-Jamal Karachi.
Suzuki Bolan FDZ-5601	370,670	283,085	87,585	200,000	Negotiation	Mr.Javaid Iqbal S/o Fazal Din House No. 1 Street No. 6 Block No. 25 Sargodha.
Toyota Corolla FDX-8368	969,000	796,407	172,593	540,000	Negotiation	Mustansar Sayyed S/O M.Sayyed Maqbool Motors Susan Road Madina Town Faisalabad
Suzuki Cultus FSA-1538	590,070	425,110	164,960	300,000	Negotiation	Lt Col Khalid Pervaiz Khan Niazi Sitara Chemical Industries Ltd.
Toyota Corolla FDU-9005	640,845	583,836	57,009	475,000	Negotiation	Mazhar Hussain S/o Ahmad Din 166/B-4 Circular Road Lala Mussa
Container and cylinder						
CL2 Cylinder	57,639	43,221	14,418	45,974	Insurance Claim	Adamjee Insurance Company Limited
CL2 Cylinder	57,639	43,221	14,418	45,974	Insurance Claim	Adamjee Insurance Company Limited
CL2 Cylinder	56,803	44,225	12,578	57,790	Insurance Claim	Adamjee Insurance Company Limited
Factory Equipment						
PH Meter Digital Hana	9,950	8,718	1,232	-	Scrap	
Conductivity Meter	38,450	21,591	16,859	-	Scrap	
Spectro Photo Meter	123,454	104,581	18,873	-	Scrap	
Spectro Photometer	22,010	20,122	1,888	-	Scrap	
Plant and machinery						
Mercury Plant	225,151,541	189,528,073	35,623,468	15,785,421	Scrap and Negotiation	Major Metals Limited J K Chambers, Sector 17 Vashi, New Mumbai India
Boiler	2,932,213	2,187,088	745,125	1,698,000	Insurance Claim	Adamjee Insurance Company Limited
Boiler	2,239,112	1,606,894	632,218	-	Scrap	
Building on freehold land-Mill						
Mercury Plant Building	1,212,102	953,233	258,869	-	Scrap	
2008	237,726,601	199,301,997	38,424,604	20,327,159		
2007	19,429,278	10,904,602	8,524,676	9,074,000		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
3.6 Capital work-in-progress			
Civil work		86,694,295	3,349,780
Plant and machinery including in transit		105,368,822	83,831,804
Advance for property, plant and equipment		54,904,267	178,813,793
		246,967,384	265,995,377

4 INVESTMENT PROPERTY

	Note	2008 Rupees	2007 Rupees
Land	4.1	1,249,125,484	674,940,790
Building	4.2	6,716,177	13,590,731
		1,255,841,661	688,531,521
4.1 Land-at cost			
Balance at beginning of year		674,940,790	674,940,790
Acquisitions		574,184,694	-
Balance at end of year	4.1.1	1,249,125,484	674,940,790

4.1.1 The land has been registered in the name of Company, however, certain portion of this land is in the mutation process.

	Note	2008 Rupees	2007 Rupees
4.2 Building			
Cost			
At beginning of year		23,724,876	23,724,876
Less: disposals		10,689,310	-
At end of year		13,035,566	23,724,876
Accumulated depreciation			
At beginning of year		10,134,145	8,624,063
for the year	31	1,316,245	1,510,082
Less: adjustment for disposal		5,131,001	-
		(3,814,756)	1,510,082
At end of year		6,319,389	10,134,145
Written down value at end of year		6,716,177	13,590,731

The fair value of the investment property as at June 30, 2008 is Rs. 2,506 million (June 30, 2007: Rs. 45.674 million in respect of building only). The fair value has been arrived at on the basis of a valuation carried out by Khan Associates, independent valuers 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 9.098 million (2007: Rs 3.740 million). Direct operating expenses arising on the investment property in the period amounted to Rs. 0.909 million (2007 : Rs. 0.448 million).

5 LONG TERM INVESTMENTS

	Note	2008 Rupees	2007 Rupees
Investments in associates	5.1	83,081,892	75,395,579
Other Investment	5.2	5,000,000	-
		88,081,892	75,395,579

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

	Ownership Interest 2008 %	Ownership Interest 2007 %	2008 Rupees	2007 Rupees
5.1 Investments in associates				
Investment in associate - listed companies				
Sitara Energy Limited (5.1.1)	4.89	4.89	27,122,699	25,395,579
Sitara Peroxide Limited (5.1.2)	5.45	5.45	28,978,984	30,000,000
			56,101,683	55,395,579
Investment in associate - unlisted companies				
Takaful Pakistan Limited (5.1.3)	10.00	6.67	26,980,209	20,000,000
			83,081,892	75,395,579

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.

5.1.1 Sitara Energy Limited

	2008 Rupees	2007 Rupees
Cost of 933,661 (2007: 933,661) fully paid ordinary shares of Rs.10/- each	23,274,442	23,274,442
Share of post acquisition profit	11,609,131	9,313,765
	34,883,573	32,588,207
Accumulated impairment loss	(7,760,874)	(7,192,628)
	27,122,699	25,395,579

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

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
Total assets	3,376,302,000	2,423,402,000
Total liabilities	(2,365,864,000)	(1,454,940,000)
Net assets	1,010,438,000	968,462,000
Company's share of net assets	49,410,418	47,357,792
Market value per share	29.05	12.90

	Nine Months ended March 31, 2008	Nine Months ended March 31, 2007
Revenue	1,541,149,000	1,093,213,000
Profit for the period	46,940,000	849,000
Company's share of associate's profit for the year	2,295,366	41,516

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Due to non availability of annual financial statements of associate at the date of authorisation for issue of these financial statements, equity method has been applied on latest available unaudited financial statements for period ended March 31, 2008.

	2008 Rupees	2007 Rupees
5.1.2 Sitara Peroxide Limited		
Cost of 3,000,000 (2007: 3,000,000) fully paid ordinary shares of Rs.10/- each	30,000,000	30,000,000
Share of post acquisition loss	(1,021,016)	-
	28,978,984	30,000,000

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

	As at March 31, 2008 Rupees	As at November 30, 2006 Rupees
Total assets	2,046,255,000	958,652,099
Total liabilities	(1,544,801,000)	(657,652,099)
Net assets	501,454,000	301,000,000
Company's share of net assets	27,329,243	16,404,500
Market value per share	64.90	
	Nine Months ended March 31, 2008	
Revenue	143,196,000	-
Loss for the period	(17,767,000)	-
Company's share of associate's Loss for the year	(1,021,016)	-

Due to non availability of annual financial statements of associate at the date of authorisation for issue of these financial statements, equity method has been applied on latest available financial statements for period ended March 31, 2008.

	2008 Rupees	2007 Rupees
5.1.3 Takaful Pakistan Limited		
Cost of 3,000,000 (2007: 2,000,000) fully paid ordinary shares of Rs.10/- each	30,000,000	20,000,000
Share of post acquisition loss	(3,019,791)	-
Nine months ended March 31, 2008	26,980,209	20,000,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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

	Note	2008 Rupees	2007 Rupees
Total assets		440,156,438	-
Total liabilities		(199,363,917)	-
Net assets		240,792,521	-
Company's share of net assets		24,079,252	-
Net contribution		42,941,883	-
Loss for the period		(30,197,913)	-
Company's share of associate's Loss for the year		(3,091,791)	-

Equity method has been applied on latest available half yearly reviewed (un-audited) financial statements for the period ended June 30, 2008.

5.2 Other Investment

	Note	2008 Rupees	2007 Rupees
Available for sale - at cost			
Unlisted Company			
Dawood Family Takaful Limited			
500,000 (2007: NIL) fully paid ordinary shares of Rs.10/- each		5,000,000	-

6 LONG TERM LOANS AND ADVANCES

	Note	2008 Rupees	2007 Rupees
Related parties - Considered good			
Secured			
Executives	6.1	206,651	681,281
Staff	6.2	2,769,774	137,941
		2,976,425	819,222
Unsecured			
Advance for investment property		541,090,873	260,786,133
Staff		128,350	161,762
		541,219,223	260,947,895
		544,195,648	261,767,117
Less current portion of long term loans and advances	11	(1,289,328)	(459,644)
		542,906,320	261,307,473

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees

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

	Note	2008 Rupees	2007 Rupees
Opening balance		681,281	690,290
Add: disbursed during the year		150,000	301,301
Less: repayments during the year		624,630	310,310
	6.1.1	206,651	681,281

6.1.1 The maximum aggregate amount due at the end of any month during the year was Rs. 2.769 million (2007 : Rs. 1.590 million).

6.2 These are secured by way of registration of Vehicles in the name of the Company.

7 LONG TERM DEPOSITS

	2008 Rupees	2007 Rupees
Security deposits		
Electricity	38,910,050	38,904,650
Others	55,400	55,400
	38,965,450	38,960,050

8 STORES, SPARE PARTS AND LOOSE TOOLS

	2008 Rupees	2007 Rupees
Stores	105,279,547	72,147,543
Spare Parts:		
In hand	179,490,871	124,697,454
In transit	47,583,998	10,111,105
	227,074,869	134,808,559
Loose tools	1,181,105	1,063,929
	333,535,521	208,020,031

9 STOCK IN TRADE

	2008 Rupees	2007 Rupees
Raw and packing material	340,440,010	140,944,051
Work in process	28,470,059	16,840,840
Finished goods	151,734,633	280,583,940
Waste	6,271,093	3,307,531
	526,915,795	441,676,362

9.1 Stock in trade includes pledged stock with banks of Rs. 184.634 million (2007 : Rs. 56.358 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
10 TRADE DEBTS			
Considered good			
Foreign - secured	10.1	8,333,427	8,945,915
Local-unsecured			
Related parties	10.2	19,992,217	21,045,828
Others		535,462,554	531,095,176
Considered doubtful		3,804,573	2,683,057
Less: Provision for doubtful debts		(3,804,573)	(2,683,057)
		-	-
		563,788,198	561,086,919

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

10.2 These are recoverable in ordinary caurse of business and balances due from related parties are as follows:

	2008 Rupees	2007 Rupees
Sitara Fabrics Limited	2,965	1,640
Sitara Textile Industries Limited	19,549,494	20,656,592
Sitara Spinning Mills Limited	6,092	5,439
Sitara Peroxide Limited	433,666	382,157
	19,992,217	21,045,828

	Note	2008 Rupees	2007 Rupees
11 LOANS AND ADVANCES			
Considered good			
Loans:			
Employees other than executives - related parties		320,225	376,958
Current portion of long term loans and advances	6	1,289,328	459,644
		1,609,553	836,602
Advances:			
For expenses		6,405,202	5,953,479
For land		-	69,000,000
Letters of credit fee, margin and expenses		117,208,568	5,042,359
Income tax		204,664,629	472,251,246
Suppliers and contractors		22,886,051	7,678,128
Considered doubtful - advances			
For expenses		5,068,789	5,068,789
For land		2,392,980	2,392,280
Provision for doubtful advances		(7,461,769)	(7,461,069)
		-	-
		352,774,003	560,761,814

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
12 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits		7,906,241	5,552,214
Short-term-prepayments		912,449	511,784
		8,818,690	6,063,998
13 OTHER RECEIVABLES			
Unsecured - Considered good			
Related parties	13.1	5,452,182	6,061,520
Export rebate		169,396	197,047
Insurance claim		725,660	3,556,023
Others		1,970,374	1,964,960
		8,317,612	11,779,550

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

	2008 Rupees	2007 Rupees
Aziz Fatima Trust Hospital	406,988	406,988
Sitara Spinning Mills Limited	854,650	1,729,381
Sitara Fabrics Limited	94,387	94,387
Sitara Peroxide Limited	997,152	874,432
Sitara Textile Industries Limited	1,249,774	1,129,039
Sitara Trade and Services	2,901	2,901
Sitara Developers (Pvt) Limited	1,846,330	1,824,392
	5,452,182	6,061,520

13.2 These repessent cammon nature expenses, of Joint facilites, born on behalf of related parties.

14 INVESTMENTS - available for sale

	Note	2008 Rupees	2007 Rupees
Investments at cost			
Balance at beginning of year		1,988,530	1,376,690
Add: acquired during the year		8,908,375	611,840
Less: sold during the year		1,988,530	-
Balance at end of year	14.1	8,908,375	1,988,530
Gain / (loss)			
Balance at beginning of year		5,410,718	2,803,785
Gain / (loss) realised during the year on sale of investments		5,410,718	-
Net (loss) / gain transferred to equity		(482,865)	2,606,933
Balance at end of year		(482,865)	5,410,718
		8,425,510	7,399,248

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

	Note	June 30 2008 Rupees	June 30 2007 Rupees
14.1 Available for sale investments include followings:			
Listed Companies-cost			
Ittehad Chemicals Limited			
36,000 (2007 : 36,000) fully paid ordinary shares of Rs.10/- each		1,245,848	444,000
Al-Meezan Investment Bank Limited			
235,000 (2007 : 195,789) fully paid ordinary shares of Rs.10/- each		7,662,527	1,544,530
		8,908,375	1,988,530

15 CASH AND BANK BALANCES

	Note	June 30 2008 Rupees	June 30 2007 Rupees
Cash in hand		7,326,925	6,214,046
Cash at banks			
On current accounts		50,368,009	29,651,955
On PLS-saving accounts	15.1	183,247,803	216,828,525
		233,615,812	246,480,480
		240,942,737	252,694,526

15.1 Effective mark-up rate in respect of deposit accounts range from 2.91% to 5.86% (2007 : 5.04% to 7.2%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

16 SHARE CAPITAL

16.1 Authorized share capital:

2008 Number of Shares	2007 Number of Shares		2008 Rupees	2007 Rupees
40,000,000	30,000,000	"A" class ordinary shares of Rs. 10/- each fully paid in cash	400,000,000	300,000,000
20,000,000	-	"B" class ordinary shares of Rs. 10/- each fully paid in cash	200,000,000	-
60,000,000	30,000,000		600,000,000	300,000,000

16.1.1 During the year Company increased its authorized share capital from Rs. 300 million to Rs. 600 million by further authorization of Rs. 10 million ordinary ‘A’ class shares and Rs. 20 million ordinary ‘B’ class shares of Rs. 10/- each ‘A’ and ‘B’ class.

16.2 Issued, subscribed and paid up share capital:

2008 Number of Shares	2007 Number of Shares		2008 Rupees	2007 Rupees
8,640,000	8,640,000	"A" class ordinary shares of Rs. 10/- each fully paid in cash	86,400,000	86,400,000
9,783,950	7,928,590	- issued as fully paid bonus shares	97,839,500	79,285,900
1,985,009	1,985,009	- issued as fully paid under scheme of arrangement for amalgamation	19,850,090	19,850,090
20,408,959	18,553,599		204,089,590	185,535,990

16.2.1 Reconciliation of number of ordinary shares of Rs 10/- each.

	2008 Number of Shares	2007 Number of Shares
Balance at beginning of year	18,553,599	18,553,599
Issued during the year as bonus shares	1,855,360	-
Balance at end of year	20,408,959	18,553,599

16.2.2 As at the balance sheet date, company has issued only “A” class ordinary shares which carry no right to fixed income.

16.2.3 No shares are held by any associated company or related party.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

17 RESERVES

	Note	2008 Rupees	2007 Rupees
Capital reserves		97,007,545	102,901,128
Revenue reserves		2,165,875,988	1,497,145,951
Takaful reserves		-	50,000,000
		2,262,883,533	1,650,047,079

18 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	2008 Rupees	2007 Rupees
Balance at beginning of year		-	-
Surplus arose during the year on property, plant and equipment		1,555,924,177	-
Less:			
Related deferred tax liability		404,527,430	-
Transfer to unappropriated profit in respect of incremental depreciation charged during the year – (net of deferred tax)	18.1	76,038,990	-
		480,566,420	-
Balance at end of the year		1,075,357,757	-

18.1 Related deferred tax liability:

	2008 Rupees	2007 Rupees
Balance at beginning of year	-	-
Incremental depreciation charged during the year transferred to unappropriated profit	116,983,062	-
Less: Deferred tax liability on surplus arose during the year	40,944,072	-
Balance at end of year	76,038,990	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

19 LONG TERM FINANCING

	Note	2008 Rupees	2007 Rupees
Secured			
From banking companies and other financial institution			
Diminishing musharika	19.1	307,048,176	199,640,061
Redeemable capital	19.2	1,490,625,000	1,646,875,000
		1,797,673,176	1,846,515,061

19.1 Diminishing Musharika

From financial institutions - secured

Description	Note	Profit	Security	Repayment	2008 Rupees	2007 Rupees
The Bank of Punjab	19.1.1	Average six months KIBOR plus 150 basis points payable on quarterly basis. KIBOR will be set three working days prior-to each quarterly period.	First pari passu charge of Rs. 494 million over fixed assets of Chemical Division.	Repayable in 20 equal quarterly installments commenced from January 01, 2006 and ending on October 01, 2010.	234,567,450	306,742,050
Meezan Bank Limited	19.1.2	Six months KIBOR plus 2% payable on quarterly basis.	Exclusive charge over imported plant of Chemical Division purchased through this facility.	Repayable in 21 quarterly installments commenced from April 18, 2005 and ending on April 17, 2010.	61,825,344	86,403,481
Meezan Bank Limited	19.1.3	Three months KIBOR plus 1.25 % with a floor of 10% and ceiling of 20% payable on quarterly basis.	Ranking charge over present and future fixed assets of chemical division which will be converted into specific and exclusive charge over calcium chloride plant & Chlorinated Parafin Wax plant	Repayable in 16 quarterly installments commenced from September 28, 2009 and ending on June 28, 2013.	200,000,000	-
					496,392,794	393,145,531
Less: Paid during the year					96,752,735	96,752,735
Current portion					92,591,883	96,752,735
					189,344,618	193,505,470
					307,048,176	199,640,061

19.1.1 Effective rate of profit for the year was from 11.53% to 12.56% per annum (2007 : from 10.87% to 12.56% per annum).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

19.2 Redeemable capital

Participatory - Secured

Description	Note	Profit	Security	Repayment	2008 Rupees	2007 Rupees
1st Tranche	19.2.1	Rental payments shall be calculated to provide return equivalent to bench mark rate plus incremental rental and service agency charges incurred by the trustee during the previous quarter. Bench mark rate is defined as 3 months KIBOR and incremental rental is defined as margin of 1.70% plus servicing agency expenses. Bench mark plus margin will be subject to floor of 2% and a cap of 28% per annum.	Exclusive and specific hypothecation charge in respect of musharika assets which include all fixed assets of BMR and expansion of 210 MTD Caustic Soda Plant at 32 Km Faisalabad - Sheikhupura Road, Faisalabad and to the extent of beneficial rights of certificate holders.	Repaid during the year	1,100,000,000	1,100,000,000
2nd Tranche	19.2.2	Rental payments shall be calculated to provide return equivalent to bench mark rate plus incremental rental and service agency charges incurred by the trustee during the previous quarter. Bench mark rate is defined as 3 months KIBOR and incremental rental is defined as margin of 1.70% plus servicing agency expenses. Bench mark plus margin will be subject to floor of 2% and a cap of 28% per annum.	Exclusive and specific hypothecation charge in respect of musharika assets which includes gas fired Power Generation Plant located at Caustic Soda Plant at 32 Km Faisalabad - Sheikhupura Road, Faisalabad	Repayable in 16 equal quarterly installments commenced from March 04, 2008 and ending on December 04, 2011.	625,000,000	625,000,000
3rd Tranche	19.2.3	Rental payments shall be calculated to provide return equivalent to bench mark rate plus incremental rental and service agency charges incurred by the trustee during the previous quarter. Bench mark rate is defined as 3 months KIBOR and incremental rental is defined as margin of 1.00% plus servicing agency expenses.	Exclusive and specific hypothecation charge in respect of musharika assets which include all fixed assets of BMR and expansion of 210 MTD Caustic Soda Plant at 32 Km Faisalabad - Sheikhupura Road, Faisalabad and to the extent of beneficial rights of certificate holders.	Repayable in 12 equal quarterly installments commenced from April 02, 2010 and ending on January 2, 2013.	1,100,000,000	-
					2,825,000,000	1,725,000,000
Less: Paid during the year					1,178,125,000	-
Current portion					156,250,000	78,125,000
					1,334,375,000	78,125,000
					1,490,625,000	1,646,875,000

19.2.1 Effective rate of profit for the year was from 10.98% to 12.08% per annum (2007 : from 11% to 12% per annum).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

20 LONG TERM MURABAHA

	Note	2008 Rupees	2007 Rupees
Secured - From banking companies			
Balance at beginning of year		58,314,131	97,190,215
Less: Paid during the year		38,876,084	38,876,084
		19,438,047	58,314,131
Less: Current portion	25	19,438,047	38,876,084
Balance at end of year		-	19,438,047

20.1 The facility is repayable in 12 equal quarterly instalments commenced from January 29, 2006 and ending on October 29, 2008. This is secured by way of first exclusive hypothecation charge of Rs. 153 million over plant and machinery imported through this facility. This is further secured against personal guarantee of directors. It is subject to profit at the following rates payable on quarterly basis:-

First 18 months	At Six months KIBOR plus 3.5% per annum with cap of 8.25%
Next 12 months	At Six months KIBOR plus 4.5% per annum with cap of 9.25%
Next 12 months	At Six months KIBOR plus 5.5% per annum with cap of 10.25%

Effective rate of profit for the year was 9.85% per annum (2007 : 8.25% to 9.25% per annum).

21 LONG-TERM DEPOSITS

	Note	2008 Rupees	2007 Rupees
From customers		11,272,874	11,036,103
Others	21.1	1,670,000	1,670,000
		12,942,874	12,706,103

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

22 DEFERRED LIABILITIES

	Note	2008 Rupees	(Restated) 2007 Rupees
Deferred taxation	22.1	911,893,149	572,935,370
Staff retirement benefits-gratuity	22.2	4,842,113	4,591,978
		916,735,262	577,527,348

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

	2008 Rupees	2007 Rupees

22.1 Deferred taxation

This comprises the following:

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

	2008 Rupees	2007 Rupees
Accelerated depreciation rates	549,045,243	573,714,988
Surplus on revaluation of property, plant and equipment	363,583,358	-
Share in associates post acquisition profits	1,346,943	932,638
	913,975,544	574,647,626

Deferred tax assets on deductible temporary difference arising in respect of:

	2008 Rupees	2007 Rupees
Provision for gratuity	766,774	784,455
Provision doubtful debts	1,315,621	927,801
	2,082,395	1,712,256
	911,893,149	572,935,370

22.2 Employee benefit - Gratuity

The amounts recognized in the profit and loss account against staff gratuity are as follows:-

Charge for the year

	2008 Rupees	2007 Rupees
Current service cost	1,656,379	1,730,035
Interest cost	493,136	517,248
Net actuarial loss recognized during the year	67,876	21,236
	2,217,391	2,268,519

Balance sheet reconciliation as at June 30

	2008 Rupees	2007 Rupees
Present value of unfunded obligation	5,661,547	5,479,288
Unrecognized actuarial losses	(819,434)	(887,310)
Net liability recognized in the balance sheet	4,842,113	4,591,978

Movement in liability

	2008 Rupees	2007 Rupees
Opening liability	4,591,978	5,087,540
Charge for the year	2,217,391	2,268,519
Benefits paid	(1,967,256)	(2,764,081)
	4,842,113	4,591,978

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Principal actuarial assumptions

Discount rate (Per annum)	10%	10%
Expected rate of increase in salaries (Per annum)	9%	9%
Expected average remaining working lives of employees (years)	5	5

23 TRADE AND OTHER PAYABLES

	Note	2008 Rupees	2007 Rupees
Creditors	23.1	159,937,564	126,031,067
Accrued liabilities	23.2	171,848,691	200,566,076
Advances from customers		51,279,650	59,155,959
Murabaha payable	23.3	1,388,701,088	957,300,000
Payable to provident fund - related party	23.4	874,478	1,043,930
Unclaimed dividend		4,097,632	3,816,305
Retentions / security deposits		27,067,602	20,024,681
Withholding tax		2,580,655	1,391,241
Workers' profit participation fund	23.5	49,891,537	29,077,742
Workers' welfare fund		22,204,670	19,207,805
		1,878,483,567	1,417,614,806

23.1 It includes Rs. 93.949 million (2007: Rs. 70 million) due to associated undertakings.

23.2 It includes Rs. 8.222 million (2007: Rs. 32.060 million) due to an associated undertaking.

23.3 The aggregate unavailed facilities available to the Company from commercial banks amounted to Rs. 971 million (2007: Rs. 928 million). These are subject to profit margin ranging from 10.59% to 12.28% (2007: 9.40% to 12.31%) per annum payable quarterly and are secured against first pari passu charge over present and future current assets of the chemical division and pledge of stocks and charge over present and future current assets of the textile division.

23.4 This represents contribution of 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.

23.5 Workers' profit participation fund

	Note	2008	2007
Workers' profit participation fund	23.5.1	49,552,886	28,832,534
Unclaimed Workers' profit participation fund		338,651	245,208
		49,891,537	29,077,742

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
23.5.1 Worker profit participation fund			
Balance as at July 01, 2007		28,832,534	18,242,749
Less:			
Amount paid to workers on behalf of the fund		9,700,120	3,636,000
Amount deposited in workers' welfare fund		19,132,414	14,606,749
		28,832,534	18,242,749
		-	-
Allocation for the year		49,552,886	28,832,534
Balance as at June 30, 2008		49,552,886	28,832,534

24 PROFIT / FINANCIAL CHARGES PAYABLE

	Note	2008 Rupees	2007 Rupees
Long term financing		18,170,455	35,610,367
Murabaha financing		19,255,481	22,018,209
		37,425,936	57,628,576

25 CURRENT PORTION OF NON CURRENT LIABILITIES

	Note	2008 Rupees	2007 Rupees
Long term financing:			
Diminishing musharika	19.1	92,591,883	96,752,735
Redeemable capital	19.2	156,250,000	78,125,000
Contribution to takaful reserve by TFC holders		-	8,873,824
Long term murabaha	20	19,438,047	38,876,084
		268,279,930	222,627,643

26 CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

	Note	2008 Rupees	2007 Rupees
Sales tax demand not acknowledged in view of pending appeals		3,398,136	3,398,136
Suppliers' claim not acknowledged in view of pending case in Civil Court		889,867	889,867
Guarantees issued by banks on behalf of the Company		129,132,436	106,381,476

26.2 Commitments

	Note	2008 Rupees	2007 Rupees
Capital expenditure		26,111,595	29,561,622
Outstanding letters of credit for raw material and spares		139,668,856	121,934,552
Purchase of godown		-	17,500,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

27. SEGMENT INFORMATION

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

Chemical division - represents Chlor Alkali plant
Textile division - represents Spinning unit

Revenue	Chemical 2008 Rupees	Chemical 2007 Rupees	Textile 2008 Rupees	Textile 2007 Rupees	Total 2008 Rupees	Total 2007 Rupees
Sales:						
Own products						
Local						
Caustic soda	4,237,653,094	3,419,735,122	-	-	4,237,653,094	3,419,735,122
Sodium hypochlorite	467,069,468	334,229,055	-	-	467,069,468	334,229,055
Bleching powder	87,364,139	75,748,071	-	-	87,364,139	75,748,071
Liquid chlorine	104,018,908	94,722,116	-	-	104,018,908	94,722,116
Hydrochloric acid	179,559,320	154,400,691	-	-	179,559,320	154,400,691
Ammonium chloride	44,108,449	34,320,539	-	-	44,108,449	34,320,539
Magnesium chloride and others	48,551,917	46,393,392	-	-	48,551,917	46,393,392
Agri chemicals	54,744,466	27,798,783	-	-	54,744,466	27,798,783
Yarn	-	-	1,056,386,655	794,958,375	1,056,386,655	794,958,375
Waste	-	-	12,782,322	7,433,195	12,782,322	7,433,195
Export						
Hydrochloric acid	10,812,918	7,775,531	-	-	10,812,918	7,775,531
Liquid chlorine	9,814,061	6,484,564	-	-	9,814,061	6,484,564
Bleaching powder	14,506,132	8,857,934	-	-	14,506,132	8,857,934
Ammonium chloride	10,824,989	4,594,654	-	-	10,824,989	4,594,654
Caustic soda flakes	1,057,728	10,560,260	-	-	1,057,728	10,560,260
Others	16,143,005	15,065,846	-	-	16,143,005	15,065,846
	5,286,228,594	4,240,686,558	1,069,168,977	802,391,570	6,355,397,571	5,043,078,128
Less:						
Commission and discount	156,418,018	116,663,764	1,997,288	1,543,194	158,415,306	118,206,958
Excise duty	44,958,733	-	-		44,958,733	-
Sales tax	672,453,463	550,819,289	-	-	672,453,463	550,819,289
Sales - net	4,412,398,380	3,573,203,505	1,067,171,689	800,848,376	5,479,570,069	4,374,051,881
Result						
Segment result	1,261,663,113	825,506,118	54,718,058	40,400,981	1,316,381,170	865,907,099
Unallocated income / (expenses)						
Other operating income					64,557,333	29,617,604
Administrative expenses					(1,375,000)	(1,145,000)
Other operating expenses					(90,423,247)	(39,893,557)
Finance cost					(368,094,645)	(317,624,373)
Share of (loss) / profit of associated company					(1,745,441)	41,516
Profit before taxation					919,300,170	536,903,289
Provision for taxation					296,954,801	163,863,404
Profit after taxation					622,345,369	373,039,885
Other information						
Segment assets	6,828,244,193	3,653,321,973	1,225,100,838	942,022,489	8,053,345,031	4,595,344,462
Unallocated corporate assets					1,885,014,426	763,927,100
					9,938,359,457	5,359,271,562
Segment liabilities	338,943,776	1,168,540,756	1,060,315,961	346,226,734	1,399,259,737	1,514,767,490
Unallocated corporate liabilities					5,226,815,930	2,234,591,564
					6,626,075,667	3,749,359,054
Capital expenditure	415,342,003	755,603,739	55,450,349	84,328,921	470,792,352	839,932,660
Depreciation	379,029,419	232,937,864	37,049,020	26,340,392	416,078,439	259,278,256

27.1 Inter-segment pricing / sales

There is no purchase and sale between the segments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

28 COST OF SALES

	Note	2008 Rupees	2007 Rupees
Raw material consumed	28.1	1,194,662,435	948,224,101
Fuel and power		1,838,817,608	1,781,640,057
Salaries, wages and benefits	28.2	177,755,100	153,794,950
Stores and spares		118,383,625	89,304,240
Repair and maintenance		35,840,129	36,843,372
Vehicle running and maintenance		15,597,723	12,339,852
Traveling and conveyance		9,070,214	10,571,017
Insurance		11,258,830	11,066,887
Depreciation	3.2	404,112,559	250,355,106
Other		4,531,041	3,804,283
		3,810,029,264	3,297,943,865
Work-in-process			
Opening stock		16,840,840	19,415,705
Closing stock		(28,470,059)	(16,840,840)
		(11,629,219)	2,574,865
Cost of goods manufactured		3,798,400,045	3,300,518,730
Finished stocks			
Opening stock		283,891,471	273,044,899
Closing stock		(158,005,726)	(283,891,471)
		125,885,745	(10,846,572)
		3,924,285,790	3,289,672,158

28.1 Raw material consumed

	2008 Rupees	2007 Rupees
Opening stock	140,944,051	114,581,643
Purchases	1,426,670,270	974,586,509
	1,567,614,321	1,089,168,152
Cost of raw cotton sold	(32,511,876)	-
Closing stock	(340,440,010)	(140,944,051)
	1,194,662,435	948,224,101

28.2 Salary wages and benefits include Rs. 3,089,505 (June 30, 2007 Rs. 2,901,432) in respect of employees retirement benefits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
29 OTHER OPERATING INCOME			
Sale of scrap and waste		3,970,770	4,784,674
Profit on deposits		6,994,024	4,731,270
Rent income		8,304,693	3,291,911
Gain on disposal of investment property		35,948,978	549,324
Reversal of impairment loss on investment in associates		-	14,150,131
Gain realised during the year on sale of investments		6,861,232	-
Exchange gain		224,853	-
Other		2,252,783	2,110,294
		64,557,333	29,617,604
30 DISTRIBUTION COST			
Staff salaries and benefits	30.1	12,920,499	10,728,912
Freight, octroi and insurance		47,936,753	32,309,095
Advertisement		832,018	740,294
Vehicles running and maintenance		4,213,211	4,114,411
Traveling and conveyance		1,696,094	2,020,748
Postage and telephone		773,122	934,983
Printing and stationery		301,902	389,085
Other		2,875,835	3,577,060
		71,549,434	54,814,588

30.1 Salary wages and benefits include Rs. 392,525 (June 30, 2007 Rs. 341,635) in respect of employees retirement benefits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
31 ADMINISTRATIVE EXPENSES			
Directors' remuneration		25,527,192	24,362,977
Staff salaries and benefits	31.1	61,573,765	56,418,857
Postage, telephone and telex		3,455,366	3,608,638
Vehicles running and maintenance		6,500,165	6,936,432
Printing and stationery		2,982,022	3,542,898
Electricity		2,118,794	3,549,776
Rent, rates and taxes		629,007	583,110
Traveling and conveyance		6,367,504	4,945,204
Advertisement		6,230,064	8,475,532
Books and periodicals		95,290	83,963
Fees and subscription		11,095,005	7,801,139
Legal and professional		1,228,891	647,623
Repair and maintenance		4,105,703	3,664,890
Auditors' remuneration	31.2	1,375,000	1,145,000
Entertainment		2,551,010	3,868,410
Donations	31.3	15,142,228	14,443,431
Insurance		1,535,234	1,730,250
Depreciation	3.2	11,965,880	8,923,150
Depreciation on investment property	4.2	1,316,245	1,510,082
Provision for bad debts		1,121,516	-
Provision for doubtful advances		-	7,461,069
Other		1,812,794	1,100,605
		168,728,675	164,803,036

31.1 Salary wages and benefits include Rs. 1,981,017 (June 30, 2007 Rs. 1,837,018) in respect of employees retirement benefits.

31.2 Auditors' remuneration

	2008	2007
Annual statutory audit	700,000	420,000
Half yearly review	110,000	110,000
Out of pocket	10,000	35,000
Tax advisory services	555,000	580,000
	1,375,000	1,145,000

31.3 All the directors of the Company, including Chief Executive, except Mr. Haseeb Ahmed and Mrs. Rukhsana Adrees are the trustees of Aziz Fatima Trust, Faisalabad to whom Rs. 7.238 million (2007: Rs.7.601 million) have been donated.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

	2008 Rupees	2007 Rupees
32 OTHER OPERATING EXPENSES		
Loss on disposal of property, plant and equipment	18,097,445	-
Exchange loss	-	104,660
Worker's profit participation fund	49,552,886	28,832,534
Worker's welfare fund	22,204,670	10,956,363
Impairment loss on investment in associated company	568,246	-
	90,423,247	39,893,557
33 FINANCE COST		
Long-term financing	224,558,009	209,563,040
Long-term murabaha	3,640,173	6,729,555
Murabaha payable	131,642,605	93,453,234
Bank charges and commission	8,253,858	7,878,544
	368,094,645	317,624,373
34 PROVISION FOR TAXATION		
Current		
for the year	320,947,380	21,894,183
for prior years	633,000	10,807,482
Deferred	(24,625,579)	131,161,739
	296,954,801	163,863,404

34.1 Numerical reconciliation between the applicable and effective tax rate

	2008 %	2007 %
Applicable tax rate	35	-
Tax credit of donations	(3)	-
Effective tax rate	32	-

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

35 EARNINGS PER SHARE

- Basic and diluted

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

		2008	2007
Profit for the year	Rs.	622,345,369	373,039,885
Weighted average number of ordinary shares outstanding during the year		20,408,959	20,408,959
Earning per share	Rs.	30.49	18.28

36 DIVIDEND AND APPROPRIATION.

In respect of current year, the directors have proposed to pay final cash dividend of Rs.153,067,193 at Rs 7.50 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 approved.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

37 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

37.1 Interest Rate Risk

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

	Profit / markup bearing			Non profit / markup bearing					
	Maturity upto one year	Maturity after one year but before five years	Sub Total	Maturity upto one year	Maturity after one year but before five years	Maturity after five years	Sub Total	2008	2007
	Rupees							Rupees	Rupees
Financial assets									
Long-term investments	-	-	-	-	-	88,081,892	88,081,892	88,081,892	75,395,579
Long-term loans and advances	-	-	-	1,289,328	1,815,447	285,000	3,389,775	3,389,775	980,984
Long-term deposits	-	-	-	-	-	38,965,450	38,965,450	38,965,450	38,960,050
Trade debts	-	-	-	563,788,198	-	-	563,788,198	563,788,198	561,086,919
Loans and advances	-	-	-	1,609,553	-	-	1,609,553	1,609,553	69,836,602
Trade deposits	-	-	-	7,906,241	-	-	7,906,241	7,906,241	5,552,214
Other receivables	-	-	-	8,317,612	-	-	8,317,612	8,317,612	11,779,550
Investments	-	-	-	8,425,510	-	-	8,425,510	8,425,510	7,399,248
Variable interest rate									
Cash and bank balances	183,247,803	-	183,247,803	57,694,934	-	-	57,694,934	240,942,737	252,694,526
	183,247,803	-	183,247,803	649,031,376	1,815,447	127,332,342	778,179,165	961,426,968	1,023,685,672
Financial liabilities									
Recognised									
Fixed interest rate									
Long-term murabaha	19,438,047	-	19,438,047	-	-	-	-	19,438,047	58,314,131
Variable interest rate									
Long-term financing	248,841,883	1,797,673,176	2,046,515,059	-	-	-	-	2,046,515,059	2,021,392,796
Long term deposits	-	-	-	-	12,942,874	-	12,942,874	12,942,874	12,706,103
Trade and other payables	-	-	-	489,782,479	-	-	489,782,479	489,782,479	460,314,806
Murabaha payabl	1,388,701,088	-	1,388,701,088					1,388,701,088	957,300,000
Profit / financial charges payable	-	-	-	37,425,936	-	-	37,425,936	37,425,936	57,628,576
	1,656,981,018	1,797,673,176	3,454,654,194	527,208,415	12,942,874	-	540,151,289	3,994,805,483	3,567,656,412
Unrecognised									
Commitments (Other than letter of credit)	-	-	-	26,111,595	-	-	26,111,595	26,111,595	29,561,622
Letter of credit	-	-	-	139,668,856	-	-	139,668,856	139,668,856	121,934,552
Bank guarantees	-	-	-	129,132,436	-	-	129,132,436	129,132,436	106,381,476
Purchase of godown	-	-	-	-	-	-	-	-	17,500,000
	-	-	-	294,912,887	-	-	294,912,887	294,912,887	275,377,650
Total	1,656,981,018	1,797,673,176	3,454,654,194	822,121,302	12,942,874	-	835,064,176	4,289,718,370	3,843,034,062
On balance sheet gap	(1,473,733,215)	(1,797,673,176)	(3,271,406,391)	121,822,961	(11,127,427)	127,332,342	238,027,876	(3,033,378,515)	(2,543,970,740)
Off balance sheet gap			-	294,912,887			294,912,887	294,912,887	275,377,650

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

37.3 Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 777.8 (2007: Rs. 1,023.6) million, the financial assets which are subject to credit risk amounted to Rs. 581.749 (2007: Rs. 770.991) million. The Company believes that it is not exposed to major concentration of credit risk. The management monitors and limits the Company's exposure to credit risk through monitoring of clients credit exposure review and conservative estimates of provision for doubtful receivable.

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

37.5 Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. However, the company is not exposed to any significant foreign currency risk. As at June 30, 2008, the total foreign currency risk exposure was Rs. 8.333 million (2007 : Rs. 8.945 million) in respect of trade debts.

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

37.7 Fair value of financial assets and liabilities

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

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

37.8 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

38. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2008			2007		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
	Rupees					
Remuneration	8,500,000	4,850,012	18,272,477	6,800,003	4,849,999	10,062,923
Retirement benefits	-	-	743,950	-	-	414,011
Perquisite						
House rent	3,399,996	1,734,996	5,481,746	2,719,994	1,735,008	3,028,530
Utilities	849,996	484,992	1,827,190	680,003	484,993	1,006,276
Conveyance allowance	-	-	-	-	75,000	300
Medical allowance	-	205,000	140,640	-	-	-
Special allowance		-	185,242	-	205,000	95,931
Income tax	1,019,887	1,627,475	-	2,568,750	1,508,988	-
	13,769,879	8,902,475	26,651,245	12,768,750	8,858,988	14,607,971
Number of persons	1	2	21	1	2	12

38.1 The Chief Executive, certain Directors and Executives are provided with free use of company's cars and telephone. The monetary value of these benefits approximates Rs. 2,242,954/- (2007: Rs.1,455,674/-).

38.2 Directors have waived their meeting fee.

39. TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of transactions	2008 Rupees	2007 Rupees
Associated Undertakings	Sales	110,371,611	48,248,673
	Purchases	57,751,175	526,287
	Organizational expenses recovered	2,987,855	2,036,499
	Organizational expenses paid	100,752	359,684
	Power charges paid	678,978,350	977,091,295
	Purchase of property, plant and equipment	53,250,000	-
Key Management personnel	Installments for purchase of land from director	-	32,500,000
	Remuneration to Executive	51,566,553	37,691,383

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

40. PLANT CAPACITY AND PRODUCTION

Chemical Division

	Designed Capacity		Actual Production		Reason for short fall
	2008	2007	2008	2007	
	Tons				
Caustic soda	178,200	178,200	151,695	137,473	Due to lack in demand
Sodium hypochloride	66,000	49,500	43,624	34,132	
Bleaching powder	7,500	7,500	4,984	4,244	
Liquid chlorine	9,900	8,000	9,277	8,707	
Ammonium chloride	3,400	3,000	3,261	2,583	
Hydrochloric acid	180,000	143,000	139,424	124,068	

Textile Division

	2008	2007
Ring Spinning		
Number of spindles installed	22,080	22,080
Number of spindles worked	22,080	22,080
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs.)	10,110,166	10,110,166
Actual production of yarn after conversion into 20/s count (Kgs.)	9,807,307	9,978,032

41. RECLASSIFICATION

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

From	To	Nature	Amount re-classified Rupees
Property, plant and equipment	Investment property	Investment property	719,301,386
Property, plant and equipment	Long-term loans and advances	Long-term advances	260,786,133
Property, plant and equipment	Investment property	Depreciation	755,041
Provision for taxation	Share of profit of associated company	Tax related to share of profit of associated company	12,616

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

42. PRIOR PERIOD ERROR

Deferred taxation as per prior period financial statements upto June, 30 2007 included deductable temporary difference in respect of uncleared/unabsorbed depreciation which had arose as a result of merger of associated compnay. The recognition of said deductible temporary difference was not in line with the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent assets" as tax deductibility of above referred expense was under litigation with taxation authorities. The error now has been rectified by restatement of figures of earliest reported period. The effect of restatement is summarised below :

	Rupees
42.1 Accumulated profit	
Balance as at June 30, 2006 - as previously stated	447,061,882
Reversal of deductible temporary difference related to Uncleared / unabsorbed depreciation	(86,634,222)
Balance as at June 30, 2006 - as restated	360,427,660
42.2 Deferred tax liability	
Balance as at June 30, 2007 - as previously reported	486,301,148
Reversal of deductable temporary difference related to uncleared / unabsorbed depreciation	86,634,222
Balance as at June 30, 2007 - as restated	572,935,370

43. GENERAL

Figures have been rounded of to the nearest Rupee.

44. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue on October 06, 2008 by the Board of Directors of the Company.

MUHAMMAD ADREES
CHIEF EXECUTIVE OFFICER

IMRAN GHAFOOR
DIRECTOR

FORM OF PROXY

IMPORTANT

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

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

Please quote Registered Folio Number/CDC Accounts Number

I/We ____________________

of ____________________

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

ordinary shares, hereby appoint ____________________

of ____________________

who is also a member of Company, as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the 27th Annual General Meeting of the Company to be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwan-e-Sadar Road, Karachi, on Friday, October 31, 2008 at 1:00 p.m. and at any adjournment thereof.

As witness my/our hand this ____________ day of ____________ 2008

Signed by the said ____________________ in the presence

of ____________

____
(Member's Signature)

Affix Rs. 5/-

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

Place ____________

Date ____________

____
(Witness's Signature)

Sitara Chemical
Industries Limited

AFFIX
CORRECT
POSTAGE

601-602 Business Centre,
Mumtaz Hassan Road,
Off. I.I. Chundrigar Road,
Karachi-74000
Tel: 021-2420620, 2413944

CONTENTS

COMPANY INFORMATION

Board of Directors	
Chairman	Haji Bashir Ahmed
Chief Executive	Mr. Muhammad Adrees
Directors	Mr. Javed Iqbal Mr. Muhammad Anis Mr. Imran Ghafoor Mr. Haseeb Ahmed Mrs. Rukhsana Adrees Mr. Rashid Zahir (Nominee Director of Saudi Pak Industrial and Agricultural Investment Co. (Pvt.) Ltd.)
Company Secretary	Mr. Mazhar Ali Khan
Chief Financial Officer	Mr. Anwar-ul-Haq (ACA)
Audit Committee	
Chairman	Mr. Muhammad Anis
Members	Haji Bashir Ahmed Mrs. Rukhsana Adrees
Head of Internal Audit	Mr. Muhammad Yameen (FCA)
Auditors	M/S. M.Yousuf Adil Saleem & Co. Chartered Accountants
Legal Advisor	Mr. Sahibzada Muhammad Arif
Bankers	Meezan Bank Limited National Bank of Pakistan Allied Bank Limited United Bank Limited Bank Alfalah Limited Dubai Islamic Bank Pakistan Limited The Bank of Punjab MCB Bank Limited Standard Chartered Bank First Habib Bank Modaraba Saudi Pak Industrial and Agricultural Investment Co. (Pvt.) Limited Saudi Pak Commercial Bank Limited First National Bank Modaraba Al-Baraka Islamic Bank B.S.C. (E.C.) Askari Commercial Bank Limited Faysal Bank Limited Habib Bank Limited Dawood Islamic Bank Limited Bank Islami Pakistan Limited SME Bank Limited
Registered Office	601-602, Business Centre, Mumtaz Hasan Road, Karachi-74000
Factories	28/32 K.M., Faisalabad - Sheikhupura Road, Faisalabad.

VISION

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

MISSION

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

CODE OF ETHICS AND BUSINESS PRACTICES

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

NOTICE OF THE TWENTY SEVENTH ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of Sitara Chemical Industries Limited will be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwan-e-Sadar Road, Karachi, on Friday, October 31, 2008 at 1.00 p.m. to transact the following business:

Ordinary Business :

1. To confirm the minutes of 26th Annual General Meeting held on October 20, 2007.
2. To receive, consider and adopt the annual audited accounts of the Company for the year ended June 30, 2008 together with the Reports of the Auditors and Directors there on.
3. To approve payment of cash dividend @ 75% (Rs.7.50 per share) as recommended by the Directors.
4. To appoint Auditors for the year ending June 30, 2009 and to fix their remuneration.
5. To transact any other ordinary business of the company with the permission of the Chair.

By order of the Board

Karachi:
October 06, 2008

MAZHAR ALI KHAN
Company Secretary

NOTES :

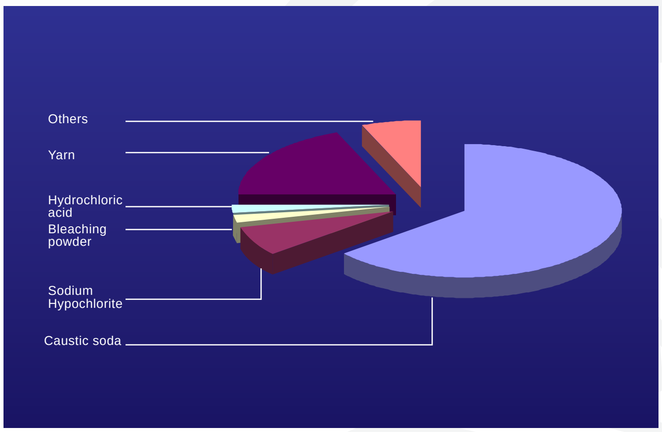
1. The Share Transfer Books of the Company will remain closed from October 21, 2008 to October 31, 2008 (both days inclusive).
2. A member entitled to attend, and vote at this Meeting may appoint another member as his/her Proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting.
3. The member whose name appears on the register at the close of business on October 20, 2008 will be entitled to cash dividend.
4. Shareholders who have deposited their shares into Central Depository Company are advised to bring their Computerized National Identity Card alongwith their CDC account number at the meeting venue.
5. Shareholders are advised to notify any change in their addresses.

CHAIRMAN'S REVIEW

It is great privilege for me to present you the audited Annual Report of Sitara Chemical Industries Limited for the year ended June 30, 2008.

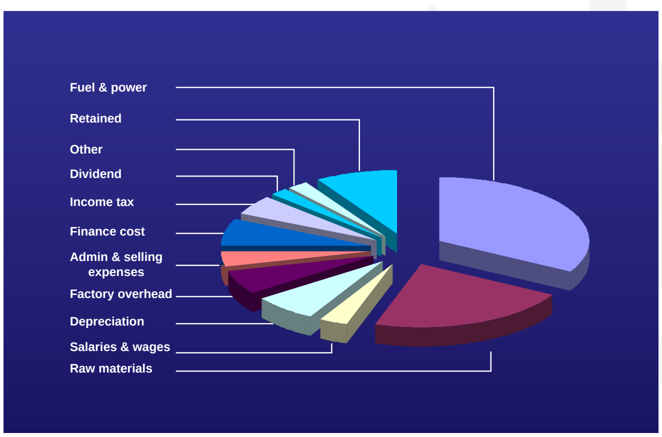
By the grace of God your company has kept the practice of diversification of its existing business during the year. This was imperative with the aim of boosting our business volume and in order to cope efficiently with the challenging and competitive business environment. Different projects have gone underway during the period and some of them have completed successfully while rest of them are almost at their completion stage.

SOURCES OF REVENUE



	Rs. (Million)	%
Caustic soda	3,571	64
Sodium hypochlorite	386	7
Bleaching powder	90	2
Hydrochloric acid	126	2
Yarn	1,054	19
Others	317	6
	5,544	100

APPLICATION OF REVENUE



Fuel & power	1,839	33
Raw materials	1,195	22
Salaries & wages	175	3
Depreciation	404	7
Factory Overhead	311	6
Admin & selling expenses	240	4
Financial charge	368	7
Incom tax	297	5
Dividend	102	2
Other	99	2
Retained	514	9
	5,544	100

Industry Overview:

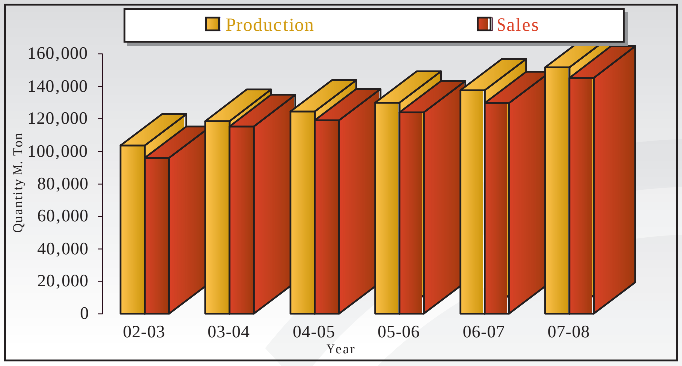
Chemical Division

Chlore Alkali industry in Pakistan has shown rising trend in all products of Chemical Division despite political and economical unrest in the economy and the interruption of electricity. Overall increase in local sales has been witnessed through better marketing strategy and the production of premier quality products.

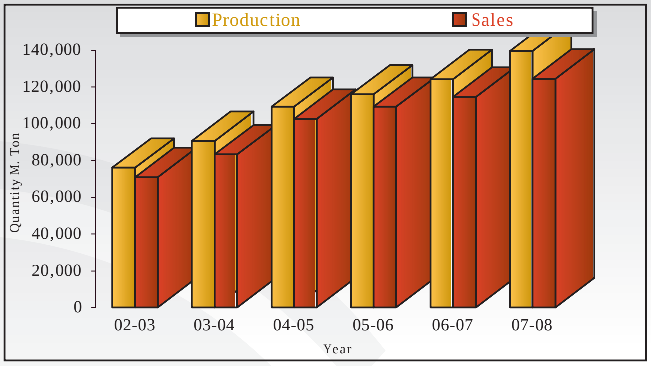
PRODUCTION AND SLAES ANALYSIS

CHEMICAL AND TEXTILE DIVISION

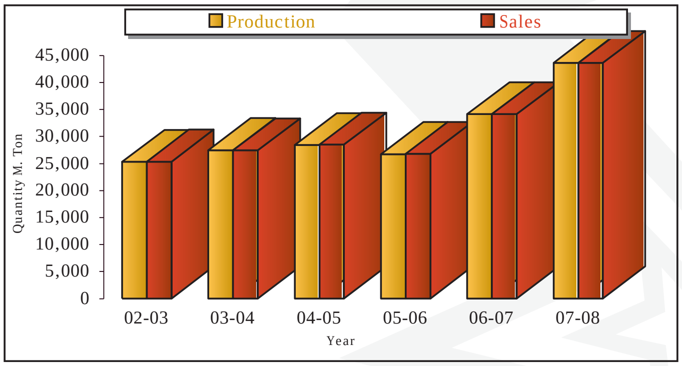
CAUSTIC SODA



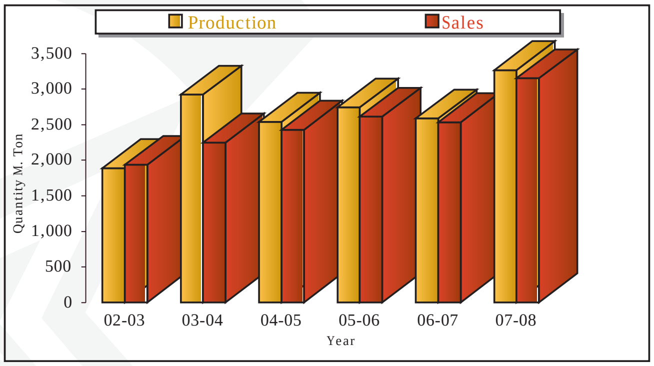
HYDROCHLORIC ACID



SODIUM HYPOCHLORITE

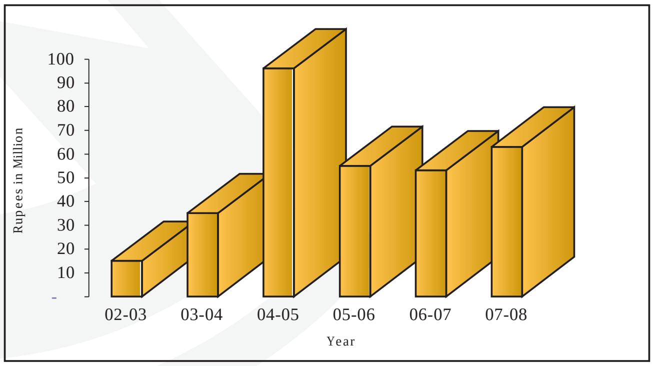


AMMONIUM CHLORIDE

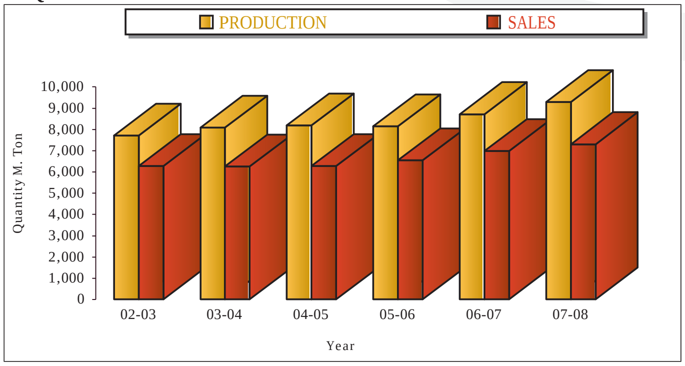


BLEACHING POWDER

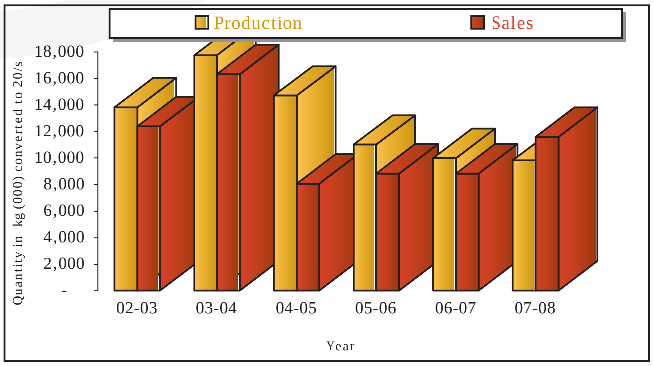
EXPORT SALE



LIQUID CHLORINE



RING SPINNING



There is also considerable increase in export sales since the introduction of existing products in the new markets at better price. Further steps like interaction with existing customer are also the prominent feature of above increase.

In compliance with our diversification & revamping strategy and effective use of our existing by products. Following projects have started and completed during the year.

Foreign trade delegation's visit to SCIL for non conventional chemical sale negotation

Chlorinated Paraffin Wax (CPW)

CPW plant is ready for commercial production having capacity of 10 M. Ton per day. The project will earn revenue in two ways .i.e. through its sales and saving of neutralization cost of chlorine gas used as input of CPW.

Calcium Chloride
Plant having capacity of 50 M.Ton per day has been commissioned successfully. Total production capacity reached to 62 M.Ton per day from that of 12 M. Ton perday.

Gases Division
Your Company has established gases division which comprises Nitrogen Gas plant, Oxygen Plant, Carbon Dioxide plant and Nitrous Oxide Plant. Following are rated capacities of these plants:

Nitrogen Gas	50	Cubic Meter/Hr
Oxygen Gas	200	Cubic Meter/Hr
Carbon Dioxide	12	Ton per day
Nitrous Oxide	16	Cubic Meter/ Hr

Textile Division

Production of yarn remained marginally lower as compared to preceding year. However, better prices were fetched resulting in overall increase in sales figure by 33%.

Production Operations:

During the year your company has produced 151,695 Metric Tons of Caustic Soda against last year's production of 137,473 Metric Tons. Further production of specialty chemicals also witnessed reasonable increase from last year. Textile Division production remained 9,807,307 Kgs of Yarn against 9,978,032 Kgs in the last year. During the year all 22,080 spindles remained operational.

Financial Performance:

Your company has performed well in 2008, achieving revenue of net sales of Rs.5,480 Millions during the year against Rs. 4,374 Millions in the previous year showing an overall increase of 25.27%. Gross profit earned during the year is Rs. 1,555 Millions against previous year's figure of Rs.1,084 Millions. Net Profit before tax accounted for Rs.919 Millions (16.8%) against Rs. 537 Millions (12.28%) in the previous year. An improvement in sales and profitability reveals that company has efficiently utilized organization resources. During the year total exports of the company remained at Rs. 63 Millions, against previous year's export of Rs. 53 Millions showing an increasing trend of 19% by way of more competitive prices and exploring new markets.

Research and Development:

Our research and development department is doing research work extensively and as a result company is able to introduced different products in the market. This year company has successfully commissioned Calcium chloride and Chlorinated Paraffin Wax plants. Establishment of Gases division in company product lines is also an example of considerable efforts of the R & D department towards diversification of our product and self reliance of our resources. R&D department continued its efforts to introduce new/substitute treatment chemicals for better performance of plant in producing quality products at economical prices.

Information Technology:

For better control of company resources and guidance for management team, decision was taken to implement ERP (SAP). Implementation assignment was given to Abacus Consulting. The main objective of an ERP to provide instantaneous information on sales, marketing, manufacturing, operations, inventories and financial etc. SAP will facilitate to operate business more effectively by driving faster, smarter decisions, applying better control over costs, minimizing risk and liability, and anticipating change.

SAP formal contract signing ceremony with
M/S Abacus consulting (Pvt) Ltd.

SAP Business by design will help in automating business processes, streamlining administrative tasks, and proactively delivering role-based information to employees. The modules covered are Financial & Controlling, Sales and Distribution, Human Resource Management, Quality Management, Production Planning, Plant Maintenance, Material Management. Configuration of new system has already completed and final training of users is underway. The project will Go-Live in next month Inshallah.

Human Resource Development:

Human resource development is a creative activity which facilitate the employee's of the organization to perform their duties and responsibilities more effectively and efficiently. In order to achieve this objective training is part and parcel in development of exemplary human resource. Training is a vital for professional growth and has become a proactive process leading towards building the competencies and capabilities of all employees. Your company provides extensive multi level high quality training to all employees's which include in house and external training.


A group photo with CEO in a leisure trip by marketing department


Prize distribution ceremony of annual sports gala 2008

Total 1,833 courses were conducted at SCIL human resource center, for all levels of management. These courses play great role to sharpen all levels of managerial skills.

Annual Hajj draws being conducted by CEO

Chairman Haji Bashir Ahmed (Sitara-i-Imtiaz) in a group photo at a flower exhibition

Environment, Health and Safety:

It is an essential and integral part of the chemical industry. We care deeply about how our operations and products affect environment, employees and other stakeholders. All necessary measures are in place to provide hazard free environment to avoid likelihood of any causality. Drills and rehearsals are made regularly to handle emergency situation. Similarly environment management system is in place for the implementation of appropriate pollution prevention measure and compliance with all relevant legislation.

Future Outlook:

In continuation of our policy for continuous development and improvement all necessary controls are in place and monitored tightly throughout the year. As you know that it is on going job and further measures will be taken accordingly.

Based on poor electricity supply conditions prevailing in the Country, PVC project could not be initiated yet. In first step management is considering availability of natural gas or extra load from WAPDA for this project. However, related investments in ancillary product are being made.

Company is considering the replacement of old Membrane plant with BMR. A new plant of Ammonium chloride is being considered by management. By these arrangement we will be able to increase production capacity, boost in sales and profit and use of more by product thus reducing our neutralization cost. All these measures are the indication of proactive role of strong management.

Acknowledgements

I would like to thank management and employees for their dedications and hard work and our customers for their continuous patronage enabling us in achieving organizational goals and objectives and in keeping our position in the market as market leader.

HAJI BASHIR AHMED
CHAIRMAN

DIRECTORS' REPORT

Gentlemen,

The Directors have pleasure in submitting their report and audited accounts of the Company for the year ended June 30, 2008.

PROFIT AND LOSS ACCOUNT	Rupees
Net profit for the year after tax before WPPF	671,898,255
Workers' Profit Participation Fund	(49,552,886)
Net profit for the year	622,345,369
Incremental depreciation including deferred tax	116,983,062
Un-appropriated profit brought forward	201,547,557
Amount available for appropriation	940,875,988
Appropriations:	
Proposed cash dividend @ Rs. 7.50 per share	(153,067,193)
Un-appropriated profit carried forward	787,808,795
Earnings per share - basic and diluted	30.49

STAFF RETIREMENT BENEFITS

Company has maintained recognized provident fund, based on audited accounts as at June 30, 2008 Value of investment thereof was Rs. 30,187,032

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

BOARD OF DIRECTORS

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

BOARD OF DIRECTORS' MEETING

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

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

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

CORPORATE GOVERNANCE

Statement on Compliance of Corporate Governance is annexed.

PATTERN OF SHAREHOLDING

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

AUDITORS

The existing auditors M/s M. Yousuf Adil Saleem & Company, Chartered Accountants, shall retire on the conclusion of 27th Annual General Meeting. Being eligible, they have offered themselves for re-appointment as Auditors of the Company to hold office from conclusion of the 27th Annual General Meeting until the conclusion of 28th Annual General Meeting. The Audit Comittee has recommended the appointment of aforesaid M/s M. Yousuf Adil Saleem & Company, as external auditors for the year ending June 30, 2009. 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 Fedration of Accountants' Guidelines on Code of Ethics, as adopted by the ICAP.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year, the Company's contribution to the national exchequer amounted to Rs. 792 million in respect of payments toward sales tax and income tax. This does not include the import duties, withholding tax deducted by the company from employees, suppliers and contractors and deposited into the treasury.

ACKNOWLEDGMENT

On behalf of Board, I would like to express profound gratitude to our customers (business partners), dedicated employees and dynamic management for their excellent support, committed efforts and strong leadership, which have enabled Sitara to achieve decent results for the year 2008 despite heavy odds. Our thanks also go to the financial institutions and shareholders for their continued support, which is key to the success of the Company.

For and on behalf of the
BOARD OF DIRECTORS

Date: October 06, 2008
Faisalabad

MUHAMMAD ADREES
Chief Executive Officer

CORPORATE GOVERNANCE

Statement of Directors' Responsibilities

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

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

Presentation of Financial Statements

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

Books of Account

Company has maintained proper books of account.

Accounting Policies

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

Application of International Accounting Standards

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

Internal Control System

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

Going Concern

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

Audit Committee

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

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2008

	Number	Shares Held	%
Associated Companies, Undertaking and Related Parties	-	-	-
NIT & ICP			
National Bank of Pakistan - Trustee Department Investment Corporation of Pakistan	4	733,503	3.59
Directors, CEO & their Spouse and Minor Children			
Haji Bashir Ahmed	1	550	0.00
Mr. Muhammad Adrees	1	12,515,252	61.32
Mr. Javed Iqbal	1	11,000	0.05
Mr. Muhammad Anis	1	2,200	0.01
Mr. Imran Ghafoor	1	2,200	0.01
Mr. Haseeb Ahmed	1	4,400	0.02
Mrs. Rukhsana Adrees	1	592,519	2.90 -
Executive	-	-	-
Public Sector Companies and Corporation	-	-	-
Bank, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds.	11	1,952,024 -	9.56 -
Foreign Investors	4	330,227	1.62
Investment Companies	2	583,644	2.86
Co-Operative Societies	1	5,500	0.03
Charitable Trusts	-	-	-
Shareholders holding ten Percent or more voting interest in the Company	-	-	- - -
Individuals	1787	3,014,815	14.78
Joint Stock Companies, others, etc.	33	111,815	- 0.55
Others	13	549,310	2.70
	1,862	20,408,959	100.00

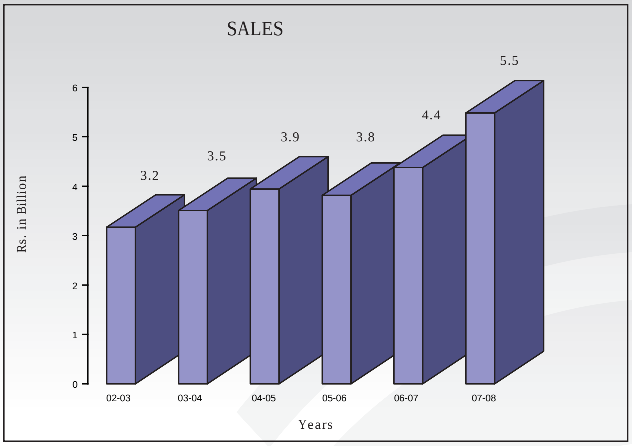
Detail of purchase / sale of shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses / minor children during 2007-2008.

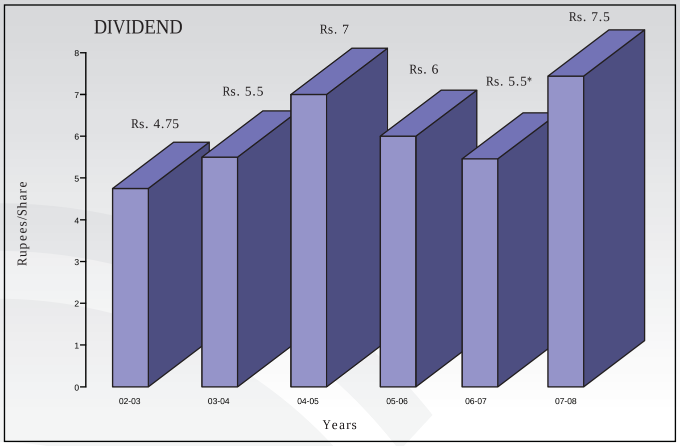
Name	Purchase	Sale
Mr. Javed Iqbal		15,000

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2008

Number of Shareholders	Shareholding From	Shareholding To	Total Number of Shares
802	1	100	27,976
619	101	500	163,461
148	501	1,000	104,159
188	1,001	5,000	416,922
28	5,001	10,000	201,080
18	10,001	15,000	210,505
8	15,001	20,000	143,299
8	20,001	25,000	184,490
5	25,001	30,000	140,133
1	30,001	35,000	31,787
3	35,001	40,000	118,312
2	40,001	45,000	83,910
4	45,001	50,000	192,720
4	50,001	55,000	208,257
1	60,001	65,000	62,460
1	70,001	75,000	74,900
2	75,001	80,000	156,922
2	80,001	85,000	161,600
1	85,001	90,000	87,690
1	110,001	115,000	112,120
3	115,001	120,000	346,500
1	130,001	135,000	135,000
1	135,001	140,000	140,000
2	145,001	150,000	298,875
1	165,001	170,000	168,410
1	175,001	180,000	177,200
1	320,001	325,000	323,200
1	580,001	585,000	583,300
1	590,001	595,000	592,519
1	680,001	685,000	682,080
1	700,001	705,000	702,600
1	860,001	865,000	861,320
1	12,515,001	12,520,000	12,515,252
1862			20,408,959

KEY FINANCIAL DATA

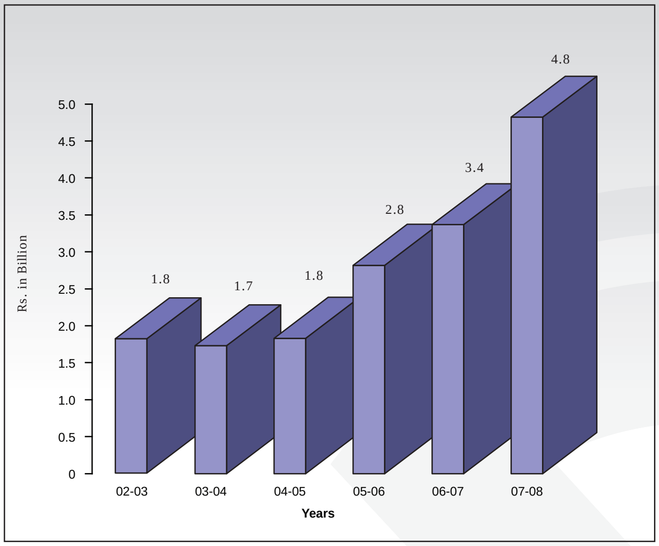




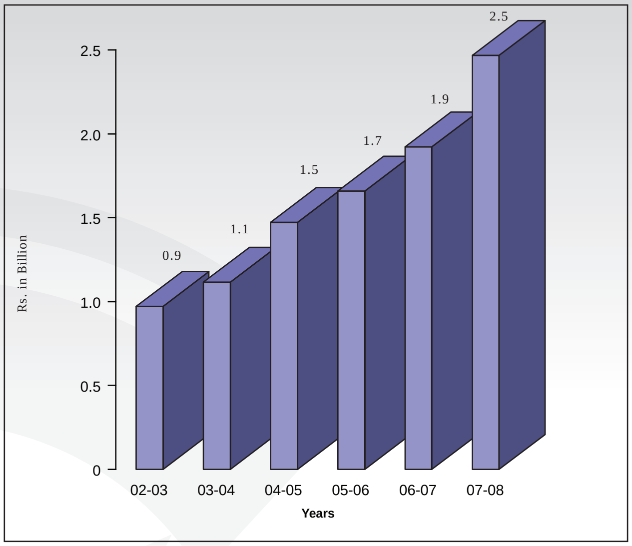
Operating results (Rs. '000')	2008	2007	2006	2005	2004	2003
Sales	5,479,570	4,374,052	3,811,890	3,942,391	3,506,148	3,167,908
Gross profit	1,555,284	1,084,380	705,118	900,387	630,018	511,943
Operating profit	1,315,006	864,763	509,613	707,561	488,299	388,009
Profit before tax	919,300	536,903	358,222	487,637	370,649	285,952
Financial ratios						
Gross Profit %	28.38	24.79	18.50	22.84	17.97	16.16
Operating Profit %	24.00	19.77	13.37	17.95	13.93	12.25
Profit before tax %	16.78	12.27	9.40	12.37	10.57	9.03
Earnings per share - Basic (Rs.)	30.49	18.28	14.36	15.93	12.86	10.30
Book value per share - (Rs.)	120.88	98.93	89.36	79.40	60.21	52.32
Cash Dividend Per Share - (Rs.)	7.5	5.5*	6.00	7.00	5.50	4.75
Inventory turn over (times)	18	12	16	24	25	33
Current ratio	0.81:1	0.98:1	1.18:1	1.14:1	1.12:1	1.06:1
Fixed assets turn over (times)	1.2	1.52	2.53	2.07	1.87	2.49
Price earning ratio	8.28	8.71	8.01	7.14	6.62	6.38
Return to capital employed %	15	15	10	20	21	15
Debt equity (without revaluation surplus)	121:100	134:100	104:100	59:100	41:100	47:100

*10% bonus share was given along with cash dividend

FIXED ASSETS

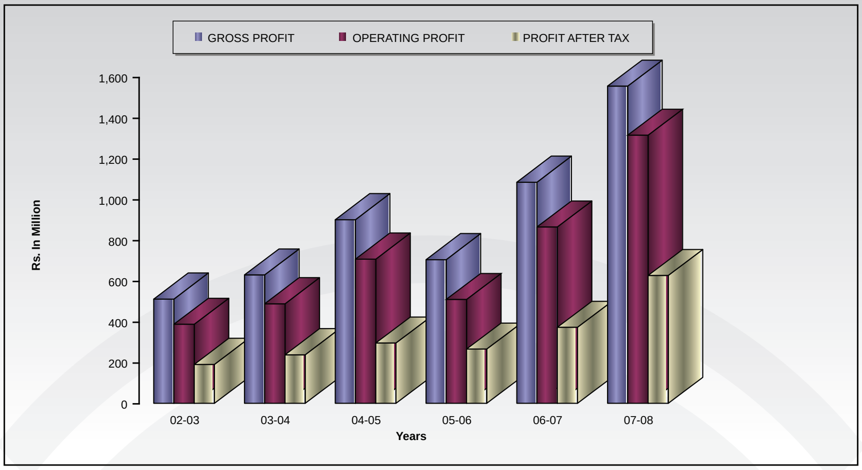


SHAREHOLDERS EQUITY (without revaluation surplus)

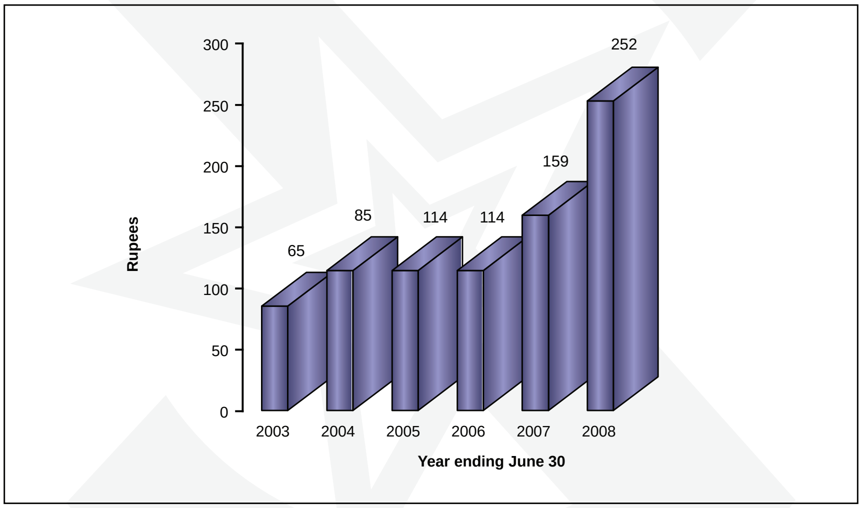


Assets employed	2008	2007	2006	2005	2004	2003
			(Rupees '000')			
Property, plant and equipment	4,824,079	3,369,644	2,818,335	1,830,827	1,730,510	1,816,860
Investment property	1,255,842	589,781	636,407	611,861	131,936	111,858
Long term investments, advances and deposits	669,954	375,662	32,328	36,995	15,873	9,854
Current assets	2,043,518	2,049,482	1,883,405	1,142,525	1,173,026	1,045,146
Current liabilities	(2,523,711)	(2,092,801)	(1,872,650)	(1,203,098)	(1,246,895)	(1,046,747)
	6,269,683	4,291,768	3,497,825	2,419,110	1,804,450	1,936,972
Financed by						
Ordinary capital	204,090	185,536	185,536	185,536	185,536	185,536
Reserves	2,262,884	1,736,681	1,472,356	1,287,644	931,535	785,266
Shareholders' equity	2,466,974	1,922,217	1,657,892	1,473,180	1,117,071	970,801
Surplus on revaluation	1,075,358	-	-	-	106,394	116,083
Long term and deferred liabilities	2,727,351	2,369,551	1,839,933	945,930	580,985	738,228
	6,269,683	4,291,768	3,497,825	2,419,110	1,804,450	1,825,112

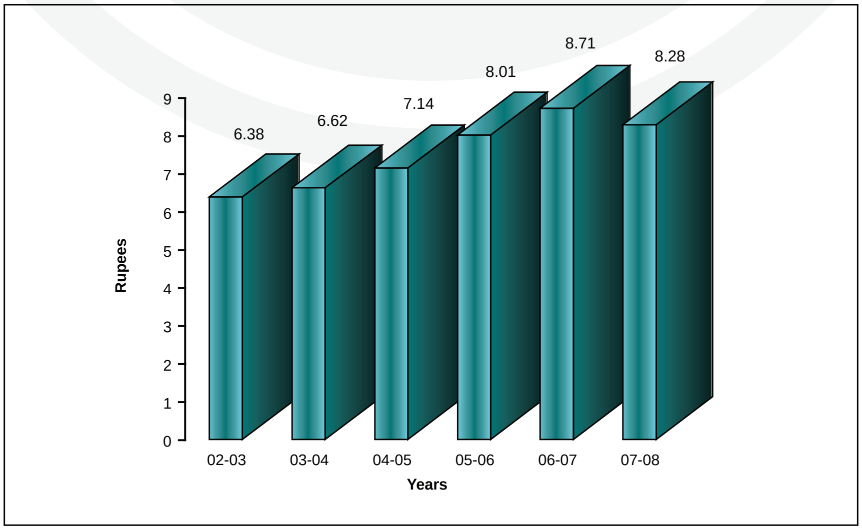
PROFITABILITY



SHARE MARKET PRICE TREND



PRICE EARNING RATIO



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

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

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

4. If a casual vacancy occurs in the Board that will be filled up by the directors within 15 days thereof.

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

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

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

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

9. The Board arranged an orientation course for its directors to apprise them of their duties and responsibilities.

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

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

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

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

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

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

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

17.The Board has set-up an effective internal audit function.

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

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

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

MUHAMMAD ADREES
Chief Executive Officer

IMRAN GHAFOOR
Director

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

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2008.

Date: October 06, 2008
Lahore

M. YOUSUF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SITARA CHEMICAL INDUSTRIES LIMITED ("The company") as at June 30, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which , to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Date: October 06, 2008
Lahore

M. YOUSUF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS