

1st Quarter September RePORT 2010



The Leading Peroxide Company





Company information



Board Of Directors

Chairman

Haji Bashir Ahmed

Chief Executive Officer (CEO)

Mr. Imran Ghafoor

Directors

Mr. Javed Iqbal

Mr. Muhammad Adrees

Mr. Muhammad Anis

Mrs. Noureen Javed

Mrs. Sharmeen Imran

Company Secretary

Mr. Mazhar Ali Khan

Chief Financial Officer (CFO)

Mr. Syed Sarfraz Habib - ACA

Audit Committee

Chairman

Mr. Javed Iqbal

Members

Mrs. Sharmeen Imran

Mr. Muhammad Anis

Auditors

M/s. M. Yousuf Adil Saleem & Co.,
Chartered Accountants

Legal Advisor

Mr. Sahibzada Waqar Arif

Registered Office

601-602, Business Centre, Mumtaz
Hasan Road, Karachi-74000
Ph:021-32401373, 32413944

Bankers

Askari Bank Limited

Bank Alfalah Limited

Faysal Bank Limited

Al-Baraka Islamic Bank

Habib Bank Limited

Meezan Bank Limited

National Bank of Pakistan

Standard Chartered Bank

United Bank Limited

Royal Bank of Scotland

Silk Bank Limited

Share Registrar

Noble computer Services (Pvt.) Limited

Mezzanine Floor, House of Habib Building
(Siddiqsons Tower),

3-Jinnah Cooperative Housing Society,

Main Shahrah-e-Faisal, Karachi-75350

Ph: (92-21) 34325482-87

Fax: (92-21) 34325442

Head Office & Project Location

26-Km Sheikhpura Road, Faisalabad.

Ph: 041-4364031-33

DIRECTORS' REVIEW

Dear shareholders,

On behalf of the Board, I am pleased to present the un-audited financial statements for the first quarter ended September 30, 2010.

Financial Results:

The financial results for the first quarter show the following performance of the Company:

	First quarter ended September 30	
	July - Sep 2010	July - Sep 2009
 Rupees	
Sales	249,781,588	144,802,190
Operating profit/(loss)	76,738,424	(35,081,817)
Profit/ (loss) after taxation	12,836,133	(34,735,236)
Earning / (loss) per share	0.23	(0.63)

By the grace of Almighty Allah, your Company has achieved an encouraging start for the year 2010-11 despite highly competitive business environment and escalating cost of business. An overall growth of 72% in sales is driven by the increased production; thus allowing your Company to sell more in the local and export market. The price of Hydrogen Peroxide (H₂O₂) has increased in local market due to rise of its price in global market. The net profit after tax is attributed to improvement in all areas of operations, cost reduction initiatives, supply chain benefits and competitive market strategies.

Future Outlook

Prospects for sustained economic growth of Pakistan seems weak due to disturbing factors of bulging current account deficit, mounting inflationary pressure and widening of trade deficit due to dwindling exports which may pose a strong challenge to economic growth. Although your Company has made a good start but still challenges like high cost of doing business, poor infrastructure facilities, rising mark-up rates, shortage of energy and competitive global market place for export pose a threat to the industry in general and to the Company in particular. However, management of your Company is fully aware of these challenges and confident of tackling these issues successfully.

We pray Almighty Allah to give us the ability to face the future challenges. Ameen

For and on behalf of Board of Directors

Faisalabad
 October 21, 2010

IMRAN GHAFOR
 Chief Executive Officer

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT SEPTEMBER 30, 2010

	Note	September 30, 2010 (Un-Audited) Rupees	June 30, 2010 (Audited) Rupees
NON-CURRENT ASSETS			
Operating Assets	5	2,222,795,658	2,252,573,230
Capital work in progress	6	19,491,256	7,374,753
Property, plant and equipment		2,242,286,914	2,259,947,983
Long-term deposits		3,705,000	3,705,000
		2,245,991,914	2,263,652,983
CURRENT ASSETS			
Stores, spare parts and loose tools		70,288,840	65,724,318
Stock-in-trade		288,780,368	254,686,895
Trade debts		66,687,770	56,153,743
Advances		33,400,521	23,837,758
Deposits and short-term prepayments		34,589,414	20,314,143
Advance income tax		28,514,986	29,064,883
Sales tax refundable		42,746,322	30,009,158
Cash and bank balances		976,034	4,335,278
		565,984,255	484,126,176
		2,811,976,169	2,747,779,159
SHARE CAPITAL AND RESERVES			
Authorized share capital 60,000,000 ordinary shares of Rs.10 each		600,000,000	600,000,000
Issued, subscribed and paid up share capital 55,100,000 Ordinary shares of Rs. 10 each fully paid in cash		551,000,000	551,000,000
Accumulated losses		(307,166,232)	(331,307,527)
		243,833,768	219,692,473
Surplus on revaluation of property, plant and equipment		509,569,983	520,875,145
NON-CURRENT LIABILITIES			
Long-term financing		1,343,021,645	1,353,195,528
Deferred liability: Employee benefits - unfunded		2,298,864	2,418,898
		1,345,320,509	1,355,614,426
CURRENT LIABILITIES			
Trade and other payables		193,864,370	171,920,089
Mark-up accrued on loans		79,017,446	37,989,828
Short-term borrowings		382,300,678	393,791,666
Current portion of long-term financing		58,069,415	47,895,532
		713,251,909	651,597,115
CONTINGENCIES AND COMMITMENTS	7	-	-
		2,811,976,169	2,747,779,159

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
 FOR THE 1st QUARTER ENDED SEPTEMBER 30, 2010**

	Note	Quarter Ended September 30	
		2010 Rupees	2009 Rupees
Sales	8	249,781,588	144,802,190
Cost of sales	9	161,504,829	165,681,235
Gross profit/(loss)		88,276,759	(20,879,045)
Distribution expenses		3,135,796	4,821,248
Administrative expenses		8,549,857	8,908,935
Other operating expenses		57,559	472,589
Other operating income		(204,877)	-
		11,538,335	14,202,772
Operating profit/(loss)		76,738,424	(35,081,817)
Finance cost		61,450,858	62,809,878
Profit/(loss) before taxation		15,287,566	(97,891,695)
Provision for taxation	10	2,451,433	(63,156,459)
Profit/(loss) after taxation for the period		12,836,133	(34,735,236)
Earning/(loss) per share - basic and diluted	11	0.23	(0.63)

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR 1st QUARTER ENDED SEPTEMBER 30, 2010

	Quarter Ended September 30 2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (loss) for the period	15,287,566	(97,891,695)
Adjustments for:		
Depreciation of property, plant and equipment	41,231,689	38,357,477
Gain on sale of fixed assets	(204,877)	-
Provision for deferred-employee benefits	300,000	-
Finance cost	61,450,858	62,809,878
	118,065,236	3,275,660
Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(4,564,522)	(19,184,361)
Stock-in-trade	(34,093,473)	8,868,467
Trade debts	(10,534,027)	2,818,651
Advances	(9,562,763)	(11,427,647)
Deposits and prepayments	(14,275,271)	-
Increase / (decrease) in current liabilities:		
Trade and other payables	21,944,281	9,354,222
	(51,085,775)	(9,570,668)
Cash generated from / (used in) operations	66,979,461	(6,295,008)
Finance cost paid	(20,423,240)	(61,694,708)
Sales tax refunded/(paid)	(12,737,164)	7,065,566
Employee benefits paid	(420,034)	(17,433)
Income taxes paid	(1,901,536)	(3,836,184)
	(35,481,974)	(58,482,759)
Net cash generated from / (used in) operating activities	31,497,487	(64,777,767)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(23,865,743)	(13,017,716)
Proceeds from disposal of fixed assets	500,000	-
Increase in long-term advances	-	28,967
Net cash used in investing activities	(23,365,743)	(12,988,749)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term financing	-	(1,599,467)
Net (decrease)/ increase in short-term borrowings	(11,490,988)	83,202,741
Payment of liabilities against assets subject to finance lease	-	(66,281)
Net cash (used in) / generated from financing activities	(11,490,988)	81,536,993
(Decrease)/ increase in cash and cash equivalents	(3,359,244)	3,770,477
Cash and cash equivalents at beginning of period	4,335,278	6,669,820
Cash and cash equivalents at end of period	976,034	10,440,297

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR 1st QUARTER ENDED SEPTEMBER 30, 2010

	Share capital	Accumulated losses	Total
..... Rupees			
Balance as at July 01, 2010	551,000,000	(331,307,527)	219,692,473
Total comprehensive income for the period ended September 30, 2010			
Net profit for the period	-	12,836,133	12,836,133
Other comprehensive income	-	-	-
	-	12,836,133	12,836,133
Incremental depreciation charged during the period transferred to accumulated losses	-	11,305,162	11,305,162
Balance as at September 30, 2010	551,000,000	(307,166,232)	243,833,768
Balance as at July 01, 2009	551,000,000	(181,634,733)	369,365,267
Total comprehensive loss for the period ended September 30, 2009			
Loss for the period	-	(34,735,236)	(34,735,236)
Other comprehensive income	-	-	-
	-	(34,735,236)	(34,735,236)
Incremental depreciation charged during the period transferred to accumulated losses	-	11,305,162	11,305,162
Balance as at September 30, 2009	551,000,000	(205,064,807)	345,935,193

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2010.

1. GENERAL INFORMATION

Sitara Peroxide Limited (the Company) is limited by shares, incorporated in Pakistan on March 08, 2004 as a public limited company under the Companies Ordinance, 1984. The Company is listed on Karachi Stock Exchange since July 23, 2007. 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 object of the company is manufacturing and sale of Hydrogen Peroxide. The annual production capacity of the company is 30,000 tons of 50% strength of Hydrogen Peroxide.

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

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements are un-audited and are being submitted to the shareholders as required by the Securities and Exchange Commission of Pakistan u/s 245 of the Companies Ordinance, 1984.

These condensed interim financial statements have been prepared in compliance with the requirements of IAS-34 - "Interim Financial Reporting". These condensed interim financial statements do not include all of the information required for full financial statements and should be read in conjunction with the financial statements of the Company for the financial year ended June 30, 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company for preparation of these condensed interim financial statements are the same as those applied in the preparation of the last audited published financial statements for the financial year ended June 30, 2010.

4. ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company accounting policies and the key sources of estimation were same as those applied to the financial statements for the year financial ended June 30, 2010.

5. PROPERTY PLANT AND EQUIPMENT

The following additions to Operating Assets have been made during the 1st Quarter ended September 30, 2010:

	Quarter Ended September 30,	
	2010	2009
	Rupees	Rupees
Plant and machinery	11,033,226	-
Electric installations	94,145	1,516,013
Factory equipment	-	251,700
Office equipment	-	105,573
Furniture and fixtures	16,620	39,118
Vehicles	605,249	1,236,720
	11,749,240	3,149,124

6. CAPITAL WORK IN PROGRESS

Additions during the quarter ended Spetember 30, 2010 amounting Rs. 12,116,503/- (September 30, 2009 Rs. 9,868,592/-) to Capital work in prgress have been made.

September 30, 2010 Rupees	June 30, 2009 Rupees
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7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

Bank guarantees issued by banks in favour of
Sui Northern Gas Pipelines Limited for supply of gas.

40,068,000	40,068,000
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7.2 Commitments

Irrevocable letters of credit for
- Packing and Raw Materials
- Spares
- Equipment

42,353,237	66,188,461
3,216,515	5,261,764
586,419	-

46,156,171	71,450,225
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Quarter Ended September 30, 2010 Rupees	2009 Rupees
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8. SALES - NET

Local sales
Export sales

246,734,315	141,878,032
8,193,360	3,984,160

Less: Commission on sales
Less: Trade discount

254,927,675	145,862,192
4,575,563	-
570,524	1,060,002

249,781,588	144,802,190
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9. COST OF SALES

Opening stock of finished goods
Cost of goods manufactured

5,883,994	68,577,564
161,051,238	148,538,759

Less: closing stock of finished goods

166,935,232	217,116,323
5,430,403	51,435,088

161,504,829	165,681,235
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10. PROVISION FOR TAXATION

Provision for income tax
Deferred taxation

2,451,433	88,557
-	(63,245,016)

2,451,433	(63,156,459)
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Quarter Ended September 30,
2010
Rupees

2009
Rupees

11. PROFIT/ (LOSS) PER SHARE - BASIC AND DILUTED

The calculation of basic earning/ (loss) per share is as follows

Profit/ (loss)		
Profit/ (loss) after taxation	12,836,133	(34,735,236)
Number of shares		
Weighted average number of ordinary shares in issue during the period	55,100,000	55,100,000
Earning / (loss) per share - basic	0.23	(0.63)

No figure for diluted earning / loss 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.

12. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

Relationship with the company	Nature of transaction	Quarter Ended September 30,	
		2010 Rupees	2009 Rupees
Associated companies	Organizational expenses charged	232,871	-
	Purchases	1,871,310	15,771,700
	Sales	4,206,000	2,295,000
Key management personnel	Repayment of long term borrowings from Chief Executive Officer	-	1,599,467
	Mark up accrued on long term borrowings from Chief Executive Officer	-	27,051
	Remuneration and other benefits	2,543,891	2,727,645
Employee benefit plan	Paid during the period	420,034	17,433

13. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 21, 2010 by the Board of Directors of the Company.

14. GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER

DIRECTOR

1st Quarter September RePORT 2010



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