



ANNUAL REPORT

2018

CORPORATE OVERVIEW

Vision	02
Mission	02
Company Information	03
Notice of Annual General Meeting	04
Chairperson's Review	06
Directors' Report	07
Six Years Financial Summary	15
Pattern of Shareholding	16
Code of Conduct	18
Independent Auditor's Review Report	19
Statement of Compliance with the Code of Corporate Governance	20
Independent Auditors' Report	22

FINANCIAL STATEMENTS

Financial Statements	26
Jama Punji Add	62
Proxy Form	63

VISION STATEMENT

Strive to develop and employ innovative technological solutions to add value to business with progressive and proactive approach. The Leading Chemical Company. Commitment towards uncompromised Reliability, Quality, Services and Safety. Assure customer the most complete value package to become chosen partner in customer's view. High return generation for sustainable growth. View change as rule of life. Together with the employees, to ensure success.

MISSION STATEMENT

Better bottom line results with well contained risks through continuing growth and diversification. Create opportunities for success through trusted and reliable partnership.



BOARD OF DIRECTORS	Mrs. Sharmeen Imran Mr. Imran Ghafoor Mr. Ejaz Hussain Mr. Muhammad Asif Pasha Mr. Waleed Asif Mr. Yasir Ahmed Awan Mr. Saim Bin Saeed	Chairperson Chief Executive Officer Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Independent Director
CHIEF FINANCIAL OFFICER	Mr. Kamran Zahoor	
COMPANY SECRETARY	Mr. Mazhar Ali Khan	
HEAD OF INTERNAL AUDIT	Mr. Zia-ul-Mustafa	
AUDIT COMMITTEE	Mr. Saim Bin Saeed Mrs. Sharmeen Imran Mr. Waleed Asif Mr. Zia-ul-Mustafa	Chairman Member Member Secretary
HUMAN RESOURCE AND REMUNERATION COMMITTEE	Mr. Ejaz Hussain Mr. Saim Bin Saeed Mr. Waleed Asif	Chairman Member Member
EXTERNAL AUDITORS	M/s. Deloitte Yousuf Adil, Chartered Accountants	
LEGAL ADVISOR	Sahibzada Waqar Arif	
REGISTERED OFFICE	601-602 Business Centre, Mumtaz Hassan Road, Off. I.I. Chundrigar Road, Karachi-74000. Ph: 021 32401373, 32413944	
COMPANY WEBSITE	www.sitaraperoxide.com	
BANKERS	Al Baraka Bank (Pakistan) Limited Askari Bank Limited Bank Alfalah Limited Faysal Bank Limited Habib Bank Limited MCB Bank Limited Meezan Bank Limited National Bank Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited Summit Bank Limited United Bank Limited	
SHARE REGISTRAR	THK Associates (Private) Limited 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi - 75400. UAN: (92 21) 111-000-322 Ph: (92 21) 34168270 Fax: (92 21) 34168271	
HEAD OFFICE & PROJECT LOCATION	26 - KM Sheikhpura Road, Faisalabad. Ph : (92 41) 2400900-2, 2400904-5	

Notice of Annual General Meeting

2018

Notice is hereby given that the 15th Annual General Meeting of Sitara Peroxide Limited will be held at The Institute of Chartered Accountants of Pakistan (ICAP) Auditorium Hall, Chartered Accountants Avenue, Clifton, Karachi, on Wednesday, October 24, 2018 at 2:30 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of Annual General Meeting held on October 27, 2017.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2018 together with the Reports of Auditors and Directors thereon.
3. To appoint auditors and to fix their remuneration for the year ending June 30, 2019. The present auditors M/s. Deloitte Yousuf Adil, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.
4. To transact any other business of the Company with the permission of the Chair.

By order of the Board



MAZHAR ALI KHAN
Company Secretary

Karachi:
Dated: September 29, 2018

NOTES:

CLOSURE OF SHARE TRANSFER BOOKS

The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from October 18, 2018 to October 24, 2018 (both days inclusive). Transfers received in order at Company's Share Registrars Office by the close of business on October 17, 2018 will be treated in time for the purpose of attendance and voting at the Annual General Meeting of the Company.

PARTICIPATION IN THE ANNUAL GENERAL MEETING

A member entitled to attend and vote at this meeting is entitled to appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at Company's Share Registrar's Office M/s. THK Associates (Pvt) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi duly stamped and signed not less than 48 hours before the time of meeting.

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

a) For attending the meeting:

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

b) For appointing proxies:

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

SUBMISSION OF COPIES OF CNIC NOT PROVIDED EARLIER

Individual Shareholders are once again reminded to submit a copy of their valid CNIC, if not provided earlier to the Company's Share Registrar, M/s. THK Associates (Private) Limited.

UNCLAIMED SHARES

As per the provision of section 244 of the Companies Act, 2017, any shares issued by the Company which have remained unclaimed for a period of three years from the date on which it was due and payable are required to be deposited with Securities and Exchange Commission of Pakistan for the credit of Federal Government after issuance of notices to the Shareholders to file their claim. The details of the shares issued by the Company which have remained unclaimed for more than three years are available on the Company's website www.sitaraperoxide.com. Shareholders are requested to ensure that their claims for unclaimed shares are lodged promptly. In case, no claim is lodged, the Company shall proceed to deposit the unclaimed shares with the Federal Government pursuant to the provision of Section 244(2) of Companies Act, 2017.

CONSENT FOR VIDEO CONFERENCE FACILITY:

Pursuant to SECP Circular No.10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide the following information to the Share Registrar Office of the company i.e. M/s THK Associates (Pvt) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi PABX No.(+9221)111-000-322 and email aa@thk.com.pk.

I/We being a member of Sitara Peroxide Limited holder of _____ Ordinary Shares as per Registered Folio /CDC A/C No. _____, hereby opt for video conference facility at _____
(Please insert Name of the City)

Signature of member

PLACEMENT OF FINANCIAL STATEMENTS:

The audited financial statements of the Company for the year ended June 30, 2018 have been placed at the Company's website: www.sitaraperoxide.com.

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

It gives me great pleasure to present the Company's Annual Report and Audited Financial Statements of the Company for the year ended June 30, 2018.

Current financial year was another challenging year for the economy of country and local chemical industry. During the year, we faced number of challenges including rising fuel costs, higher inflation, devaluation of Pak Rupee and political instability, which continued to exert significant pressure on the overall economy in general and manufacturing industry in particular. Considering these challenges and market competition, Alhamdulillah, your Company performed well. It proves sustainability and adaptability of management of the Company to face critical challenges.

Your Management has been able to curtail its losses in first nine months of the current financial year by effectively adopting the principle of lean management in every sphere of business of the Company to minimize production costs, controlling operational and financial costs and increasing its market share despite of highly challenging business environment. Demand and price of our product are very sensitive to international prices because our product was designed for import substitution.

We are driven by our vision to be the leading hydrogen peroxide manufacturing company of Pakistan. As we move forward, we have a clear priorities, direction and focus. I remain confident of the continued success in the coming years and see great opportunities ahead.

On behalf of the Board, I would like to acknowledge with thanks the contributions made by the management staff, employees, customers, suppliers, contractors, regulatory authorities and various government functionaries. I would also like to thank our bankers and shareholders for their continued support.

Faisalabad
September 29, 2018

Mrs. Sharmeen Imran
Chairperson

The Directors of Sitara Peroxide Limited are pleased to submit their annual report along with audited financial statements of the Company for the financial year ended June 30, 2018.

FINANCIAL OVERVIEW

	2018	2017
	----- Rupees -----	
Net sales	1,296,154,191	1,059,688,732
Cost of sales	1,170,381,980	1,014,116,444
Gross profit	125,772,211	45,572,288
(Loss) before taxation	(34,125,582)	(128,090,292)
(Loss) after taxation	(65,402,801)	(87,190,960)
(Loss) per share – basic	(1.19)	(1.58)

During financial year 2017-18, total net sales reached up to Rs. 1,296 million against net sales of Rs. 1,060 million in the corresponding financial year. Reason for increase in annual turnover is improved sale price of Hydrogen Peroxide especially in second half of the year. Cost of sales increased to Rs. 1,170 million as against Rs. 1,014 million in the previous financial year, mainly due to increase in imported raw material and RLNG prices and Pak Rupee devaluation during the year. Therefore, the Company earned gross profit of Rs. 125 million during the year as compared to gross profit of Rs. 45 million in the preceding year.

Distribution and administration expenses remained Rs. 26.8 million and Rs. 86.7 million respectively against Rs. 25.7 million and Rs. 75.5 million in the comparative year. Finance Cost remained at Rs. 74.8 million as compared to Rs. 72.5 million in the last financial year. The Company incurred loss after tax of Rs. 65.4 million against loss after tax of Rs. 87.2 million in last year. Loss per share remained Rs. 1.19 against loss per share of Rs. 1.58 in preceding year. Although the improved sale prices significantly recovered losses incurred in first half of the year, the major reason for loss during the current financial year has been low capacity utilization of plant.

The Company has also successfully rescheduled its Rental and Buy-Out Payments of the Sukuk Certificates in respect of the Sukuk Issue, and has signed Supplemental Trust Deed with consortium of Sukuk investors effective from April 2018. Since then, Company is also regularly paying all its installments due under the said Supplemental Trust Deed.

As reported earlier, the technical complications at our plant during the last year resulted in efficiency loss of Palladium catalyst and working solution/chemicals, thereby the plant capacity utilization fell down below 80%. This impact of plant disorder continued even during the current year and your management remained busy to reduce post incident production losses and plant shutdowns. Finally, the Company able to overcome all such technical issues at plant and also managed to import another batch of Palladium Catalyst in end February 2018. Consequently, since March 2018 your plant has been regularly running at 80% capacity utilization without any major shutdown.

Board of Directors

The activities of the Board are based on the requirements and duties laid down under relevant laws and Memorandum and Articles of Association of the Company. This compliance assists the Board in safeguarding the interests of all the stakeholders.

The Board of Directors provides oversight in the governance, management and control of the Company and is responsible for setting the goals, objectives and strategies of the Company and formulating the policies and

guidelines towards achieving those goals and objectives. The Board is accountable to the shareholders for the discharge of its fiduciary function. The Management is responsible for the implementation of the aforesaid goals and strategies in accordance with the policies and guidelines laid down by the Board of Directors. In order to facilitate the smooth running of the day to day affairs of the Company, the Board entrusts the Chief Executive Officer with necessary powers and responsibilities.

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

Director		Meetings held	Meetings attended
(i)	Mrs. Sharmeen Imran (Chairperson)	4	2
(ii)	Mr. Imran Ghafoor (CEO)	4	4
(iii)	Mr. Waleed Asif	4	4
(iv)	Mr. Saim Bin Saeed	4	2
(v)	Mr. Ejaz Hussain	4	4
(vi)	Mr. Yasir Ahmed Awan	4	3
(vii)	Mr. Muhammad Asif Pasha	4	2
•	Leaves of absence have been duly granted.		

The structure of the Board reflects a combination of executive, non-executive and independent directors. The current Board comprises seven directors which include one executive director (CEO), five non-executive directors and one independent director. The Chairperson of the Board is a non-executive director. The positions of Chairperson and CEO are held by separate individuals with clearly defined roles and responsibilities.

As required by code of corporate governance, all directors are provided with sufficient information of their duties and responsibilities under respective laws and the Company's Memorandum and Articles of Association. Directors, being senior professionals and possessing experience of managing various responsibilities, have adequate exposure to corporate matters.

The Company has an Audit Committee and a HR and Remuneration Committee of the Board. Composition of these committees is strictly in compliance with guidelines of Code of Corporate Governance. Audit Committee comprise of three non-executive directors with the chairman being an independent director.

The Board has put in place a mechanism for performance evaluation by setting realistic, specific, measureable and achievable goals for the year and then evaluation the performance of each member against these goals. The annual review of the Board is based on the progress of the Company in following major functions:

- Corporate governance
- Compliance with regulatory requirements of legal framework
- Value addition for all stakeholders of the Company
- Financial performance of the Company
- Strategic capital expenditures and their payback period
- Operational efficiency and balancing, modernization and replacements
- Employee turnover and retention

Compliance with Corporate Governance

SPL's Board emphasizes on maintaining high governance standards across the Company. Being collectively responsible for the Company's vision and strategic direction and its values, the Board is accountable for business performance and long-term success of the Company.

Within a framework of internal controls, the Board provides leadership necessary for the Company to meet its performance objectives and achievement of core values. Generally accepted best practices have been implemented in addition to stipulated criteria and voluntary standards, with demonstration of highest levels of moral and ethical values, in addition to decision making based on honesty and responsibility in keeping with business sense, through a top-down approach, flowing downwards to all individuals either serving or closely associated with the Company.

Transparency in our operations and business decisions is prioritized with an equal importance to corporate accountability.

Corporate Governance exists at the very core of our policies for structuring, operating and controlling the Company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and the suppliers. Adherence to the best ethical practices and compliance with applicable legal and regulatory requirements is ensured in a manner that is environment and people friendly and supports the local community needs.

Understanding that good corporate governance is an essential prerequisite for the integrity and credibility of any company, building confidence and trust by ensuring fairness and accountability; we surpass the minimum legal requirements for good corporate governance. Our Board has laid down solid foundations, which are reviewed and updated periodically, of oversight and management of the Company, through establishing a clear division of responsibilities between the Chairperson and the Board, recognizing respective roles of the Board and Management, and establishing an effective ethics and compliance framework.

As required under the Code of Corporate Governance, the Directors are pleased to state as follows:

- The financial statements of the Company, prepared by the management, present fairly its state of affairs, the results of its operations, cash flows and the changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgments.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and departures there from, if any, have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts on the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the Listing Regulations.

Pattern of Shareholding

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

Employee Benefit Plan

The Company operates a non-funded defined benefit plan (gratuity scheme) for its permanent employees. The latest actuarial valuation was carried out on June 30, 2018. The Company has fully paid all obligations against this scheme in 2017-18.

Dividends

Accumulated losses of the Company on balance sheet date stands at 223 million rupees, therefore, Board of Directors has not announced any dividend during the financial year.

Auditors

The existing auditors M/S Deloitte Yousuf Adil, Chartered Accountants, shall retire on the conclusion of the 15th Annual General Meeting. Being eligible, they offered themselves for re-appointment as auditors of the Company for financial year ending June 30, 2019. The audit committee has recommended the appointment of aforesaid M/S Deloitte Yousuf Adil, Chartered Accountants as external auditors for the financial year ending June 30, 2019.

Future Outlook

The demand for hydrogen peroxide in Pakistan is increasing, and we are striving to gain a stronger market presence by remaining committed to our goals. In order to meet the growing demand of Hydrogen Peroxide in the country and to have the benefit of economy of scale, your Company has decided to expand its production capacity from 80 metric tons per day to 120 metric tons per day. Moreover, in order to increase the production efficiency, your management has also decided to improve the process technology. All this expansion is planned to be completed by September 2019.

Our focus remains to reduce costs, maintain quality, and surpass output levels. As we look towards financial year 2018-19, we will continue to identify and implement sustainable ways of doing business to ensure profitability.

For and on behalf of the
Board of Directors



IMRAN GHAFLOOR
Chief Executive Officer

September 29, 2018
Faisalabad

ایمپلائز بینیفٹ پلان

کمپنی اپنے مستقل ملازمین کے لئے ایک Non funded defined benifit plan (گریجویٹی اسکیم) چلا رہی ہے۔ اس حوالے سے 30 جون 2018 کو Actural Valuation بھی کروائی گئی ہے۔ اس اسکیم کے حوالے سے 2017-18 کے تمام واجبات کمپنی نے ادا کر دیے ہیں۔

ڈیویڈنڈ

چونکہ 30 جون 2018 تک کمپنی کا Accumulated خسارہ 223 ملین روپے ہے لہذا کمپنی کے ڈائریکٹرز نے اس سال کسی ڈیویڈنڈ کا اعلان نہیں کیا۔

آڈیٹرز

کمپنی کے موجودہ آڈیٹرز میسرز ڈیلاٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس کمپنی کے پندرہویں سالانہ اجلاس عام کے بعد ریٹائرڈ ہو جائیں گے۔ چونکہ وہ دوبارہ تقرری کے اہل ہیں اس لئے انہوں نے خود کو جون 2019, 30 کو ختم ہونے والے مالی سال میں دوبارہ تعیناتی کے لئے پیش کیا ہے۔ کمپنی کی آڈٹ کمیٹی نے جون 2019, 30 کو ختم ہونے والے مالی سال کے لئے میسرز ڈیلاٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس کی بحیثیت آڈیٹرز تقرری کی سفارش کی ہے

مستقبل کا منظر نامہ

پاکستان میں ہائیڈوجن پراکسائیڈ کی طلب میں اضافہ ہو رہا ہے اور ہماری پوری کوشش ہے کہ ہم اس کی مارکیٹ میں اپنا حصہ بڑھائے تاکہ اپنے اہداف کو حاصل کر سکیں۔ ملک میں ہائیڈوجن پراکسائیڈ کی بڑھتی ہوئی طلب کو پورا کرنے کے لئے اور اپنی پیداوری لاگت کو کم کرنے کیلئے کمپنی نے فیصلہ کیا ہے کہ اپنے پیداوری صلاحیت کو 80 میٹرک ٹن روزانہ سے بڑھا کر 120 میٹرک ٹن روزانہ کیا جائے۔ علاوہ ازیں اپنی پیداوری لاگت میں کمی کیلئے کمپنی انتظامیہ نے پیداوری ٹیکنالوجی میں بہتری لانے کا فیصلہ کیا ہے۔ یہ توسیعی منصوبہ ستمبر 2019 تک مکمل کر لیا جائے گا۔

ہماری تمام توجہ پیداوری لاگت کو کم کرنے، معیار کو برقرار رکھنے اور پیداوری صلاحیت کو بڑھانے پر مرکوز ہے مالی سال 2018-19 کے دوران ہماری بھرپور کوشش ہوگی کہ کمپنی کے کاروبار کو نفع بخش بنا یا جاسکے۔



عمران غفور
چیف ایگزیکٹو آفیسر

29 ستمبر 2018

فیصل آباد

- کارپوریٹ گورننس
- قانونی ڈھانچے کی تمام regulatory requirements پر عملدرآمد
- کمپنی کے تمام سٹیک ہولڈرز کے مفادات کا تحفظ
- کمپنی کی مالیاتی کارکردگی
- کیپٹل نوعیت کے اخراجات اور ان کے payback کا جائزہ
- آپریشنل modernization, balancing, efficiency اور replacements کا جائزہ لینا
- ملازمین کی مدت ملازمت اور turnover

کارپوریٹ گورننس کی پاسداری

کمپنی کا بورڈ اعلیٰ گورننس کے معیارات کو برقرار رکھنے پر بھرپور توجہ دیتا ہے۔ بورڈ چونکہ اجتماعی طور پر کمپنی کے ویژن، سٹریٹجک سمت اور اس کی اقتدار کا ذمہ دار ہے اس لئے کمپنی کی مالیاتی کارکردگی اور طویل مدتی کامیابی کا جوابدہ بھی بورڈ ہے۔

اس امر پر یقین رکھتے ہوئے کہ کسی بھی کمپنی کی ساکھ اور معیار قائم کرنے کیلئے اور ایمانداری سے مہروسہ اور اعتماد قائم کرنے کیلئے اچھی کارپوریٹ گورننس پر عملدرآمد کلیدی اہمیت رکھتا ہے۔ کمپنی نے کارپوریٹ گورننس کی بنیادی ضروریات سے بڑھ کر اقدامات کئے ہیں۔ بورڈ نے کمپنی کی مینجمنٹ کے تعاون سے کارپوریٹ گورننس کی ٹھوس بنیاد رکھی ہے جس کا وقتاً فوقتاً جائزہ لیا جاتا ہے اور ضروری ترامیم بھی کی جاتی ہیں۔ بورڈ اور چیئرمین کی ذمہ داریوں، بورڈ اور مینجمنٹ کی ذمہ داریوں کو الگ الگ رکھا گیا ہے اور ایک موثر Ethics and Compliance framework قائم کیا گیا ہے۔

ڈائریکٹرز اس امر کی یقین دہانی کرتے ہیں کہ SECP کے Corporate and Financial Reporting Framework اور Code of Corporate Governance کے مندرجہ ذیل امور پر عمل درآمد کیا گیا ہے۔

- * کمپنی مینجمنٹ کے پیش کردہ سالانہ حسابات کمپنی کے معاملات، اس کے تمام امور Cashflows اور changes in equity کو درست طور پر پیش کرتے ہیں۔
- * کمپنی کے اکاؤنٹس کو درست طور پر محفوظ رکھا گیا ہے۔
- * Financial Statements کی تیاری کے دوران درست اکاؤنٹنگ قواعد پر مستقل عملدرآمد کیا گیا ہے ماسوائے ان تبدیلیوں کے جو Accounting Standards پر پہلی بار عملدرآمد کی صورت میں کرنی پڑیں یا پہلے سے موجود Standards میں ترامیم یا نئی وضاحت کی صورت میں کرنا پڑیں۔
- * Financial Statements کی تیاری کے دوران وہ تمام International Financial Reporting Standards جو پاکستان میں لاگو ہیں ان پر عملدرآمد کیا گیا ہے اور کسی بھی انحراف کی صورت میں اس کو نہ صرف مناسب طور پر بیان کیا گیا ہے بلکہ وضاحت بھی کی گئی ہے۔
- * Internal Control کا نظام موثر ہے اور اسے درست پر نافذ کیا گیا اور اس کی نگرانی کی جاتی ہے۔
- * اس میں قطعاً کوئی شک نہیں کہ کمپنی میں Going Concern کے طور پر چلنے کی پوری صلاحیت ہے۔
- * Listing Regulations میں دی گئی Best Practices of Corporate Governance سے کوئی نمایاں انحراف نہیں کیا گیا۔

حصص داران کا میزبان

حصص داران کا چارٹ الگ سے دیا گیا ہے۔ زیر نظر سال کے دوران کمپنی کے کسی ڈائریکٹر، سی ای او، سی ایف او، کمپنی سیکریٹری، ان کے شریک حیات یا نابالغ بچوں نے کمپنی کے حصص کی خرید و فروخت نہیں کی ماسوائے جس کا تذکرہ حصص کے چارٹ میں الگ سے کیا گیا ہے۔

بورڈ آف ڈائریکٹرز

بورڈ کے تمام اقدامات متعلقہ قوانین اور کمپنی کے Memorandum and Articles of Association کے تحت انجام دیئے جاتے ہیں۔ ان پر عملدرآمد کے نتیجے میں تمام سٹیک ہولڈرز کے مفادات کا تحفظ ہوتا ہے۔

بورڈ آف ڈائریکٹرز ہی کمپنی کی گورننس، انتظامیہ اور کنٹرول کے ذمہ دار ہیں اور کمپنی کے مقاصد اور اہداف کا تعین منصوبہ بندی کرنا اور ان اہداف کو حاصل کرنے کیلئے پالیسی سازی اور رہنما اصول کا تعین کرنا بھی بورڈ کی ذمہ داری ہے۔ بورڈ اپنی تمام ذمہ داریوں کے حوالے سے کمپنی کے حصص داران کو جوابدہ ہے۔ کمپنی کی مینجمنٹ متعین کردہ اہداف اور مقاصد کو کمپنی کے بورڈ کی پالیسیوں اور رہنما اصول کی روشنی میں حاصل کرنے کی پابند ہے۔ کمپنی کے روزانہ امور کی انجام دہی کیلئے بورڈ سی ای او کے اختیارات اور ذمہ داریوں کا بھی تعین کرتا ہے۔

حالیہ سال کے دوران بورڈ کے چار اجلاس ہوئے اور ان میں حاضری مندرجہ ذیل رہی۔

ڈائریکٹر کا نام	منعقدہ اجلاس	اجلاس میں حاضری
1 محترمہ شرمین عمران (چیئر پرسن)	4	2
2 عمران غفور (سی ای او)	4	4
3 ولید آصف	4	4
4 صائم بن سعید	4	2
5 اعجاز حسین	4	4
6 یاسر احمد اعوان	4	3
7 محمد آصف پاشا	4	2

غیر حاضری کی صورت میں رخصت دی گئی۔

بورڈ آف ڈائریکٹرز، نان ایگزیکٹو اور Independent ڈائریکٹرز پر مشتمل ہے۔ موجودہ بورڈ سات ڈائریکٹرز پر مشتمل ہے جن میں CEO، پانچ نان ایگزیکٹو اور ایک Independent ڈائریکٹر شامل ہیں۔ بورڈ کی چیئر پرسن نان ایگزیکٹو ڈائریکٹر ہیں۔ چیئر پرسن اور CEO کے عہدے دو الگ اشخاص کے پاس ہیں جن کی ذمہ داریاں واضح طور پر الگ ہیں۔

کوڈ آف کارپوریٹ گورننس کی شرائط کے مطابق ڈائریکٹرز کو ان کی ڈیوٹی اور ذمہ داریوں سے آگاہ کیا گیا جو کمپنی کے Memorandum and Articles of Association کے تحت ادا کرنی ہیں۔ تمام ڈائریکٹرز تجربہ کار پروفیشنلز اور مختلف ذمہ داریوں کی انجام دہی کا وسیع تجربہ رکھتے ہیں اور کارپوریٹ امور کا مکمل ادراک رکھتے ہیں۔

بورڈ ارکان پر مشتمل Audit Committee اور HR & Remuneration Committee بھی قائم کی گئی ہیں۔ دونوں کمیٹیوں کی ساخت کوڈ آف کارپوریٹ گورننس کی شقوں کے عین مطابق ہے۔ آڈٹ کمیٹی کا چیئر مین Independent ڈائریکٹر جبکہ باقی دونوں ممبران non-executive ڈائریکٹر ہیں۔

بورڈ نے کارکردگی کی جانچ کیلئے ایک ایسا نظام ترتیب دیا ہے جو حقیقت پسندانہ، واضح اور قابل عمل اہداف کا تعین کر سکے اور ہر ممبر کی کارکردگی کو ان اہداف کی روشنی میں جانچا جاسکے۔ بورڈ کا کمپنی کی کارکردگی کو جانچنے کیلئے سالانہ جائزہ مندرجہ ذیل اقدامات کا جائزہ لے گا۔

ستارہ پراکسائیڈ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے سالانہ رپورٹ اور 30 جون 2018 کو ختم ہونے والے مالی سال کے سالانہ اکاؤنٹس آپ کے پیش خدمت ہیں۔

مالی جائزہ

2017	2018	
روپے	روپے	
1,059,688,732	1,296,154,191	خالص فروخت
1,014,116,444	1,170,381,980	فروخت کی لاگت
45,572,288	125,772,211	خام نفع
(128,090,292)	(34,125,582)	بعد از ٹیکس خام خسارہ
(87,190,960)	(65,402,801)	بعد از ٹیکس خالص خسارہ
(1.58)	(1.19)	فی حصص خسارہ - بنیادی

مالی سال 2017/2018 کے دوران کمپنی کی خالص فروخت 1,296 ملین روپے رہی جبکہ پچھلے مالی سال میں خالص فروخت 1,060 ملین روپے رہی سالانہ خالص فروخت میں اضافہ کی وجہ سے مالی سال کے دوسرے ششماہی میں ہائیڈروجن پراکسائیڈ کی قیمتوں میں اضافہ رہا فروخت کی پیداواری لاگت بڑھ کر 1,170 ملین روپے ہو گئی جو گزشتہ مالی سال میں 1,014 ملین روپے تھی۔ اس اضافہ کی بڑی وجہ درآمد شدہ خام مال اور ایل این جی کی قیمتوں میں اضافہ اور پاکستانی روپے کی قدر میں گراوٹ رہی۔ کمپنی نے حالیہ مالی سال میں 125 ملین روپے خام نفع حاصل کیا جبکہ گزشتہ مالی سال خام نفع 45 ملین روپے تھا۔

حالیہ مالی سال میں ڈسٹری بیوٹن اور انتظامی اخراجات بل ترتیب 26.8 ملین روپے اور 86.7 ملین روپے رہے جو گزشتہ مالی سال کے دوران 25.7 ملین روپے اور 75.5 ملین روپے تھے۔ قرضوں پر سود کے اخراجات 74.8 ملین روپے رہے جو گزشتہ مالی سال کے دوران 72.5 ملین روپے تھے۔ حالیہ مالی سال میں کمپنی کا بعد از ٹیکس خالص خسارہ 65.4 ملین روپے رہا جو گزشتہ مالی سال میں 87.2 ملین روپے تھا۔ فی حصص خسارہ 1.19 روپے رہا جو گزشتہ مالی سال 1.58 روپے فی حصص تھا۔ اگرچہ اچھی قیمتوں کی وجہ سے پہلی ششماہی میں ہونے والے نقصانات میں کافی حد تک کمی ہوئی لیکن حالیہ سال میں ہونے والے خسارے کی وجہ پلانٹ کی کم پیداواری استعداد حاصل کرنا تھی۔

حالیہ مالی سال میں کمپنی نے اپنے سلوک سٹریٹجیکس کے ریٹیل اور بائے آؤٹ معاہدے کی کامیابی سے ری شیڈولنگ کی اور سلوک سرمایہ کاروں کے ساتھ Supplemental Trust Deed پر دستخط کئے جس کا اطلاق اپریل 2018 سے ہوگا۔ کمپنی اپریل 2018 کے بعد سے اپنی تمام ماہانہ اقساط مندرجہ بالا Supplemental Trust Deed کے تحت باقاعدگی سے ادا کر رہی ہے۔

گزشتہ مالی سال کے دوران پلانٹ پر ہونی والے تیکنیکی مسائل کی وجہ Palladium Catalyst, Working Solution, Chemicals کی پیداواری صلاحیت متاثر ہونا ہے اور پلانٹ کی پیداواری صلاحیت 80% سے نیچے آگئی۔ پلانٹ کے تیکنیکی مسائل حالیہ مالی سال کے دوران بھی جاری رہے اور پلانٹ انتظامیہ ان مسائل سے ہونے والے پیداواری نقصان اور شٹ ڈاؤن کو کم کرنے کے لئے کوشاں رہی آخر کار کمپنی نے ان تمام مسائل پر قابو پالیا اور فروری 2018 میں نیا Palladium Catalyst درآمد کرنے میں کامیاب رہی جس کی وجہ سے پلانٹ مارچ 2018 سے تسلسل کے ساتھ 80% سے زیادہ پیداواری صلاحیت پر چل رہا ہے اور کسی قسم کی بندش کا سامنا نہیں کرنا پڑا۔

Six Years Financial Summary

2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
---------	---------	---------	---------	---------	---------

Rupees in "000"

Profit and Loss Account

Sales - net	1,296,154	1,059,689	1,310,036	1,325,024	1,426,464	1,110,400
Gross profit	125,772	45,572	190,436	112,503	287,237	273,846
Operating (loss) / profit	10,342	(56,969)	79,656	8,754	189,727	178,283
(Loss) / profit before tax	(32,802)	(128,090)	27,001	(70,087)	33,231	(9,472)
(Loss) / profit after tax	(65,403)	(87,191)	16,704	(51,180)	5,013	(18,779)

BALANCE SHEET

Property, plant and equipment	2,730,109	1,989,258	2,146,157	2,327,432	2,490,671	1,832,861
Long term advances	4,205	3,705	3,705	3,905	3,905	5,205
Current assets	1,011,371	977,126	1,006,935	993,091	855,528	750,978
Current liabilities	995,293	1,168,518	982,180	953,516	718,817	805,416
Non-current liabilities	999,532	644,926	930,037	1,144,162	1,353,100	1,096,767
Share capital	551,000	551,000	551,000	551,000	551,000	551,000
Shareholders equity	1,750,859	1,156,644	1,244,579	1,226,750	1,278,188	686,861

Financial Ratios

Gross Profit Ratio	(%)	9.70	4.30	14.54	8.49	20.14	24.66
Net Profit to Sales	(%)	(5.05)	(8.23)	1.28	(3.86)	0.35	(1.69)
Return on Equity	(%)	(19.96)	(25.84)	4.52	(17.21)	1.70	(7.25)
Return on Capital Employed	(%)	(2.38)	(4.84)	0.77	(2.16)	0.19	(1.05)
Current Ratio	times	1.02	0.84	1.03	1.04	1.19	0.93
Quick/Acid test ratio	times	0.53	0.44	0.59	0.51	0.47	0.39
Earnings per share - Basic	Rupees	(1.19)	(1.58)	0.30	(0.93)	0.09	(0.34)
Price Earning Ratio	times	(14.28)	(10.71)	55.89	(14.36)	146.63	(34.77)
Market Value per share (at year end)	Rupees	17.36	31.10	18.15	13.15	13.59	12.73
Market value per share (lowest)	Rupees	13.24	17.77	11.11	10.24	12.00	9.55
Market value per share (highest)	Rupees	31.23	38.23	22.78	16.05	20.13	15.62
Breakup value of share	Rupees	31.78	20.99	22.59	22.26	23.20	12.47

Pattern of Shareholding

2018

AS AT JUNE 30, 2018

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
647	1	100	9,089
4,867	101	500	2,417,242
779	501	1,000	770,036
1014	1,001	5,000	2,804,334
241	5,001	10,000	1,934,972
65	10,001	15,000	830,750
61	15,001	20,000	1,139,843
28	20,001	25,000	643,500
22	25,001	30,000	624,450
7	30,001	35,000	238,500
8	35,001	40,000	312,500
3	40,001	45,000	130,500
12	45,001	50,000	587,500
3	50,001	55,000	157,500
6	55,001	60,000	354,000
5	60,001	65,000	318,500
4	65,001	70,000	276,000
2	70,001	75,000	145,400
1	75,001	80,000	76,000
1	80,001	85,000	81,500
5	85,001	90,000	443,500
1	90,001	95,000	94,000
9	95,001	100,000	900,000
2	100,001	105,000	201,001
3	110,001	115,000	343,300
1	115,001	120,000	119,000
1	120,001	125,000	125,000
1	125,001	130,000	130,000
1	130,001	135,000	135,000
3	140,001	145,000	429,200
1	145,001	150,000	146,500
1	195,001	200,000	197,000
1	205,001	210,000	210,000
1	215,001	220,000	219,500
1	220,001	225,000	223,717
1	245,001	250,000	250,000
1	270,001	275,000	272,500
2	295,001	300,000	597,500
2	310,001	315,000	630,000
1	320,001	325,000	324,500
1	345,001	350,000	350,000
1	355,001	360,000	358,000
1	375,001	380,000	380,000
1	415,001	420,000	416,666
2	470,001	475,000	948,000
1	475,001	480,000	480,000
1	580,001	585,000	585,000
1	635,001	640,000	640,000
1	795,001	800,000	800,000
1	1,005,001	1,010,000	1,009,500
1	1,235,001	1,240,000	1,240,000
1	1,995,001	2,000,000	2,000,000
1	2,620,001	2,625,000	2,624,435
2	2,995,001	3,000,000	6,000,000
1	17,425,001	17,430,000	17,425,065
7,832			55,100,000

AS AT JUNE 30, 2018

	Number	Share Held	Percentage
Directors, CEO & their Spouse and Minor Children			
Mr. Imran Ghafoor	1	17,425,065	31.62
Mrs. Sharmeen Imran	2	2,634,435	4.78
Mr. Yasir Ahmed Awan	1	473,000	0.86
Mr. Muhammad Asif Pasha	1	1,000	0.00
Mr. Waleed Asif	1	1,000	0.00
Mr. Saim Bin Saeed	1	500	0.00
Mr. Ejaz Hussain	1	600	0.00
Banks, Development Finance Institutions, Non-Banking Finance Institutions	2	2,500	0.01
Modarabas	2	20,000	0.04
Foreign Companies	1	475,000	0.86
General Public (Local)	7,695	24,510,615	44.49
General Public (Foreign)	72	1,308,015	2.37
Joint Stock Companies	47	7,610,270	13.81
Associated Companies, Undertaking and Related Parties	-	-	-
Relatives other than spouse and minor Children	1	50,000	0.09
Others	4	588,000	1.07
	7,832	55,100,000	100.00

Detail of Purchase/Sale of company's shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses/minor children during 2017-2018.

N I L

Mr. Ejaz Hussain (Director of the Company) acquired 600 qualification shares during the year.

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

a.	Mr. Imran Ghafoor (Chief Executive Officer)	17,425,065
b.	Sitara Chemical Industries Limited	3,480,000
c.	Syed Ali Jafar Abidi	3,000,000

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

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

It is a fundamental policy of Sitara Peroxide Limited to conduct its business with honesty, integrity and in accordance with the highest professional, ethical and legal standards. The Company has adopted comprehensive Code of Conduct for members of the Board of Directors and Employees. The Code defines acceptable and unacceptable behaviors, provides guidance to directors / employees in specific situations that may arise and foster a culture of honesty, accountability and high standards of personal and professional integrity.

- Directors should take steps to ensure that the Company promotes ethical behavior; encourages employees to talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation; encourages employees to report violations of laws, rules, regulations, Company policies and procedures or the Company's Code of Conduct to appropriate personnel; and informs employees that the Company will not allow retaliation for reports made in good faith.
- Directors and employees must maintain the confidentiality of information entrusted to them by the Company and any other confidential information about the Company.
- Directors and employees must avoid any conflict of interest between them and the Company. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company, should be disclosed promptly.
- Directors and employees must act honestly and fairly and exhibit high ethical standards in dealing with all stakeholders of the Company.
- Directors and employees shall comply with laws, rules and regulations applicable to the Company including but not limited to the Companies Ordinance, 1984, Listing Regulations of the Stock Exchanges and insider trading laws.
- Certain restrictions / reporting / requirements apply to trading by the Directors and employees in Company shares. They shall make sure that they remain compliant with these statutory requirements.
- All funds, assets, receipts and disbursements must be properly recorded in the books of the Company.
- The Company's activities and operations will be carried out in strict compliance with all applicable laws and the highest ethical standards. The directors and employees will ensure that the Company deals in all fairness with its customers, suppliers and competitors.
- Company's relations and dealings with suppliers, consultants, agents, intermediaries and other third parties should at all times be such that Company's integrity and its reputation should not be damaged if details of the relationship or dealings were to become public knowledge.
- Agreements with agents, sales representatives or consultants should state clearly the services to be performed for the Company, the amount to be paid and all other relevant terms and conditions.
- Company will support and respect the protection of international human rights within its sphere of influence, in particular the effective elimination of all sorts of compulsory labour and child labour, and it will make this a criterion in the choice and management of its suppliers and sub contractors.
- Every employee at work must take reasonable care for the health and safety of himself and others including visitors who may be affected by his acts or omissions at work; and cooperate in Company's efforts to protect the environment.
- Rumour mongering, persuasive allegations, accusations and exaggerations with the main purpose of negatively influencing and manipulating the minds and emotions of the fellow employees are strictly prohibited.
- In order to enhance good governance and transparency, Company has introduced a Whistle Blowing Policy. The Policy provides an avenue to employees, vendors and customers to raise concerns and report illegal and unethical issues like fraud, corruption or any other unlawful conduct or dangers to the public or the environment.
- Every employee must adhere to Company's rules of service and make sure that he is familiar with all of them.
- Any violation of this Code shall be promptly reported to the Human Resources Department by any employee having knowledge thereof or having reasonable belief that such a violation has occurred.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF SITARA PEROXIDE LIMITED
REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED
IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Sitara Peroxide Limited** for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulation is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Deloitte Yousaf Adil

Chartered Accountants

**Engagement Partner
Rana M. Usman Khan**

Lahore
Dated: September 29, 2018

**STATEMENT OF COMPLIANCE
WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE)
REGULATIONS, 2017**

Name of the Company: **SITARA PEROXIDE LIMITED**

Year Ended: **June 30, 2018**

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) contained in the following manner:

1. The total number of directors are seven as per the following:

Gender	Number
Male	6
Female	1

Category	Director Name
Independent Director	Mr. Saim Bin Saeed
Executive Director	Mr. Imran Ghafoor
Non-Executive Directors	Mrs. Sharmeen Imran Mr. Muhammad Asif Pasha Mr. Ejaz Hussain Mr. Waleed Asif Mr. Yasir Ahmed Awan

Further, as per the proviso to clause 6 of the Regulations, grace period has been prescribed in respect of transition phase for composition of the Board with respect to minimum number of independent directors as specified in the Regulations. Presently, it is lesser than the required number of Independent Directors. However, it will be complied with upon expiry of its current board of directors term which will end in July 2019.

3. The directors have confirmed that none of them is serving as a director on board of more than five listed companies, including this Company.
4. The company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. 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.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairperson and, in her absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. In terms of clause 20 of the Regulations, the Companies are required to ensure that all the directors on their board have enquired the prescribed certification under Director Training Program by June 30, 2021. Five (5) directors have already completed this program and one (1) director is exempt from such training. The remaining one (1) director shall obtain certification under the DTP in due course of time.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

a) Audit Committee

Name	Role
Mr. Saim Bin Saeed	Chairman
Mrs. Sharmeen Imran	Member
Mr. Waleed Asif	Member

b) HR and Remuneration Committee

Name	Role
Mr. Ejaz Hussain	Chairman
Mr. Saim Bin Saeed	Member
Mr. Waleed Asif	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/ half yearly/ yearly) of the committee were as per following:

Committee	Frequency of meetings
Audit Committee	Quarterly
HR and Remuneration Committee	Yearly

15. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other material principles enshrined in the CCG have been complied with.

Independent Auditors' Report to the Members of Sitara Peroxide Limited**Report on the Audit of the Financial Statements****Opinion**

We have audited the annexed financial statements of Sitara Peroxide Limited (the Company), which comprise the statement of financial position as at June 30, 2018, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matter was addressed in our audit
<p>Valuation of stock in trade</p> <p>The Company holds 'work in process' mainly comprising of working solutions and catalysts in the reaction chamber, which are valued at the weighted average cost (accounting policy in note 4.3). At the year end, the 'work in process' held by the Company comprised of chemicals, oils, catalysts, etc. aggregating to Rs. 459 million (note 9).</p> <p>In view of the monetary value and estimation involved in determining the value and quantity of 'work in process', we have considered it to be a Key Audit Matter.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • reviewing and testing the management procedures and controls for determining the closing quantities of the various components included in 'work in process'; • observing year end measurements of volume and concentration of various components of stock; • evaluating calculations for determining of quantities of the various components in stock; • recalculating weighted average rates for the various components in 'work in process' and aggregate values; and • testing prices of components, on sample basis, with underlying invoices.
<p>Rescheduling of long term Sukuk financing</p> <p>During the year, the Company negotiated with the investors to reschedule the repayment arrangements of its syndicated long term Sukuk financing (note 16.1) and accordingly, the repayment schedule has been extended till October 2022 for principal and deferred markup. As a result, outstanding principal aggregating to Rs. 325 million has been classified as non-current Sukuk financing.</p> <p>In view of the monetary value and significance of the</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • obtained minutes of Board, made enquiries with the management and reviewed relevant correspondence with investors; • obtained underlying documents including final scheme of arrangement circulated to the lenders and approvals thereof; and

Key audit matters	How the matter was addressed in our audit
<p>rescheduling of long term Sukuk financing to the financial statements, we have considered it to be a Key Audit Matter.</p>	<ul style="list-style-type: none"> obtained the balance confirmations for the outstanding amount.
<p>Preparation of financial statements under Companies Act, 2017 and fresh valuation of property, plant and equipment</p> <p>As referred to in note 3.1 to the accompanying financial statements, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018.</p> <p>Due to the above, the Company has changed its accounting policy to account for surplus on revaluation of property, plant and equipment (refer note 5) with retrospective effect. Previously, surplus on revaluation was presented in the financial statements below the equity and changes in surplus was taken directly to equity. Due to change in accounting policy, surplus on revaluation will be part of the equity and revaluation changes will be taken through Other Comprehensive Income. The impact of the said change in accounting policy has been disclosed in note 5 to the accompanying financial statements.</p> <p>Further, during the year, the management involved an expert to revalue land, building and plant and machinery resulting in revaluation surplus net of deferred tax of Rs. 648 million.</p> <p>We have considered the above as a Key Audit Matter due to the significant amount of surplus on revaluation of property, plant and equipment, requirements to apply changes retrospectively in compliance with IAS 8 – Accounting Policies and Changes in Accounting Estimates and Errors and involvement of expert for valuation of property, plant and equipment by management.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> obtained workings for retrospective accounting of surplus on revaluation of property, plant and equipment; re-performed the calculations based on the working and valuation reports of the respective years; reviewed that values of fixed assets, surplus on revaluation of fixed assets and gain / loss on assets disposed-off have been properly restated in the financial statements; assessed if the change in accounting policy has been properly disclosed by the management in the financial statements of the Company in accordance with IAS-8; obtained the fresh revaluation report and assessed the competence, objectivity and independence of the valuer from the Company; assessed the reasonableness of the assumptions used in carrying out the revaluation during the year; and checked that the revaluation surplus has been recorded in the financial statements as per relevant accounting principles.

Information other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance opinion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.

Chartered Accountants

Lahore

Dated: September 29, 2018

Financial Statements



Statement of Financial Position

2018

As at June 30, 2018

	Note	2018 Rupees	2017 Rupees (Re-stated)	July 1, 2016 Rupees (Re-stated)
ASSETS				
Non-current assets				
Property, plant and equipment	6	2,730,109,461	1,989,257,614	2,146,156,501
Long term advances and deposits	7	4,205,000	3,705,000	3,705,000
		2,734,314,461	1,992,962,614	2,149,861,501
Current assets				
Stores, spare parts and loose tools	8	85,883,377	84,984,312	86,619,713
Stock in trade	9	485,788,968	468,637,071	430,789,976
Trade debts	10	105,041,642	88,821,845	47,636,412
Loans and advances	11	211,413,806	180,591,777	161,045,552
Deposits and short term prepayments	12	38,714,472	57,944,376	55,463,500
Other receivable		-	-	21,520,274
Sales tax refundable	13	82,893,919	91,384,236	167,998,496
Cash and bank balances	14	1,634,358	4,761,969	35,860,754
		1,011,370,542	977,125,586	1,006,934,677
Total assets		3,745,685,003	2,970,088,200	3,156,796,178
EQUITY AND LIABILITIES				
Share capital and reserves				
Share capital	15	551,000,000	551,000,000	551,000,000
Accumulated loss		(223,264,696)	(213,606,545)	(181,156,913)
Surplus on revaluation of property, plant and equipment		1,423,123,786	819,250,671	874,735,751
		1,750,859,090	1,156,644,126	1,244,578,838
Non-current liabilities				
Long term financing	16	324,992,874	155,765,725	416,307,440
Deferred liabilities	17	516,481,942	243,118,116	291,065,230
Deferred markup	18	158,058,094	246,041,890	222,664,458
		999,532,910	644,925,731	930,037,128
Current liabilities				
Trade and other payables	19	376,134,502	371,654,842	388,312,573
Accrued markup	20	88,754,937	17,886,641	12,650,909
Short term borrowings	21	315,411,872	330,907,213	272,102,937
Current portion of long term financing	16	198,463,981	437,246,773	295,829,966
Provision for taxation	30	16,527,711	10,822,874	13,283,827
		995,293,003	1,168,518,343	982,180,212
Contingencies and commitments	22			
Total equity and liabilities		3,745,685,003	2,970,088,200	3,156,796,178


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



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Profit or Loss for the Year Ended June 30, 2018

	Note	2018 ----- Rupees -----	2017
Sales	23	1,296,154,191	1,059,688,732
Cost of sales	24	(1,170,381,980)	(1,014,116,444)
Gross profit		125,772,211	45,572,288
Distribution cost	25	26,774,557	25,694,926
Administrative expenses	26	86,690,237	75,498,721
Other expenses	27	1,965,224	1,347,300
Finance cost	28	71,669,692	72,454,729
		(187,099,710)	(174,995,676)
		(61,327,499)	(129,423,388)
Other income	29	28,525,418	1,333,096
Loss before taxation		(32,802,081)	(128,090,292)
Provision for taxation	30	(32,600,720)	40,899,332
Loss after taxation		(65,402,801)	(87,190,960)
Earning per share - basic and diluted	31	(1.19)	(1.58)


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



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Comprehensive Income

2018

Statement of Comprehensive Income for the Year Ended June 30, 2018

	2018	2017
	----- Rupees -----	
Loss for the year	(65,402,801)	(87,190,960)
Items that will subsequently not be reclassified to profit or loss account:		
- Remeasurement of staff retirement benefits	370,815	(1,062,503)
- Income tax relating to remeasurement of staff retirement benefits	(111,245)	318,751
- Revaluation surplus on property, plant and equipment - adjustment due to change in tax rate	10,729,336	-
- Surplus on revaluation of property, plant and equipment	913,561,773	-
- Deferred tax impact of surplus on revaluation	(264,932,914)	-
	659,617,765	(743,752)
Total comprehensive income / (loss) for the year	594,214,964	(87,934,712)

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



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Cash Flows for the Year Ended June 30, 2018

	Note	2018	2017
		Rupees	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(32,802,081)	(128,090,292)
Adjustments for:			
Depreciation on property, plant and equipment	6.1	180,323,961	180,541,208
Provision for staff retirement benefits - gratuity	17.1	6,540,223	6,125,446
Finance cost	28	71,669,692	72,454,729
Loss on disposal of property, plant and equipment		-	1,347,300
Profit on bank deposits		(350,228)	(882,646)
		225,381,567	131,495,745
Working capital changes			
Decrease / (increase) in current assets			
Stores, spare parts and loose tools		(899,066)	1,635,401
Stock in trade		(17,151,897)	(37,847,095)
Trade debts		(16,219,797)	(41,185,433)
Loans and advances		(14,022,833)	(4,807,710)
Deposits and short term prepayments		19,229,904	(2,480,876)
Other receivables		-	21,520,274
Sales tax refundable		8,490,317	76,614,261
(Decrease) / increase in current liabilities			
Trade and other payables		5,194,893	(16,657,731)
		(15,378,479)	(3,208,909)
Cash generated from operations		210,003,088	128,286,836
Finance cost paid		(88,785,192)	(43,841,565)
Staff retirement benefits - gratuity paid		(3,193,414)	(3,094,106)
Income taxes paid - net		(28,337,303)	(28,022,342)
		(120,315,909)	(74,958,013)
Net cash from operating activities		89,687,179	53,328,823
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(7,614,035)	(32,489,621)
Proceeds from disposal of property, plant and equipment		-	7,500,000
Decrease in long term advances and deposits		(500,000)	-
Profit received on saving account		350,228	882,646
Net cash used in investing activities		(7,763,807)	(24,106,975)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing repaid	36	(69,555,643)	(119,124,908)
Short term borrowings- net		(15,495,341)	58,804,276
Net cash used in financing activities		(85,050,984)	(60,320,632)
Net (decrease) / increase in cash and cash equivalents (A+B+C)		(3,127,612)	(31,098,784)
Cash and cash equivalents at beginning of the year		4,761,970	35,860,754
Cash and cash equivalents at end of the year	14	1,634,358	4,761,970


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



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Changes in Equity for the Year Ended June 30, 2018

	Share capital	Accumulated loss	Surplus on revaluation of property, plant and equipment	Total
----- Rupees -----				
Balance as at July 01, 2016	551,000,000	(181,156,913)	-	369,843,087
Impact of restatement - note 5	-	-	874,735,751	874,735,751
Balance as at July 01, 2016 - Restated	551,000,000	(181,156,913)	874,735,751	1,244,578,838
Loss for the year	-	(87,190,960)	-	(87,190,960)
Other comprehensive income	-	(743,752)	-	(743,752)
	-	(87,934,712)	-	(87,934,712)
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment - net of deferred tax	-	55,485,080	(55,485,080)	-
Balance as at June 30, 2017	551,000,000	(213,606,545)	819,250,671	1,156,644,126
Loss for the year	-	(65,402,801)	-	(65,402,801)
Other comprehensive income	-	259,570	659,358,195	659,617,765
	-	(65,143,231)	659,358,195	594,214,964
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment - net of deferred tax	-	55,485,080	(55,485,080)	-
Balance as at June 30, 2018	551,000,000	(223,264,696)	1,423,123,786	1,750,859,090


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



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

Notes to the Financial Statements for the Year Ended June 30, 2018

1. GENERAL INFORMATION

1.1 Sitara Peroxide Limited ("the Company") is a public listed company, limited by shares, incorporated in Pakistan on March 08, 2004 under the Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 of May 30, 2017). The Company is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hassan Road, Karachi in the province of Sindh and the manufacturing facilities are located at 26 - km Sheikhpura Road, Faisalabad in the province of Punjab. The principal activity of the Company is manufacturing and sale of hydrogen peroxide (H₂O₂).

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

2. SIGNIFICANT TRANSACTIONS AND EVENTS EFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

As at June 30, 2018, the revaluation of land, building and plant and machinery of the Company was carried out by M Y K Associates (Private) Limited. The revaluation of the assets resulted in revaluation surplus after tax impact of Rs. 649 million and accordingly Other Comprehensive Income was increased by same amount.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 (the Act) differ from the IFRS Standards, the provisions of and directives issued under the Act have been followed.

3.2 Accounting convention

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

- revaluation of certain classes of property, plant and equipment at fair value;
- financial instruments at fair value; and
- recognition of certain employee retirement benefits at present value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

3.3 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Effective from accounting period beginning on or after:

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative.	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses.	January 01, 2017

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

The Act has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in respect of recognition criteria of surplus on revaluation of fixed assets as more fully explained in note 5, change in nomenclature of primary statements, etc.

Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures.

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

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

Effective from accounting period beginning on or after:

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 15 'Revenue from Contracts with Customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

In addition to above, the management of the Company is in process of assessing the implications of the following standards in the financial statements of the Company:

**Effective from accounting period
beginning on or after:**

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 1, 2019
IFRS 15 'Revenue from Contracts with Customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 1, 2018

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

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Account
- IFRS 17 – Insurance Contracts

3.4 Significant estimates, assumptions and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, and the results of which form the basis for making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, revaluation of land, building and plant and machinery, provision for doubtful receivables, slow moving inventory and measurement of defined benefit obligations. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are set out below:

4.1 Property, plant and equipment

Property, plant and equipment except laboratory equipment, office equipment, furniture and fittings, vehicles and capital work-in-progress are stated at revalued amounts less accumulated depreciation and impairment in value, if any. Land, buildings, plant and machinery, electric installation and factory equipment are stated at revalued amount. Laboratory equipment, office equipment, furniture and fittings and vehicles are stated at cost less accumulated depreciation and impairment in value, if any. Capital work-in-progress is stated at cost less impairment in value, if any.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate at each statement of financial position date. When significant parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

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

Depreciation is charged to profit and loss account applying the straight line method over its estimated useful life at the rates specified in note 6.1 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off.

Surplus arising on revaluation of property, plant and equipment is recognized, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity and is shown in equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amounts of the assets does not differ materially from the fair value. Accumulated depreciation at the date of revaluation is eliminated against the cost of the asset and net amount is restated to the revalued amount of the asset. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related property, plant and equipment during the year is part of statement of changes in equity.

Gains or losses on disposal of assets, if any, are recognized as and when incurred in statement of profit or loss and the related asset is derecognized. Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its un-appropriated profit.

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

4.2 Stores, spare parts and loose tools

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

4.3 Stock in trade

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

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

Average manufacturing cost in relation to work-in-process and finished goods include raw materials and appropriate production overheads including catalyst utilized, based on normal production capacity.

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

Work in process includes working solution and catalyst issued to the production chambers.

4.4 Impairment

Non Financial Assets

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

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount that would have been determined (net of

depreciation and amortization) had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets or securities are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

4.5 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off, when identified.

4.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise 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 markup arrangement. Cash and bank are carried in the statement of financial position at cost.

4.7 Trade and other payables

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

4.8 Share Capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds.

4.9 Staff retirement benefits - gratuity

The Company operates an unfunded gratuity scheme (defined benefit plan) for its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the schemes on the basis of actuarial valuation and are charged to income. The calculation requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation. The assumptions are determined by independent actuaries.

The most recent Actuarial Valuation was carried out at June 30, 2018 using "Projected Unit Credit Method". The amount recognized in the statement of financial position represents the present value of defined benefit obligations using projected unit credit method.

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned. Details of the scheme are given in note 17.1 to these financial statements.

4.10 Provisions

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

4.11 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

4.12 Revenue recognition

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

Revenue from local sales is recognized when goods are dispatched and title have passed to customers.

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

Profit on bank deposits is accrued on a time proportion basis taking into account principal outstanding and effective rate of return, 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.

4.13 Borrowings

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

4.14 Borrowing costs

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

All other borrowing costs are recognized in profit or loss account for the year.

4.15 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum taxation as per Income

Tax Ordinance 2001, whichever is higher. The charge for tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessment made during the year. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

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

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

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

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity, in which case it is included in equity.

4.16 Foreign currencies transaction and translation

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the statement of financial position 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 and settlement are included in profit or loss for the year.

4.17 Earning / Loss per share

The Company presents loss per share for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

4.18 Off-setting of financial assets and financial liabilities

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

5. CHANGE IN ACCOUNTING POLICY

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and

Equipment, surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Company's policy for surplus on revaluation of land and building stands ammended as follows:

Increases in the carrying amounts arising on revaluation of land, buildings and plant and machinery are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus and all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the Revaluation surplus on land, building and plant and machinery to retained earnings.

The effect of change in accounting policy is summarised below:

	As at June 30, 2017			As at July 01, 2016		
	As previously reported	As restated	Restatement	As previously reported	As restated	Restatement
	----- Rupees -----					
Effect on statement of financial position						
Surplus on revaluation of property, plant and equipment	819,250,671	-	(819,250,671)	874,735,751	-	(874,735,751)
Share capital and reserves	-	819,250,671	819,250,671	-	874,735,751	874,735,751
Effect on statement of changes in equity						
Surplus on revaluation of property, plant and equipment	-	819,250,671	819,250,671	-	874,735,751	874,735,751

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

6.1.1 Operating fixed assets as at June 30, 2017

Description	Cost / revalued amount			Accumulated depreciation			Book value at June 30, 2018	Rate %		
	At July 01, 2017	Additions / (disposals)	Surplus / Adjustments	At June 30, 2018	At July 01, 2017	Charge for the year / (on disposals)			Transfer/ Adjustments	At June 30, 2018
	----- Rupees -----									
Land - freehold	197,304,000	-	-	197,304,000	-	-	-	-	197,304,000	-
Building on freehold land	213,241,053	-	-	213,241,053	26,707,472	13,353,736	-	40,061,208	173,179,845	5
Plant and machinery	2,089,182,608	30,136,668	-	2,119,319,276	450,772,167	136,259,895	-	587,032,062	1,532,287,214	5
Electric installations	168,163,424	2,259,760	-	170,423,184	63,321,575	26,085,796	-	89,407,371	81,015,813	10
Laboratory equipment	3,702,720	-	-	3,702,720	2,713,505	370,272	-	3,083,777	618,943	10
Factory equipment	12,404,398	-	-	12,404,398	10,192,870	1,240,440	-	11,433,310	971,088	10
Office equipment	4,702,861	-	-	4,702,861	3,097,143	470,286	-	3,567,429	1,135,432	10
Furniture and fittings	3,866,433	-	-	3,866,433	2,697,416	386,643	-	3,084,059	782,374	10
Vehicles	26,136,628	93,193	-	11,484,321	13,045,476	2,374,140	-	9,521,416	1,962,905	20
		(14,745,500)				(5,898,200)				
	2,718,704,125	32,489,621	-	2,736,448,246	572,547,624	180,541,208	-	747,190,632	1,989,257,614	
		(14,745,500)				(5,898,200)				

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

Note	2018	2017
----- Rupees -----		
24	178,963,516	178,080,656
25	624,746	624,746
26	735,699	1,835,806
	180,323,961	180,541,208

6.3 During the year, Company has revalued its land, building and plant and machinery. The valuation was carried out by an independent valuer MYK Associates Private Limited, an independent valuer not related to the Company and which is on the panel of Pakistan Banks Association as approved asset valuer. It possesses appropriate qualification and recent experience in fair value measurements. Basis of revaluation are as follows:

a) Land

Revalued amount of land has been determined by reference to local market values of land. Revalued amount of land has been determined by reference to local market values of land taking into account prevailing fair market prices under the position and circumstances present on the date of revaluation and current market scenario for properties of similar nature in the immediate neighbourhood and adjoining areas (level 2).

b) Building

Revalued amount of building has been determined by reference to present depreciated replacement values after taking into consideration covered area and type of construction, age of civil and ancillary structures, physical condition and level of preventive maintenance carried out by the Company (level 2).

c) Plant and machinery, electric installations and factory equipment

Revalued amount of plant and machinery and electric installation has been determined by reference to present depreciated replacement values after taking into consideration present physical condition, remaining useful economic lives, technological obsolescence and level of preventive maintenance carried out by the Company (level 2).

The different levels have been defined in IFRS 13 as follows:

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

6.4 Forced Sales Value (FSV) of the land and building was Rs. 63 million while that of the plant and machinery was Rs. 332 million as at June 30, 2018.

6.5 Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

Location	Usage of Immovable property	Total Area (In Sq. ft.) Rupees	Covered Area (In Sq. ft.)
26 - KM, Sheikhpura Road, Faisalabad	Manufacturing facility	115,551	93,168

6.6 Had there been no revaluation, the cost, accumulated depreciation and book value of revalued assets as at June 30, 2018 would have been as under:

	Cost	Accumulated depreciation	Book value
	----- Rupees -----		
Freehold land	41,997,852	-	41,997,852
Buildings on freehold land	161,737,333	80,082,426	81,654,907
Plant and machinery	1,460,973,186	889,367,995	571,605,191
Electric installations	148,881,942	148,881,942	-
Factory equipment	10,414,714	10,414,714	-
2018	1,824,005,027	1,128,747,077	695,257,950
2017	1,824,005,027	1,035,865,146	788,139,881

7. LONG TERM ADVANCES AND DEPOSITS

These represents security and other deposits for electricity connection, Central Depository Company etc.

	Note	2018 ----- Rupees	2017 -----
8. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		78,486,396	78,193,186
Spare parts and loose tools		7,396,981	6,791,126
		<u>85,883,377</u>	<u>84,984,312</u>
9. STOCK IN TRADE			
Raw material		14,360,793	19,108,448
Work in process	9.1	459,183,873	411,376,825
Finished goods		2,679,001	21,801,453
Packing material		9,565,301	16,350,345
		<u>485,788,968</u>	<u>468,637,071</u>

9.1 Work in process includes working solutions in the reaction and holding chambers mainly comprising various chemicals, oils, catalysts and peroxide solutions of varying concentrations.

	2018 ----- Rupees	2017 -----
10. TRADE DEBTS		
Unsecured-considered good:		
Via traders	22,569,619	23,304,241
Direct customers	82,472,023	65,517,604
	<u>105,041,642</u>	<u>88,821,845</u>

	Note	2018 ----- Rupees	2017 ----- Rupees
11. LOANS AND ADVANCES			
Considered good			
Advances to:			
Employees against salary - secured		785,589	1,385,617
Employees for expenses - unsecured		828,332	2,525,278
Suppliers - unsecured (Local)		32,532,143	15,230,794
Suppliers - unsecured (Foreign)		662,387	1,643,929
Advance income tax		165,605,355	148,806,159
Others	11.1	11,000,000	11,000,000
		<u>211,413,806</u>	<u>180,591,777</u>

11.1 This represents advance given by the Company for purchase of land of Rs. 41 million in 2012. However, the decision for purchase of land was reversed in 2014, before transfer of the title. The Company has received Rs. 30 million and remaining amount is still outstanding as at reporting date.

	Note	2018 ----- Rupees	2017 ----- Rupees
12. DEPOSITS AND SHORT TERM PREPAYMENTS			
Nazir of the Honorable Sindh High Court	12.1	18,809,059	18,809,059
Letter of credit		15,179,613	34,409,517
Others		4,725,800	4,725,800
		<u>38,714,472</u>	<u>57,944,376</u>

12.1 This represents the amount deposited with Nazir of the Honorable Sindh High Court as required by the said court to file writ petition against the recovery notice issued by the Customs Department to deposit Government dues amounting to Rs. 18 million involved in the clearance of import shipments.

13. SALES TAX REFUNDABLE

This represents accumulated difference of input tax on purchases and output tax on sales.

14. CASH AND BANK BALANCES

This represents accumulated difference of input tax on purchases and output tax on sales.

	2018 ----- Rupees	2017 ----- Rupees
Cash in hand	445,596	358,689
Cash at banks - current accounts	1,188,762	4,403,280
	<u>1,634,358</u>	<u>4,761,969</u>

15. SHARE CAPITAL

2018	2017		2018	2017
----- Number of shares -----			----- Rupees -----	
		Authorised		
60,000,000	60,000,000	Ordinary shares of Rs. 10 each	600,000,000	600,000,000
		Issued, subscribed and paid-up		
55,100,000	55,100,000	Ordinary shares of Rs. 10 each	551,000,000	551,000,000

15.1 The holder of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to vote at meetings of the Company. All shares rank equally with regard to Company's residual assets.

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

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

15.4 Rights and privileges of Board of Directors

The Board of Directors of the Company act by majority vote. The membership of the Board of Directors reflects as closely as possible the proportion in which the shares of the Company are held.

Note	2018	2017
	----- Rupees -----	

16. LONG TERM FINANCING

From banking companies and other financial institutions - secured			
Sukuk arrangement - syndicated	16.1	504,790,184	549,456,939
Term finance - Standard Chartered Bank (Pakistan) Limited	16.2	18,666,671	43,555,559
		523,456,855	593,012,498
Less: Current maturity of long term loan		198,463,981	437,246,773
		324,992,874	155,765,725

16.1 Sukuk arrangement - Syndicated

During 2008, the Company had issued privately placed diminishing Musharaka based Sukuk certificates arranged by consortium of financial institutions through trustee, amounting to Rs. 1,400 million. Due to financial difficulties in 2012, the Company was unable to comply with the repayment arrangements and negotiated with the investors to reschedule the repayment arrangements for the outstanding amount of Rs. 1,243 million. Further to above, unscheduled plant shutdowns continued in subsequent periods and the Company was not able to comply with relevant covenants in respect of scheduled repayments. As a result, the Company entered into Third Supplemental Trust Deed to further modify the repayment arrangements. The effective date of the arrangement is April 19, 2018. According to the amended terms, the repayments shall be utilized to settle accumulated accrued interest for previous period and the current month and then be utilized for payment of principle and deferred rental payments in the proportion of 67:33.

Effective rate of profit for the year is ranges from 7.26% to 8.03% (2017: 7.17% to 7.28%) per annum.

This facility is secured by first joint pari passu charge on the fixed assets of the Company through equitable mortgage of land and buildings, hypothecation charge on plant and machinery with a margin of 25%, first exclusive charge over fixed assets of the Company for Rs. 1,866.667 million, pledge over 10 million shares of the Company in the name of sponsors and personal guarantees of Chief Executive Officer and three directors of the Company.

The Company has a call option, in accordance with terms and conditions, of the entire amount or partial amount in the event it has free cash flows available. The Company shall use at least 70% of its free cash flows, if available, in exercising the call option. The Company is required not to declare any dividend during the entire tenure of the Sukuk issue.

16.2 Term finance - Standard Chartered Bank (Pakistan) Limited

This facility was converted from short term running finance to long term finance by mutual agreement between the bank and the Company at August 01, 2013. This facility carries mark-up at the rate of one month KIBOR plus 1% per annum. Tenure of this facility is five years. Principal amount is repayable in 24 monthly installments of Rs. 0.958 million each and 36 monthly installments of Rs. 3.111 million each. This facility is secured against personal guarantees of an ex-director and Chief Executive Officer, mortgage of commercial property owned by Sitara Spinning Mills Limited and mortgage of property owned by a director and Chief Executive Officer situated at chak, 204 R.B. Faisalabad.

The Company is facing liquidity shortfall and was therefore not able to make repayment of four monthly installments during the year in respect of the loan.

Effective rate of profit for the year ranges from 7.26% to 7.92% (2017: 7.20% to 7.28%) per annum.

	Note	2018 ----- Rupees -----	2017 -----
17. DEFERRED LIABILITIES			
Staff retirement benefits - gratuity	17.1	26,607,536	23,631,542
Deferred taxation	17.2	489,874,406	219,486,574
		<u>516,481,942</u>	<u>243,118,116</u>

17.1 Staff retirement benefits - gratuity

The calculation requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligations. The assumptions are determined by independent actuaries. The results of the actuarial valuation carried out using "Projected Unit Credit Method" as at June 30, 2018 are as follows:

	2018	2017
	----- Rupees -----	
Present value of defined benefit obligation	26,607,536	23,631,542
Movement in net liability recognized in statement of financial position:		
Balance at beginning of the year	23,631,542	19,537,699
Charge for the year	6,540,223	6,125,446
Benefits paid during the year	(3,193,414)	(3,094,106)
Remeasurement (gain) / loss recognized in other comprehensive income	(370,815)	1,062,503
Balance at end of the year	26,607,536	23,631,542
Charge for the year:		
Current service cost	4,502,001	4,499,773
Interest cost	2,038,222	1,625,673
Expense recognized in the statement of profit or loss	6,540,223	6,125,446
Actuarial remeasurement		
Actuarial (gain) / loss recognized on remeasurement	(370,815)	1,062,503
Principal actuarial assumptions:		
Discount rate - per annum	10.00%	9.25%
Expected rate of growth per annum in future salaries	10.00%	9.25%
Average service (years)	6.50	5.85

Sensitivity analysis:

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	----- Rupees -----		
Discount rate	1%	3,244,042	3,932,289
Salary growth	1%	4,031,651	3,377,665

Maturity Profile
Particulars

	Undiscounted Payments Rupees
Year 1	1,208,405
Year 2	534,331
Year 3	834,625
Year 4	1,262,903
Year 5	1,594,628
Year 6 to Year 10	13,263,235
Year 11 and above	136,484,652

Risk associated with defined benefit plan:

a) Longevity risk

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

b) Salary increase risk

This risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

c) Withdrawal risk

This risk arises from withdrawals varying with the actuarial assumptions can impose a risk to defined benefit obligation.

2018	2017
----- Rupees -----	

17.2 Deferred taxation

This comprises the following:

Deferred tax liability on taxable temporary differences arising in respect of:		
Deferred tax liability on account of surplus on revaluation of property, plant and equipment	586,530,277	321,880,075
Accelerated depreciation allowance	138,367,495	166,930,754
	724,897,772	488,810,829
Deferred tax asset on deductible temporary differences arising in respect of:		
Provision for employee benefits - unfunded	(7,716,185)	(7,089,463)
Unused tax losses	(227,307,181)	(262,234,793)
	(235,023,366)	(269,324,256)
	489,874,406	219,486,573

18. DEFERRED MARK-UP

This represents deferred mark-up payable on Sukuk arrangement as mentioned in note 16.1.

	Note	2018	2017
		----- Rupees -----	
19. TRADE AND OTHER PAYABLES			
Creditors	19.1	306,847,991	312,187,370
Advances from customers		30,839,960	19,396,338
Payable to associates		-	6,188,346
Accrued liabilities		36,565,753	28,901,897
WPPF payable		-	1,485,234
Retention money		278,778	278,778
Withholding tax		420,241	1,135,474
Others		1,181,779	2,081,405
		376,134,502	371,654,842

19.1 This includes Rs. 73 million (2017: Rs. 73 million) payable to Sitara Spinning Mills Limited (associated undertaking) in ordinary course of business.

	Note	2018	2017
		----- Rupees -----	
20. ACCRUED MARK-UP			
Mark-up accrued on:			
Long-term financing		81,295,300	12,522,934
Short-term borrowings		7,459,637	5,363,707
		88,754,937	17,886,641
21. SHORT TERM BORROWINGS			
From banking companies - secured	21.1	232,861,708	315,259,844
Bank overdraft - unsecured		3,050,164	9,647,369
Others - unsecured	21.2	79,500,000	6,000,000
		315,411,872	330,907,213

21.1 These fund based facilities have been obtained from various banks for working capital requirements, under mark-up arrangements against aggregate sanctioned limits. These facilities carry mark-up ranging from 7.89% to 10% (2017 : 7.79% to 9.65%) per annum on daily product payable quarterly.

The aggregate short term borrowings facilities are secured against:

- a) First pari passu charge of Rs. 543 million (2017: Rs. 502 million) over present and future assets of the Company.
- b) Ranking charge of Rs.788 million (2017: Rs. 400 million) over present and future current assets of the Company.
- c) Personal guarantees from Chief Executive Officer and a director of the Company.

21.2 This represents loan amounting Rs.73.5 million obtained from Sitara Spinning Mills Limited during the year. The loan carries mark-up at the rate of one month KIBOR plus 4% per annum.

	Note	2018	2017
		----- Rupees -----	
22. CONTINGENCIES AND COMMITMENTS			
Contingencies			
Guarantees issued by banks on behalf of the Company		54,640,000	54,640,000
Commitments			
Irrevocable letters of credit		48,433,880	18,450,319
23. SALES			
Hydrogen Peroxide		1,357,946,886	1,124,869,826
Sales Tax		(35,719,489)	(41,243,788)
		1,322,227,397	1,083,626,038
Less: Commission and discount		(26,073,206)	(23,937,306)
		1,296,154,191	1,059,688,732
24. COST OF SALES			
Raw material consumed	24.1	226,990,234	202,328,576
Fuel and power		480,092,732	389,821,849
Packing material consumed		171,929,415	147,750,946
Stores, spare parts and loose tools consumed		15,988,695	13,379,963
Salaries, wages and benefits	24.2	81,813,753	75,760,759
Repairs and maintenance		33,852,653	40,263,533
Insurance		5,956,833	5,792,704
Depreciation	6.2	178,963,516	178,080,656
Travelling and conveyance		1,950,325	1,938,586
Vehicle running and maintenance		494,674	404,244
Other expenses		1,033,746	1,392,096
		1,199,066,576	1,056,913,912
Work-in-process			
Balance at beginning of the year		411,376,825	389,563,786
Balance at end of the year	9	459,183,873	411,376,825
		(47,807,048)	(21,813,039)
Cost of goods manufactured		1,151,259,528	1,035,100,873
Finished goods			
Balance at beginning of the year		21,801,453	817,024
Balance at end of the year	9	2,679,001	21,801,453
		19,122,452	(20,984,429)
Cost of goods sold - own manufactured products		1,170,381,980	1,014,116,444
- purchased goods		-	-
		1,170,381,980	1,014,116,444
24.1 Raw material consumed			
Balance at beginning of the year		19,108,448	21,040,464
Purchases		222,242,579	200,396,560
		241,351,027	221,437,024
Less: Balance at end of the year	9	(14,360,793)	(19,108,448)
		226,990,234	202,328,576

24.2 Salaries, wages and benefits include Rs. 5.2 million(2017: Rs. 4.7 million) in respect of employee benefits.

	Note	2018 ----- Rupees	2017 -----
25. DISTRIBUTION COST			
Salaries and benefits		6,164,203	6,181,671
Printing and stationery		179,009	82,010
Travelling and conveyance		31,408	27,387
Vehicle running and maintenance		49,448	68,449
Freight and octroi		19,510,220	18,501,753
Depreciation	6.2	624,746	624,746
Other expenses		215,523	208,910
		26,774,557	25,694,926
26. ADMINISTRATIVE EXPENSES			
Salaries and benefits	26.1	46,215,298	39,422,478
Directors' remuneration	32	15,891,013	12,384,944
Printing and stationery		1,600,219	1,559,916
Insurance		697,833	889,084
Repairs and maintenance		446,742	582,147
Travelling and conveyance		8,497,517	4,618,600
Rent, rates and taxes		300,000	235,000
Vehicle running and maintenance		1,978,804	1,953,809
Telephone and postage		1,529,780	1,669,669
Advertisement		446,221	587,482
Fees, subscription and periodicals		2,887,410	1,826,454
Legal and professional charges		598,892	4,177,534
Auditors' remuneration	26.2	1,391,500	1,391,500
Depreciation	6.2	735,699	1,835,806
Other expenses		3,473,309	2,364,298
		86,690,237	75,498,721

26.1 Salaries and benefits include Rs. 1.3 million (2017: Rs. 1.4 million) in respect of employee benefits.

	2018 ----- Rupees	2017 -----
26.2 Auditors' remuneration		
Annual statutory audit	885,500	885,500
Half yearly review	253,000	253,000
Compliance report on Code of Corporate Governance	158,125	158,125
Out of pocket expenses	94,875	94,875
	1,391,500	1,391,500

	2018	2017
	----- Rupees -----	
27. OTHER EXPENSES		
Workers' welfare fund	1,805,972	-
Default surcharge	159,252	-
Loss on disposal of vehicle	-	1,347,300
	<u>1,965,224</u>	<u>1,347,300</u>
28. FINANCE COST		
Mark-up on:		
Long term financing	40,029,079	46,261,893
Short term borrowings	27,867,953	23,376,175
Bank charges and commission	3,772,660	2,816,661
	<u>71,669,692</u>	<u>72,454,729</u>
29. OTHER INCOME		
Profit on bank deposits	350,228	882,646
Scrap sales	1,410,925	450,450
Income from sale of catalyst	26,764,265	-
	<u>28,525,418</u>	<u>1,333,096</u>
30. PROVISION FOR TAXATION		
Current	16,527,711	10,822,874
Deferred	16,073,009	(51,722,206)
	<u>32,600,720</u>	<u>(40,899,332)</u>

30.1 Numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as the Company is chargeable to minimum tax under Section 113 of the Income Tax Ordinance, 2001.

30.2 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analysed as follows:

31. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2018	2017
		----- Rupees -----	
Loss for the year	Rupees	(65,402,801)	(87,190,960)
Weighted average number of ordinary shares outstanding during the year	Number	55,100,000	55,100,000
Earnings per share - basic	Rupees	(1.19)	(1.58)

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

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in accounts for remuneration including all benefits to Chief Executive Officer, directors and executives of the Company are as follows:

	----- 2018 -----			----- 2017 -----		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
	----- Rupees -----					
Remuneration	10,503,565	-	17,713,316	8,186,141	612,903	17,413,398
House rent	3,151,065	-	5,313,989	2,455,839	-	5,224,014
Utilities allowance	1,050,332	-	1,771,290	818,595	-	1,741,299
Medical allowance	1,050,369	-	1,771,349	818,624	-	1,741,357
Special allowance	135,682	-	228,806	105,745	-	224,932
	15,891,013	-	26,798,750	12,384,944	612,903	27,774,499
Number of persons	1	-	10	1	1	10

32.1 Comparative figures have been restated to reflect changes in the definition of executive as per Companies Act, 2017.

32.2 Chief Executive Officer and four executives are also provided with Company maintained cars.

32.3 No meeting fee was paid to the directors and Chief Executive Officer of the Company.

32.4 No remuneration is paid to non executive directors.

33. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of Chief Executive Officer, directors and executives is disclosed in note 32 to these financial statements. Other significant transactions with related parties are as follows:

Description	Nature of transaction	2018	2017
		----- Rupees -----	
Associated undertaking	Organizational expenses	11,545,080	467,034
	Purchases	-	9,615,230
	Short term borrowing	73,500,000	-
Key management personnel	Remuneration and other benefits	42,689,762	40,772,346
Employee benefit plan	Paid during the year	3,193,414	3,094,106

33.1 Sitara Spinning Mills Limited is an associated undertaking of the Company based on common directorship.

	2018 Tons	2017 Tons
34. PLANT CAPACITY AND ACTUAL PRODUCTION		
Production capacity	30,000	30,000
Actual production	21,006	21,087

34.1 The average production during the year was 70% (2017: 70%). The main reason for under utilization of capacity was due to malfunctioning of production process.

35. NUMBER OF EMPLOYEES

The total average number of employees during years ended June 30, 2018 and 2017 are as follows:

	2018 Number of Employees	2017 Number of Employees
Average number of employees during the year	318	297
Average number of factory workers during the year	205	208
Total number of employees as at June 30	316	302
Total number of factory workers as at June 30	204	208

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Balance as at June 30, 2017	Availed during the period	Repaid during the period	Balance as at June 30, 2018
	----- Rupees -----			
Long term financing	593,012,498	-	69,555,643	523,456,855
Short Term borrowings	330,907,213	289,597,109	305,092,450	315,411,872
	923,919,711	289,597,109	374,648,093	838,868,727

37. FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk

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

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

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

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

37.1 Credit risk and concentration of credit risk

Credit risk

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

The Company is exposed to credit risk from its operating activities primarily for trade debts, loans and advances and other receivables.

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

Counterparties

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

Trade debts

Trade debts are essentially due from local customers and foreign customers against sale of hydrogen peroxide and the Company does not expect these counterparties to fail to meet their obligations. Sales to the Company's customers are made on specific terms. Customer credit risk is managed subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored and shipments to the foreign customers are generally covered by letters of credit or other form of credit insurance.

Banks

The Company limits its exposure to credit risk by conducting transactions only with reputable banking entities that have minimum "A" credit rating. The table below shows bank balance held with counterparties at reporting date:

Banks

The Company limits its exposure to credit risk by conducting transactions only with reputable banking entities that have minimum "A" credit rating. The table below shows bank balance held with counterparties at reporting date:

Bank	Rating		Rating agency	2018	2017
	Short term	Long term		Rupees	
MEEZAN BANK LIMITED	AA+	A-1+	JCR-VIS	447,572	624,665
BANK ALFALAH LIMITED	AA+	A-1+	PACRA	9,195	9,195
HABIB BANK LIMITED	AAA	A-1+	JCR-VIS	215,759	63,711
STANDARD CHARTERED BANK PAKISTAN LIMITED	AAA	A-1+	PACRA	153,787	3,509,246
ALBARAKA BANK LIMITED	A	A1	PACRA	5,243	5,243
FAYSAL BANK LIMITED	AA	A-1+	PACRA	2,743	2,742
NATIONAL BANK OF PAKISTAN	AAA	A-1+	PACRA	237,831	57,009
MCB BANK LIMITED	AAA	A-1+	PACRA	549	549
UNITED BANK LIMITED	AAA	A-1+	JCR-VIS	101,926	116,763
ASKARI BANK LIMITED	AA+	A-1+	PACRA	8,881	8,881
SONERI BANK LIMITED	A	A1	PACRA	5,276	5,276
				<u>1,188,762</u>	<u>4,403,280</u>

Exposure to credit risk

The carrying amounts of financial assets represent the maximum associated credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018	2017
	Rupees	
Financial assets		
Trade debts- via traders	22,569,619	23,304,241
Trade debts - direct customers	82,472,023	65,517,604
Loans and advances	11,000,000	11,000,000
Deposits	15,179,613	34,409,517
Bank balances	1,188,762	4,403,280
	<u>132,410,017</u>	<u>138,634,642</u>

The aging of trade debts - direct customers at the balance sheet date is as follows:

	2018	2017
	Rupees	
Past due 1 to 30 days	32,529,735	29,177,101
Past due 30 to 150 days	49,942,288	36,328,995
Past due 150 days	-	11,508
	<u>82,472,023</u>	<u>65,517,604</u>

Impairment losses

Based on age analysis, relationship with customers and past experience, the management does not expect any party to fail to meet their obligations and hence no impairment allowance is required.

Cash at bank

Total bank balance of Rs. 1.2 million (2017: 4.4 million) are placed with banks have a short term credit rating of at least A1 (2017: A1).

37.2 Liquidity risk management

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

Financial liabilities in accordance with their contractual maturities are presented below:

	2018				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
	----- Rupees -----				
Long term financing	523,456,855	523,456,855	198,463,981	324,992,874	-
Staff retirement benefits - gratuity	26,607,536	26,607,536	-	26,607,536	-
Trade and other payables	344,874,301	344,874,301	344,874,301	-	-
Accrued mark-up	88,754,937	88,754,937	88,754,937	-	-
Short term borrowings	315,411,872	315,411,872	315,411,872	-	-
	1,299,105,501	1,299,105,501	947,505,091	351,600,410	-

	2017				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
	----- Rupees -----				
Long term financing	593,012,498	593,012,498	437,246,773	155,765,725	-
Staff retirement benefits - gratuity	23,631,542	23,631,542	-	23,631,542	-
Trade and other payables	349,637,796	349,637,796	349,637,796	-	-
Accrued mark-up	17,886,641	17,886,641	17,886,641	-	-
Short term borrowings	330,907,213	330,907,213	330,907,213	-	-
	1,315,075,690	1,315,075,690	1,135,678,423	179,397,267	-

37.3 Market risk

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

37.4 Foreign currency risk management

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

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

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure are incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy. The Company does not enter into forward exchange contracts.

Exposure to currency risk

The Company is exposed to currency risk on import of raw materials, stores and spares and export of goods mainly denominated in US Dollar. The Company's exposure to foreign currency risk for US Dollar is as follows based on notional amounts:

	2018		2017	
	Rupees	US\$	Rupees	US\$
Letter of credit	15,179,613	124,832	34,409,517	327,772
Balance sheet exposure	15,179,613	124,832	34,409,517	327,772

	Average rate		Reporting date mid spot rate	
	2018	2017	2018	2017
	----- Rupees -----			

The following significant exchange rates have been applied:

Rupee to US \$	113.2	104.9	121.6	104.98
----------------	-------	-------	-------	--------

Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2018 would have increased loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2017.

	2018 Rupees	2017 Rupees
Effect on loss for the year: US \$ to Rupee		
Increase in loss for the year	1,517,957	3,440,950

A 10 percent strengthening of the Pak Rupee against the US dollar at June 30, 2017 would have had the equal but opposite effect on foreign currency to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

37.5 Interest rate risk

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

At the reporting date, the profit, interest and mark-up rate profile of the Company's significant financial assets and liabilities is as follows:

Fixed rate financial instruments

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

	2018 Percentage	2017 Percentage	2018 Rupees	2017 Rupees
Variable rate financial instruments				
Financial liabilities				
Long term financing	7.26% - 8.03%	7.17% - 7.28%	523,456,855	593,012,498
Short term borrowing	7.87 % - 10%	7.79 % - 9.65%	315,411,872 838,868,727	330,907,213 923,919,711

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in mark-up / interest rates at the balance sheet date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year 2017.

	Increase Rupees	Decrease Rupees
At June 30, 2018		
Cash flow sensitivity - variable rate financial liabilities	8,388,687	(8,388,687)
At June 30, 2017		
Cash flow sensitivity - variable rate financial liabilities	9,239,197	(9,239,197)

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and liabilities of the Company.

37.6 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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 reserves or/and issue new shares. Gearing ratio of the Company is as follows:

	2018	2017
	----- Rupees -----	
Total borrowings	838,868,727	923,919,711
Less: Cash and bank balance	1,634,358	4,761,969
Net debt	837,234,369	919,157,742
Total equity	1,750,859,090	1,156,644,126
Total capital	2,588,093,459	2,052,906,192
Gearing ratio	32%	45%

For the purpose of calculating the gearing ratio, the amount of total borrowings has been determined by including the effect of running finance under mark-up arrangement.

38. FAIR VALUE HIERARCHY

The fair value of property plant and equipment is based on revalued amount carried out by professional valuers.

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

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

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

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

37.1 The following table presents the Company's financial assets which are carried at fair value:

	2018			
	Carrying value	Fair value		
		Level 1	Level 2	Total
Assets/measured at fair value:				
Property, plant and equipment	2,720,611,041	-	2,720,611,041	-
			2,720,611,041	

	2017			
	Carrying value	Fair value		
		Level 1	Level 2	Total
Assets measured at fair value:				
Property, plant and equipment	1,984,757,960	-	1,984,757,960	-
			1,984,757,960	

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

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

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on September 29, 2018.

39. CORESPONDING FIGURES

Corresponding figures have been rearranged for better presentation where necessary. However, no major reclassification has been made during the year.

40. GENERAL


Figures have been rounded off to the nearest Rupee.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

www.jamapunji.pk



**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

- 📄 Licensed Entities Verification
- 📊 Scam meter*
- 🎮 Jamapunji games*
- 📄 Tax credit calculator*
- 🏢 Company Verification
- 📄 Insurance & Investment Checklist
- ❓ FAQs Answered

- 📈 Stock trading simulator
(based on live feed from KSE)
- 📖 Knowledge center
- 📊 Risk profiler*
- 📄 Financial calculator
- 📱 Subscription to Alerts (event notifications, corporate and regulatory actions)
- 📱 Jamapunji application for mobile device
- 📄 Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

jamapunji.pk

@jamapunji_pk

*Mobile apps are also available for download for android and ios devices

FORM OF PROXY ANNUAL GENERAL MEETING

I/We _____ S/o/D/o/W/o _____
of _____ being a member
of **SITARA PEROXIDE LIMITED** and holder of _____ Ordinary Shares as per Share Register
Folio No. _____ and/or CDC Participant ID No. _____ and Account / Sub-account _____
No. _____ do hereby appoint Mr./Mrs./Miss _____
_____ Folio No./CDC No. of _____ failing him/her,
Mr./Mrs./Miss _____ Folio No./CDC No. _____ of
_____ as my/our proxy to attend, act and vote for me/us on my/our behalf at Annual General
Meeting of the Company to be held on Wednesday, October 24, 2018 at 2:30 pm at the Institute of Chartered
Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi and at any adjournment thereof in the
same manner as I/we myself/ourselves would vote if personally present at such meeting.

Signature of Shareholder
Folio / CDC A/C No.

Signature of Proxy

Five Rupees Revenue Stamp

Dated this _____ day of _____ 2018

Witness:

1. Signature _____
Name _____
Address _____

CNIC or _____
Passport No. _____

Witness:

2. Signature _____
Name _____
Address _____

CNIC or _____
Passport _____

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on member's behalf.
2. If a member is unable to attend the meeting. He/She may complete and sign this form and send it to the Company's Share Registrar M/s. THK Associates (Pvt) Limited 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi so as to reach not less than 48 hours before the time appointed for holding the Meeting.
3. For CDC Account Holders / Corporate Entities; in addition to the above, the following requirements have to be met:
 - (a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers be stated on the form.
 - (b) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
 - (c) The proxy shall produce his original CNIC or original passport at the time of the meeting. In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

ستارہ پرائیکسائیڈ لمیٹڈ

پرائیکسی فارم

اجلاس عام

میں اہم

ستارہ پرائیکسائیڈ لمیٹڈ کے ممبران رجسٹرڈ فولیو نمبر / شرکاء کی آئی ڈی / سی ڈی سی سب اکاؤنٹ نمبر کے مطابق عمومی شیئرز

رکھتے ہیں بذریعہ ہذا _____ کو تقرر کرتے ہیں۔ رجسٹرڈ فولیو نمبر / شرکاء کی

آئی ڈی / سی ڈی سی سب اکاؤنٹ نمبر _____ یا اُس کے شرکت نہ کرنے کی صورت میں _____

رجسٹرڈ فولیو نمبر / شرکاء کی آئی ڈی / سی ڈی سی سب اکاؤنٹ نمبر کو بطور پرائیکسی 24 اکتوبر 2018 بوقت 02:30 بجے دوپہر

بہ مقام انسٹیوٹ آف چارٹرڈ اکاؤنٹینٹس آف پاکستان چارٹرڈ اکاؤنٹینٹس ایونیو بکلفٹن، کراچی کمپنی کے منعقد ہونے والے اجلاس عام اور اُس کے کسی التواء تک میری / ہماری جانب

سے ووٹ دینا اور اجلاس میں شرکت کے کا حق دیتا ہوں۔

ریونیو اشامپ

5/- روپے

دستخط پرائیکسی

دستخط شیئر ہولڈر

۲۰۱۸ء

بتاریخ _____

گواہان

گواہان

دستخط _____

دستخط _____

نام _____

نام _____

ایڈریس _____

ایڈریس _____

شناختی کارڈ _____

شناختی کارڈ _____

پاسپورٹ _____

پاسپورٹ _____

نوٹس:

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

(2) اگر کوئی رکن اجلاس عام میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مکمل اور تصدیق شدہ کمپنی کے شیئر رجسٹرار میسرز THK ایسوسی ایٹس، پہلی منزل، C-40 بلاک 6، پی۔ای۔سی۔ اینج۔ ایس کراچی کو اجلاس کے منعقد ہونے سے 48 گھنٹے قبل بھجوائیں۔

(3) CDC اکاؤنٹ ہولڈر / کارپوریٹ انٹیٹیس مندرجہ بالا کے علاوہ مذکورہ شقوں پر عمل کریں۔

(a) پرائیکسی فارم میں دو گواہان کے دستخط نیران کے پتے اور شناختی کارڈ نمبر کا اندارج بھی لازمی ہے۔

(b) رکن اور پرائیکسی کی تصدیق شدہ قومی شناختی کارڈ یا پاسپورٹ کی نقول کی فراہمی۔

(c) پرائیکسی کے لئے لازم ہے کہ وہ اجلاس کے وقت اصل قومی شناختی کارڈ یا پاسپورٹ تصدیق کے لئے فراہم کرے۔ Corporate Entity کی صورت میں بورڈ آف ڈائریکٹرز کی تصدیق شدہ قرارداد کی نقل بشمول Power of Attorney دستخط کے ساتھ (جبراً اگر پہلے ہی جمع کروادی گئی ہے) پرائیکسی فارم کے ہمراہ کمپنی کے شیئر رجسٹرار کو جمع کروائے۔



601-602 Business Centre, Mumtaz Hassan Road,
Off. I.I. Chundrigar Road, Karachi-74000.
Ph: 021 32401373, 32413944