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.

Company Information

Board of Directors	Mrs. Sharmeen Imran	**(Chairperson)**
	Mr. Imran Ghafoor	**(CEO)**
	Mr. Muhammad Asif Pasha	
	Mr. Muhammad Khalil	
	Mr. Saim Bin Saeed	
	Mr. Waleed Asif	
	Mr. Abdullah Javed	
Chief Financial Officer	Mr. Waqas Ashraf (FCA)	
Company Secretary	Mr. Mazhar Ali Khan	
Head of Internal Audit	Mr. Zia-ul-Mustafa	
Audit Committee	Mr. Saim Bin Saeed	**(Chairman)**
	Mrs. Sharmeen Imran	**(Member)**
	Mr. Waleed Asif	**(Member)**
	Mr. Zia-ul-Mustafa	**(Secretary)**
Human Resource and Remuneration Committee	Mr. Muhammad Asif Pasha	**(Chairman)**
	Mr. Saim Bin Saeed	**(Member)**
	Mr. Waleed Asif	**(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 Silk Bank Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited Summit Bank Limited United Bank Limited	
Share Registrar	**THK Associates (Private) Limited** Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, 75530 P.O. Box No. 8533 UAN : +92 (21) 111-000-322 Fax: +92 (21) 35655595,	
Head Office & Project Location	26 - KM Sheikhupura Road, Faisalabad. Ph : (92 41) 2400900-2, 2400904-5	

Notice of Annual General Meeting

Notice is hereby given that the 12th Annual General Meeting of Sitara Peroxide Limited will be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwan-e-Sadr Road, Karachi, on Friday, October 30, 2015 at 2:30 p.m. to transact the following business:

1. To confirm the minutes of Annual General Meeting held on October 28, 2014.

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2015 together with the Reports of Auditors and Directors thereon.

3. To appoint Auditors for the year ending June 30, 2016 and to fix their remuneration.

4. To transact any other ordinary business of the Company with the permission of the Chair.

By order of the Board

Karachi:
September 21, 2015

MAZHAR ALI KHAN
Company Secretary

NOTES:

1. CLOSURE OF SHARE TRANSFER BOOKS.

The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from October 21, 2015 to October 30, 2015 (both days inclusive).

2. PARTICIPATION IN THE ANNUAL GENERAL MEETING.

A member entitled to attend and vote at this meeting is entitled to appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at Company's Share Registrar's Office M/s. THK Associates (Private) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi duly stamped and signed not less than 48 hours before the time of meeting.

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

a) For attending the meeting:

i) In case of individuals, the account holders or sub-account holders and/or the persons whose securities are in group account 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/or the persons whose securities are in group account 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

4. (a) In compliance with the directives issued by the Securities and Exchange Commission of Pakistan and/or Federal Board of Revenue from time to time, members who have not yet provided their dividend mandate information and CNIC and/or NTN number (as the case may be) are requested to kindly provide the same at their earliest as follows:

i. The shareholders who hold company's shares in physical form are requested to submit the above information to the Company's Share Registrar at the address mentioned above.

ii. Shareholders maintaining the shareholdings under Central Depository System (CDS) are advised to submit the above information directly to relevant Participant/CDC Investor Account Service.

Members are also requested to update their tax paying status (Filer/Non-Filer) to the Company's Share Registrar. The above information may please be provided as follows:

Folio / CDS ID / AC No	Name	National Tax No	CNIC No (In case of individuals)	Income Tax return for the year 2014 filed (Yes or No.)

This would enable us to process future dividend payments, if any, in accordance with the tax payment status of the members pursuant to the provisions of Finance Act, 2015, effective July 1, 2015 whereby the rates of deduction of Income tax under Section 150 of the Income Tax Ordinance, 2001 from dividend payment have been revised as follows:

1. Rate of tax deduction for filer of income tax returns	**12.50%**
2. Rate of tax deduction for non-filer of income tax returns	**17.50%**

(b) The FBR has clarified that where the shares are held in joint accounts/names, each account/ joint holder will be treated individually as either a filer or a non-filer and tax will be deducted according to his/her shareholding. The shareholders, who are having joint shareholding status, are requested to kindly intimate their joint shareholding to the Share Registrar of the Company M/s. THK Associates (Private) Limited in the following format:

Folio/ CDC A/c No.	Name of Shareholders (principle/ joint holders)	No. of Shares or percentage (Proportion)	CNIC No.	Signature

5. The audited financial statements of the Company for the year ended June 30, 2015 have been placed at the Compnay's website.

6. The SECP has initiated e-dividend mechanism through its Notification 8(4)SM/CDC/2008 DATED April 05, 2013. In order to avail benefits of e-dividend shareholders are hereby advised to provide details of their bank mandate specifying: (i) title of account, (ii) account number, (iii) bank name, (iv) branch name, code and address to Company's Share Registrar M/s. THK Associates (Private) Limited. Shareholders who hold shares with Participants / Central Depository Company of Pakistan (CDC) are advised to provide the mandate to the concerned Broker /CDC.

7. The SECP has under and pursuant to SRO No. 787(I)/2014 dated September 8, 2014, permitted companies to circulate their annual balance sheet and profit and loss accounts, auditors' report and directors' report etc ("Annual Report") along with the Notice of Annual General Meeting ("Notice") to its shareholders by email. Shareholders of the Company who wish to receive the Company's Annual Report and notices of Annual General Meeting by email are requested to provide their email addresses to the Company's Share Registrar, THK Associates (Private) Limited.

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

On behalf of the Board of Directors of Sitara Peroxide Limited (the Company), we are pleased to submit the Directors report and audited financial statements of the Company for the year ended June 30, 2015.

Business Review

The influx of product from abroad coupled with lackluster performance of consumers of our product and uncertain economic environment in the country have resulted in margins to remain under pressure throughout the year.

The domestic hydrogen peroxide industry's underperformance was again attributed to the energy shortfall and below par performance of textile industry, as textile sector is mega consumer of hydrogen peroxide. The GSP Plus arrangement with EU did provide an opportunity to the textile industry to increase its value added exports to euro zone. However, the energy shortfall and high cost of production crippled the industry and no substantial growth in the overall textile sector was witnessed.

During 2014-15, we produced 24,305 metric tons of hydrogen peroxide and achieved capacity utilization of 81% of the total installed capacity. Lower capacity utilization was result of shut down for almost three weeks in aggregate, due to non-availability of natural gas in winter season, which is basic raw material in production process.

Throughout the last financial year, our focus has been on bringing yield improvements in our all variable input cost such as electricity, natural gas, packaging and chemicals. This strategy has to some extent mitigated the impacts of challenging external environment due to substantial rise in electricity tariff locally and depressed international prices of product. The above strategy has enabled us to generate sustainable cash flows and we were successful in meeting our operational and financial obligations.

The Company continued to make small investments in its production facility, aimed at sustaining continuous operations and improving plant efficiency. We hope to further augment our technical capabilities to control processes and achieve maximum operational efficiency.

Financial Review

	2015	2014
	------------ Rupees	------------
Net sales	1,325,023,512	1,426,464,277
Gross profit	112,502,837	287,237,461
Operational profit	69,275,689	198,202,439
Net (loss) / profit before tax	(70,086,942)	33,230,577
(Loss) / earnings per share – Basic	(0.93)	0.09

During the current year, net sales of the Company decreased by 7% as compared to previous financial year. Decrease in net sales was attributed to decrease in production as well as decrease in prices of hydrogen peroxide, as we struggled to compete with cheap/dumped imports. During current year, cost of sales to net sales ratio remained 91% as compared to ratio of 78% in the previous year; which is mainly attributed to steep rise in power tariffs and increase in import prices of raw and packing material. Finance cost of the Company decreased by 15% as compared to previous year. Principal repayment of banking loans and decrease in interest rates helped the Company to decrease its finance cost. Net loss after tax for the year remained Rs. 51 million and loss per share remained Rs. (0.93).

Marketing Overview

Last financial year had been really tough to maintain market share as we had to face competition from local as well as international competitors. Despite that, we have been successful in selling our whole production during the year. Prices of Hydrogen Peroxide remained under downward pressure due to cheaper imports from Bangladesh and tight competition in domestic market. In this gloomy atmosphere, our primary focus had been to retain our business at reasonable margins. The Company pursued an aggressive marketing strategy and worked extensively with end users for market development to maximize our domestic sales. We increased our focus on exclusive customers in terms of enhanced service quality and timely deliveries; so that we can keep our prices a bit stable as compared to general market of hydrogen peroxide.

In 2014-15, your company has to face challenge of dumped imports of hydrogen peroxide from Bangladesh, a new hydrogen peroxide manufacturing zone. Dumping in local market left local manufacturers of hydrogen peroxide on sheer disadvantage. So, on the request of the local hydrogen peroxide industry, National Tariff Commission (NTC) has initiated anti-dumping investigations of dumped imports of hydrogen peroxide from Bangladesh. Management of your Company is hopeful that NTC will levy anti-dumping duty on dumped imports. Further, we are pleased to share with you that upon completion of five years of initial levy of Anti-dumping duties on dumped imports of H2O2 from different countries/regions and upon request of H2O2 industry, National Tariff Commission of Pakistan (NTC) has initiated a sunset review of anti-dumping duties already levied on dumped imports. As a result of this initiation, the anti-dumping duties which were due to expire in September, 2015 will now continue till the conclusion of this investigation. Moreover, it is expected that on the conclusion of this investigation, antidumping duties will be extended for another period of 3 to 5 years.

We are expecting imposition of anti-dumping duties on import of hydrogen peroxide from Bangladesh. By virtue of this, we will be able to positively revise prices of our product to get much needed reasonable margins.

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. Muhammad Adrees	4	3
iv)	Mr. Muhammad Khalil	4	4
v)	Mr. Muhammad Asif Pasha	4	4
vi)	Mr. Waleed Asif	4	4
vii)	Mr. Saim Bin Saeed	4	4

The qualification and composition of the Board of Directors has been defined by the regulatory framework, which has been fully implemented by the Company to ensure transparency, good governance and awareness of Board responsibilities for smooth functioning of business operations. The structure of the Board reflects a combination of executive, non-executive and independent directors. Board comprises seven directors which include two executive directors (including the CEO), four non-executive directors and one independent director. The Chairperson of the Board is a non-executive director. The positions of Chairperson and CEO are held by separate individuals with clearly defined roles and responsibilities.

During the year, casual vacancy occurred due to resignation of a director. Subsequent to the year end, Mr. Abdullah Javed has been appointed as director, in order to fill the casual vacancy within the time stipulated in Code of Corporate Governance. The Board places on record its appreciation for the valuable contributions made by the outgoing director and welcomes Mr. Abdullah Javed on the Board of the Company.

As required by code of corporate governance, all directors are provided with sufficient information of their duties and responsibilities under respective laws and the Company's Memorandum and Articles of Association. Directors, being senior professionals and possessing experience of managing various responsibilities, have adequate exposure to corporate matters. During current financial year, two directors, one non-executive and one independent, have completed their Directors' Training Program from an institute duly approved by SECP. Certification for remaining directors will be obtained in accordance with the Code of Corporate Governance.

The Company has an Audit Committee and a HR & Remuneration Committee of the Board. Composition of these committees is strictly in compliance with guidelines of Code of Corporate Governance.

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

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

Compliance with Corporate Governance

With a view to ensuring long term satisfaction of our shareholders, creditors, employees, customers, suppliers and regulators, we have ensured existence of transparency and good governance at the very core of our business strategies and practices.

The Code of Conduct, sound internal controls, compliance of specified regulations and criteria in addition to other best practices, hold prominence in the Company's governance structure, which are applicable at all levels of Company management and operations.

We have surpassed the legal requirements through voluntary adoption of best business practices and standards. Our statement of compliance with Code of Corporate Governance of Pakistan forms part of Annual Report 2015, along with the Auditors' Report thereon.

Corporate and Financial Reporting Framework

The Directors are pleased to confirm compliance with Corporate and Financial Reporting Framework of the Securities & Exchange Commission Pakistan (SECP) and the Code of Corporate Governance for the following:

- The financial statements, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity
- Proper books of account of the Company have been maintained
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed

- The system of internal control is sound in design and has been effectively implemented and monitored
- There are no significant doubts regarding 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
- Information regarding outstanding taxes and levies, as required by Listing Regulations, is disclosed in the notes to the financial statements

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, 2015. The Company has fully paid all obligations against this scheme in 2014-15.

Health, Safety and Environment (HSE)

We are committed to maintaining a safe and healthy working environment for our employees. Health management goes beyond legal requirements and involves strengthening our employees' physical, mental and social well being.

Our approach to HSE is proactive and oriented toward long term development; inculcating safety culture through training, incentives and effective HSE management system. We take in pride in the fact that in our eight years of operation, the Company has sustained an excellent safety record and adherence to safety policies and procedures. We ensure that occupational safety is upheld by contract workforce through Code of Conduct for contractors.

Information Technology

Our IT policy defines the responsibilities of all the users at the Company. The policy ensures the security of information when it is stored and transmitted, and protects the data from unauthorized or accidental modification or destruction, and disclosure. The purpose of our IT Governance Policy is to ensure continuity of IT operations and electronic communication, keep the IT infrastructure up to date with relevant updates and system upgrades and to enhance system security to minimize risk of malicious attacks. The policy also provides a framework for effective and efficient data and infrastructure backup system as part of Disaster Recovery Management.

Human Resource Development

Employee development is fundamental to our long-term growth and success. During the year, the Company focused on strengthening its team by hiring competent and experienced professionals to work on growth projects and improve sustainability of its base business. The Company worked towards enhancing employee engagement through market competitive benefits. Additionally, we create a friendly and professional work environment to enable personal and professional development of the employees. During the year, investments were made in technical and behavioral skill trainings for employees at all levels.

Dividends

Due to loss in current financial year, Board has not announced any dividend during the year.

Risk management

The Board has an overall responsibility for the risk management process and internal control procedures. The Audit Committee monitors the Company's risk management process quarterly or more frequently if required and reviews the adequacy of the risk management framework. The Company's documented and regularly reviewed procedures are designed to safeguard our assets, address risks facing the business, and ensure timely reporting to the Board and senior management. A clear organizational structure with defined delegation of authorities is maintained and the senior management takes the day-to-day responsibility for implementation of procedures, ongoing risk monitoring, and effectiveness of controls. Our risk and control procedure is supported through a Business Continuity Plan and Crisis Management Plan.

Auditors

The existing auditors M/S Deloitte Yousuf Adil, Chartered Accountants, shall retire on the conclusion of the 12th Annual General Meeting. Being eligible, they offered themselves for re-appointment as auditors of the Company for financial year ending June 30, 2016. The audit committee has recommended the appointment of aforesaid M/S Deloitte Yousuf Adil, Chartered Accountants, as external auditors for the financial year ending June 30, 2016.

Future Outlook

While ensuring we return to profitability, we will continue to identify and implement sustainable ways of doing business. As we look towards financial year 2015-16, we are excited about our business opportunities. We strive to gain a stronger market presence by remaining committed to our goals. Our focus remains to reduce costs, maintain quality, and surpass output levels. Management of your Company is also hopeful that after imposition of anti-dumping duty on imports, prices of product will rise resulting in improve margins.

Acknowledgement

We take this opportunity to thank our valued business partner and stakeholders for their continuous support, trust and assistance.
The Company is also immensely proud of and thankful to employees for their committed and passionate efforts, loyalty and dedication.

For and on behalf of the
Board of Directors

IMRAN GHAFOOR
Chief Executive Officer

September 21, 2015
Faisalabad

Six Years Financial Summary

Six Years Financial Summary

		2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
		Rupees in "000"					
Profit and Loss Account							
Net Sales		1,325,024	1,426,464	1,110,400	985,001	1,289,332	714,986
Gross Profit		112,503	287,237	273,846	152,513	503,484	20,141
Operating Profit		8,754	189,727	178,283	74,520	432,147	(29,097)
(Loss) / profit before tax		(70,087)	33,231	(9,472)	(172,113)	179,435	(272,888)
(Lloss) / profit after tax		(51,180)	5,013	(18,779)	(198,634)	166,251	(179,146)
BALANCE SHEET							
Property, plant and equipment		2,327,432	2,490,671	1,832,861	2,019,742	2,248,853	2,259,948
Long term advances		3,905	3,905	5,205	46,005	3,705	3,705
Current assets		993,091	855,528	750,978	668,874	622,855	457,794
Current liabilites		953,516	718,817	805,416	1,077,233	791,413	625,265
Non-current liabilities		1,144,162	1,353,100	1,096,767	949,203	1,177,182	1,355,614
Share capital		551,000	551,000	551,000	551,000	551,000	551,000
Shaeholders equity		297,322	294,860	259,152	248,549	417,790	219,692
Surplus on revaluation		929,428	983,328	427,709	459,635	489,029	520,875
Financial Ratios							
Gross Profit to Sales	(%)	8.49	20.14	24.66	15.48	39.05	2.82
Net Profit to Sales	(%)	(3.86)	0.35	(1.69)	(20.17)	12.89	(25.06)
Return on Equity	(%)	(17.21)	1.70	(7.25)	(79.92)	39.79	(81.54)
Return on Capital Employed	(%)	(2.16)	0.19	(1.05)	(11.86)	7.98	(8.55)
Current Ratio	times	1.04	1.19	0.93	0.63	0.79	0.73
Quick ratio	times	0.51	0.47	0.39	0.23	0.31	0.32
(Loss) / earnings per share - Basic and diluted	Rupees	(0.93)	0.09	(0.34)	(3.60)	3.02	(3.25)
Price Earning Ratio	times	(14.36)	146.63	(34.77)	(3.52)	4.42	(4.83)
Market Value per share (at year end)	Rupees	13.15	13.59	12.73	9.90	16.75	9.29
Market value per share (lowest)	Rupees	10.24	12.00	9.55	8.73	7.67	8.61
Market value per share (highest)	Rupees	16.05	20.13	15.62	17.95	19.99	22.19
Breakup value of share with revaluation surplus	Rupees	22.26	23.20	12.50	12.85	16.46	13.44

Pattern of Shareholding

AS AT JUNE 30, 2015

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
562	1	100	8,794
5,451	101	500	2,706,886
980	501	1,000	968,218
1,260	1,001	5,000	3,468,040
321	5,001	10,000	2,615,678
93	10,001	15,000	1,198,001
57	15,001	20,000	1,072,002
41	20,001	25,000	980,355
22	25,001	30,000	628,500
9	30,001	35,000	298,500
12	35,001	40,000	457,474
6	40,001	45,000	262,839
17	45,001	50,000	836,000
2	50,001	55,000	105,000
2	55,001	60,000	120,000
3	60,001	65,000	188,250
7	65,001	70,000	482,401
4	70,001	75,000	291,400
4	75,001	80,000	310,000
5	80,001	85,000	413,500
9	95,001	100,000	900,000
4	100,001	105,000	404,501
1	110,000	115,001	112,500
2	115,001	120,000	240,000
3	120,000	125,000	372,000
1	125,001	130,000	125,370
1	130,001	135,000	133,500
1	145,001	150,000	148,162
1	160,001	165,000	162,500
1	170,001	175,000	175,000
3	195,001	200,000	600,000
1	205,001	210,000	210,000
3	220,001	225,000	671,542
2	245,001	250,000	500,000
1	255,001	260,000	258,000
1	275,001	280,000	280,000
1	320,001	325,000	324,500
1	360,001	365,000	361,000
1	375,001	380,000	380,000
1	395,001	400,000	400,000
1	415,001	420,000	416,666
1	645,001	650,000	648,500
1	1,140,001	1,145,000	1,142,000
1	1,170,001	1,175,000	1,175,000
2	1,995,001	2,000,000	3,997,921
1	2,620,001	2,625,000	2,624,435
1	3,495,001	3,500,000	3,500,000
1	17,425,001	17,430,000	17,425,065
8,906			**55,100,000**

AS AT JUNE 30, 2015

	Number	Share Held	Percentage
Associated Companies, Undertakings and Related Parties			
Sitara Chemical Industries Limited	1	3,500,000	6.35
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. Muhammad Khalil	1	1,000	0.00
Mr. Muhammad Asif Pasha	1	1,000	0.00
Mr. Waleed Asif	1	1,000	0.00
Mr. Saim Bin Saeed	1	500	0.00
Banks, Development	2	2,500	0.00
Mudarabas and Mutual Funds	1	10,000	0.02
Foreign Companies	1	5,000	0.01
General Public (Local)	8,795	26,799,632	48.64
General Public (Foreign)	51	309,792	0.56
Joint Stock Companies	40	1,083,410	1.97
Relatives other than spouse and minor children	7	3,326,166	6.04
Others	1	500	0.00
	8,906	55,100,000	100.00

Detail of purchase / sale of shares of the Company by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses / minor children during 2014-2015.

There has been NO Sale / Purchase of shares held by aforesaid offcials of the Company during the year.

Following persons have shareholding of 5% and above in the Company.

a.	Mr. Imran Ghafoor (Chief Executive Officer)	17,425,065
b.	Sitara Chemical Industries Limited	3,500,000

The Board has determined threshold under clause xvi (l) of Code of Corporate Governance 2012 in respect of trading of Company's shares by executives and employees who are drawing annual basic salary of Rs. 2.4 million or more.

None of the employee of the Company has made any trading of shares of the Company who falls beyond the threshold of Rs. 2.4 million annual basic salary.

Salient Feautres of Code of Conduct

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 ensures 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 reasonable 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.

Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Sitara Peroxide Limited** for the year ended June 30, 2015 to comply with the requirements of Listing Regulations No. 35 of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirement of the Code. 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 Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors statement on internal controls 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 Code requires the Company to place before the Audit Committee, and upon recommendation of Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of Audit Committee. We have not carried out any procedures to determine 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 best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

Deloitte Yousuf Adil.

Chartered Accountants

Lahore
Dated: September 21, 2015

Statement of Compliance with the Code of Corporate Governance Sitara Peroxide Limited for the Year Ended June 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The Board of Directors of the Company comprised of six directors at year ended June 30, 2015.

Category	Director Name
Non-Executive/Chairperson	Mrs. Sharmeen Imran
Executive/Chief Executive	Mr. Imran Ghafoor
Executive	Mr. Muhammad Khalil
Non-Executive	Mr. Muhammad Asif Pasha
Non-Executive	Mr. Waleed Asif
Independent	Mr. Saim Bin Saeed

The independent director meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on board of more than seven listed companies, including this Company.

3. All the directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors is member of stock exchange.

4. Casual vacancy occurring on the board during the year due to the resignation of one director will be filled up in due course, within stipulated period as prescribed in CCG.

5. 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.

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

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

8. 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 and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In accordance with the criteria specified in clause (xi) of CCG, one of the six Directors of the Company is exempted from the requirement of directors' training program, while five directors have got certified with directors training program upto June 30, 2015.

10. There has been no change in the position of CFO, Company Secretary and Head of Internal Audit during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of CCG and fully describes the salient matters required to be disclosed.

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

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

14. The company has complied with all the corporate and financial reporting requirements of the CCG

15. The Board has formed an Audit Committee. It comprises three members; all members are non-executive directors including the chairman of the committee.

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

17. The board has formed an HR and Remuneration Committee. It comprises of three members; all of whom are non-executive directors including the chairman of the committee.

18. The Board has set up an effective internal audit function.

19. 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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect market price of Company's securities, was determined and intimated to the directors, employees and Stock Exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through the Stock Exchange.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

CHIEF EXECUTIVE OFFICER

DIRECTOR

September 21, 2015
Faisalabad

Auditors' Report to the Members

We have audited the annexed balance sheet of **Sitara Peroxide Limited ("the Company")** as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and its loss, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion no Zakat was deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Deloitte Yousuf Adil.

Chartered Accountants

Engagement Partner:
Talat Javed

Dated: September 21, 2015
Lahore

Balance Sheet

	Note	2015	2014
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,327,432,515	2,490,671,198
Long term advances and deposits	5	3,905,000	3,905,000
		2,331,337,515	2,494,576,198
Current assets			
Stores, spare parts and loose tools	6	88,108,495	91,315,479
Stock in trade	7	509,269,141	521,114,471
Trade debts	8	51,924,234	31,184,709
Advances	9	126,332,952	96,137,520
Deposits and short term prepayments	10	37,446,075	23,874,259
Sales tax refundable	11	173,630,975	91,054,056
Cash and bank balances	12	6,378,894	847,908
		993,090,766	855,528,402
Total assets		3,324,428,281	3,350,104,600

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

As at June 30, 2015

	Note	2015	2014
		Rupees	
EQUITY AND LIABILITIES			
Equity			
Share capital	13	551,000,000	551,000,000
Accumulated losses		(253,678,095)	(256,140,395)
		297,321,905	294,859,605
Surplus on revaluation of property, plant and equipment	14	929,428,187	983,327,979
Non-current liabilities			
Long term financing	15	662,164,533	893,735,288
Liabilities against assets subject to finance lease	16	-	604,818
Deferred liabilities	17	291,200,178	320,418,033
Deferred mark-up	18	190,797,488	138,342,357
		1,144,162,199	1,353,100,496
Current liabilities			
Trade and other payables	19	308,722,308	193,825,769
Accrued mark-up	20	19,373,851	27,315,264
Short term borrowings	21	333,677,696	261,175,926
Current portion of long term financing	15	277,658,084	221,390,536
Current portion of liabilities against assets subject to finance lease	16	605,351	628,349
Provision for taxation		13,478,700	14,480,676
		953,515,990	718,816,520
Contingencies and commitments	22	-	-
Total equity and liabilities		3,324,428,281	3,350,104,600

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Profit And Loss Account for the Year Ended June 30, 2015

	Note	2015	2014
		Rupees	
Sales	23	1,325,023,512	1,426,464,277
Cost of sales	24	(1,212,520,675)	(1,139,226,816)
Gross profit		112,502,837	287,237,461
Other income	25	60,521,573	8,475,844
		173,024,410	295,713,305
Distribution cost	26	28,153,878	33,925,626
Administrative expenses	27	71,134,152	57,260,646
Other expenses	28	4,460,691	6,324,594
Finance cost	29	139,362,631	164,971,862
		(243,111,352)	(262,482,728)
(Loss)/Profit before taxation		(70,086,942)	33,230,577
Provision for taxation	30	18,907,034	(28,217,660)
(Loss)/Profit for the year		(51,179,908)	5,012,917
(Loss)/Earnings per share - basic and diluted	31	(0.93)	0.09

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Total Comprehensive Income for the Year Ended June 30, 2015

	Note	2015	2014
		------- Rupees -------	
(Loss) / profit for the year		(51,179,908)	5,012,917
Items that will subsequently not be reclassified to profit and loss account			
- Remeasurement on defined benefit obligation	17.1	(378,800)	601,230
- Relevant tax		121,216	(204,418)
		(257,584)	396,812
Items that may subsequently be reclassified to profit and loss account		-	-
Total comprehensive income for the year		(51,437,492)	5,409,729

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Cash Flow Statement for The Year Ended June 30, 2015

	Note	2015	2014
		Rupees	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(70,086,942)	33,230,577
Adjustments for:			
Depreciation on property, plant and equipment	4.1.1	181,419,515	169,547,267
Provision for staff retirement benefits - gratuity	17.1	5,752,479	4,284,833
Finance cost	29	139,362,631	164,971,862
Gain on disposal of property, plant and equipment		-	(2,766,159)
Profit on bank deposits	25	(1,396,692)	(3,605,211)
Exchange Gain	25	(16,524)	-
Gain on sale of Catalyst	25	(59,022,852)	-
		196,011,615	365,663,169
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		3,206,984	(21,260,982)
Stock in trade		11,845,330	(82,534,624)
Trade debts		(20,739,525)	4,373,024
Advances		12,110,864	30,911,507
Deposits and short term prepayments		(13,571,816)	(1,081,420)
Sales tax refundable		(82,576,919)	(26,245,737)
Proceeds from sale of Catalyst		59,039,376	-
Increase /(decrease) in current liabilities			
Trade and other payables		114,896,539	67,576,757
		84,210,833	(28,261,475)
Cash generated from operations		280,222,448	337,401,694
Finance cost paid		(94,848,913)	(105,864,023)
Staff retirement benefits - gratuity paid		(2,101,709)	(1,561,791)
Income taxes paid - net		(57,527,447)	(29,696,792)
Profit received on saving account		1,396,692	3,605,211
		(153,081,377)	(133,517,395)
Net cash from operating activities		127,141,071	203,884,299
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(18,180,832)	(5,404,633)
Proceeds from disposal of property, plant and equipment		-	35,600,000
Proceeds from advances for capital work in progress		-	6,491,256
Decrease in long-term deposits		-	1,300,000
Net cash (used in)/from investing activities		(18,180,832)	37,986,623
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		-	137,150,000
Repayment of long term financing		(175,303,207)	(230,145,231)
Lease rentals paid		(627,816)	(9,562,906)
Net cash used in financing activities		(175,931,023)	(102,558,137)
Net (decrease)/increase in cash and cash equivalents (A+B+C)		(66,970,784)	139,312,785
Cash and cash equivalents at beginning of the year		(260,328,018)	(399,640,803)
Cash and cash equivalents at end of the year	32	(327,298,802)	(260,328,018)

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Statement of Changes in Equity for the Year Ended June 30, 2015

	Share capital	Accumulated losses	Total
	Rupees		
Balance as at June 30, 2013	551,000,000	(291,847,959)	259,152,041
Profit for the year	-	5,012,917	5,012,917
Other comprehensive income	-	396,812	396,812
Total comprehensive income	-	5,409,729	5,409,729
Incremental depreciation charged during the year transferred to accumulated losses - net of tax		30,297,835	30,297,835
Balance as at June 30, 2014	551,000,000	(256,140,395)	294,859,605
Loss for the year	-	(51,179,908)	(51,179,908)
Other comprehensive income	-	(257,584)	(257,584)
	-	(51,437,492)	(51,437,492)
Incremental depreciation charged during the year transferred to accumulated losses-net of deferred tax	-	53,899,792	53,899,792
Balance as at June 30, 2015	551,000,000	(253,678,095)	297,321,905

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Notes to the Financial Statements For The Year Ended June 30, 2015

1. GENERAL INFORMATION

1.1 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. 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 Sheikhupura Road, Faisalabad in the province of Punjab.

The principal activity of the Company is manufacturing and sale of hydrogen peroxide (H2O2).

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

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

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

2.1.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2015.

The following standards, amendments and interpretations are effective for the year ended June 30, 2015. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 19 Employee Benefits: Employee contributions — **Effective from accounting period beginning on or after July 01, 2014**

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contribution as a reduction of the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service either using the plan's contribution formula or on a straight line basis; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. Retrospective application is required.

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities — **Effective from accounting period beginning on or after January 01, 2014**

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

IAS 36 Impairment of Assets - Recoverable amount disclosures for non-financial assets — **Effective from accounting period beginning on or after January 01, 2014**

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair value Measurements. The amendments require retrospective application.

IAS 39 Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting — **Effective from accounting period beginning on or after January 01, 2014**

The amendment allows the continuation of hedge accounting (under IAS 30 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditioned are met.

IFRIC 21 - Levies — **Effective from accounting period beginning on or after January 01, 2014**

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

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

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

Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization — **Effective from accounting period beginning on or after January 01, 2016**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendment to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue. For example, an entity could acquire a concession to explore and extract gold from a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction (for example, a contract may allow the extraction of gold mine until the total cumulative revenue from the sale of goods reaches CU 2 billion) and not be based on time or on the amount of gold extracted. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortization is to be determined, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset; or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible assets are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants

Effective from accounting period beginning on or after January 01, 2016

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

On the initial application of the amendments, entities are permitted to use the fair value of the items of bearer plants as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognized in opening retained earnings at the beginning of the earliest period presented.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

IAS 27 (Revised 2011) – Separate Financial Statements

Effective from accounting period beginning on or after January 01, 2015. IAS 27 (Revised 2011) will concurrently apply with IFRS 10.

The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard. Subsequently, IASB issued amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures

Effective from accounting period beginning on or after January 01, 2015

Similar to the previous Standard, the new Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

IFRS 10 – Consolidated Financial Statements

Effective from accounting period beginning on or after January 01, 2015. Earlier adoption is encouraged.

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of IAS 27 and SIC 12; the former used a control concept while the latter placed greater emphasis on risks and rewards. IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the 'control' assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. No adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is different from that before the application of IFRS 10.

IFRS 11 – Joint Arrangements — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non monetary Contributions by Ventures. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

IFRS 12 – Disclosure of Interests in Other Entities — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity's interest in other entities and the effects of those interests on its financial statements.

IFRS 13 – Fair Value Measurement — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

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

2.1.3 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 13 — Fair Value Measurement
- IFRS 14 — Regulatory Deferral Accounts
- IFRS 15 — Revenue from Contracts with Customers

2.2 SIGNIFICANT ESTIMATES

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.2.1 Employee benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation 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.

2.2.2 Property, plant and equipment

During the current financial year, the company has revised the useful life of its Plant and machinery to 20 years which was previously depreciated over an estimated useful life of 15 years. There has been no further change or revision in accounting estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting Convention

These financial statements have been prepared under historical cost convention modified by:
- revaluation of land; and
- recognition of certain employee retirement benefits at present value.

3.2 Property, plant and equipment

Property, plant and equipment are stated at revalued amounts less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount. Laboratory equipment, office equipment, furniture and fittings and vehicles are stated at cost less accumulated depreciation and impairment in value, if any. Capital work-in-progress is stated at cost less impairment in value, if any. Cost also includes borrowing cost wherever applicable.

Assets' residual values and their useful lives are reviewed and adjusted, if appropriate at each balance sheet date. During the current financial year, the company has revised the useful life of its Plant and machinery to 20 years which was previously depreciated over an estimated useful life of 15 years.

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

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

Depreciation is charged to profit and loss account applying the straight line method over its estimated useful life at the rates specified in relevant note 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 credited to surplus on revaluation of property, plant and equipment and is shown below share capital and reserves. Revaluation is carried out with sufficient regularity to ensure that the carrying amounts of the assets doest not differ materially from the fair value. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount 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 transferred by the Company to its un-appropriated profit / (loss).

Gains or losses on disposal of assets, if any, are included in the profit and loss account, as and when incurred.

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.

3.3 Assets subject to finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, over the term of the relevant lease.

3.4 Stores, spare parts and loose tools

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

3.5 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	- average manufacturing cost.
Finished goods	- average manufacturing cost.
Waste	- net realizable value.

Average manufacturing cost in relation to work-in-process and finished goods includes prime cost and appropriate production overheads, based on normal 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.

3.6 Impairment

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying value 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, unless asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 assets is increased to the revised recoverable amount but limited to the extent of the carrying value that would have been determined (net of depreciation and amortization) had no impairment loss been charged in the previous periods. Reversal of impairment loss is recognized as income.

3.7 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized 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.

The gain or loss on disposal of financial instruments is recognized immediately in the profit and loss account.

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

3.8 Trade debts and other receivables

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

3.9 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value and running finance under markup arrangement.

3.10 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method.

3.11 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the company's general policy on borrowing costs.

3.12 Staff retirement benefits - gratuity

The Company operates an unfunded gratuity scheme (defined benefit plan) for its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the schemes on the basis of actuarial valuation and are charged to income.

The amount recognized in the balance sheet represents the present value of defined benefit obligations using projected unit credit method.

Details of the scheme are given in relevant note to these financial statements.

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

3.13 Provisions

Provisions are recognized in the balance sheet 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 balance sheet date and adjusted to reflect the current best estimate.

3.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.
Revenue from local sales is recognized when goods are dispatched to customers.
Revenue from export sales is recognized on shipment of goods to customers.
Profit on bank deposits is accrued on a time proportion basis taking into account the effective rate of return.

3.15 Borrowings

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

3.16 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.

3.17 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. 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 balance sheet 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 balance sheet 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.

3.18 Foreign currencies

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

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

3.19 Earnings per share

The Company presents earnings 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.

3.20 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, 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.

3.21 Impairment of Financial Assets

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

4. Operating Fixed assets- at June 30, 2015

Description	Cost / revalued amount				Accumulated depreciation					
	At July 01, 2014	Additions / (disposals)	Surplus / Adjustments	At June 30, 2015	At July 01, 2014	Charge for the year / (on disposals)	Transfers / Adjustments	At June 30, 2015	Book value at June 30, 2015	Rate %
	Rupees									
Land - freehold	197,304,000	-	-	197,304,000	-	-	-	-	197,304,000	-
Building on freehold land	213,241,053	-	-	213,241,053	-	13,353,736	-	13,353,736	199,887,317	5
Plant and machinery	2,086,026,531	3,156,077	-	2,089,182,608	179,238,509	135,694,503	-	314,933,012	1,774,249,596	5
Electric installations	167,705,772	179,895	-	167,885,667	11,517,645	25,890,080	-	37,407,725	130,477,942	10
Laboratory equipment	3,702,720	-	-	3,702,720	1,972,961	370,272	-	2,343,233	1,359,487	10
Factory equipment	12,404,398	-	-	12,404,398	7,711,990	1,240,440	-	8,952,430	3,451,968	10
Office equipment	4,649,977	52,884	-	4,702,861	2,158,299	468,558	-	2,626,857	2,076,004	10
Furniture and fittings	3,819,957	46,476	-	3,866,433	1,926,647	384,126	-	2,310,773	1,555,660	10
Vehicles	8,855,313	14,745,500	-	23,600,813	4,114,509	3,560,075	-	7,674,584	15,926,229	20
	2,697,709,721	18,180,832	-	2,715,890,553	208,640,560	180,961,790	-	389,602,350	2,326,288,203	
Leased										
Vehicle	2,288,625	-	-	2,288,625	686,588	457,725	-	1,144,313	1,144,312	20
	2,699,998,346	18,180,832	-	2,718,179,178	209,327,148	181,419,515	-	390,746,663	2,327,432,515	

4.1.1 Depreciation charge for the year has been as follows:

	Note	2015	2014
Cost of sales	24	177,295,146	167,504,690
Distribution expenses	26	794,100	749,944
Administrative expenses	27	3,330,269	1,292,633
		181,419,515	169,547,267

4.2 During the year ended June 30, 2014, the Company revalued its plant and machinery by Rs. 627,600,494. The revaluation was carried out by independent consultants and the remaining useful life of plant and machinery was estimated to be 20-25 years.

Based on the revaluation, during the year, management has revised the depreciation rate of its plant and machinery to 5.0%. Management believes that the said change in estimate reflects more accurately the pattern of consumption of ecomomic benefits of the respective assets. These changes have been accounted for prospectively in accordance with the requirements of International Accounting Standard (IAS) - 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

Had there been no revaluation and change in estimate, the depreciation charge would have increased by Rs. 45,321,963.

4.3 Operating Fixed assets- at June 30, 2014

Description	Cost / revalued amount				Accumulated depreciation					
	At July 01, 2013	Additions / (disposals)	Surplus / Adjustments	At June 30, 2014	At July 01, 2013	Charge for the year / (on disposals)	Transfers / Adjustments	At June 30, 2014	Book value at June 30, 2014	Rate %
	Rupees									
Land - freehold	158,761,500	(23,115,000)	61,657,500	197,304,000	-	-	-	-	197,304,000	-
Building on freehold land	186,132,157	-	27,108,896	213,241,053	44,527,057	9,306,608	(53,833,665)	-	213,241,053	5
Plant and machinery	2,086,026,531	-	-	2,086,026,531	667,701,033	139,137,970	(627,600,494)	179,238,509	1,906,788,022	6.67
Electric installations	167,526,172	179,600	-	167,705,772	85,829,301	16,765,289	(91,076,945)	11,517,645	156,188,127	10
Laboratory equipment	3,432,720	270,000	-	3,702,720	1,620,689	352,272	-	1,972,961	1,729,759	10
Factory equipment	12,404,398	-	-	12,404,398	6,471,550	1,240,440	-	7,711,990	4,692,408	10
Office equipment	4,585,394	64,583	-	4,649,977	1,694,916	463,383	-	2,158,299	2,491,678	10
Furniture and fittings	3,426,842	393,115	-	3,819,957	1,564,472	362,175	-	1,926,647	1,893,310	10
Vehicles	6,689,326	4,497,335	9,533,333	8,855,313	5,015,611	1,244,738	3,466,667	4,114,509	4,740,804	20
		(11,864,681)				(5,612,507)				
	2,628,985,040	5,404,633	98,299,729	2,697,709,721	814,424,629	168,872,875	-	208,640,560	2,489,069,161	
		(34,979,681)				(5,612,507)				
Leased										
Vehicle	15,288,625	-	(13,000,000)	2,288,625	3,478,863	674,392	(3,466,667)	686,588	1,602,037	20
	2,644,273,665	5,404,633	85,299,729	2,699,998,346	817,903,492	169,547,267	(3,466,667)	209,327,148	2,490,671,198	
		(34,979,681)				(5,612,507)				

4.4 Revaluation of land and building has been carried out as at June 30, 2014 by "MYK Associates (Private) Limited" and property, plant and equipment and electric installations by "Mericon Consultants (Private) Limited, both are independent valuers and are not connected with the company. Basis of revaluations are as follows:

a) Land

Revalued amount of land was determined by reference to local market value of land taking into account prevailing fair market prices under the position and circumstances present on the date of revaluation and market scenario for properties of similar nature in the immediate neighbourhood and adjoining areas.

b) Building

Revalued amount of building was 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.

c) Plant and machinery and electric installations

Revalued amount of plant and machinery and electric installation was 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.

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

4.6 Had there been no revaluation and accordingly the change in estimates of plant and machinery as disclosed in 4.2 to the financial statement, the cost, accumulated depreciation and book value of revalued assets would have been as under:

	Cost	Accumulated depreciation	Book value
		Rupees	
Freehold land	41,997,852	-	41,997,852
Building on freehold land	161,737,333	55,821,826	105,915,507
Plant and machinery	1,460,973,186	694,567,563	766,405,623
Electric installations	148,881,942	107,932,298	40,949,644
Factory equipment	10,414,714	7,758,621	2,656,093
2015	1,824,005,027	841,734,763	982,270,264
2014	1,820,669,055	744,863,325	1,075,805,730

4.7 Plant and machinery includes two Gas Gensets held jointly by the Company on behalf of and in trust for the investor under the Musharaka arrangements entered into by the Company. The Musharaka facility had been fully paid in financial year 2012-13. Cost and book value of assets under these Musharaka arrangements are as follows:

Description	2015 Cost	2015 Book value	2014 Cost	2014 Book value
Gas Gensets	86,609,865	55,323,495	86,609,865	65,427,979

	Note	2015	2014
		Rupees	
5. LONG TERM ADVANCES AND DEPOSITS			
Security deposit for electricity connection		3,640,000	3,640,000
Lease key money		200,000	200,000
Security deposit to Central Depository Company of Pakistan Limited		50,000	50,000
Other deposit		15,000	15,000
		3,905,000	3,905,000
6. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		36,743,097	42,650,515
Spare parts and loose tools		51,365,398	48,664,964
		88,108,495	91,315,479
7. STOCK IN TRADE			
Raw material		46,454,759	131,259,652
Work-in-process		433,639,504	336,697,220
Packing material		23,054,065	33,686,453
Finished goods		6,120,813	19,471,146
		509,269,141	521,114,471
8. TRADE DEBTS			
Considered good			
Others - unsecured local		51,924,234	31,184,709
		51,924,234	31,184,709
9. ADVANCES			
Considered good			
Advances to:			
Employees against salary - secured		694,455	742,057
Employees for expenses - unsecured		2,442,200	1,453,487
Suppliers - unsecured (Local)		5,322,108	19,547,796
Suppliers - unsecured (Foreign)		2,242,331	1,068,618
Advance income tax		104,631,858	62,325,562
Others	9.1	11,000,000	11,000,000
		126,332,952	96,137,520

9.1 The Company gave advance of Rs. 41 Million for purchase of land in 2012. However, the decision for purchase of land was reversed in 2014 before the transfer of the title. The Company has received back Rs. 30 million and remaining advance is pending receipt at reporting date.

	Note	2015	2014
		Rupees	

10. DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2015	2014
Nazir of the Honorable Sindh High Court	10.1	18,809,059	18,809,059
Prepaid insurance		310,770	-
Deposits against letter of credit		14,304,446	1,507,638
Others		4,021,800	3,557,562
		37,446,075	23,874,259

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. 18,809,059 involved in the clearance of import shipments.

11. SALES TAX REFUNDABLE

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

12. CASH AND BANK BALANCES

	Note	2015	2014
		Rupees	
Cash in hand		280,756	151,371
Cash at banks - Current Accounts		1,045,293	696,537
Cash at banks - Saving Accounts	12.1	5,052,845	-
		6,378,894	847,908

12.1 Effective mark-up rate earned in respect of saving accounts ranged from 5.50% per annum to 9.0% per annum (2014: Nil).

13. SHARE CAPITAL

2015	2014		2015	2014
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 fully paid in cash	551,000,000	551,000,000

13.1 There is no movement in issued, subscribed and paid up capital during the year.

13.2 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.

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

13.4 3,500,000 (2014: 3,500,000) ordinary shares of Rs. 10 each are held by Sitara Chemical Industries Limited, an associated undertaking.

	Note	2015	2014
		Rupees	
14. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Balance at beginning of the year		983,327,979	427,709,455
Revaluation surplus created during the year		-	861,277,500
Relevant deferred tax liability		-	(275,361,141)
Revaluation surplus created during the year - net of tax		-	585,916,359
Transfer to accumulated losses in respect of incremental depreciation charged during the year - net of tax	14.1	53,899,792	30,297,835
Balance at end of the year		929,428,187	983,327,979
14.1 Incremental depreciation charged during the year transferred to accumulated losses		79,264,400	45,220,651
Less: tax liability relating to incremental depreciation		(25,364,608)	14,922,816
		53,899,792	30,297,835
15. LONG TERM FINANCING			
Secured - from financial institutions			
Under Sukuk arrangements			
Balance at beginning of year		990,667,494	1,178,921,055
Less: paid during the year		(163,803,211)	(188,253,560)
Less: current portion		(242,477,526)	(209,890,536)
Balance at the end of year	15.1	584,386,757	780,776,959
Others			
Balance at beginning of year		124,458,329	-
Obtained during the year		-	135,000,000
Less: paid during the year		(11,499,995)	(10,541,671)
Less: current portion		(35,180,558)	(11,500,000)
Balance at the end of year	15.2	77,777,776	112,958,329
Unsecured			
From other parties			
Balance at beginning of year		-	29,200,000
Add: obtained during the year		-	2,150,000
Less: paid during the year		-	(31,350,000)
Balance at the end of year		-	-
		662,164,533	893,735,288

15.1 During 2008, the Company had issued privately placed diminishing Musharaka based SUKUK certificates arranged by consortium of financial institutions through trustee, amounting to Rs. 1,400 million. Due to financial difficulties in 2012, the Company was unable to comply with the prevailing repayment arrangements and negotiated with the investors to reschedule the repayment arrangements for the outstanding amount of

Rs. 1,243 million under this arrangement. Accordingly, on February 19, 2012 the Company entered into supplemental agreement which is effective from February 19, 2012. The major terms and conditions of the supplemental agreement are given below:

Profit Rate:

According to the revised terms of the loan agreement in February 19, 2012, profit rate is 1 Month KIBOR + 1% p.a. (KIBOR to be reset on monthly basis).

Rental / Profit Payment:

Each year, rental / profit payments will be made for six months at the rate of 1 Month KIBOR. The 1% spread for the first six months and the rental / profit for the remaining six months shall be deferred to be paid in 12 equal installments after repayment of entire principal.

Principal Repayment:

The principal will be repaid in seven years period in 80 monthly installments started from July 19, 2012.

Call Option:

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.

Security:

First Joint Pari Passu charge on the fixed assets of the Company through equitable mortgage of land & building and Hypothecation charge on plant & machinery with a margin of 25%. First exclusive charge over fixed assets of the Company for PKR 1,866.667 million, pledge over 10 million shares of the Company in the name of sponsors, and personal guarantees of Chief Executive Officer and three directors of the Company.

Other conditions:

The Company is required not to declare any dividend during the entire tenure of the SUKUK issue.

15.1.1 Effective rate of markup for the year is ranging from 7.78% to 11.39% (2014: 9.99% to 11.33%) per annum.

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

	2015	2014
	Rupees	

16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2015	2014
Present value of minimum lease payments	605,351	1,233,167
Less: current portion	(605,351)	(628,349)
	-	604,818

These represent vehicles acquired under finance lease arrangements for which rentals are payable monthly. The leases are priced at interest rate of six month KIBOR plus a spread of 3% per annum (2014: six month KIBOR plus a spread of 3% per annum). Under the terms of the agreement, taxes, repairs and insurance costs in respect of assets subject to finance lease are borne by the Company.

	Note	2015	2014
		Rupees	
Minimum lease payments			
Not later than one year		619,218	721,044
Later than one year but not later than five years		-	620,609
		619,218	1,341,653
Finance cost allocated to future periods		(13,867)	(108,486)
		605,351	1,233,167
Current portion		(605,351)	(628,349)
		-	604,818
Present value of minimum lease payments			
Not later than one year		605,351	628,349
Later than one year but not later than five years		-	604,818
		605,351	1,233,167

17. DEFERRED LIABILITIES

	Note	2015	2014
Staff retirement benefits - gratuity	17.1	16,759,173	12,729,603
Deferred taxation	17.2	274,441,005	307,688,430
		291,200,178	320,418,033

17.1 Staff retirement benefits - gratuity

The calculation requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligations. The assumptions are determined by independent actuaries. The results of the actuarial valuation carried out using "Projected Unit Credit Method" as at June 30, 2015 are as follows:

	2015	2014
	Rupees	
Reconciliation of payable to / (receivable from) defined benefit plan:		
Present value of defined benefit obligation	16,759,173	12,729,603
Movement in net liability recognized in the balance sheet:		
Balance at beginning of the year	12,729,603	10,607,791
Add: expense charged to profit and loss account	5,752,479	4,284,833
Less: benefits paid during the year	(2,101,709)	(1,561,791)
Other comprehensive income	378,800	(601,230)
Balance at end of the year	16,759,173	12,729,603
Charge for the year:		
Current service cost	4,175,848	3,154,740
Interest cost	1,576,631	1,130,093
Expense recognized in the profit and loss account	5,752,479	4,284,833
Actuarial remeasurments (OCI)		
Actuarial gain / (loss) recognised on remeasurements	378,800	(601,230)
Principal actuarial assumptions:		
Discount rate - per annum	9.75%	13.50%
Expected rate of growth per annum in future salaries	9.75%	13.50%

Sensitivity analysis:

If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by Rs. 1,547,675 (increase by Rs. 1,547,675).

If the expected rate of salary increase/(decrease) by 100 basis points the defined benefit obligation would increase by Rs. 1,738,681 (decrease by Rs. 1,492,216).

Risk associated with defined benefit plan:

a) Longevity risk

The 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

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

c) Withdrawal risk

The risk withdrawals varying with the actuarial assumptions can impose a risk to defined benefit obligation.

	2015	2014
	Rupees	

17.2 Deferred taxation

	2015	2014
The balance of deferred taxation is in respect of following temporary differences:		
Depreciation on property, plant and equipment	212,215,205	232,072,172
Provision for employee benefits - unfunded	(5,311,451)	(4,093,649)
Liabilities against assets subject to finance lease	170,812	(1,087,796)
Unused tax losses	(326,361,528)	(338,294,872)
	(119,286,962)	(111,404,145)
Deferred tax liability on account of surplus on revaluation of property, plant and equipment	393,727,967	419,092,575
	274,441,005	307,688,430

18. DEFERRED MARK-UP

This represents deferred mark-up payable on diminishing Musharaka arrangement as mentioned in note 15.1.

19. TRADE AND OTHER PAYABLES

	Note	2015 Rupees	2014 Rupees
Creditors	19.1	262,281,416	167,309,585
Advances from customers		2,124,322	328,179
Payable to associates	19.2	17,553,235	4,677,626
Accrued liabilities		24,942,355	20,502,944
WPPF payable		-	197,752
WWF payable		664,612	79,101
Retention money		278,778	278,778
Withholding tax		430,222	441,804
Others		447,368	10,000
		308,722,308	193,825,769

19.1 This includes Rs. 3,686,302 (2014: Rs. 2,630,462) payable to Sitara Chemical Industries Limited (associated undertaking) and Rs.71,993,642 (2014: 81,164,768) payable to Sitara Spinning Mills Limited (associated undertaking) in ordinary course of business.

19.2 This includes Rs. 4,988,204 (2014: Rs. 4,677,626) payable to Sitara Chemical Industries Limited and Rs. 12,565,031 (2014: Nil) payable to Sitara Spinning Mills Limited against common expenses share.

20. ACCRUED MARK-UP

	2015 Rupees	2014 Rupees
Mark-up accrued on:		
Long-term financing	13,004,102	22,546,887
Short-term borrowings	6,369,749	4,768,377
	19,373,851	27,315,264

	Note	2015	2014
		Rupees	

21. SHORT TERM BORROWINGS

	Note	2015	2014
Banking companies - secured	21.1	256,297,097	220,904,478
Overdrawn balances - unsecured		71,380,599	32,904,969
Others - unsecured	21.2	6,000,000	6,000,000
From Chief Executive Officer	21.3	-	1,366,479
		333,677,696	261,175,926

21.1 These fund based facilities have been obtained from various banks for working capital requirements, under mark-up arrangements against aggregate sanctioned limit of Rs. 263 million (2014: Rs. 259 million). These facilities carry mark-up at the rates ranging from three months KIBOR plus 1.75% to three months KIBOR plus 3.5% (2014: three months KIBOR plus 1.75% to three months KIBOR plus 2.75%) per annum on daily product payable quarterly. As discussed in note 15.2 a facility of Rs.135 million was converted to long term finance in August 2013. These facilities are expiring on various dates by December 31, 2015.

The aggregate short term borrowings facilities are secured against:

First pari passu charge
Rs. 507 million (2014: Rs. 467 million) over current and future assets of the Company.
Equitable mortgage charge
a) Rs. Nil (2014: Rs. 34 million) over the fixed assets of the Company;
Ranking charge
a) Rs. 100 million (2014: Rs.100 million) over current and future current assets of the Company.
b) Rs. 300 million (2014: Rs. 300 million) over curent and future fixed assets of the Company.
Personal guarantees
Personal guarantees from Chief Executive Officer and a director of the Company.

21.2 This represents interest free loan obtained from a party and is repayable on demand.

21.3 This represents a loan obtained from Chief Executive Officer of the Company and was unsecured and carried interest at the rate of 11.91% (2014: 11.91%) and was payable on demand. The loan has been paid off during current year.

22. CONTINGENCIES AND COMMITMENTS

22.1. Contingencies

	2015	2014
	Rupees	
Bank guarantees issued by Faysal Bank Limited in favour of Sui Northern Gas Pipelines Limited for supply of gas	53,538,000	53,538,000

22.2 Commitments

	2015	2014
Irrevocable letters of credit	23,850,456	25,922,738

23. SALES

	Local	Export	2015 Rupees Total	2014 Rupees Total
Hydrogen Peroxide	1,418,257,707	12,751,286	1,431,008,993	1,546,116,896
Sales Tax				
Sales Tax @ 2%	(22,053,190)	-	(22,053,190)	(21,784,606)
Sales Tax @ 17%	(42,650,892)	-	(42,650,892)	(60,455,013)
	(64,704,082)	-	(64,704,082)	(82,239,619)
	1,353,553,625	12,751,286	1,366,304,911	1,463,877,277
Less: Commission and discount	(41,281,399)	-	(41,281,399)	(37,413,000)
	1,312,272,226	12,751,286	1,325,023,512	1,426,464,277

24. COST OF SALES

	Note	2015 Rupees	2014 Rupees
Raw material consumed	24.1	272,258,723	163,648,948
Fuel and power		347,298,915	285,448,356
Packing material consumed		267,666,442	249,051,950
Stores, spare parts and loose tools consumed		14,846,395	16,806,341
Salaries, wages and benefits	24.2	63,772,171	56,276,355
Repairs and maintenance		29,136,046	35,284,506
Insurance		4,815,690	6,553,004
Depreciation	4.1.1	177,295,146	167,504,690
Traveling and conveyance		1,296,547	1,582,870
Vehicle running and maintenance		939,813	1,381,675
Entertainment		1,721,738	828,207
		1,181,047,626	984,366,902
Work-in-process			
Balance at beginning of the year		336,697,220	341,025,388
Balance at end of the year	7	(433,639,504)	(336,697,220)
		(96,942,284)	4,328,168
Cost of goods manufactured		1,084,105,342	988,695,070
Finished goods			
Balance at beginning of the year		19,471,146	11,545,648
Balance at end of the year	7	6,120,813	19,471,146
		13,350,333	(7,925,498)
Cost of goods sold - own manufactured products		1,097,455,675	980,769,572
- purchased goods		115,065,000	158,457,244
		1,212,520,675	1,139,226,816

24.1 Raw material consumed

	Note	2015	2014
Balance at beginning of the year		131,259,652	62,887,474
Purchases		187,453,830	232,021,126
		318,713,482	294,908,600
Less: Balance at end of the year	7	(46,454,759)	(131,259,652)
		272,258,723	163,648,948

24.2 Salaries, wages and benefits include Rs. 4,601,983 (2014: Rs. 3,427,872) in respect of employee benefits.

	Note	2015	2014
		Rupees	

25. OTHER INCOME

	Note	2015	2014
Income from financial assets			
Profit on bank deposits		1,396,692	3,605,211
Income from assets other than financial assets			
Scrap sales		85,505	2,104,474
Gain on sale of operating fixed assets		-	2,766,159
Exchange gain		16,524	-
Income from Sale of Catalyst	25.1	59,022,852	-
		60,521,573	8,475,844

25.1 This relates to gain on sale of consumed Palladium. The Palladium sold had been fully consumed as per the Company policy.

	Note	2015	2014
		Rupees	

26. DISTRIBUTION COST

	Note	2015	2014
Salaries and benefits		4,462,970	4,028,761
Printing and stationery		79,738	68,830
Traveling and conveyance		177,232	301,347
Vehicle running and maintenance		190,944	403,119
Entertainment		817	159,390
Freight and octroi		21,315,213	7,689,430
Depreciation	4.1.1	794,100	749,944
Other expenses		1,132,864	524,805
		28,153,878	33,925,626

27. ADMINISTRATIVE EXPENSES

	Note	2015	2014
Salaries and benefits	27.1	35,467,879	28,915,310
Director's remuneration	33	7,456,248	6,145,908
Printing and stationery		1,895,914	1,639,108
Insurance		861,264	877,661
Repairs and maintenance		457,914	689,815
Traveling and conveyance		7,937,797	6,003,269
Rent, rates and taxes		310,814	265,934
Vehicle running and maintenance		3,459,802	2,597,848
Entertainment		1,060	108,911
Telephone and postage		1,121,222	1,230,025
Advertisement		612,635	45,920
Fees, subscription and periodicals		2,951,197	2,143,613
Legal and professional charges		1,539,464	1,907,262
Auditors' remuneration	27.2	1,210,000	1,100,000
Depreciation	4.1.1	3,330,269	1,292,633
Others		2,520,673	2,297,429
		71,134,152	57,260,646

27.1 Salaries and benefits include Rs. 1,150,496 (2014: Rs. 856,961) in respect of staff retirement benefits.

	Note	2015	2014
		Rupees	
27.2 Auditors' remuneration			
Statutory audit fee		770,000	700,000
Half yearly review		220,000	200,000
Compliance report on Code of Corporate Governance		137,500	125,000
Out of pocket expenses		82,500	75,000
		1,210,000	1,100,000
28. OTHER EXPENSES			
Exchange loss		-	1,214,240
Worker's profit participation fund		-	197,752
Worker's welfare fund		-	4,367,713
Others	28.1	4,460,691	544,889
		4,460,691	6,324,594

28.1 This includes write off against sales made in previous years amounting to Rs. 2,233,769 (2014 : Nil).

	2015	2014
	Rupees	
29. FINANCE COST		
Mark-up on:		
Long term financing	107,658,304	135,241,690
Short term borrowings	29,396,013	27,012,559
Liabilities against assets subject to finance lease	96,806	688,585
Bank charges and commission	2,211,508	2,029,028
	139,362,631	164,971,862
30. PROVISION FOR TAXATION		
Current	14,219,175	14,624,609
Deferred	(33,126,209)	13,593,051
	(18,907,034)	28,217,660

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

30.2 Assessments of the Company for the tax years 2004 to 2014 are deemed to have been completed under section 120(1) of the Income Tax Ordinance, 2001. However, the tax year 2007 has been selected for audit under section 177 of the Income Tax Ordinance, 2001. Audit proceedings for the said tax year are still in progress.

31. (LOSS)/EARNINGS PER SHARE - BASIC AND DILUTED

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

		2015	2014
(Loss)/Profit for the year	Rupees	(51,179,908)	5,012,917
Weighted average number of ordinary shares	Number	55,100,000	55,100,000
(Loss)/Earning per share - basic	Rupees	(0.93)	0.09

No figure for diluted 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. CASH AND CASH EQUIVALENTS

	Note	2015 Rupees	2014 Rupees
Cash and bank balances	12	6,378,894	847,908
Short term borrowings	21	(333,677,696)	(261,175,926)
		(327,298,802)	(260,328,018)

33. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND EXECUTIVES

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

	2015			2014		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
Remuneration	4,928,395	4,560,000	11,779,640	4,062,293	3,900,000	9,611,376
House rent	1,478,517	-	3,533,889	1,218,687	-	2,883,410
Utilities allowance	492,828	-	1,177,936	406,220	-	961,115
Medical allowance	492,845	-	1,177,975	406,234	-	961,147
Special allowance	63,663	-	152,160	52,474	-	124,152
	7,456,248	4,560,000	17,821,600	6,145,908	3,900,000	14,541,200
Number of persons	1	1	15	1	1	9

33.1 Chief Executive Officer and five executives are also provided with Company maintained car.

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

33.3 No remuneration is paid to non executive directors

34. 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 and executives is disclosed in note 33 to these financial statements. Other significant transactions with related parties are as follows:

Nature of Relationship	Nature of transaction	2015 Rupees	2014 Rupees
Associated undertakings	Organizational expenses	842,266	365,121
	Purchases	24,182,749	35,813,936
Key management personnel	Loan obtained from Chief Executive Officer	-	17,535,000
	Repayment of loan to Chief Executive Officer	1,366,479	32,379,465
	Remuneration and other benefits	29,837,848	24,587,108
Employee benefit plan	Paid during the year	2,101,709	1,561,791

34.1 All transactions with related parties have been carried out at agreed terms.

35. PLANT CAPACITY AND ACTUAL PRODUCTION

	2015 Tons	2014 Tons
Production capacity	30,000	30,000
Actual production	24,305	25,205

35.1 The average production during the year was 81% (2014: 84%). The main reason was the energy crises in the country which had adversely affected the industrial growth.

36. NUMBER OF EMPLOYEES

The total average number of employees during year ended June 30, 2015 and 2014 are as follows:

	2015 Number of Employees	2014 Number of Employees
Average number of employees	291	275
Total number of employees	296	283

37. FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk

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

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

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

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

37.1 Credit risk and concentration of credit risk

Credit risk 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 local trade debts, advances and other receivables.
The Company does not hold collateral as security.
The Company's credit risk exposures are categorized under the following headings:

Counterparties

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

Trade debts

Trade debts are essentially due from local customers and foreign customers against sale of hydrogen peroxide and the Company does not expect these counterparties to fail to meet their obligations. Sales to the Company's customers are made on specific terms. Customer credit risk is managed by each business unit 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. Credit quality of the customer is assessed based on an extensive credit rating. 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 counterparties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2015	2014
	Rupees	
Financial assets		
Trade debts	51,924,234	218,618,059
Advances	14,136,655	13,195,544
Bank balances	6,378,894	696,537
	72,439,783	232,510,140

The trade debts at the balance sheet date are unsecured.

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

	2015	2014
Past due 1 to 30 days	33,825,077	8,896,140
Past due 30 to 150 days	18,099,157	22,288,569
	51,924,234	31,184,709

Impairment losses

Except as stated in note 28.1 and based on age analysis, relationship with customers and past experience the management does not expect any other party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

Cash at bank

Total bank balance of Rs. 6.098 million (2014: Rs. 0.696 million) placed with banks have a short term credit rating of at least A2 (2014: A1+).

37.2 Liquidity risk management

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 20.1 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

37.2.1 Liquidity and interest risk table

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:

	2015				
	Carrying amount	Contractual cash flows	Less then 1 year	Between 1 to 5 years	Above 5 years
	Rupees				
Long term financing	939,822,617	939,822,617	277,658,084	662,164,533	-
Liabilities against assets subject to finance lease	605,351	605,351	605,351	-	-
Staff retirement benefits - gratuity	16,759,173	16,759,173	-	16,759,173	-
Trade and other payables	307,627,474	307,627,474	307,627,474	-	-
Accrued mark-up	19,373,851	19,373,851	19,373,851	-	-
Running finance	333,677,696	333,677,696	333,677,696	-	-
	1,617,866,162	1,617,866,162	938,942,456	678,923,706	-

	2014				
	Carrying amount	Contractual cash flows	Less then 1 year	Between 1 to 5 years	Above 5 years
	Rupees				
Long term financing	1,115,125,824	1,115,125,824	221,390,536	893,735,288	-
Liabilities against assets subject to finance lease	1,233,167	1,233,167	628,349	604,818	-
Staff retirement benefits - gratuity	12,729,603	12,729,603	-	12,729,603	-
Trade and other payables	193,107,112	193,107,112	193,107,112	-	-
Accrued mark-up	27,315,264	27,315,264	27,315,264	-	-
Running finance	261,175,926	261,175,926	261,175,926	-	-
	1,610,686,896	1,610,686,896	703,617,187	907,069,709	-

37.3 Market risk

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

37.3.1 Foreign currency risk management

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

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

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to currency risk

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

	2015		2014	
	Rupees	US$	Rupees	US$
Short Term Financing	23,850,456	234,518	25,922,738	262,775
Balance sheet exposure	23,850,456	234,518	25,922,738	262,775

	Average rate		Reporting date mid spot rate	
	2015	2014	2015	2014
	Rupees			
The following significant exchange rates have been applied:				
Rupee to US $	100.28	98.85	101.7	98.65

Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2015 would have increased loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2014.

	2015 Rupees	2014 Rupees
Effect on loss for the year:		
US $ to Rupee		
Increase in loss for the year	2,313,518	2,592,274

A 10 percent strengthening of the Pak Rupee against the US dollar at June 30, 2015 would have had the equal but opposite effect on foreign currency to the amounts shown above, on the basis that all other variables remain constant.

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

37.3.2 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.

	2015 Percentage	2014 Percentage	2015 Rupees	2014 Rupees
Variable rate financial instruments				
Financial liabilities				
Long term financing	7.78% to 11.39%	9.99% to 11.33%	939,822,617	1,115,125,824
Short term finance	7.06 % to 10.18%	10.83 % to 12.93%	333,677,696	261,175,926
			1,273,500,313	1,376,301,750

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in profit / 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 2014.

	Increase Rupees	Decrease Rupees
At June 30, 2015		
Cash flow sensitivity - variable rate financial liabilities	12,735,003	(12,735,003)
At June 30, 2014		
Cash flow sensitivity - variable rate financial liabilities	(13,763,018)	13,763,018

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

37.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction other than in forced or liquidation sale. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

37.5 Capital Risk Management

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

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to reserves or/and issue new shares. Gearing ratio of the Company is as follows:

	2015	2014
	Rupees	
Total borrowings	1,274,105,664	1,377,534,917
Less: cash and bank balance	6,378,894	847,908
Net debt	1,267,726,770	1,376,687,009
Total equity	1,226,750,092	1,278,187,584
Total capital	2,494,476,862	2,654,874,593
Gearing ratio	51%	52%

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

38. RE-CLASSIFICATION AND RE-ARRANGEMENTS

Corresponding figures have been re-classified and re-arranged wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison.

39. 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 21, 2015.

40. GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER

DIRECTOR


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FORM OF PROXY
12th Annual General Meeting

I/We ______________________________ of ____________________ being a member of

Sitara Peroxide Limited and holder of ________________________ Ordinary Shares as per share register

Folio No. __________ hereby appoint ____

of _____________ another member of the company Folio No. _________ (or failing him/her _________

___________________________ of _________ who is also member of the Company,

Folio No. ____

For beneficial owners as per CDC List

CDC Participant I.D. No. __________________ Sub-Account No. __________________________

CNIC NO. | | | | | |■| | | | | | | |■| | or Passport No. __________________

hereby appoint ______________________ of ____________________ who is also a member of the Company, Folio No. __________ or failing him/her ________________ of ________________ who is also a member of the Company, Folio No. __________ as my/our proxy to vote and act for me/our behalf at the 12th Annual General Meeting of the Company to be held on Friday October 30, 2015 or at any adjornment thereof.

Five Rupees
Revenue Stamp

____

Signature of Shareholder
(The Signature should agree with the specimen registered with the Company)

Dated this __________ day of __________ 2015
For beneficial owners as per CDC list

Signature of Proxy ____________________

Witnesses:

1 Signature ________________________

Name ________________________

Address ________________________

CNIC NO. | | | | | |■| | | | | | | |■| |

or Passport No. ________________________

Witnesses:

2 Signature ________________________

Name ________________________

Address ________________________

CNIC NO. | | | | | |■| | | | | | | |■| |

or Passport No. ________________________

Note: Proxies, in order to be effective, must be received at the Company's Share Registrar's Office at M/s.THK Associates (Pvt) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi-75530 not less than 48 hours before the meeting.
CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with the proxy form before submission to the Company.

Sitara Peroxide Limited

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