

ANNUAL REPORT 2020



Sitara Peroxide
Limited

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
Circulation Of Annual Audited Accounts	67
Jama Punji Add	68
Proxy Form	69

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. Haroon Ahmed Zuberi
Mr. Ejaz Hussain
Mr. Yasir Ahmed Awan
Mr. Zahid Aslam
Mr. Mahmood Ahmad

Chairperson
Chief Executive Officer
Executive Director
Non-Executive Director
Non-Executive Director
Independent 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. Zahid Aslam
Mr. Mahmood Ahmad
Mrs. Sharmeen Imran
Mr. Zia-ul-Mustafa

Chairman
Member
Member
Secretary

Human Resource and Remuneration Committee

Mr. Mahmood Ahmad
Mr. Imran Ghafoor
Mr. Ejaz Hussain

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
JS Bank Limited
First Women Bank Limited
Bank AL Habib 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 IS HEREBY GIVEN THAT THE 17th Annual General Meeting of the shareholders of Sitara Peroxide Limited (the "Company") will be held at The Institute of Chartered Accountants of Pakistan (ICAP) Auditorium Hall, Chartered Accountants Avenue, Clifton, Karachi on Saturday, 24th day of October 2020 at 2:30 p.m., to transact the following business:

ORDINARY BUSINESS:

- i. To confirm the minutes of the Annual General Meeting held on October 19, 2019.
- ii. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2020 together with the Reports of the Directors and Auditors thereon.
- iii. To appoint Auditors and to fix their remuneration for the year ending June 30, 2021. The present auditors, M/s. Deloitte Yousuf Adil, Chartered Accountants, have retired and being eligible, have offered themselves for re-appointment. The Board of Directors recommends, based on the recommendation of the Audit Committee, the appointment of M/s. Deloitte Yousuf Adil, Chartered Accountants, as auditors for the ensuing year.
- iv. To transact any other ordinary business with the permission of the Chair.

By order of the Board



MAZHAR ALI KHAN
Company Secretary

Karachi:
Dated: September 26, 2020

NOTES:

CLOSURE OF SHARE TRANSFER BOOKS

The Share Transfer Books of the Company will remain closed from October 17, 2020 to October 24, 2020 (both days inclusive). Transfers received in order at the office of Share Registrar M/s. THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi before the close of business on October 16, 2020 will be treated in time for the purpose to attend and vote 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 person 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.

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.

ELECTRONIC CIRCULATION OF ANNUAL REPORTS VIA EMAIL OR CD/DVD:

Pursuant to the provision of Companies Act, 2017, annual reports are being sent to the shareholders electronically (Email or CD/DVD).

However, shareholders who wish to receive hardcopy of Financial Statements shall have to fill the attached standard request form (also available on the company's website www.sitaraperoxide.com) and send at the Company's address.

PLACEMENT OF FINANCIAL STATEMENTS:

The audited financial statements of the Company for the year ended June 30, 2020 have been placed at the Company's website: www.sitaraperoxide.com.

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

Dear Shareholders,

I am pleased to present to you the financial statements of Sitara Peroxide Limited for the year ended June 30, 2020. During this year, the macro-economic environment of Pakistan remained turbulent on account of twin deficits and high inflationary pressure. To tackle these challenges, policy makers resorted to tight monetary and fiscal policies and moved to market-based exchange rate mechanism. Due to above factors and lock-down to contain spread of COVID-19 resulted in negative GDP growth. We hope that government's efforts to reform the economy and increase exports improve the overall economic sentiment and manufacturing activity within the country.

During the year, the Company had to face number of challenges including lock-down due to spread of COVID-19, rising fuel and power costs, higher KIBOR and devaluation of Pak Rupee. Considering these challenges, your Company performed reasonably well. It proves sustainability and adaptability of management of the Company to face critical challenges. Your Management has been able to earn profits during the current financial year by effectively controlling production costs, managing operational and financial costs and maintaining its market share despite highly challenging business environment.

During outbreak of COVID-19, your Company launched a new product with brand name of 'Sitara Safe' which is used as surface disinfectant and sterilization. This product helped the Company to partially off-set the reduced demand due to shut down of textile industry. Currently, the Company is going to launch another product which will be used as surface cleaner in smaller packing; and it has potential of becoming a household commodity.

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.

I am pleased to report that the performance of the Board remained par excellence throughout the year and its contributions effectively steered the Company towards achieving its objectives. Board of Sitara Peroxide Limited continues to play a crucial role in leading the company towards its mission of becoming a leading hydrogen peroxide manufacturing Company in Pakistan. Simultaneously, the Board has actively monitored core aspects of corporate governance via the HR and Remuneration Committee and Audit Committee.

The Board acknowledges the unwavering commitment of management and employees which led the Company in achieving encouraging results and various good governance awards.

Faisalabad
September 26, 2020

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, 2020.

Business Review

Current financial year proved to be challenging for Pakistan's economy as well as for the local manufacturing industry. GDP growth rate of Pakistan remained negative due to country wide strict lock-down to contain spread of COVID-19 pandemic. In addition to the above, devaluation of Pak Rupee, rising cost of energy, higher KIBOR and frequent changes in monetary and fiscal policies continued to exert significant pressure on the economy in general and manufacturing industry in particular. Despite these ongoing challenges, the Company managed to retain its market share in local market.

The Company produced 23,295 MT of hydrogen peroxide and achieved production capacity of 78% which is 6% lower than the capacity utilization achieved during previous financial year. Major reason of decrease in capacity utilization is shut-down due to COVID-19 pandemic. The management remained focus to ensure safe and stable operations of our plant. During outbreak of COVID-19, the Company launched a new product; 'Sitara Safe' which helped to improve sales during pandemic.

FINANCIAL OVERVIEW

	2020	2019
	----- Rupees -----	
Sales	1,745,355,899	2,036,215,629
Cost of sales	1,422,134,718	1,506,048,016
Gross profit	323,221,181	530,167,613
Profit before taxation	88,955,149	279,522,083
Net Profit after taxation	74,241,976	207,384,954
Earning per share – basic and diluted	1.35	3.76

The company registered annual sales of Rs. 1,745 million against Rs. 2,036 million in corresponding financial year showing year on year decrease of 14%. Prices of hydrogen peroxide remained comparatively stable during the year but volumetric sales decreased due to lock-down. Cost of sales of the Company remained Rs. 1,422 million against Rs. 1,506 million during the last year showing decrease of 6%. Gross profit decreased to Rs. 323 million in the current year as compared to Rs. 530 million in the corresponding financial year due to lower capacity utilization and increase in tariff of RLNG. Due to efficient monitoring of operating procedures, administration, distribution and other operating expenses are kept in check. Your company continued to pay-off its debt obligations during the financial year. As a result debt equity ratio and current ratio of the company has improved considerably.

The company recorded net profit of Rs. 74 million during current year against net profit of Rs. 207 million in the corresponding year. Earning per share for the current financial year remained Rs. 1.35 against earning per share of Rs. 3.76 in last year.

The Company has entered into 6th supplemental agreement of privately placed diminishing musharaka based Sukuk certificates. According to amended terms, installments during COVID-19 period (Jan-2020 to June-2020) were deferred; and have been resumed since July 2020. Term of the loan shall expire in June 2023.

MARKETING OVERVIEW

Hydrogen Peroxide is also a strong disinfectant having antibacterial and antiviral properties. It is heavily used for disinfection and sterilization of the surfaces. During outbreak of COVID-19, your Company launched a new product with brand name of 'Sitara Safe' which is used as surface disinfectant, sterilization and in Walk-Through Gates.

This product helped the Company to partially off-set the reduced demand due to shut down of textile industry. Currently, the Company is going to launch a new product which will be used as surface cleaner in smaller packing; and it has potential of becoming a household commodity.

In conventional industrial market, your company maintained its market share through strong marketing efforts in challenging business environment. By the grace of Almighty Allah, we are successful in retaining our market share; and now as textile exports are expected to recover to pre-COVID levels, your management is confident to avail this opportunity.

Board of Directors

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

Director		Meetings held	Meetings attended
(i)	Mrs. Sharmeen Imran (Chairperson)	4	4
(ii)	Mr. Imran Ghafoor (CEO)	4	4
(iii)	Mr. Haroon Ahmad Zuberi	4	4
(iv)	Mr. Ejaz Hussain	4	4
(v)	Mr. Yasir Ahmed Awan	4	4
(vi)	Mr. Zahid Aslam	4	4
(vii)	Mr. Mahmood Ahmad	4	4

In 16th Annual General Meeting of the Company held on October 19, 2019, seven directors have been elected for a term of three years. "Consent to act as director" had been duly obtained from each candidate prior to his/her election.

As required by code, 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 Board consists of seven directors, effectively representing interest of shareholders including minority stockholders. There are three non-executive directors, two independent directors and two executive directors. The independent directors have been representing the non-controlling/ minority interests, while non-executive directors are possessing relevant industry experience.

The status of directorship (independent, executive, nonexecutive) is indicated in the Statement of Compliance with the Code of Corporate Governance, issued by the Company.

To ensure effective, efficient and independent decision making, Board comprises of qualified professionals having knowledge, experience and expertise to run the affairs of the Company. In order to effectively monitor the Company's performance and keep its management accountable, the Board met at least once every quarter.

The Board held four meetings during the year, notices / agendas of which were timely circulated. Decisions made during the Board meetings were clearly stated in minutes of meetings maintained by Company Secretary and were duly circulated to all the directors for endorsement and were duly approved in the subsequent Board meetings. All meetings of the Board held during the year fulfilled minimum quorum requirements of attendance as prescribed by the applicable regulations and were also attended by the Chief Financial Officer and the Company Secretary.

Audit Committee comprises of three non-executive directors with the Chairman being an independent non-executive director. The Internal Audit Department, being a key component of the Company's internal control and risk governance framework, provides independent and objective evaluations on effectiveness of governance, risk management and control processes reporting directly to the Audit Committee.

The Human Resource and Remuneration Committee comprise of two non-executive directors and one executive director with the Chairman being an independent non-executive director.

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, 2020. The Company has fully paid all obligations against this scheme in 2019-20.

Dividends

The Board of the Company has not announced any dividend during the current financial year.

Auditors

The existing external auditors M/S Deloitte Yousuf Adil, Chartered Accountants, shall retire on the conclusion of the 17th Annual General Meeting. Being eligible, they offered themselves for re-appointment as auditors of the Company for financial year ending June 30, 2021. The audit committee has recommended appointment of aforesaid M/S Deloitte Yousuf Adil, Chartered Accountants as external auditors for the financial year ending June 30, 2021.

Future Outlook

Hydrogen peroxide is a growing market in Pakistan and we are striving to maintain our market share. Our Company has been striving to enter in bulk supply agreements with local industries to reduce packing costs. Further, research and development work has been continuously carried out to improve capacity utilization, efficiency of production process and to reduce input costs.

Global business environment is expected to remain challenging in coming financial year because of continued spread of COVID-19 pandemic world-wide; resulting in lower aggregate demand from USA and EU.

However, the comparatively controlled COVID-19 situation in Pakistan, lower RLNG and power tariffs, low KIBOR, commitment of federal government to timely pay refunds and supply of cheaper power/ natural gas to textile exporters expected to have positive impact on local textile sector. Therefore, textile exports are expected to rise in the coming period. As textile sector is major consumer of hydrogen peroxide; the demand for hydrogen peroxide is also expected to recover in coming period. We are further hopeful for success of our newly launched consumer products i.e. surface disinfectant and surface cleaner with brand name of 'Sitara Safe'.

Our focus remains to reduce costs, maintain quality and surpass output levels. As we look towards financial year 2020-21, 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 GHAFOR
Chief Executive Officer

September 26, 2020
Faisalabad

ایمپلائز بینیفٹ پلان

کمپنی اپنے مستقل ملازمین کے لئے غیر مالی اعانت سے طے شدہ بینیفٹ پلان (گریجویٹ اسکیم) چلاتی ہے۔ ایکچ ریال کی تازہ ترین تشخیص 30 جون 2020 کو کی گئی تھی۔ کمپنی نے اس اسکیم کے خلاف تمام ذمہ داریوں کو 2019-2020 میں پوری طرح ادا کیا ہے۔

ڈیویڈنڈ

کمپنی کے بورڈ نے رواں مالی سال کے دوران کسی بھی منافع کا اعلان نہیں کیا ہے۔

آڈیٹرز

موجودہ بیرونی آڈیٹرز ایم/ایس ڈیلونٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس، 17 ویں سالانہ جنرل اجلاس کے اختتام پر ریٹائر ہو جائیں گے۔ اہل ہونے کے باطنے، انہوں نے 30 جون 2021 کو ختم ہونے والے مالی سال کے لئے کمپنی کے آڈیٹ کی حیثیت سے دوبارہ تقرری کی پیش کش کی۔ آڈٹ کمپنی نے مذکورہ مالی سال کے لئے مذکورہ بالا آڈیٹر کے طور پر ایم/ایس ڈیلونٹ یوسف عادل کی تقرری کی سفارش کی ہے۔

مستقبل کا جائزہ

ہائیز رو جن پرائکسائیڈ پاکستان میں ایک بڑھتی ہوئی مارکیٹ ہے اور ہم اپنے مارکیٹ شیئر کو برقرار رکھنے کے لئے کوشاں ہیں۔ ہماری کمپنی پیکیجنگ لاگت کو کم کرنے کے لئے مقامی صنعتوں کے ساتھ بڑے پیمانے پر فراہمی کے معاہدے کرنے کی کوشش کر رہی ہے۔ مزید برآں، استعداد استعمال، پیداوار کے عمل کی استعداد کار کو بہتر بنانے اور ان پٹ لاگتوں کو کم کرنے کے لئے تحقیق اور ترقیاتی کام مستقل طور پر انجام دیئے گئے ہیں۔

کوویڈ 19 کے مسلسل پھیلاؤ کی وجہ سے آنے والے مالی سال میں عالمی سطح پر کاروباری ماحول چیلنج سے بھرپور رہا گا۔ جس کے نتیجے میں امریکہ اور یورپی یونین کی طرف سے مجموعی طلب کم ہے۔

پاکستان میں نسبتاً کنٹرول شدہ کوویڈ 19 کی صورتحال، آرائل این جی اور بجلی کے کم نرخوں، KIBOR میں کمی، حکومت کی جانب سے بروقت ریفرنڈم کی ادائیگی اور ٹیکسٹائل برآمد کنندگان کو سستی بجلی اور قدرتی گیس کی فراہمی کے عزم سے مقامی ٹیکسٹائل کے شعبے پر مثبت اثرات مرتب ہونے کی امید ہے۔ لہذا، آنے والے عرصہ میں ہائیز رو جن پرائکسائیڈ کی مانگ بھی بہتر ہو جائے گی۔ ہم اپنے نئے شروع کردہ صارف مصنوعات یعنی سطح کے جراثیم کشی اور سطح صاف کرنے والے افراد کی "ستارہ سیف" کے برانڈ نام کے ساتھ کامیابی کے لئے پرامید ہیں۔

ہماری توجہ لاگت کو کم کرنے، معیار کو برقرار رکھنے اور آؤٹ پٹ لیول کو عبور کرنے پر مبنی ہوئی ہے۔



عمران غفور
چیف ایگزیکٹو آفیسر

26 ستمبر 2020

قیصل آباد

بورڈ میں ایسے اہل پیشہ ورا افراد پر مشتمل ہوتا ہے جو کمپنی کے Board موثر، موثر اور آزادانہ فیصلہ سازی کو یقینی بنانے کے امور چلانے کے لئے علم، تجربہ اور مہارت رکھتے ہوں۔ کمپنی کی کارکردگی کو موثر طریقے سے مانیٹر کرنے اور اس کے نظم و نسق کو جو ابدرہ رکھنے کے لئے، بورڈ ہر سہ ماہی میں کم از کم ایک بار ملاقات کرتا تھا۔

بورڈ نے سال کے دوران چار اجلاس کیے، جن میں سے نوٹس/ایجنڈے بروقت بھیجے گئے تھے، بورڈ کے اجلاسوں کے دوران کیے جانے والے فیصلوں کو کمپنی سیکریٹری کے ذریعہ برقرار رکھے جانے والے اجلاسوں کے منٹوں میں واضح طور پر بیان کیا گیا تھا اور ان کی توثیق کے لئے باقاعدگی سے تمام ڈائریکٹرز کو ارسال کیا گیا تھا اور بعد میں ہونے والے بورڈ اجلاسوں میں اس کی باضابطہ منظوری دی گئی تھی۔ سال کے دوران منعقدہ بورڈ کے تمام اجلاسوں میں داخلے کی کم سے کم کورم ضروریات کو پورا کیا گیا جیسا کہ قابل اطلاق قواعد و ضوابط کے مطابق ہے اور چیف فنانشل آفیسر اور کمپنی سیکریٹری نے بھی اس میں شرکت کی۔

آڈٹ کمپنی میں تین نان ایگزیکٹو ڈائریکٹرز پر مشتمل ہے جس میں چیئر مین آزادانہ ایگزیکٹو ہیں۔ داخلی آڈٹ حکم، کمپنی کے داخلی کنٹرول اور رسک گورننس فریم ورک کا ایک کلیدی جزو ہونے کے ناطے، گورننس کی تاثیر، رسک مینجمنٹ اور کنٹرول عمل سے متعلق آڈٹ کمپنی کو براہ راست رپورٹنگ کرنے کے بارے میں آزاد اور معقول تشخیص فراہم کرتا ہے۔ بیومن ریسورس اینڈ ریسولوشن کمپنی دو نان ایگزیکٹو ڈائریکٹرز اور ایک ایگزیکٹو ڈائریکٹر پر مشتمل ہے جس کا چیئر مین ایک آزادانہ ایگزیکٹو ڈائریکٹر ہے۔

کارپوریٹ گورننس کی پاسداری

ایس پی ایل کو بورڈ پوری کمپنی میں اعلیٰ حکمرانی کے معیار کو برقرار رکھنے پر زور دیتا ہے۔ کمپنی کے نقطہ نظر اور اسٹرٹجک سمت اور اس کی اقدار کے لئے اجتماعی طور پر ذمہ دار ہونے کے ناطے، بورڈ کا رہنمائی اور کمپنی کی طویل مدتی کامیابی کے لئے جو ابدرہ ہے۔

اندرونی کنٹرول کے ایک فریم ورک کے اندر، بورڈ کمپنی کو کارکردگی کی اہداف اور بنیادی اقدار کے حصول کے لیے ضروری رہنمائی فراہم کرتا ہے۔ عمومی طور پر قبول شدہ بہترین طریقوں کو کسی مقررہ معیار اور رضا کارانہ معیار کے علاوہ اعلیٰ اخلاقی اور اخلاقی اقدار کے اعلیٰ نمائش کے ساتھ، کاروباری احساس کے ساتھ چلتے ہوئے ایمانداری اور ذمہ داری پر مبنی فیصلہ سازی کے علاوہ، ایک ٹاپ ڈاون نقطہ نظر کے ذریعہ نافذ کیا گیا ہے۔ کمپنی کے ساتھ خدمات انجام دینے یا قریب سے وابستہ تمام افراد کی طرف سے نیچے کی طرف بہہ جانا۔

کارپوریٹ احتساب کے مساوی اہمیت کے ساتھ ہمارے کاموں اور کاروباری فیصلوں میں شفافیت کو ترجیح دی جاتی ہے۔

طویل مدتی اسٹرٹجک Long کارپوریٹ گورننس شیئر ہولڈرز، قرض دہندگان، ملازمین، صارفین اور سپلائرز کو مطمئن کرنے کے لئے کمپنی کو ڈھانچے، چلانے اور کنٹرول کرنے کے لئے ہماری پالیسیوں کی اصل اصل میں موجود ہے۔ بہترین The اہداف کے حصول کے لئے اخلاقی طریقوں کی پابندی اور قابل اطلاق قانونی اور ضابطہ تقاضوں کی تعمیل کو اس انداز سے یقینی بنایا گیا ہے جو ماحول اور لوگوں کے لئے سازگار ہو اور مقامی کمیونٹی کی ضرورت کی تائید کرے۔

لازمی شرط ہے جس میں منصفانہ اور احتساب کو Fair یہ سمجھنا کہ اچھی کارپوریٹ گورننس کسی بھی کمپنی کی سالمیت اور ساکھ کے لئے کم سے کم قانونی تقاضوں سے اگے نکلتے ہیں۔ یقینی بناتے ہوئے اعتماد اور اعتماد کو بڑھاتا ہو۔ ہم اچھی کارپوریٹ گورننس کے لئے ہمارے بورڈ نے چیئر پرسن اور بورڈ کے مابین ذمہ داریوں کی واضح تقسیم کے ذریعہ، بورڈ اور مینجمنٹ کے متعلقہ کرداروں کو تسلیم کرنے، اور ایک موثر قیام کے ذریعے، کمپنی کی گمرانی اور انتظامیہ کی، جو وقتاً فوقتاً جائزہ اور اپ ڈیٹ کی جاتی ہے، کی تحسین بنیادیں رکھی ہیں۔ اخلاقیات اور تعمیل کا فریم ورک۔

حصص داران کا میزبان

کمپنی کے حصص داران کا چاٹ آگے دیا گیا ہے۔ کمپنی کے حصص میں ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکریٹری، ان کے شریک حیات اور نابالغ بچوں کے ذریعہ کوئی ٹریڈنگ نہیں کی گئی، سوائے اس کے کہ شیئر ہولڈنگ کے نمونے میں انکشاف کیا جائے۔

مارکیٹنگ جائزہ

ہائیڈروجن پراکسائیڈ ایک مضبوط ڈس انفیکشنٹ بھی ہے جس میں اینٹی بیکٹیریل اور اینٹی ویرل خصوصیات موجود ہیں۔ یہ سطحوں کی دباؤ کے دوران، آپ کی کمپنی نے ایک نیا پروڈکٹ لانچ کیا جس COVID-19 جراثیم کش اور نمبندی کے لئے بھاری استعمال ہوتا ہے۔ کا نام "ستارہ سیف" ہے جس کو سطح کے جراثیم کش، نمبندی اور واک تھرو گینس میں استعمال کیا جاتا ہے۔ اس مصنوع نے ٹیکسٹائل کی صنعت بند ہونے کی وجہ سے کمپنی کو کم مارجن کو جزوی طور پر دور کرنے میں مدد کی۔ فی الحال، کمپنی ایک نئی پروڈکٹ لانچ کرنے جاری ہے جسے چھوٹے پیکنگ میں سطح کلیئر کے طور پر استعمال کیا جائے گا۔ اس میں گھریلو اجناس بننے کا امکان ہے۔

روایتی صنعتی منڈی میں، آپ کی کمپنی نے چیلنجنگ بزنس ماحول میں مارکیٹنگ کی مضبوط کوششوں کے ذریعے اپنے مارکیٹ شیئر کو برقرار رکھا۔ اللہ تعالیٰ کے فضل و کرم سے، ہم اپنے مارکیٹ شیئر کو برقرار رکھنے میں کامیاب ہیں۔ اور اب چونکہ ٹیکسٹائل کی برآمدات کو ویڈ سے پہلے کی سطح تک بحال ہونے کی امید ہے، لہذا آپ کی انتظامیہ اس موقع سے فائدہ اٹھانے کے لئے پراعتماد ہے۔

یورڈ آف ڈائریکٹرز

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	4
2 عمران غفور (سی ای او)	4	4
3 ہارون احمد زبیری	4	4
4 اعجاز حسین	4	4
5 یاسر احمد اعوان	4	4
6 زاہد اسلم	4	4
7 محمود احمد	4	4

اکتوبر 2019 کو منعقدہ کمپنی کی 16 ویں سالانہ جنرل میٹنگ میں، سات ڈائریکٹر تین سال کی مدت کے لئے منتخب ہوئے ہیں۔ انتخاب سے پہلے ہر امیدوار سے "ڈائریکٹر کی حیثیت سے کام کرنے کی رضامندی" مناسب طریقے سے حاصل کی گئی تھی۔

جیسا کہ کوڈ کے ذریعہ ضرورت ہے، تمام ڈائریکٹر کو متعلقہ قوانین اور کمپنی کے ممبرنڈم اور آرٹیکل ایسوسی ایشن کے تحت اپنے فرائض اور ذمہ داریوں کے بارے میں کافی معلومات فراہم کی جاتی ہیں۔ ڈائریکٹر، سینئر پروپیشنل ہونے کے باوجود مختلف ذمہ داریوں کو سنبھالنے کا تجربہ رکھتے ہیں، انھیں کارپوریٹ معاملات میں کافی حد تک نمائش ہوتی ہے۔

یورڈ ساتھ ڈائریکٹر پر مشتمل ہے، جو اقلیتی اسٹاک ہولڈرز سمیت غیر ہولڈرز کی دلچسپی کی موثر طریقے سے نمائندگی کرتا ہے۔ یہاں تین نان ایگزیکٹو ڈائریکٹر، دو آزاد ڈائریکٹر اور دو ایگزیکٹو ڈائریکٹر ہیں۔ آزاد ڈائریکٹر غیر قابو پانے / اقلیتی مفادات کے نمائندگی کرتے رہے ہیں، جبکہ نان ایگزیکٹو ڈائریکٹر صنعت کے متعلقہ تجربہ رکھتے ہیں۔

کمپنی کی طرف سے جاری کردہ ضابطہ اخلاق، کارپوریٹ گورننس کے تعین کے بیان میں ڈائریکٹر شپ کی حیثیت (آزاد، ایگزیکٹو، نان ایگزیکٹو) ظاہر کی گئی ہے۔

ستارہ پراکسائیڈ لمیٹڈ کے ڈائریکٹرز 30 جون 2020 کو ختم ہونے والے مالی سال کے لئے کمپنی کے آڈٹ شدہ مالی بیانات کے ساتھ اپنی سالانہ رپورٹ پیش کرنے پر خوش ہیں۔

کاروباری جائزہ

وبائی COVID-19 موجودہ مالی سال پاکستان کی معیشت کے ساتھ ساتھ مقامی مینوفیکچرنگ انڈسٹری کے لئے بھی چیلنجنگ ثابت ہوا۔ امراض کے پھیلاؤ پر مشتمل ملک بھر میں سخت تالے ڈالنے کی وجہ سے پاکستان کی جی ڈی پی کی شرح نمو منفی رہی۔ مذکورہ بالا کے اور مالیاتی اور مالی پالیسیوں میں متواتر تبدیلیاں عام KIBOR علاوہ، پاک روپیہ کی قدر میں کمی، توانائی کی بڑھتی ہوئی قیمت، اعلیٰ طور پر اور مینوفیکچرنگ انڈسٹری میں خاص طور پر معیشت پر خاصی دباؤ ڈالتی رہی۔ ان جاری چیلنجوں کے باوجود، کمپنی مقامی مارکیٹ میں اپنا مارکیٹ شیئر برقرار رکھنے میں کامیاب رہی۔

کمپنی نے اس سال 23,295 میٹرک ٹن ہائیڈروجن پراکسائیڈ تیار کیا اور 78% پیداواری استعداد حاصل کی جو گزشتہ سال کی پیداواری استعداد سے 6% کم ہے پیداوار میں کمی کی بڑی وجہ کرناؤٹ اس کے بجائے ہونے والا شٹ ڈاؤن ہے۔ ہمارے پلانٹ کی محفوظ اور مستحکم کاروائیوں کو یقینی بنانے کے لئے انتظامیہ کی توجہ مرکوز رہی۔ کوویڈ 19 کے پھیلنے کے دوران، کمپنی نے ایک نئی پروڈکٹ کا آغاز کیا۔ "ستارہ سیف" جس نے وبائی امراض کے دوران فروخت کو بہتر بنانے میں مدد فراہم کی۔

مالی جائزہ

2019	2020	
روپے		
2,036,215,629	1,745,355,898	فروخت
1,506,048,016	1,422,134,716	فروخت کی لاگت
530,167,613	323,221,181	خام نفع
279,522,083	88,955,149	بعد از ٹیکس خام نفع
207,384,954	74,241,976	بعد از ٹیکس خالص نفع
3.76	1.35	فی حصص نفع - بنیادی

کمپنی نے 1745 ملین روپے کی فروخت کی جو گزشتہ مالی سال کی فروخت 2036 ملین روپے کی نسبت 14% کم ہے۔ سال رواں کے دوران ہائیڈروجن پراکسائیڈ کی قیمتیں نسبتاً مستحکم رہیں مگر لاک ڈاؤن کے باعث پروڈکٹ کی کم مقدار فروخت ہو سکی۔ رواں سال کمپنی کی پیداواری لاگت 1422 ملین روپے رہی جو گزشتہ مالی سال میں 1506 ملین روپے تھی۔ رواں سال پیداواری لاگت میں 6% کمی ہوئی۔ کمپنی کا خام منافع کم ہو کر 323 ملین روپے رہ گیا جو گزشتہ مالی سال میں 530 ملین تھا۔ خام منافع میں کمی کی وجہ پیداواری استعداد میں کمی اور ایل این جی کی قیمت میں ہونے والا اضافہ تھا آپریٹنگ طریقہ کار کی موثر نگرانی کی وجہ سے، انتظامیہ، تقسیم اور دیگر آپریٹنگ اخراجات کو مد نظر رکھا جاتا ہے۔ آپ کی کمپنی مالی سال کے دوران اپنے قرضوں کی ذمہ داریوں کی ادائیگی کرتی رہی۔ اس کے نتیجے میں قرض کا ایکویٹی تناسب اور کمپنی کا موجودہ تناسب کافی حد تک بہتر ہوا ہے۔

رواں سال کے دوران کمپنی نے 74 ملین روپے کا خالص نفع حاصل کیا جبکہ گزشتہ مالی سال میں کمپنی نے 207 ملین روپے کا خالص نفع حاصل کیا تھا۔ رواں مالی سال میں کمپنی کافی حصص نفع 1.35 روپے رہا جبکہ گزشتہ مالی سال میں فی حصص نفع 3.76 روپے تھا۔

کمپنی نے نئی طور پر رکھے ہوئے مشارک پر مبنی سکوک سربٹیکٹ کا چھٹا ضمیمہ معاہدہ کیا ہے۔ ترمیم مدت (جنوری 2020 تا جون 2020) کے دوران قسطیں ملتوی کر دی گئیں۔ COVID-19 شدہ شرائط کے مطابق جولائی 2020 سے دوبارہ کام شروع کر دیا گیا ہے۔ قرض کی مدت جون 2023 میں ختم ہو جائے گی۔

Six Years Financial Summary

2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
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Rupees in "000"

PROFIT AND LOSS ACCOUNT

Sales - net	1,745,356	2,036,216	1,322,217	1,059,689	1,310,036	1,325,024
Gross profit	323,221	530,168	151,835	45,572	190,436	112,503
Operating profit / (loss)	123,237	328,352	10,342	(56,969)	79,656	8,754
Profit / (loss) before tax	88,955	279,522	(32,802)	(128,090)	27,001	(70,087)
Profit / (loss) after tax	74,242	207,385	(65,403)	(87,191)	16,704	(51,180)

BALANCE SHEET

Property, plant and equipment	2,373,961	2,580,126	2,730,109	1,989,258	2,146,157	2,327,432
Long term advances	4,205	4,205	4,205	3,705	3,705	3,905
Current assets	1,226,279	1,225,187	1,011,370	977,126	1,006,935	993,091
Current liabilities	722,785	960,928	995,293	1,168,518	982,180	953,516
Non-current liabilities	852,197	895,801	999,533	644,926	930,037	1,144,162
Share capital	551,000	551,000	551,000	551,000	551,000	551,000
Shareholders equity	2,029,463	1,952,788	1,750,859	1,156,644	1,244,579	1,226,750

FINANCIAL RATIOS

Gross Profit Ratio	(%)	18.52	26.04	11.48	4.30	14.54	8.49
Net Profit to Sales	(%)	4.25	10.18	(4.95)	(8.23)	1.28	(3.86)
Return on Equity	(%)	9.30	33.11	(19.96)	(25.84)	4.52	(17.21)
Return on Capital Employed	(%)	2.58	7.28	(2.38)	(4.84)	0.77	(2.16)
Current Ratio	times	1.70	1.28	1.02	0.84	1.03	1.04
Quick/Acid test ratio	times	0.85	0.73	0.53	0.44	0.59	0.51
Earnings per share - Basic	Rupees	1.35	3.76	(1.19)	(1.58)	0.30	(0.93)
Price Earning Ratio	times	18.14	6.49	(14.28)	(10.71)	55.89	(14.36)
Market Value per share (at year end)	Rupees	20.41	18.01	17.36	31.10	18.15	13.15
Market value per share (lowest)	Rupees	13.02	15.60	13.24	17.77	11.11	10.24
Market value per share (highest)	Rupees	24.27	41.68	31.23	38.23	22.78	16.05
Breakup value of share with revaluation surplus	Rupees	36.83	35.44	31.78	20.99	22.59	22.26

AS AT JUNE 30, 2020

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
587	1	100	9,110
4,695	101	500	2,330,899
745	501	1,000	734,526
964	1,001	5,000	2,712,876
225	5,001	10,000	1,840,561
77	10,001	15,000	1,005,259
61	15,001	20,000	1,155,236
35	20,001	25,000	801,000
17	25,001	30,000	484,750
10	30,001	35,000	334,500
8	35,001	40,000	308,000
6	40,001	45,000	261,500
9	45,001	50,000	442,000
6	50,001	55,000	319,500
5	55,001	60,000	296,400
3	60,001	65,000	187,500
2	65,001	70,000	137,000
2	70,001	75,000	148,000
4	85,001	90,000	359,000
1	90,001	95,000	93,500
8	95,001	100,000	796,500
2	100,001	105,000	209,000
2	105,001	110,000	218,000
2	120,001	125,000	250,000
2	125,001	130,000	257,000
2	145,001	150,000	299,000
3	155,001	160,000	477,000
1	160,001	165,000	163,500
1	165,001	170,000	170,000
1	185,001	190,000	190,000
1	195,001	200,000	200,000
1	200,001	205,000	201,000
2	205,001	210,000	417,500
1	215,001	220,000	220,000
2	220,001	225,000	445,717
1	245,001	250,000	250,000
1	250,001	255,000	251,000
1	265,001	270,000	268,000
1	280,001	285,000	285,000
2	295,001	300,000	592,500
1	300,001	305,000	300,500
1	320,001	325,000	324,500
1	375,001	380,000	380,000
3	395,001	400,000	1,200,000
1	415,001	420,000	416,666
1	470,001	475,000	473,000
1	530,001	535,000	532,000
1	575,001	580,000	576,000
1	705,001	710,000	709,500
1	815,001	820,000	816,500
1	1,195,001	1,200,000	1,200,000
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
7,517			55,100,000

AS AT JUNE 30, 2020

	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. Ejaz Hussain	1	600	0.00
Mr. Haroon Ahmed Zuberi	1	5	0.00
Mr. Zahid Aslam	1	5	0.00
Mr. Mahmood Ahmad	1	5	0.00
Banks, Development Finance Institutions, Non-Banking Finance Institutions	3	12,000	0.02
Insurance Companies	2	182,500	0.33
Modarabas	21	3,967,000	7.20
Foreign Companies	1	21,500	0.04
General Public (Local)	7,324	22,340,081	40.55
General Public (Foreign)	102	1,355,626	2.46
Joint Stock Companies	41	6,177,067	11.21
Others	15	511,111	0.93
	7,517	55,100,000	100.00

NO trade in the shares of the company was carried out by its directors, CEO, CFO, Company Secretary and their spouses and minor children during the year 2019-2020.

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

a	Mr. Imran Ghafoor, Chief Executive	17,425,065
b	Sitara Chemical Industries Limited	3,220,000
c	Syed Ali Jafar Abidi	3,000,000

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, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Sitara Peroxide Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 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, 2020.

Deloitte Yousaf Adil

Chartered Accountants

Engagement Partner

Rana M. Usman Khan

Lahore

Dated: September 26, 2020

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

SITARA PEROXIDE LIMITED FOR THE YEAR ENDED JUNE 30, 2020

The company has complied with the requirements of the Regulations in the following manner:

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

Gender	Number
Male	6
Female	1

2. The composition of the Board of Directors is as follows:

Category	Director Name
Independent Director	Mr. Zahid Aslam Mr. Mahmood Ahmad
Executive Director	Mr. Imran Ghafoor Mr. Haroon Ahmed Zuberi
Non-Executive Directors	Mr. Ejaz Hussain Mr. Yasir Ahmad Awan
Female Director	Mrs. Sharmeen Imran

* Best practices of corporate governance entail having an optimal number and mix of board members with adequate skills and experience. The current Board of Directors of the Company adequately meets this requirement. Further, existing two independent directors play an effective part within the Board and make valuable contributions. Therefore, the fraction (2.33) has not been rounded up.

3. The directors have confirmed that none of them is serving as a director on more than seven 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. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the company;
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 has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. Two (02) directors have already completed directors' training program in prior years. However, Mr. Haroon Ahmad Zuberi (Executive Director) has completed this program during the year ended June 30, 2020. The remaining Four (04) directors shall obtain certification under the DTP in due course of time;

10. The board has approved appointment of Chief Financial Officer, 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. Chief Financial Officer and Chief Executive Officer 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. Zahid Aslam	Independent Director (Chairman)
Mr. Mahmood Ahmed	Independent Director (Member)
Mrs. Sharmeen Imran	Non-Executive Director (Member)

b. Human Resource & Remuneration Committee

Name	Role
Mr. Mahmood Ahmed	Independent Director (Chairman)
Mr. Imran Ghafoor	Chief Executive (Member)
Mr. Ejaz Hussain	Non-Executive Director (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 committees was as per following:
 - a. Audit Committee: Four quarterly meetings during the financial year ended June 30, 2020
 - b. HR and Remuneration Committee: Two meetings during the financial year ended June 30, 2020
15. The board has set up an effective internal audit function which is 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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
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 requirements of the regulations 3, 6, 7, 8, 27, 32 and 36 of the Regulations have been complied with.

To the members of Sitara Peroxide Limited

Draft 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, 2020, and the 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, 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 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, 2020 and of the profit and 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 period. 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.

Following are the Key audit matter(s):

Key audit matters	How the matter was addressed in our audit
<p>Revenue Recognition</p> <p>The Company's sales comprise of revenue from the sale of Hydrogen Peroxide.</p> <p>Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods and at transaction price net of trade discounts.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on transfer of risk and rewards to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to address the Key Audit Matter included the following:</p> <ul style="list-style-type: none"> Obtaining an understanding of and assessing the design, implementation and operating effectiveness of controls over recognition of revenue; Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with the accounting standards; Checked on sample basis whether the recorded sales transactions are based on transfer of control of goods to the customer, satisfying the performance obligation and were recorded in the appropriate accounting period. Reviewing the adequacy of disclosure as required under applicable financial reporting framework.

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 when available, we are required to report that fact.

Responsibilities of Management and 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.

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 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 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 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 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 period 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, 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 deducted 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 26, 2020

Financial Statements



Statement of Financial Position

	Note	2020 ----- Rupees -----	2019 -----
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,373,960,760	2,580,125,562
Long term advances and deposits	5	4,205,000	4,205,000
		2,378,165,760	2,584,330,562
Current assets			
Stores, spare parts and loose tools	6	111,705,561	94,793,290
Stock in trade	7	609,267,601	526,695,174
Trade debts	8	161,973,844	132,123,577
Loans and advances	9	109,910,437	96,722,840
Deposits and short term prepayments	10	37,909,229	79,454,828
Taxes refundable due from government	11	153,040,461	292,389,203
Cash and bank balances	12	42,471,897	3,008,439
		1,226,279,030	1,225,187,351
Total assets		3,604,444,790	3,809,517,913

The annexed notes from 1 to 43 form an integral part of these financial statements.



CHIEF EXECUTIVE

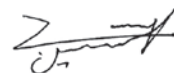
As at June 30, 2020

	Note	2020 ----- Rupees -----	2019 -----
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	13	551,000,000	551,000,000
Unappropriated profit		247,354,973	75,417,761
Surplus on revaluation of property, plant and equipment	14	1,231,107,657	1,326,370,455
		2,029,462,630	1,952,788,216
Non-current liabilities			
Long term financing	15	148,674,510	249,222,984
Deferred liabilities	16	519,115,718	530,649,816
Deferred markup	17	184,406,709	115,928,401
		852,196,937	895,801,201
Current liabilities			
Trade and other payables	18	244,024,954	379,516,133
Contract liabilities	19	32,069,259	13,958,924
Accrued markup	20	54,975,671	105,421,503
Short term borrowings	21	183,098,258	242,227,178
Current portion of long term financing	15	180,491,401	160,672,238
Provision for taxation	30	28,125,680	59,132,520
		722,785,223	960,928,496
Contingencies and commitments	22	-	-
Total equity and liabilities		3,604,444,790	3,809,517,913

The annexed notes from 1 to 43 form an integral part of these financial statements.



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Profit or Loss for the Year Ended June 30, 2020

	Note	2020 ----- Rupees -----	2019
Sales	23	1,745,355,899	2,036,215,629
Cost of sales	24	(1,422,134,718)	(1,506,048,016)
Gross profit		323,221,181	530,167,613
Distribution cost	25	80,553,486	78,675,023
Impairment loss on financial assets	8.2	2,359,609	1,376,900
Administrative expenses	26	110,541,513	99,693,195
Other expenses	27	6,529,154	22,070,610
Finance cost	28	81,996,213	89,770,954
		(281,979,975)	(291,586,682)
		41,241,206	238,580,931
Other income	29	47,713,943	40,941,152
Profit before taxation		88,955,149	279,522,083
Provision for taxation	30	(14,713,173)	(72,137,129)
Profit after taxation		74,241,976	207,384,954
Earning per share - basic and diluted	31	1.35	3.76


The annexed notes from 1 to 43 form an integral part of these financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Comprehensive Income for the Year Ended June 30, 2020

	2020	2019
	----- Rupees -----	
Profit for the year	74,241,976	207,384,954
Items that will not be subsequently reclassified to profit or loss:		
- Remeasurement of staff retirement benefits	3,425,969	441,917
- Related tax impact	(993,531)	(128,156)
	2,432,438	313,761
Total comprehensive income for the year	76,674,414	207,698,715

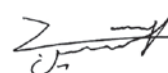
The annexed notes from 1 to 43 form an integral part of these financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Cash Flows for the Year Ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		88,955,149	279,522,083
Adjustments for:			
Depreciation on property, plant and equipment	4.1	183,127,698	183,678,924
Impairment loss on financial assets	8.2	2,359,609	1,376,900
Provision for staff retirement benefits - gratuity	16.1	9,361,482	7,331,170
Finance cost	28	81,996,213	89,770,954
Gain on sale of fixed asset	29	(525,000)	(1,000,000)
Profit on bank deposits	29	(187,813)	(186,281)
Exchange loss / (gain)	29	14,248	(1,810)
		365,101,586	560,491,940
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(16,912,271)	(8,909,913)
Stock in trade		(82,572,427)	(40,906,206)
Trade debts		(32,209,876)	(36,585,016)
Loans and advances		(27,260,087)	(6,671,092)
Deposits and short term prepayments		41,545,599	(40,740,356)
Sales tax refundable		124,459,519	(72,542,731)
(Decrease) / increase in current liabilities			
Trade and other payables		(135,491,179)	34,221,591
Contract Liabilities		18,110,335	(16,881,036)
		(110,330,387)	(189,014,759)
Cash generated from operations		254,771,199	371,477,181
Finance cost paid		(63,963,737)	(115,234,081)
Staff retirement benefits - gratuity paid		(4,393,291)	(2,386,845)
Exchange loss incurred		(14,248)	1,810
Income taxes paid		(30,828,151)	(33,228,913)
		(99,199,427)	(150,848,029)
Net cash generated from operating activities		155,571,772	220,629,152
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(12,662,896)	(5,495,025)
Proceeds from disposal of property, plant and equipment		525,000	1,000,000
Advance against purchase of land		35,700,000	(28,200,000)
Profit received on bank deposits		187,813	186,281
Net cash generated from / (used in) investing activities		23,749,917	(32,508,744)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing repaid	36	(80,729,311)	(113,561,633)
Short term borrowings repaid		(59,128,920)	(73,184,694)
Net cash used in financing activities		(139,858,231)	(186,746,327)
Net increase in cash and cash equivalents (A+B+C)		39,463,458	1,374,081
Cash and cash equivalents at beginning of the year		3,008,439	1,634,358
Cash and cash equivalents at end of the year	12	42,471,897	3,008,439

The annexed notes from 1 to 43 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, 2020

	Share capital	Accumulated (loss)/profit	Surplus on revaluation of property, plant and equipment	Total
----- Rupees -----				
Balance as at July 01, 2019	551,000,000	(229,034,285)	1,423,123,786	1,745,089,501
Profit for the year	-	207,384,954	-	207,384,954
Other comprehensive income	-	313,761	-	313,761
	-	207,698,715	-	207,698,715
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	96,753,331	(96,753,331)	-
Balance as at June 30, 2019	551,000,000	75,417,761	1,326,370,455	1,952,788,216
Profit for the year	-	74,241,976	-	74,241,976
Other comprehensive income	-	2,432,438	-	2,432,438
	-	76,674,414	-	76,674,414
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	95,262,798	(95,262,798)	-
Balance as at June 30, 2020	551,000,000	247,354,973	1,231,107,657	2,029,462,630

The annexed notes from 1 to 43 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, 2020

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). 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) and Sitara Safe (disinfectant).
- 1.2** The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

2. BASIS OF PREPARATION

2.1 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 comprises 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 differ from the IFRS Standards, the provisions of and directives issued under the Act have been followed.

2.2 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan which are effective in current period

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, interpretations and 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:

2.2.1 Standards or Interpretations with no significant impact

Effective from annual period beginning on or after:

Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
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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
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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

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities. January 01, 2019

IFRS 14 'Regulatory deferral accounts'. July 01, 2019

Annual improvements to IFRS standards 2015-2017 cycle amendments to: January 01, 2019

IFRS 3 Business Combinations;
IFRS 11 Joint Arrangements; and
IAS 12 Income Taxes
IAS 23 Borrowing Costs.

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

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

Standards or Interpretations

Effective from annual period beginning on or after:

Amendments to References to the Conceptual Framework in IFRS Standards. January 01, 2020

Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business. January 01, 2020

Amendments to IAS 39, IFRS 7 and IFRS 9 – The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform. January 01, 2020

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material. January 01, 2020

Amendment to IFRS 16 'Leases' - Provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. June 01, 2020

Amendments to IAS 16 'Property, Plant and Equipment', prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. January 01, 2022

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1). January 01, 2023

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.

January 01, 2020

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding the costs to include when assessing whether a contract is onerous.

January 01, 2022

Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards.

January 01, 2020

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 17 – Insurance Contracts

2.3 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.

2.4 Significant estimates, assumptions and judgements

The preparation of financial statements in conformity with IFRS's requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, 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, Expected credit losses on financial assets, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are set out below:

3.1 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. Items not carried at revalued amounts 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 profit/(loss) account 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 5.1 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 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 and other comprehensive income. 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.

3.2 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.

3.3 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.

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.

3.4 Impairment

3.4.1 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.

3.4.2 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

a) Debt instruments measured at amortized cost

Debt instruments that meet the following conditions are measured subsequently at amortized cost.

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial

asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

As at reporting date, the Company carries cash and cash equivalents, trade debts, due from related parties and employees' advances at amortized cost.

b) Debt instruments measured at Fair Value Through Other Comprehensive Income (FVTOCI):

Debt instruments that meet specified conditions and are measured subsequently FVTOCI.

As at reporting date, the Company does not hold any debt instrument classified as at FVTOCI.

c) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

As at reporting date, the Company does not hold any equity instruments designated as at FVTOCI.

d) Financial assets measured subsequently at Fair Value Through Profit or Loss (FVTPL)

By default, all other financial assets are measured subsequently FVTPL.

As at reporting date, the Company does not possess any financial assets classified as at FVTPL.

(i) Impairment of financial assets

The Company recognizes a loss allowance for Expected Credit Losses (ECL) on trade debts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognizes lifetime ECL for trade debts using simplified approach. The expected credit losses on these financial assets are determined using probability based estimation of future expected cash flows under different scenarios, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(ii) Definition of default:

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is

unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 180 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) **Credit-impaired financial assets:**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off financial assets when there is information indicating that the amount is not recoverable due to the conflict in invoices with customer. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made against financial assets written-off are recognized in statement of profit or loss.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in statement of profit or loss.

The Company recognises a loss allowance for expected credit losses on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction

of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3.5 Trade debts

Trade debts are recognized initially at fair value and subsequently measured at amortized cost less provision for expected credit losses. A provision for expected credit losses is estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

3.6 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.

3.7 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.

3.8 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.

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

The most recent Actuarial Valuation was carried out by SIR Consultants at June 30, 2020 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 16.1 to these financial statements.

3.10 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.

3.11 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.

3.12 Revenue recognition

Revenue is measured based on the consideration to which company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue from local sales is recognized when control of goods is transferred.

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.

3.13 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.

3.14 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.

3.15 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.

3.16 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.

3.17 Earning / Loss per share

The Company presents profit 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.

3.18 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.

	2020	2019
Note		
		Rupees

Operating fixed assets	4.1	2,373,960,760	2,544,425,562
Advance against capital expenditure	4.4	-	35,700,000
		2,373,960,760	2,580,125,562

4.1 Operating fixed assets as at June 30, 2020

Description	Cost / revalued amount			Accumulated depreciation			Book value at June 30, 2020	Rate %
	At July 01, 2019	Additions / (disposals)	At June 30, 2020	At July 01, 2019	Charge for the year / (on disposals)	At June 30, 2020		
Land - freehold	246,630,000	-	246,630,000	-	-	-	246,630,000	-
Building on freehold land	207,716,674	-	207,716,674	25,964,584	25,964,584	51,929,169	155,787,505	12.5
Plant and machinery	2,211,286,433	11,563,896	2,222,850,329	138,205,402	138,566,774	276,772,176	1,946,078,153	6.25
Electric installations	170,593,564	-	170,593,564	132,614,366	17,059,356	149,673,722	20,919,842	10
Laboratory equipment	3,702,720	-	3,702,720	3,702,720	-	3,702,720	-	10
Factory equipment	12,404,398	-	12,404,398	12,404,398	-	12,404,398	-	10
Office equipment	4,733,361	-	4,733,361	4,508,764	224,597	4,733,361	-	10
Furniture and fittings	3,866,433	-	3,866,433	3,857,345	9,088	3,866,433	-	10
Vehicles	15,809,377	1,099,000	16,211,877	11,059,819	1,303,299	11,666,618	4,545,259	20
		(696,500)			(696,500)			
	2,876,742,960	12,662,896	2,888,709,356	332,317,398	183,127,698	514,748,597	2,373,960,760	
	-	(696,500)	-	-	(696,500)	-	-	

4.2 Operating fixed assets as at June 30, 2019

Description	Cost / revalued amount			Accumulated depreciation			Book value at June 30, 2019	Rate %
	At July 01, 2018	Additions / (disposals)	At June 30, 2019	At July 01, 2018	Charge for the year / (on disposals)	At June 30, 2019		
----- Rupees -----								
Land - freehold	246,630,000	-	246,630,000	-	-	-	246,630,000	-
Building on freehold land	207,716,674	-	207,716,674	-	25,964,584	25,964,584	181,752,090	12.5
Plant and machinery	2,211,286,433	-	2,211,286,433	-	138,205,402	138,205,402	2,073,081,031	6.25
Electric installations	170,537,219	56,345	170,593,564	115,559,285	17,055,081	132,614,366	37,979,198	10
Laboratory equipment	3,702,720	-	3,702,720	3,454,049	248,671	3,702,720	-	10
Factory equipment	12,404,398	-	12,404,398	12,404,398	-	12,404,398	-	10
Office equipment	4,702,861	30,500	4,733,361	4,037,715	471,049	4,508,764	224,597	10
Furniture and fittings	3,866,433	-	3,866,433	3,470,702	386,643	3,857,345	9,088	10
Vehicles	11,484,321	5,408,180	15,809,377	10,795,449	1,347,494	11,059,819	4,749,558	20
		(1,083,124)			(1,083,124)			
	2,872,331,059	5,495,025	2,876,742,960	149,721,598	183,678,924	332,317,398	2,544,425,562	
	-	(1,083,124)	-	-	(1,083,124)	-	-	

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

	2020	2019
	Rupees	
Cost of sales	182,886,337	182,903,123
Distribution expenses	102,717	358,789
Administrative expenses	138,644	417,012
	183,127,698	183,678,924

4.4 The Company had made advance payment of Rs. 35.7 million for purchase of land. However, during the year the advance was returned due to the fact that negotiation with the seller could not be finalized.

- 4.4** Company revalued its land, building and plant and machinery at June 30, 2018. 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

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).

- 4.5** The forced sale for land and plant and machinery based on fair value measurement as at June 30, 2018 was Rs. 2,265,788,141.

- 4.6** 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.)	Covered Area (In Sq. ft.)
26 - KM, Sheikhpura Road, Faisalabad	Manufacturing facility	115,551	93,168

- 4.7** The revaluation surplus, net of deferred tax, has been credited to surplus on revaluation of property, plant and equipment.

- 4.8** Had there been no revaluation, the cost, accumulated depreciation and book value of revalued assets as at June 30, 2020 would have been as under:

	Cost	Accumulated depreciation	Book value
	----- Rupees -----		
Freehold land	41,997,852	-	41,997,852
Buildings on freehold land	160,518,913	108,116,543	52,402,370
Plant and machinery	1,503,892,170	1,012,937,478	490,954,693
Electric installations	151,165,184	101,816,396	49,348,788
Factory equipment	10,414,714	7,014,768	3,399,946
2020	1,867,988,833	1,229,885,184	638,103,649
2019	1,824,005,027	1,209,882,604	614,122,423

5. LONG TERM ADVANCES AND DEPOSITS

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

	Note	2020 ----- Rupees -----	2019 ----- Rupees -----
6. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		103,104,562	86,299,036
Spare parts and loose tools		8,600,999	8,494,254
		<u>111,705,561</u>	<u>94,793,290</u>
7. STOCK IN TRADE			
Raw material		31,646,786	14,813,104
Work in process	7.1	445,671,441	494,933,303
Finished goods		102,298,925	4,751,033
Packing material		29,650,449	12,197,734
		<u>609,267,601</u>	<u>526,695,174</u>

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

	Note	2020 ----- Rupees -----	2019 ----- Rupees -----
8. TRADE DEBTS			
Unsecured-considered good:			
Via traders - Net of advances	8.1	52,785,793	26,384,932
Direct customers		121,050,741	115,241,726
		<u>173,836,534</u>	<u>141,626,658</u>
Allowance for expected credit losses	8.2	(11,862,690)	(9,503,081)
		<u>161,973,844</u>	<u>132,123,577</u>

8.1 This includes debtors to whom sales are made through traders. These are secured against advances received from traders in respect of sales. The amount is presented net of advances received from these traders. The advances received from traders as at June 30, 2020 amounted to Rs. 116.3 million (2019: Rs. 134.9 million).

		2020	2019
	Note	Rupees	Rupees
8.2 Allowance for expected credit losses			
Opening balance as at July 1		9,503,081	-
Effect of implementation of IFRS 9		-	8,126,181
Adjusted balance as at July 1		9,503,081	8,126,181
Impairment losses on trade debts		2,359,609	1,376,900
Closing balance as at June 30		11,862,690	9,503,081
9. LOANS AND ADVANCES			
Considered good			
Advances to:			
Employees against salary - secured		2,259,903	1,185,505
Employees for expenses - unsecured		2,434,659	1,764,492
Suppliers - unsecured (Local)		74,896,494	48,847,481
Suppliers - unsecured (Foreign)		148,574	682,065
Advance income tax		30,170,807	44,243,297
		109,910,437	96,722,840
10. DEPOSITS AND SHORT TERM PREPAYMENTS			
Nazir of the Honorable Sindh High Court	10.1	18,809,059	18,809,059
Letter of credit		4,674,899	10,996,381
Prepaid insurance		395,833	292,723
Others	10.2	14,029,438	49,356,665
		37,909,229	79,454,828
10.1 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.			
10.2 It includes security deposits paid to SNGPL amounting to Rs. 8.9 million (2019: Rs. 44.6 million) for the purpose of new gas connection , It also includes 3.5 million of security deposit to SNGPL against previous connection.			
11. TAXES REFUNDABLE DUE FROM GOVERNMENT			
Income tax refundable		122,063,330	136,952,553
Sales tax refundable		30,977,131	155,436,650
		153,040,461	292,389,203
12. CASH AND BANK BALANCES			
Cash in hand		387,303	326,190
Cash at banks - current accounts		42,084,594	2,682,249
		42,471,897	3,008,439

13. SHARE CAPITAL

2020	2019		2020	2019
----- 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

13.1 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.

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

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

13.4 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.

	2020	2019
Note	----- Rupees -----	

14 SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT

Balance at beginning of the year

1,862,652,430

1,998,924,727

Transferred to unappropriated profit in respect of incremental depreciation charged during the year

(134,172,956)

(136,272,297)

1,728,479,474

1,862,652,430

Related deferred tax liability at the beginning of the year

547,011,311

586,530,277

Related deferred tax liability of amount Transferred to unappropriated profit in respect of incremental depreciation charged during the year

(45,752,263)

(39,518,966)

501,259,048

547,011,311

1,227,220,426

1,315,641,119

15. LONG TERM FINANCING

From banking companies and other financial institutions - secured

Sukuk arrangement - syndicated

15.1

329,165,911

409,895,222

Less: Current portion of long term financing

(180,491,401)

(160,672,238)

148,674,510

249,222,984

15.1 Sukuk arrangement - Syndicated

During 2008, the Company had issued privately placed diminishing Musharaka based Sukuk certificates arranged by consortium of financial institutions amounting to Rs. 1,400 million.. Due to financial difficulties, unscheduled plant shutdowns continued in subsequent periods and the Company was not able to comply with relevant covenants in respect of scheduled repayments and entered into Fifth Supplemental Trust Deed, dated December 17, 2019, to modify the repayment arrangements. According to the amended terms, repayments shall be utilized to settle accumulated accrued interest of the current month and then be utilized for payment of principal and deferred rental payments in proportion of 50:50. Musharaka end date shall be January 15, 2023.

Effective rate of profit for the year ranges from 8.36% to 12.80% (2019: 8.01% to 12.14%) 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 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.

Subsequent to the year end, the Company entered into Sixth Supplemental Trust Deed in August 2020 to further modify the repayment arrangements. According to the amended terms, the Musharaka shall now expire on June 2023. First eight (8) monthly installments, starting from July, 2020 till February, 2021, shall be adjusted in the ratio of 90:10 in principal and rental. Rest of the installments shall be adjusted in the ratio of 49:51 between principal and deferred rental (after accounting for current rental).

		2020	2019
	Note	Rupees	
Staff retirement benefits - gratuity	16.1	32,652,166	31,109,944
Deferred taxation	16.3	486,463,552	499,539,872
		<u>519,115,718</u>	<u>530,649,816</u>

16.1 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, 2020 are as follows:

	2020	2019
	Rupees	
Present value of defined benefit obligation	32,652,166	31,109,944
Movement in net liability recognized in statement of financial position:		
Balance at beginning of the year	31,109,944	26,607,536
Charge for the year	9,361,482	7,331,170
Benefits paid during the year	(4,393,291)	(2,386,845)
Remeasurement (gain) recognized in other comprehensive income	(3,425,969)	(441,917)
Balance at end of the year	32,652,166	31,109,944
16.2 Movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation as at July 01	31,109,944	26,607,536
Current service cost	5,191,775	4,789,759
Interest cost	4,169,707	2,541,411
Benefits paid	(4,393,291)	(2,386,845)
Remeasurements:		
Actuarial losses / (gain) from changes in financial assumptions	(3,425,969)	(441,917)
Present value of defined benefit obligation as at June 30	32,652,166	31,109,944
Charge for the year:		
Current service cost	5,191,775	4,789,759
Interest cost	4,169,707	2,541,411
Expense recognized in the statement of profit or loss	9,361,482	7,331,170
Actuarial remeasurement		
Actuarial (gain) recognized on remeasurement	(3,425,969)	(441,917)
Principal actuarial assumptions:		
Discount rate - per annum	9.25%	14.50%
Expected rate of growth per annum in future salaries	9.25%	14.50%
Average service (years)	7.56	7.10
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%	3,346,847	2,693,804
Salary growth	1%	3,346,847	2,693,804

Maturity Profile Particulars

Undiscounted Payments Rupees

Year 1	934,650
Year 2	1,331,983
Year 3	1,785,688
Year 4	1,579,163
Year 5	1,645,320
Year 6 to Year 10	11,513,484
Year 11 and above	140,718,501

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.

2020

2019

Rupees

16.3 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

Accelerated depreciation allowance

501,259,048

129,845,963

631,105,011

547,011,311

132,958,661

679,969,972

Deferred tax asset on deductible temporary differences arising in respect of:

Provision for employee benefits - unfunded

Allowance for expected credit losses

Unused tax losses

(9,469,129)

(3,440,179)

(131,732,151)

(144,641,459)

486,463,552

(9,021,884)

(5,112,485)

(166,295,731)

(180,430,100)

499,539,872

16.4 Movement in temporary differences for the year

	Balance as at July 1, 2019	Recognized in equity	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2020
			(Rupees)		
Taxable temporary difference					
Deferred tax liability on account of surplus on revaluation of property, plant and equipment	547,011,311	-	(45,752,263)	-	501,259,048
Accelerated depreciation allowance	132,958,662	-	(3,112,699)	-	129,845,963
Deductible temporary difference					
Provision for employee benefits	(9,021,884)	-	(1,440,776)	993,531	(9,469,129)
Allowance for expected credit losses	(5,112,485)	-	1,672,306	-	(3,440,179)
Unused tax losses	(166,295,731)	-	34,563,580	-	(131,732,151)
	499,539,873	-	(14,069,852)	993,531	486,463,552

	Balance as at July 1, 2018	Recognized in equity	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2019
			(Rupees)		
Taxable temporary difference					
Deferred tax liability on account of surplus on revaluation of property, plant and equipment	586,530,277	-	(39,518,966)	-	547,011,311
Accelerated depreciation allowance	138,367,495	-	(5,408,833)	-	132,958,662
Deductible temporary difference					
Provision for employee benefits	(7,716,185)	-	(1,433,855)	128,156	(9,021,884)
Allowance for expected credit losses	-	(2,356,592)	(2,755,893)	-	(5,112,485)
Unused tax losses	(227,307,181)	-	61,011,450	-	(166,295,731)
	489,874,406	(2,356,592)	11,893,903	128,156	499,539,873

16.5 Deferred tax asset arising from tax credits has not been recognized on prudence basis as it is not probable that sufficient taxable profits or taxable temporary differences will be available against which the deductible temporary differences can be utilized. The total tax credits are amounting to Rs. 37,585,401 as at June 30, 2020.

	2020	
	Expiry	Unused Tax
Turnover tax - 2015	30th June 2021	13,478,700
Turnover tax - 2016	30th June 2022	13,283,827
Turnover tax - 2017	30th June 2023	10,822,874
		37,585,401

	Note	2020	2019
		Rupees	Rupees
17. DEFERRED MARKUP			
Balance as at start of the year		205,190,496	238,558,601
Expense for the year		48,256,807	50,121,618
Paid during the period		(29,170,690)	(83,489,723)
Balance as at end of the year		224,276,613	205,190,496
Less: current portion of deferred markup		(39,869,904)	(89,262,095)
		184,406,709	115,928,401

This represents deferred mark-up payable on Sukuk arrangement.

18. TRADE AND OTHER PAYABLES

Creditors	18.1	152,009,892	272,386,028
Accrued liabilities		72,495,361	81,753,985
WPPF payable	18.2	4,443,844	13,914,400
Worker's welfare fund	18.3	11,413,299	9,327,989
Retention money		278,778	278,778
Withholding tax		3,229,701	1,844,040
Others		154,079	10,913
		244,024,954	379,516,133

18.1 This includes Rs. 27.6 million (2019: Rs. 52 million) payable to Sitara Spinning Mills Limited (associated undertaking) in ordinary course of business.

	2020	2019
	Rupees	Rupees
18.2 Movement in workers' profit participation fund		

At beginning of the year	13,914,400	-
Amount paid to workers on behalf of the fund	(13,914,400)	-
Allocation for the year	4,443,844	13,914,400
At end of the year	4,443,844	13,914,400

18.3 Movement in workers' welfare fund

At beginning of the year	9,327,989	-
Amount paid to workers on behalf of the fund	-	-
Allocation for the year	9,327,989	-
At end of the year	2,085,310	9,327,989
	11,413,299	9,327,989

19. This represents advance received from customer against supply of goods.

	Note	2020	2019
		Rupees	
20. ACCRUED MARK-UP			
Mark-up accrued on:			
Long term financing		39,869,904	89,262,095
Short term borrowings	20.1	15,105,767	16,159,408
		<u>54,975,671</u>	<u>105,421,503</u>

20.1 This includes markup payable amounting to Rs. 8,015,496 (2019: Rs. 8,015,496) to Sitara Spinning Mills Limited which is a related party of the company.

	Note	2020	2019
		Rupees	
21. SHORT TERM BORROWINGS			
From banking companies - secured	21.1	177,098,258	228,265,862
Bank overdraft - unsecured		-	7,961,316
Others - unsecured	21.2	6,000,000	6,000,000
		<u>183,098,258</u>	<u>242,227,178</u>

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 10.87% to 16.6% (2019 : 8.68% to 17.98%) per annum on daily product payable quarterly.

The aggregate short term borrowings facilities are secured against:

- a) First pari passu charge of Rs. 300 million (2019: Rs. 336 million) over present and future assets of the Company.
- b) Ranking charge of Rs. 567 million (2019: Rs. 534 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 loan is interest free.

22. CONTINGENCIES AND COMMITMENTS

	2020	2019
	Rupees	
22.1 Contingencies		
(a) Guarantees issued by banks on behalf of the Company	<u>99,270,865</u>	<u>94,640,000</u>
(b) Honorable Supreme Court of Pakistan (SCP) in its decision dated August 13, 2020 held that Gas Infrastructure Development Cess (GIDC) , as initially levied through Gas Infrastructure Development Cess Act, 2011 and modified via different notifications issued from time to time and thereafter re-levied through the Gass Infrastructure Development Cess Ordinance, 2014, stands payable to SNGPL in twenty four (24) equal monthly installments with immediate effect.		

The Company has filed a review petition in SCP against the above mentioned order pleading that the said order be reviewed under article 188 of the Constitution of Islamic Republic of Pakistan, 1973.

Legal advisor of the Company is confident that the matter will be decided in favor of the Company. However, time frame can not be determined. Accordingly, the Company has not recognised the GIDC amount of Rs. 94 million.

- (c) Customs Department issued a recovery notice whereby Government dues relating to clearance of imported shipments amounting to Rs. 18 million were held recoverable. The Company filed writ petition in Sindh High Court assailing the recovery notice.

22.2 Commitments

Irrevocable letters of credit

2020

2019

Rupees

6,693,120

24,447,902

23. SALES

Sales

2,043,555,021

2,098,935,086

Sales Tax

(295,693,942)

(54,751,403)

1,747,861,079

2,044,183,683

Less: Discount

(2,505,180)

(7,968,054)

1,745,355,899

2,036,215,629

- 23.1 These include sales amounting to Rs. 0.01 million and Rs. 0.03 million to Sitara Spinning Mills Limited and Aziz Fatima Trust Hospital. These parties are related parties of the company.

Note

2020

2019

Rupees

24. COST OF SALES

Raw material consumed

24.1

121,147,992

225,443,935

Fuel and power

793,494,244

743,541,417

Packing material consumed

213,873,898

225,544,273

Stores, spare parts and loose tools consumed

22,043,425

16,520,351

Salaries, wages and benefits

24.2

92,669,848

99,182,461

Repairs and maintenance

36,781,390

41,168,138

Insurance

4,986,258

5,243,688

Depreciation

4.3

182,886,337

182,903,123

Travelling and conveyance

266,215

2,346,016

Vehicle running and maintenance

405,940

441,876

Other expenses

1,865,201

1,534,200

1,470,420,748

1,543,869,478

Work-in-process

Balance at beginning of the year

494,933,303

459,183,873

Balance at end of the year

24.3

445,671,441

494,933,303

49,261,862

(35,749,430)

Cost of goods manufactured

1,519,682,610

1,508,120,048

Finished goods

Balance at beginning of the year

4,751,033

2,679,001

Balance at end of the year

24.4

102,298,925

4,751,033

(97,547,892)

(2,072,032)

Cost of goods sold - own manufactured products

1,422,134,718

1,506,048,016

	Note	2020	2019
		Rupees	
24.1 Raw material consumed			
Balance at beginning of the year		14,813,104	14,360,793
Purchases		138,097,493	225,896,246
		152,910,597	240,257,039
Less: Balance at end of the year	7	(31,646,786)	(14,813,104)
		121,263,811	225,443,935

24.2 Salaries, wages and benefits include Rs. 6.5 million (2019: Rs. 5.8 million) in respect of employee benefits.

	Note	2020	2019
		Rupees	
25. DISTRIBUTION COST			
Commission to distributors		46,443,466	43,335,139
Salaries, wages and benefits		4,875,414	4,251,007
Printing and stationery		118,219	87,859
Travelling and conveyance		100,839	163,778
Vehicle running and maintenance		26,490	132,513
Freight and octroi		25,437,525	29,986,330
Depreciation	4.3	102,717	358,789
Others		796,021	359,608
Advertisement		2,652,795	-
		80,553,486	78,675,023
26. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	26.1	51,250,116	49,092,601
Directors' remuneration	32	23,756,978	19,760,196
Printing and stationery		1,602,509	1,749,254
Insurance		2,561,208	429,640
Repairs and maintenance		1,029,218	844,535
Travelling and conveyance		12,419,040	9,521,467
Rent, rates and taxes		236,910	353,172
Vehicle running and maintenance		2,972,779	2,760,375
Telephone and postage		1,672,944	1,263,273
Advertisement		118,364	156,094
Fees, subscription and periodicals		3,093,160	4,254,756
Legal and professional charges		3,335,697	3,142,829
Auditors' remuneration	26.2	1,391,500	1,391,500
Depreciation	4.3	138,644	417,012
Charity and donation	26.3	1,705,694	1,443,537
Others		3,256,752	3,112,954
		110,541,513	99,693,195

26.1 Salaries and benefits include Rs. 1.9 million (2019: Rs. 1.5 million) in respect of employee benefits.

26.2 Auditors' remuneration

	2020	2019
	Rupees	
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
	<u>1,391,500</u>	<u>1,391,500</u>

26.2 Aziz Fatima Trust and Safia Ghafoor Trust are related parties of the Company based on common directorship. During the year, charity and donations amounting to Rs. 1.4 million (2019: 0.6 million) and Rs. 0.3 million (2019: nil) were paid respectively.

27. OTHER EXPENSES

	2020	2019
	Rupees	
Workers' profit participation fund	4,443,844	13,914,400
Workers' welfare fund	2,085,310	8,156,210
	<u>6,529,154</u>	<u>22,070,610</u>

28. FINANCE COST

	2020	2019
Mark-up on:		
Long term financing	48,256,807	50,121,618
Short term borrowings	29,479,316	34,606,252
Bank charges and commission	4,260,090	5,043,084
	<u>81,996,213</u>	<u>89,770,954</u>

29. OTHER INCOME

	2020	2019
Profit on bank deposits	187,813	186,281
Scrap sales	595,834	487,267
Income from sale of catalyst	46,419,544	39,265,794
Gain on sale on fixed assets	525,000	1,000,000
Exchange gain / (loss)	(14,248)	1,810
	<u>47,713,943</u>	<u>40,941,152</u>

30. PROVISION FOR TAXATION

	2020	2019
Current	28,783,025	60,243,227
Deferred	(14,069,852)	11,893,902
	<u>14,713,173</u>	<u>72,137,129</u>

30.1 Numerical reconciliation between applicable and effective tax rate

	2020	2019
	%	%
Applicable tax rate	29.00	29.00
Income taxed at different rates	(9.00)	(2.00)
Tax credit donation	(2.00)	(1.00)
Effective tax rate	<u>18.00</u>	<u>26.00</u>

31. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2020	2019
		Rupees	
Profit for the year	Rupees	74,241,976	207,384,954
Weighted average number of ordinary shares outstanding during the year	Number	55,100,000	55,100,000
Earnings per share - basic	Rupees	1.35	3.76

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:

	2020			2019		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
	Rupees					
Remuneration	14,392,784	1,260,416	18,540,361	13,061,000	-	19,545,044
House rent	4,317,829	378,124	5,562,102	3,918,294	-	5,863,507
Utilities allowance	1,439,245	126,039	1,853,993	1,306,070	-	1,954,459
Medical allowance	1,439,296	126,043	1,854,055	1,306,116	-	1,954,524
Special allowance	185,919	16,282	239,489	168,716	-	252,466
	21,775,073	1,906,904	28,050,000	19,760,196	-	29,570,000
Number of persons	1	1	11	1		13

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

31.2 Meeting fee of Rs. 75,000 was paid to the director and no meeting fee was paid to the Chief Executive Officer of the Company.

31.3 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 31 to these financial statements. Other significant transactions with related parties are as follows:

Description	Nature of transaction	2020	2019
		Rupees	
Associated undertaking	Organizational expenses	2,196,029	12,423,245
	Short term borrowing - repayment	-	73,500,000
Key management personnel	Remuneration and other benefits	51,731,978	42,689,762
Employee benefit plan	Paid during the year	4,393,291	2,386,845

33.1 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

Company name	Basis of association
Sitara Spinning Mills Limited	Common Directorship
Aziz Fatima Trust Hospital	Common Directorship
Safia Ghafoor Trust	Common Directorship

34. PLANT CAPACITY AND ACTUAL PRODUCTION	2020	2019
	Tons	Tons
Production capacity	30,000	30,000
Actual production	23,462	25,324

34.1 The average production during the year was 78% (2019: 84%). The main reason for decrease in production is due to shut down of operations of the company due to COVID-19 lockdown.

35. NUMBER OF EMPLOYEES

The total average number of employees during years ended June 30, 2020 and 2019 are as follows:

	2020	2019
	Number of Employees	
Average number of employees during the year	323	321
Total number of employees as at June 30	325	322

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Balance as at June 30, 2019	Availed during the period	Repaid during the period	Balance as at June 30, 2020
	Rupees			
Long term financing	409,895,222	-	80,729,311	329,165,911
Short term borrowings	242,227,178	-	59,128,920	183,098,258
	652,122,400	-	139,858,231	512,264,169

	June 30, 2018	the period	the period	June 30, 2019
	Rupees			
Long term financing	523,456,855	-	113,561,633	409,895,222
Short term borrowings	315,411,872	95,605,160	168,789,854	242,227,178
	838,868,727	95,605,160	282,351,487	652,122,400

2020

2019

Rupees

37. FINANCIAL INSTRUMENTS BY CATEGORY**Financial Assets****At amortised cost**

Long term advances and deposits	4,205,000	4,205,000
Trade debts	161,973,844	132,123,577
Loans and advances	109,910,437	96,722,840
Deposits and short term prepayments	37,909,229	79,454,828
Taxes refundable due from government	153,040,461	292,389,203
Cash and bank balances	42,471,897	3,008,439

Financial Liabilities**At amortised cost**

Long term financing	329,165,911	409,895,222
Deferred markup	184,406,709	115,928,401
Accrued markup	54,975,671	105,421,503
Trade and other payables	244,024,954	379,516,133
Contract liabilities	32,069,259	13,958,924
Short term borrowings	183,098,258	242,227,178

38. 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.

38.1 Credit risk and concentration of credit risk

38.1.1 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:

38.1.2 Counterparties

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

Trade debts

Trade debts are essentially due from local and foreign 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:

Bank	Rating		Rating agency	2020	2019
	Short term	Long term		Rupees	
MEEZAN BANK LIMITED	A-1+	AA+	JCR-VIS	358,596	163,972
BANK ALFALAH LIMITED	A-1+	AA+	JCR-VIS	9,195	9,195
HABIB BANK LIMITED	A-1+	AAA	JCR-VIS	20,427,754	16,557
STANDARD CHARTERED BANK PAKISTAN LIMITED	A-1+	AAA	PACRA	5,994	9,036
ALBARAKA BANK LIMITED	A-1	A+	JCR-VIS	5,243	5,243
FAYSAL BANK LIMITED	A-1+	AA	JCR-VIS	365,113	175,800
NATIONAL BANK OF PAKISTAN	A-1+	AAA	JCR-VIS	1,684,914	11,121
MCB BANK LIMITED	A-1+	AAA	PACRA	549	549
UNITED BANK LIMITED	A-1+	AAA	JCR-VIS	45,906	72,201
ASKARI BANK LIMITED	A-1+	AA+	PACRA	9,081	8,881
SONERI BANK LIMITED	A-1+	AA-	PACRA	5,276	5,276
JS BANK LIMITED	A-1+	AA-	PACRA	83,704	24,069
FIRST WOMEN BANK LIMITED	A-2	A-	PACRA	53,062	1,864,372
SUMMIT BANK LIMITED	A-3	BBB-	JCR-VIS	19,095,965	315,977
				<u>42,150,352</u>	<u>2,682,249</u>

38.1.3 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:

	2020	2019
	----- Rupees -----	
Financial assets		
Trade debts- via traders	52,785,793	26,384,932
Trade debts - direct customers	121,050,741	115,241,726
Letter of credit- Deposits	4,674,899	10,996,381
Cash at banks - current accounts	42,084,594	2,682,249
	<u>220,596,027</u>	<u>155,305,288</u>
The aging of trade debts at the balance sheet date is as follows:		
Past due 1 to 30 days	56,285,952	54,981,602
Past due 30 to 150 days	94,870,924	75,743,433
Past due 150 days	22,679,658	10,901,623
	<u>173,836,534</u>	<u>141,626,658</u>

38.1.4 Cash at bank

Total bank balance of Rs. 23.0 million (2019: Rs. 0.5 million) are placed with banks have a short term credit rating of at least A1 (2019: A1).

36.2 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:

2020					
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
----- Rupees -----					
Long term financing	329,165,911	329,165,911	180,491,401	148,674,510	-
Staff retirement benefits - gratuity	32,652,166	32,652,166	-	32,652,166	-
Trade and other payables	244,024,954	244,024,954	244,024,954	-	-
Contractual liabilities	32,069,259	32,069,259	32,069,259	-	-
Accrued mark-up	239,382,380	239,382,380	54,975,671	184,406,709	-
Short term borrowings	183,098,258	183,098,258	183,098,258	-	-
	1,060,392,928	1,060,392,928	694,659,543	365,733,385	-

2019					
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
----- Rupees -----					
Long term financing	409,895,222	409,895,222	(141,970,004)	551,865,226	-
Staff retirement benefits - gratuity	32,652,166	32,652,166	-	32,652,166	-
Trade and other payables	345,380,016	345,380,016	345,380,016	-	-
Contractual liabilities	13,958,924	13,958,924	13,958,924	-	-
Accrued mark-up	221,349,904	221,349,904	105,421,503	115,928,401	-
Short term borrowings	242,227,178	242,227,178	242,227,178	-	-
	1,265,463,410	1,265,463,410	565,017,617	700,445,793	-

38.3 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.

38.4 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 on next page:

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:

	2020		2019	
	Rupees	US\$	Rupees	US\$
Letter of credit	4,674,899	27,756	10,996,381	155,620
Balance sheet exposure	4,674,899	27,756	10,996,381	155,620

	Average rate		Reporting date mid spot rate	
	2020	2019	2020	2019
	Rupees			

The following significant exchange rates have been applied:

Rupee to US \$	157.2	139.4	168.4	157.1
----------------	-------	-------	-------	-------

Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2020 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 year ended at June 30, 2019.

	2020 Rupees	2019 Rupees
Effect on loss for the year: US \$ to Rupee		
Increase in loss for the year	467,490	2,444,790

A 10 percent strengthening of the Pak Rupee against the US dollar at June 30, 2019 would have had 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.

38.5 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.

	2020 Percentage	2019 Percentage	2020 Rupees	2019 Rupees
Variable rate financial instruments				
Financial liabilities				
Long term financing	8.36% - 12.80%	8.01% - 12.14%	329,165,911	409,895,222
Short term borrowing	10.87% - 16.6%	8.68 % - 17.98%	183,098,258	242,227,178
			<u>512,264,169</u>	<u>652,122,400</u>

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 2018.

	Increase Rupees	Decrease Rupees
At June 30, 2020		
Cash flow sensitivity - variable rate financial liabilities	5,122,642	(5,122,642)
At June 30, 2019		
Cash flow sensitivity - variable rate financial liabilities	6,521,224	(6,521,224)

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

	2020	2019
	Rupees	
Total borrowings	512,264,169	652,122,400
Less: Cash and bank balance	(42,471,897)	(3,008,439)
Net debt	469,792,272	649,113,961
Total equity	2,029,462,630	1,952,788,216
Total capital	2,499,254,902	2,601,902,177
Gearing ratio	19%	25%

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.

39. 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).

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

	2020			
Carrying value	Fair value			Total
	Level 1	Level 2	Level 3	
Assets/measured at fair value:				
Property, plant and equipment	2,369,415,501	2,369,415,501	-	2,369,415,501

	2019			
Carrying value	Fair value			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value:				
Property, plant and equipment	2,539,442,319	2,539,442,319	-	2,539,442,319

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

40. IMPACT OF COVID-19

Manufacturing activities of Sitara Peroxide Limited remained closed for three (3) weeks due to COVID-19 lock-down. As a result, capacity utilization of our plant during the financial year decreased.

Due to lock-down, local textile industry remained closed or operated at lower capacity because export orders and local consumption nose-dived. It resulted in lower demand of the Company's product thus decrease in the Company's sales volume and revenue in the fourth quarter of the financial year.

41. 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 26, 2020.

42. CORRESPONDING FIGURES

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

43. GENERAL

Figures have been rounded off to the nearest Rupee.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

SITARA PEROXIDE LIMITED

CIRCULATION OF ANNUAL AUDITED ACCOUNTS

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

Subject : Circulation of Annual Audited Accounts via Email or any other Media

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its SRO No. 470(I)/2016 dated 31ST May, 2016, that have allowed companies to circulate their Annual Audited Accounts (i.e. Annual Balance Sheet and Profit and Loss Accounts, Auditor's Report and Directors' Report etc ("Annual Report") along with the Notice of Annual General Meeting ("Notice") to its shareholders through Email or any other Electronic Media at the registered addresses.

Shareholders who wish to receive the hardcopy of Financial Statements shall have to fill the below form and send us to Company address.

I/We hereby consent Option 1 or Option 2 to the above SROs for Audited Financial Statements and Notice of General Meeting(s) delivered to me hard from instead Email or any other Electronic Media.

Option 1 – Via Email

Name of the Members/Shareholders

CNIC NO.

Folio / CDC Account Number

Valid Email Address

(to receive Financial Statements alongwith
 Notice of General Meetings instead of
 hardcopy/CD/DVD/USB)

Option 2 – Via Hard copy

Name of the Members/Shareholders

CNIC NO.

Folio / CDC Account Number

Mailing Address

(to receive Financial Statements alongwith
 Notice of General Meetings instead of
 Email/CD/DVD/USB and other Electronic Media)

I/We hereby confirm that the above mentioned information is correct and in case of any change thereon, I/We will immediately intimate to the Company's Share Registrar. I/we further confirm that the transmission of Company's Annual Audited Financial Statements and Notice of General Meeting(s) through my/our above address would be taken as compliance with the Companies Act, 2017.

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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 Saturday October 24, 2020 at 2:30 pm at The Institute of Chartered
Accountants of Pakistan (ICAP) Auditorium Hall, 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

Proper Amount of
Revenue Stamp

Dated this _____ day of _____ 2020

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-75400 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.

ستاره پرائکسائیڈ لمیٹڈ

پرائکسی فارم

اجلاس عام

میں اہم

ستاره پرائکسائیڈ لمیٹڈ کے ممبر / ممبران رجسٹرڈ فوئیو نمبر / شرکا کی آئی ڈی / سی ڈی سی سب اکاؤنٹ نمبر کے مطابق عمومی شیئرز

رکھتے ہیں بذریعہ ہذا کو تقرر کرتے ہیں۔ رجسٹرڈ فوئیو نمبر / شرکا کی

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

رجسٹرڈ فوئیو نمبر / شرکا کی آئی ڈی / سی ڈی سی سب اکاؤنٹ نمبر کو بطور پرائکسی 24 اکتوبر 2020 بروز ہفتہ بوقت 02:30 بجے دوپہر

بمقام انسٹیٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان چارٹرڈ اکاؤنٹنٹس ایونیو، کھٹن، کراچی کمپنی کے منعقد ہونے والے اجلاس عام اور اس کے کسی التواء تک میری / ہماری جانب

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

ریونیو اسٹامپ

کی قیمت

دستخط پرائکسی

دستخط شیئر ہولڈر

تاریخ ۲۰۲۰

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 پرائکسی 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 اٹس، پبلی منزل، C-40 بلاک 6، پی۔ای۔سی۔ ایچ۔ ایس کراچی کو اجلاس کے منعقد ہونے سے 48 گھنٹے قبل بھجوائیں۔

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

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

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

(c) پرائکسی 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 نقول بشمول Power of Attorney دستخط کے ساتھ (جبراً اگر پہلے ہی جمع کروادی گئی ہے) پرائکسی فارم کے ہمراہ کمپنی کے شیئر رجسٹرار کو جمع کروائے۔



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