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Company Information

Board of Directors

Chairman
Chief Executive Officer
Directors

Mr. Muhammad Khalil
Mr. Muhammad Adrees
Mr. Haseeb Ahmad
Mr. Waheed Akhter Sher
Mr. Abdul Awal
Mr. Muneeb ul Haq
Mr. Ahmad Nawaz

Company Secretary

Mr. Mazhar Ali Khan

Chief Financial Officer

Mr. Anwar-ul-Haq (FCA)

Audit Committee

Chairman
Members

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

Human Resource & Remuneration Committee

Chairman
Members

Mr. Muhammad Khalil
Mr. Muhammad Adrees
Mr. Abdul Awal

Head of Internal Audit

Mr. Zakir Hussain (FCA)

Auditors

Deloitte Yousuf Adil
Chartered Accountants

Legal Advisor

Mr. Sahibzada Muhammad Arif

Bankers

Meezan Bank Limited
Bank Alfalah Limited
Habib Bank Limited (Islamic Banking)
Standard Chartered Bank (Pakistan) Limited
Al-Baraka Bank (Pakistan) Limited
Faysal Bank Limited
National Bank of Pakistan
MCB Bank Limited
MCB Islamic Bank
Dubai Islamic Bank Pakistan Limited
Bank Islami Pakistan Limited
The Bank of Punjab Taqwa Islamic Banking
The Bank of Khyber
United Bank Limited (Islamic Banking)
Askari Bank Islamic Banking
Allied Bank Limited

Website of the Company

www.sitara.com.pk

Registered Office

601-602 Business Centre, Mumtaz Hassan Road,
Karachi.-74000

Share Registrar Address

THK Associates (Private) Limited
1st Floor, 40-C, Block-6, P.E.C.H.S.,
Karachi.

Factories

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

Directors' Review

In the name of Allah, the Most Beneficent, the Most Gracious, the Most Merciful. The Directors of Sitara Chemical Industries Limited are pleased to present the un-audited condensed interim financial statements of the Company for the half year ended December 31, 2018.

Overview:

During the half year under review, your Company has recorded net sales of Rs. 6,162/- million and gross profits of Rs 1,380/- million as compared with net sales of Rs. 5,383 million and gross profits of Rs 1,148/- million in the corresponding period of last year. Profit after tax amounted to Rs. 543 million as compared with Rs 522 million of same period last year. Your company witnessed an improvement of 14.47% in net sales revenue and gross profits by 20.21% compared with the net sales revenue and gross profits of corresponding period last year.

Gross margins in percentage terms improved during the first half year compared with same period last year due to passing on the impact of increased energy cost and adverse impact of PKR depreciation etc. in the prices of caustic liquid and flakes.

Earnings per share remained at Rs. 25.35 as compared with Rs. 24.37 last corresponding period.

Net sales of textile segment of your company also remained better during the period under review compared with same period last year due to better yarn prices; however gross margins remained little depressed because proportionate increase in the prices of raw materials and production overheads could not be passed on in the prices of yarn due to depressed market conditions.

Corporate Social Responsibility:

During the first half of the financial year under review, your Company extended a number of scholarships to deserving and brilliant students from various colleges/universities. Your Company also continued to donate towards charitable hospital, arrangement of free medical camps, and installation/running of clean water treatment plants at the surrounding areas of Faisalabad.

JCR-VIS Credit Rating:

During the 2nd quarter of the year under review, credit rating of the Company was reassessed by JCR-VIS Credit Rating Co. Ltd., and your company has been able to maintain its long term entity's rating as A+ (Single A Plus) and short term rating as A-1 (A one) while outlook on the assigned ratings was also maintained as 'Positive'. This rating depicts a good credit quality along with adequate protection factors on medium to long term basis, and on short term basis depicts high certainty of timely payments along with excellent liquidity factors supported with good fundamental protection factors.

Future Outlook:

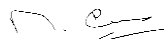
As reported in our last annual audited financial statements, work on BMR of one of our old membrane cell is in progress with full pace; LCs have been opened and project is planned to be completed within the 4th quarter of the running financial year (INSHA'ALLAH).

In textile division of the company, work on BMR / replacement of old machinery with latest Swiss machines at all back process is also in progress; LCs have been opened and project is planned to be completed by the end of current financial year 2018-19 (INSHA'ALLAH).

Overall economic slowdown in the country in general and slowdown of industrial growth in particular along with increase in tariff/cost of natural gas, RLNG, coal, and further PKR depreciation against US dollar are the key challenges faced by the Company.

Acknowledgments:

We take this opportunity to thank our valued business partners and stakeholders for their continued support, trust and assistance for the progress and prosperity of the Company. Company also appreciates its staff for their continuous dedication, commitment and support.



Muhammad Adrees
Chief Executive Officer
Faisalabad: February 16, 2019



Haseeb Ahmed
Director

ڈائریکٹرز رپورٹ

شروع اللہ تعالیٰ کے بابرکت نام سے جو بڑا مہربان اور نہایت رحم کرنے والا ہے۔

ستارہ کیمیکلز انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی طرف سے ہم 31 دسمبر 2018 کو ختم ہونے والے نصف سال کے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے پرمسرت ہیں۔

کاروباری جائزہ:

زیر جائزہ نصف سال کے دوران آپ کی کمپنی نے 6,162 ملین روپے کی خالص فروخت کی ہے۔ اور مجموعی منافع 1,380 ملین روپے رہا۔ جبکہ پچھلے سال اسی عرصہ کے دوران خالص فروخت 5,383 ملین روپے اور مجموعی منافع 1,148 ملین روپے تھا۔ ٹیکس کے بعد کمایا گیا خالص منافع 543 ملین روپے رہا جبکہ پچھلے سال اسی عرصہ کے دوران یہ منافع 522 ملین روپے تھا۔ آپ کی کمپنی کی مصنوعات کی خالص فروخت میں 14.47 فیصد اور مجموعی منافع میں 20.21 فیصد پچھلے سال اسی عرصہ کے مقابلے میں بہتری دیکھنے میں آئی۔

پچھلے نصف سال کے دوران مجموعی مارجن میں پچھلے سال کی نسبت بہتری دیکھنے میں آئی، جو کہ توانائی کی بڑھتی ہوئی قیمت اور پاکستانی روپیہ کی قدر میں کمی کو کاٹنے کے لیے لکھنؤ اور فلپائن کی قیمتوں کو متحمل کرنے کی وجہ سے ہے۔ فی شخص آمدنی 25.35 روپے رہی جبکہ پچھلے سال اسی مدت کے دوران فی شخص آمدنی 24.37 روپے تھی۔

زیر جائزہ مدت کے دوران آپ کی کمپنی نے ٹیکسٹائل کے شعبے میں خالص فروخت پچھلے سال اسی عرصہ کے مقابلے میں بہتری دیکھی، جس کی بنیادی وجہ دھارے کی مستحکم قیمتیں ہیں۔ تاہم مجموعی مارجن تھوڑا سا کم رہا جس کی وجہ خام مال کی قیمتوں میں اضافہ اور پیداواری اخراجات اسی تناسب سے دھارے کی قیمت کو متحمل نہیں کیے گئے۔

کارپوریٹ سماجی ذمہ داری:

موجودہ مالی سال کے نصف عرصے کے دوران آپ کی کمپنی نے بہت سے کالجوں، یونیورسٹیوں کے مستحق اور بہترین طلباء میں وظائف دینے کے دائرہ اختیار کو بڑھا دیا ہے۔ آپ کی کمپنی باقاعدگی سے فیصل آباد اور اس کے گرد و نواح کے علاقوں میں خیراتی ہسپتال، مفت میڈیکل کیمپوں کا انتظام اور صاف پانی کے پائپس کی تنصیب/ چلانے کو بھی جاری رکھے ہوئے ہے۔

JCR-VIS کی درجہ بندی:

موجودہ سال کی دوسری سماجی ذمہ داری کی کارڈ کی درجہ بندی JCR-VIS کرڈٹ ریٹنگ کمپنی لمیٹڈ نے دوبارہ جانچا اور آپ کی کمپنی نے اپنی طویل مدتی ادارے کی درجہ بندی A+ (Single A Plus) اور مختصر مدت کی درجہ بندی کو A-1 (A one) کے طور پر برقرار رکھا۔ جبکہ Outlook کو مختصر مدت کی درجہ بندی پر مثبت برقرار رکھا۔ یہ درجہ بندی مختصر اور طویل مدتی بنیاد پر تحفظ کے عوامل کے ساتھ اچھی کرڈٹ کی کیفیت کو ظاہر کرتا ہے، اور مختصر مدت کے لحاظ سے بروقت ادائیگیوں کے اعلیٰ یقین کو ظاہر کرتا ہے۔

مستقبل پر نظر:

جیسا کہ ہم نے اپنی تازہ ترین سالانہ رپورٹ میں بیان کیا ہے، ہم اپنے ایک پرانے ممبرین سیل کی BMR کر رہے ہیں جس پر کام تیزی سے جاری ہے۔ LC کا قیام عمل میں لایا جا چکا ہے اور یہ منصوبہ اپنی مقررہ مدت یعنی کہ موجودہ سال کی چوتھی سماجی ذمہ داری میں مکمل ہو جائے گا (انشاء اللہ)۔

اس کے علاوہ کمپنی کی ٹیکسٹائل ڈویژن میں BMR پر کام، پرانی مشینری کو جدید سسٹمز مشینری سے تبدیل کرنے کا کام بھی جاری ہے۔ LC کا قیام عمل میں لایا جا چکا ہے اور یہ منصوبہ موجودہ مالی سال 2018-19 کے اختتام پر مکمل ہو جائے گا (انشاء اللہ)۔

ملک کی مجموعی سمت معاشی صورتحال کے ساتھ ساتھ صنعتی ترقی بھی سست روی کا شکار ہے خاص طور پر قدرتی گیس کے ٹریف میں اضافہ، درآمد شدہ RLNG، کوئلے کی قیمت میں اضافے کے ساتھ ساتھ امریکی ڈالر کے مقابلے میں پاکستانی روپیہ کی قدر میں کمی، یہ وہ عوامل ہیں جن کا کمپنی کو سامنا ہے۔

اعترافات:

ہم اس موقع پر اپنے محترم کاروباری شراکت داروں کی مستقل حوصلہ افزائی، مدد اور اعتماد کا شکریہ ادا کرتے ہیں۔ کمپنی اپنے ملازمین کی مستقل مزاجی، محنت اور صلاحیتوں کی معترف اور فخر کرتی ہے۔



محمد ادریس

چیف ایگزیکٹو آفیسر

فیصل آباد، 16 فروری 2019



حبیب احمد

ڈائریکٹر

AUDITOR'S REVIEW REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Sitara Chemical Industries Limited (the Company) as at December 31, 2018, the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cashflows and notes to the financial statements for the six month period then ended (here-in-after referred to as "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and the condensed interim statement of comprehensive income for the three month period ended December 31, 2018 and related comparative information have not been reviewed, as we are required to review only the cumulative figures for the six month period ended December 31, 2018.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at December 31, 2018 and for the six month period then ended, is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Deloitte Jousuf Adil

Chartered Accountants

Engagement Partner: Rana M. Usman Khan

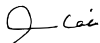
Lahore

Dated: February 16, 2019

**CONDENSED INTERIM STATEMENT OF FINANCIAL
POSITION (UN-AUDITED)
AS AT DECEMBER 31, 2018**

		Un-audited December 31, 2018 (Rupees in thousand)	Audited June 30, 2018
ASSETS	Note		
NON - CURRENT ASSETS			
Property, plant and equipment	4	9,632,631	9,572,027
Intangible assets		11,729	11,780
Investment property	5	3,108,829	3,033,968
Long-term investments		25,039	25,039
Long-term loans and advances		1,392,246	1,349,111
Long-term deposits		111,318	111,209
		<u>14,281,792</u>	<u>14,103,134</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		1,090,151	744,643
Stock-in-trade		1,780,099	950,647
Trade debts	6	1,173,531	1,137,768
Loans and advances		2,397,398	2,414,018
Trade deposits and short-term prepayments		20,360	4,998
Other receivables		12,547	9,976
Other financial assets	7	320,545	352,254
Cash and bank balances		126,844	79,663
		<u>6,921,475</u>	<u>5,693,967</u>
		<u>21,203,267</u>	<u>19,797,101</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	8	214,294	214,294
Reserves		1,396,497	1,365,496
Un-appropriated profits		8,188,006	7,892,907
Surplus on revaluation of property, plant and equipment		<u>1,138,672</u>	<u>1,164,731</u>
		<u>10,937,469</u>	<u>10,637,428</u>
NON - CURRENT LIABILITIES			
Long-term financing	9	1,033,752	1,174,947
Long-term deposits		42,687	30,443
Deferred liabilities		<u>1,186,712</u>	<u>1,183,897</u>
		<u>2,263,151</u>	<u>2,389,287</u>
CURRENT LIABILITIES			
Trade and other payables		2,584,662	2,293,218
Sales tax payable		6,713	8,499
Profit / financial charges payable		122,852	76,973
Short term borrowings		4,394,454	3,525,027
Unclaimed dividend		20,501	21,775
Current portion of long term financing		<u>873,465</u>	<u>844,894</u>
		<u>8,002,647</u>	<u>6,770,386</u>
CONTINGENCIES AND COMMITMENTS	10	<u>21,203,267</u>	<u>19,797,101</u>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial Statements.


Anwar-ul-Haq
Chief Financial Officer

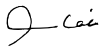

Muhammad Adrees
Chief Executive Officer


Haseeb Ahmed
Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

		Un-audited Six months period ended		Un-audited Three months period ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Note		(.....Rupees in thousand.....)			
Sales - net	11	6,162,400	5,383,404	3,371,815	3,019,139
Cost of sales	12	(4,782,278)	(4,235,417)	(2,618,745)	(2,370,716)
Gross profit		1,380,122	1,147,987	753,070	648,423
Distribution cost		(162,442)	(104,888)	(90,596)	(61,782)
Administrative expenses		(311,427)	(274,300)	(157,421)	(143,260)
Other expenses		(48,323)	(38,038)	(25,271)	(22,263)
Finance cost		(258,904)	(225,473)	(145,544)	(114,447)
		(781,096)	(642,699)	(418,832)	(341,752)
Other income		91,870	27,976	78,309	13,634
		690,896	533,264	412,547	320,305
Share of loss of associate - net of tax		-	(406)	-	(406)
Profit before taxation		690,896	532,858	412,547	319,899
Provision for taxation	13	(147,670)	(10,733)	(72,350)	(137,070)
Profit after taxation		543,226	522,125	340,197	182,829
Earnings per share - basic and diluted (Rupees)	14	25.35	24.37	15.88	8.53

The annexed notes from 1 to 19 form an integral part of these condensed interim financial Statements.


Anwar-ul-Haq
Chief Financial Officer

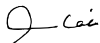

Muhammad Adrees
Chief Executive Officer


Haseeb Ahmed
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE
INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018**

	Un-audited Six months period ended		Un-audited Three months period ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(.....Rupees in thousand.....)			
Profit after taxation	543,226	522,125	340,197	182,829
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Surplus / (deficit) on investments classified as available for sale - net of tax	31,001	(68,396)	3,339	(47,872)
Reclassification adjustment relating to disposal of investments classified as available for sale during the period	-	(397)	-	(397)
Items that will not be reclassified subsequently to profit or loss				
Revaluation surplus on property, plant and equipment - adjustment due to change in tax rate	4,396	-	4,396	-
Other comprehensive income	35,397	(68,793)	7,735	(48,269)
Total comprehensive income for the period	<u>578,623</u>	<u>453,332</u>	<u>347,932</u>	<u>134,560</u>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial Statements.


Anwar-ul-Haq
Chief Financial Officer


Muhammad Adrees
Chief Executive Officer


Haseeb Ahmed
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Reserves								
	Share Capital	Capital				Revenue			
		Share Premium	Reserve on re-measurement of available for sale investments - net of tax	Reserve on re-measurement of post retirement benefits obligation - net of tax	Surplus on revaluation of property, plant and equipment	General Reserve	Un-appropriated Profit		
								Total Reserves	
(.....Rupees in thousand.....)									
Balance as at July 01, 2017 - Audited	214,294	97,490	86,641	(6,314)	1,226,134	1,225,000	7,007,851	9,636,802	9,851,096
Total comprehensive income	-	-	-	-	-	-	522,125	522,125	522,125
Profit for the six months period ended December 31, 2017	-	-	(68,793)	-	-	-	(68,793)	(68,793)	(68,793)
Other comprehensive income	-	-	(68,793)	-	-	-	522,125	453,332	453,332
Transfer to un-appropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(33,839)	-	33,839	-	-
Distribution to owners									
Final dividend for the year ended June 30, 2017 @ Rs. 12.5 per share	-	-	-	-	-	-	(267,868)	(267,868)	(267,868)
Balance as at December 31, 2017 - Un-audited	214,294	97,490	17,848	(6,314)	1,192,295	1,225,000	7,295,947	9,822,266	10,036,560
Total comprehensive income	-	-	-	-	-	-	564,060	564,060	564,060
Profit for the six months period ended June 30, 2018	-	-	32,497	(1,025)	-	-	31,472	31,472	31,472
Other comprehensive income	-	-	32,497	(1,025)	-	-	564,060	595,532	595,532
Transfer to un-appropriated profit on account of incremental depreciation	-	-	-	-	(32,900)	-	32,900	-	-
Revaluation surplus on property, plant and equipment - adjustment due to change in tax rate	-	-	-	-	5,336	-	5,336	-	5,336
Balance as at June 30, 2018 - Audited	214,294	97,490	50,345	(7,339)	1,164,731	1,225,000	7,892,907	10,423,134	10,637,428
Total comprehensive income	-	-	-	-	-	-	543,226	543,226	543,226
Profit for the six months period ended December 31, 2018	-	-	31,001	-	4,396	-	35,397	35,397	35,397
Other comprehensive income	-	-	31,001	-	4,396	-	543,226	578,623	578,623
Transfer to un-appropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(30,455)	-	30,455	-	-
Distribution to owners									
Final dividend for the year ended June 30, 2018 @ Rs. 13 per share	-	-	-	-	-	-	(278,582)	(278,582)	(278,582)
Balance as at December 31, 2018 - Un-audited	214,294	97,490	81,346	(7,339)	1,138,672	1,225,000	8,188,006	10,723,175	10,937,469

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Anwar-ul-Haq
Chief Financial Officer



Muhammad Adrees
Chief Executive Officer

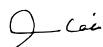


Haseeb Ahmed
Director

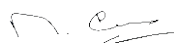
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

		Un-audited Six months period ended	
		December 31, 2018	December 31, 2017
	Note	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flow before working capital changes	17	1,347,120	1,201,805
Changes in working capital:			
(Increase) / decrease in current assets		(345,508)	(46,275)
Stores, spare parts and loose tools		(829,452)	(77,531)
Stock-in-trade		(35,763)	19,426
Trade debts		68,652	(220,382)
Loans and advances		(15,362)	754
Trade deposits and short-term prepayments		(2,571)	1,374
Other receivables		291,704	553,502
Increase / (decrease) in current liabilities		(1,786)	(29,981)
Trade and other payables		(870,086)	200,887
Sales tax payable		477,034	1,402,692
Cash generated from operations		(213,025)	(217,545)
Finance cost paid		(4,310)	(3,084)
Employee benefits paid		(198,832)	(235,662)
Taxes paid		4,404	4,878
Profit received		(411,763)	(451,413)
Net cash generated from operating activities		65,271	951,279
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(202,943)	(646,256)
Proceeds from disposal of property, plant and equipment		9,977	47
Proceeds from available for sale investments - net		62,710	32,521
Purchase of investment property		(77,388)	(149,516)
Purchase of intangible assets		(544)	-
Long term deposits paid		(109)	-
Long-term loans and advances received / (paid)		7,280	(6,164)
Dividend income received		3,559	3,920
Net cash used in investing activities		(197,458)	(765,448)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing		(422,447)	(416,010)
Short term financing - net		869,427	658,591
Long term deposits availed / (repaid)		12,244	(1,700)
Dividend paid		(279,856)	(261,216)
Net cash generated from / (used in) financing activities		179,368	(20,335)
Net increase in cash and cash equivalents		47,181	165,496
Cash and cash equivalents at beginning of the period		79,663	131,002
Cash and cash equivalents at end of the period		126,844	296,498

The annexed notes from 1 to 19 form an integral part of these condensed interim financial Statements.



Anwar-ul-Haq
Chief Financial Officer



Muhammad Adrees
Chief Executive Officer



Haseeb Ahmed
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

1 LEGAL STATUS AND OPERATIONS

- 1.1 Sitara Chemical Industries Limited ("the Company") was incorporated in Pakistan on September 08, 1981 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017). The Company is currently listed on the Pakistan Stock Exchange. The principal activities of the Company are operating Chlor Alkali plant and yarn spinning unit. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hasan Road, Karachi, in the province of Sindh and the manufacturing facilities are located at 28/32 K.M., Faisalabad - Sheikhpura Road, Faisalabad, in the province of Punjab.

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

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

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

2 BASIS OF PREPARATION

- 2.1 These condensed interim financial statements of the Company for the six months period ended December 31, 2018 have been prepared in accordance with the International Accounting Standard - 34 "Interim Financial Reporting" provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.
- 2.2 These condensed interim financial statements should be read in conjunction with annual audited financial statements for the year ended June 30, 2018. Comparative statement of financial position is extracted from annual audited financial statement for the year ended June 30, 2018, whereas comparative statement of profit or loss, comparative statement of comprehensive income, comparative statement of changes in equity and comparative of statement of cash flows are stated from un-audited condensed interim financial statements for the six months period ended December 31, 2017.
- 2.3 These condensed interim financial statements are un-audited. However, a limited scope review has been performed by statutory auditor of the Company in accordance with Code of Corporate Governance and they have issued their review report thereon.
- 2.4 Securities and Exchange Commission of Pakistan (SECP), through SRO 1007(I)/2017, dated October 4, 2017, had notified IFRS 9 "Financial Instruments", replacing the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" with effect from reporting periods starting July 1, 2018 which has further been deferred for the half year ended December 31, 2018, through SRO 229 (I)/2019 dated February 15, 2019. Accordingly the requirements of IFRS 9 have not been considered in the preparation of these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, JUDGMENTS AND RISK MANAGEMENT

The significant accounting policies and methods of computation adopted in preparation of these condensed interim financial statements are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended June 30, 2018 except as disclosed hereunder.

3.1 Changes in accounting standards

The following changes in accounting standards have taken place effective from July 01, 2018:

3.1.1 IFRS 15 - Revenue from contracts with customers

IFRS 15 - Revenue from contracts with customers (IFRS 15) replaced various standards and guidance including 'IAS 18 - Revenue'. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers and focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations in a contract are satisfied.

The Company has determined that the adoption of IFRS 15 does not have any impact on the reported revenue of the Company for the period ended December 31, 2018.

		Un-audited December 31, 2018	Audited June 30, 2018
	Note	(Rupees in thousand)	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	9,496,488	9,492,027
Capital work-in-progress		136,143	80,000
		9,632,631	9,572,027

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Un-audited December 31, 2018	Audited June 30, 2018
	(Rupees in thousand)	
4.1 Operating assets		
Opening written down value	9,492,027	9,227,922
Additions during the period / year:		
Freehold land	917	-
Buildings on freehold land - Mill	30,044	187,946
Plant and machinery	307,622	834,878
Grid station and electric installations	360	854
Factory equipment	34,881	44,899
Electric equipment	26,412	70,664
Office equipment	10,092	5,866
Furniture and fittings	2,459	5,546
Vehicles	48,232	38,313
	461,019	1,188,966
Written down value of assets disposed off during the period / year	(3,071)	(2,610)
Depreciation charged during the period / year	(453,487)	(922,251)
	<u>9,496,488</u>	<u>9,492,027</u>

4.2 The Company had revalued its freehold land, building and plant & machinery at June 30, 2016. The revaluation had been carried out by Hamid Mukhatar & Company (Private) Limited, an independent valuer not connected to the Company and is on the panel of Pakistan Banks Association as 'Any Amount' asset valuer. It is also on the panel of State Bank of Pakistan and possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations. The fair value was determined using the comparable price method after performing detailed enquiries and verification from various estate agents, brokers and builders keeping in view the location of the property / project, condition, size, utilization, and other relevant factors.

The revaluation was performed at June 30, 2016. Out of the total revaluation surplus of Rs. 1,299 million, Rs. 1,134 million net of tax (June 30, 2018: 1,165 million) remains undepreciated as at December 31, 2018.

Details of the Company's revalued assets and information about fair value hierarchy, as at December 31, 2018 are as follows:

	Un-audited December 31, 2018			Audited June 30, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Land - freehold	-	768,936	-	-	768,019	-
Buildings on freehold land	-	1,358,363	-	-	1,400,714	-
Plant and machinery	-	6,247,989	-	-	6,261,008	-
	-	<u>8,375,288</u>	-	-	<u>8,429,741</u>	-

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

		Un-audited December 31, 2018 (Rupees in thousand)	Audited June 30, 201
5. INVESTMENT PROPERTY	Note		
Land	5.1	3,056,776	2,979,388
Buildings	5.2	52,053	54,580
		<u>3,108,829</u>	<u>3,033,968</u>
5.1 Land			
Balance at the beginning of the period / year		2,979,388	2,854,288
Addition during the period / year		77,388	1,813,048
Disposal during the period / year		-	(1,687,948)
Balance at end of the period / year		<u>3,056,776</u>	<u>2,979,388</u>
5.2 Buildings			
Cost:			
Balance at the beginning of the period / year		89,277	101,865
Addition during the period / year		-	5,427
Disposal during the period / year		-	(18,015)
Balance at the end of the year		<u>89,277</u>	<u>89,277</u>
Accumulated depreciation:			
At the beginning of the period / year		34,697	29,583
For the period / year		2,527	6,803
Accumulated depreciation on disposed asset		-	(1,689)
At the end of the period / year		<u>(37,224)</u>	<u>(34,697)</u>
Written down value at the end of the period / year		<u>52,053</u>	<u>54,580</u>
6. TRADE DEBTS			
These include receivable from related parties amounting to Rs. 477 thousand (June 30, 2018: Nil).			
7. OTHER FINANCIAL ASSETS			
Investments classified as available for sale	7.1	<u>320,545</u>	<u>352,254</u>
7.1 Listed equity securities			
Fair value at July 01		352,254	274,883
Additions in investments during the period / year		205,540	460,747
		<u>557,794</u>	<u>735,630</u>
Sale / disposal of investments during the period / year		(273,721)	(347,572)
		<u>284,073</u>	<u>388,058</u>
Gain / (loss) on investments during the period / year		<u>36,472</u>	<u>(35,804)</u>
		<u>320,545</u>	<u>352,254</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

7.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

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 (that is, as prices)

or indirectly (that is, derived from prices).

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

The following table presents the fair value hierarchy for financial assets which are carried at fair value:

	Un-audited December 31, 2018			Audited June 30, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investments classified as	-	-	-	-	-	-
- available for sale	320,545	-	-	352,254	-	-

There were no transfers between levels during the period / year. The carrying value of all other financial assets and liabilities reflected in these condensed interim financial statements approximate their fair values.

8. SHARE CAPITAL

Un-audited December 31, 2018	Audited June 30, 2018		Un-audited December 31, 2018	Audited June 30, 2018
.....No. of Shares.....			(Rupees in thousand)	
		Authorized		
		Ordinary shares of Rs. 10 each		
40,000,000	40,000,000	Class "A"	400,000	400,000
20,000,000	20,000,000	Class "B"	200,000	200,000
		Issued, subscribed and paid up		
		Class "A" ordinary shares of Rs. 10/- each		
8,640,000	8,640,000	- fully paid in cash	86,400	86,400
10,804,398	10,804,398	- issued as fully paid bonus shares	108,044	108,044
1,985,009	1,985,009	- issued as fully paid under scheme of arrangement for amalgamation	19,850	19,850
21,429,407	21,429,407		214,294	214,294

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

- 8.1 Class "B" ordinary shares do not carry any voting rights.
8.2 No shares are held by any associated company or related party of the company.
8.3 The Company has no reserved shares under options or sales contracts.

Un-audited
December 31,
2018
(Rupees in thousand)

9 LONG-TERM FINANCING

Diminishing Musharka (from financial institutions - secured)

Opening balance	2,019,841	3,015,037
Obtained during the period / year	309,823	-
Re-paid during the period / year	(422,447)	(995,196)
	1,907,217	2,019,841
Less: Current portion	(873,465)	(844,894)
	1,033,752	1,174,947

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

Guarantees issued by banks on behalf of the Company

271,351	310,704
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10.2 Commitments

Outstanding letters of credit for raw material and spare parts

946,622	516,466
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Un-audited Six months period ended December 31, 2018		Un-audited Three months period ended December 31, 2018	
December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(.....Rupees in thousand.....)			

11 SALES - NET

Local:

Chemicals	6,096,805	5,224,828	3,206,662	2,843,333
Yarn	952,827	898,830	600,854	554,359
Fabric	97,231	60,468	61,523	27,028
Waste	8,389	5,629	4,335	4,572
	7,155,252	6,189,755	3,873,374	3,429,292

Export:

Chemicals	141,619	212,846	102,091	131,534
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Gross Sales

7,296,871	6,402,601	3,975,465	3,560,826
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Less:

Commission and discount	(253,848)	(264,337)	(141,085)	(131,437)
Sales tax	(880,623)	(754,860)	(462,565)	(410,250)
	(1,134,471)	(1,019,197)	(603,650)	(541,687)
	6,162,400	5,383,404	3,371,815	3,019,139

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Un-audited		Un-audited	
	Six months period ended		Three months period ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(.....Rupees in thousand.....)			

12 COST OF SALES

Raw material consumed	1,578,641	1,095,163	312,199	591,172
Fuel and power	2,769,761	2,114,124	1,942,204	1,104,452
Salaries, wages and benefits	270,442	246,712	131,226	128,346
Factory overheads	725,428	712,467	367,766	373,689
	<u>5,344,272</u>	<u>4,168,466</u>	<u>2,753,395</u>	<u>2,197,659</u>
Work-in-process				
Opening stock	14,928	11,630	17,096	10,596
Closing stock	(14,920)	(10,632)	(14,920)	(10,632)
	<u>8</u>	<u>998</u>	<u>2,176</u>	<u>(36)</u>
Cost of goods manufactured	<u>5,344,280</u>	<u>4,169,464</u>	<u>2,755,571</u>	<u>2,197,623</u>
Finished goods				
Opening stock	634,800	554,064	1,059,976	661,204
Closing stock	(1,196,802)	(488,111)	(1,196,802)	(488,111)
	<u>(562,002)</u>	<u>65,953</u>	<u>(136,826)</u>	<u>173,093</u>
	<u>4,782,278</u>	<u>4,235,417</u>	<u>2,618,745</u>	<u>2,370,716</u>

	Un-audited		Un-audited	
	Six months period ended		Three months period ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(.....Rupees in thousand.....)			

13 PROVISION FOR TAXATION

Current - for the period	146,054	2,271	74,981	(2,590)
Prior year	-	547	-	547
Deferred	1,616	7,915	(2,631)	139,113
	<u>147,670</u>	<u>10,733</u>	<u>72,350</u>	<u>137,070</u>

14 EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the period	543,226	522,125	340,197	182,829
Weighted average number of ordinary shares outstanding during the period (No. of shares in thousand)	21,429	21,429	21,429	21,429
Earnings per share (Rupees)	<u>25.35</u>	<u>24.37</u>	<u>15.88</u>	<u>8.53</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

15 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related group companies, directors of the company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with its related parties. Details of transactions with related parties for the year are as follows:

		Un-audited	
		Six months period ended	
		December 31, 2018	December 31, 2017
		(Rupees in thousand)	
Relationship with the Company	Nature of transactions		
Associated Undertakings	Sales	397	1,984
	Organizational expenses paid	533	242
	Donation	10,489	11,650
Key Management Personnel	Remuneration to Executives	58,713	69,620

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 Developers (Private) Limited	Common directorship
Aziz Fatima Trust Hospital	Common directorship

The Company does not hold any shares in the above mentioned companies.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

16 SEGMENT REPORTING

The Company has two reportable segments, which offer different products and are managed separately. The following summary describes the operations in each of the reportable segment of the Company;

- Chemical division : Manufacturing of caustic soda and allied products
- Textile division: Manufacturing of yarn and fabric

16.1 Information about operating segments is as follows:

	Chemical Division	Operating segments Textile Division	Total	Total
		Un-audited		
	December 31, 2017	December 31, 2017	December 31, 2017	December 31, 2017
	2018	2018	2018	2018
	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)
		Six months period ended		
	December 31, 2017	December 31, 2017	December 31, 2018	December 31, 2017
	2018	2018	2018	2017
Revenue from external customers - net	5,108,256	4,422,867	1,054,144	960,537
				6,162,400
Depreciation on property, plant and equipment	431,969	422,018	21,518	20,638
				453,487
Segment profit	899,823	746,837	6,430	21,962
				906,253
				768,799
				Total
	Un-audited	Audited	Un-audited	Audited
	December 31, 2018	June 30, 2018	December 31, 2018	June 30, 2018
Capital expenditure	509,526	1,149,547	7,637	39,419
				517,163
Segment assets	14,644,063	13,574,258	1,733,891	1,417,914
				16,377,954
Segment liabilities	1,108,385	1,233,492	1,170	1,170
				1,109,555
				1,234,662

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Un-Audited Six months ended	
	December 31, 2018	December 31, 2017
	(Rupees in thousand)	
16.2 Reconciliations of reportable segments are as follows:		
Revenue		
Total revenue for reportable segments	6,162,400	5,383,404
Profit for the period		
Total profit for reportable segments	906,253	768,799
Unallocated corporate income / (expenses)		
Other income	91,870	27,976
Other expenses	(48,323)	(38,038)
Finance cost	(258,904)	(225,473)
Share of loss from investment in associate - net of tax	-	(406)
Profit before taxation	690,896	532,858
	Un-audited December 31, 2018	Audited June 30, 2018
	(Rupees in thousand)	
Assets		
Total assets for reportable segments	16,377,954	14,992,172
Other unallocated corporate assets	4,825,313	4,804,929
Company's assets	21,203,267	19,797,101
Liabilities		
Total liabilities for reportable segments	1,109,555	1,234,662
Other unallocated corporate liabilities	9,156,243	7,925,011
Company's liabilities	10,265,798	9,159,673

16.3 The Company has no reportable geographical segment.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

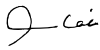
	Un-Audited Six months ended	
	December 31, 2018	December 31, 2017
	(Rupees in thousand)	
17 OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES		
Profit before taxation	690,896	532,858
Adjustments for:		
Depreciation on property, plant and equipment	453,487	443,350
Depreciation on investment property	2,527	3,567
Gain on sale of available for sale investments	-	(491)
Amortization on intangible assets	595	808
Finance cost	258,904	225,473
Share of loss from investment in associate - net of tax	-	406
(Gain) / loss on disposal of property, plant and equipment	(6,906)	7
Provision for employee benefits	4,433	4,625
Dividend income	(3,559)	(3,920)
Unwinding of deferred receivable	(48,853)	-
Profit on bank deposits	(4,404)	(4,878)
	656,224	668,947
	<u>1,347,120</u>	<u>1,201,805</u>

18 DATE OF AUTHORIZATION FOR ISSUE

This interim financial information has been approved by the Board of Directors of the Company and authorized for issue on February 16, 2019.

19 GENERAL

Figures have been rounded to the nearest thousand of Pak Rupees, unless otherwise stated.


Anwar-ul-Haq
Chief Financial Officer


Muhammad Adrees
Chief Executive Officer


Haseeb Ahmed
Director

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