

Half Yearly Report
December

2019



 Sitara Peroxide
Limited

Company Information

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| Board of Directors | Mrs. Sharmeen Imran Mr. Imran Ghafoor Mr. Haroon Ahmed Zuberi Mr. Ejaz Hussain Mr. Yasir Ahmed Awan Mr. Zahid Aslam Mr. Mahmood Ahmad | Chairperson Chief Executive Officer Executive Director Non-Executive Director Non-Executive Director Independent Director Independent Director |
| Chief Financial Officer | Mr. Kamran Zahoor | |
| Company Secretary | Mr. Mazhar Ali Khan | |
| Head of Internal Audit | Mr. Zia-ul-Mustafa | |
| Audit Committee | Mr. Zahid Aslam Mr. Mahmood Ahmad Mrs. Sharmeen Imran Mr. Zia-ul-Mustafa | Chairman Member Member Secretary |
| Human Resource and Remuneration Committee | Mr. Mahmood Ahmad Mr. Imran Ghafoor Mr. Ejaz Hussain | Chairman Member Member |
| External Auditors | M/s. Deloitte Yousuf Adil, Chartered Accountants | |
| Legal Advisor | Sahibzada Waqar Arif | |
| Registered Office | 601-602 Business Centre, Mumtaz Hassan Road, Off. I.I. Chundrigar Road, Karachi-74000. Ph: 021 32401373, 32413944 | |
| Company Website | www.sitaraperoxide.com | |
| Bankers | Al Baraka Bank (Pakistan) Limited Askari Bank Limited Bank Alfalah Limited Faysal Bank Limited Habib Bank Limited MCB Bank Limited Meezan Bank Limited National Bank Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited Summit Bank Limited United Bank Limited JS Bank Limited First Women Bank Limited Bank AL Habib Limited | |
| Share Registrar | THK Associates (Private) Limited 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi - 75400. UAN: (92 21) 111-000-322 Ph: (92 21) 34168270 Fax: (92 21) 34168271 | |
| Head Office & Project Location | 26 - KM Sheikhpura Road, Faisalabad. Ph : (92 41) 2400900-2, 2400904-5 | |

DIRECTORS REVIEW

I, on the behalf of Board of Directors of your Company, have pleasure in presenting you the un-audited condensed interim financial information for the half year ended December 31, 2019.

The overall business conditions in Pakistan continue to be challenging. Much of our business performance depends upon industrial growth and overall economic revival of the country. Management of your Company had to cope with challenges such as higher tariff of RLNG, high KIBOR, devaluation of Pak Rupee and inconsistent taxation policies etc.

Net sales during the six months period under review remained Rs. 931 million against net sales of Rs. 1,050 million during the corresponding period of financial last year. Drop in turnover during the period is due to fall in international prices of hydrogen peroxide. Cost of sales rose to Rs. 829 million as compared to 716 million. High cost of RLNG and power is major reason of the above increase. Due to comparatively lower prices of our product and rising cost of production, gross profits of your Company decreased. The capacity utilization in current period remained 80% of the installed capacity which is consistent with capacity utilization of 80% in previous half year period.

During first six months, Company incurred net loss after tax of Rs. 16.9 million and loss per share of Rs. 0.31 as against net profit after tax of Rs. 184 million and earnings per share of Rs. 3.34 in corresponding period of last financial year. During quarter ended December 31, 2019, the Company incurred net loss after tax of Rs. 22.1 million and loss per share of Rs. 0.40 against profit after tax of Rs. 44 million and earnings per share of Rs. 0.80.

Management of your Company foresees good times ahead for manufacturing sector. Recent decrease in oil prices in international market is silver lining in existing challenging economic horizon. Decrease in RLNG tariff is anticipated which will improve margins of your Company. Stable Pak rupee against US dollar and easing of monetary policy in near future will reduce the finance cost of your Company as well.

Despite all challenges, management of the Company is confident of maintaining its market share. We are positive about future business outlook. Demand of hydrogen peroxide is expected to remain strong in future due to expected rise in exports of textile sector. We are confident of much improved financial performance in second half of ongoing financial year.

The Board takes this opportunity to thank all stakeholders for their continued support. We also appreciate and acknowledge the continued commitment and hard work of our employees.

Allah may give us the courage to face the challenges ahead. Aameen

On behalf of Board of Directors



IMRAN GHAFOOR
Chief Executive Officer

Faisalabad
February 28, 2020

ڈائریکٹرز جائزہ

میں کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2019 کو ختم ہونے والی شہ ماہی کے غیر مختص شدہ مالی نتائج آپ کی خدمت میں پیش کرنا چاہوں گا۔

پاکستان میں حالیہ عرصے کے دوران کاروباری صورتحال بحیثیت مجموعی چیلنجنگ رہی۔ ہماری مالی کارکردگی کا انحصار ملک کی صنعتی ترقی اور مجموعی معاشی بحالی پر منحصر ہے۔ آپ کی کمپنی کو بھی ایل این جی کے مہنگے ٹریف، بلند KIBOR، پاکستانی روپے کی قدر میں کمی اور بدلتی ٹیکس پالیسی کا سامنا رہا۔

رواں مالی سال کے پہلے چھ ماہ کے دوران خالص فروخت 931 ملین روپے رہی جو گزشتہ مالی سال کے اس عرصے میں 1,050 روپے تھی۔ فروخت میں کمی کی وجہ عالمی منڈی میں ہائیڈروجن پراکسائیڈ کی قیمت میں ہونی والی کمی تھی۔ جبکہ کل پیداواری لاگت 829 ملین روپے رہی جو گزشتہ مالی سال میں 716 ملین روپے تھی۔ ایل این جی اور بجلی کے نرخ میں اضافہ پیداواری لاگت میں اضافے کا باعث بنا۔ پراڈکٹ کے نرخ میں کمی اور پیداواری لاگت میں اضافے کے باعث کمپنی کے خام نفع میں کمی ہوئی۔ حالیہ شہ ماہی میں کمپنی کی پیداوار کل پیداواری استعداد کا 80% رہی جو تقابلی عرصے میں بھی 80% تھی۔

رواں مالی سال کے پہلے چھ ماہ میں کمپنی کو 16.9 ملین روپے کا بعد از ٹیکس خسارہ اور 0.31 روپے فی حصص کا خسارہ ہوا جبکہ گزشتہ مالی سال میں اسی عرصے میں 184 ملین روپے کا بعد از ٹیکس نفع اور 3.34 روپے فی حصص نفع ہوا۔ 31 دسمبر 2019 کو ختم ہونے والی شہ ماہی میں کمپنی کو 22.1 ملین روپے کا بعد از ٹیکس خسارہ اور 0.40 روپے فی حصص کا خسارہ ہوا جو گزشتہ مالی سال کی اسی شہ ماہی میں 44 ملین روپے کا نفع اور 0.80 روپے کا نفع نفع ہوا۔

آپ کی کمپنی کی بیجمنٹ مستقبل میں پیداواری شعبے کیلئے اچھے حالات دیکھ رہی ہے۔ حالیہ دنوں میں عالمی منڈی میں تیل کے نرخ میں کمی امید کی کرن ہے۔ ایل این جی کے نرخ میں کمی متوقع ہے جس سے کمپنی کے نفع میں بہتری آئے گی۔ ڈالر کے مقابلے میں روپے کی قدر میں استحکام اور مانیٹری پالیسی میں آسانی کے باعث مستقبل میں آپ کی کمپنی کے سود کا خرچ کم ہوگا۔

ان تمام چیلنجز کے باوجود، آپ کی کمپنی کی بیجمنٹ مارکیٹ میں اپنا حصہ برقرار رکھنے کیلئے پر اعتماد ہے۔ ہم مستقبل کے بارے میں پر امید ہیں۔ مستقبل میں ٹیکسٹائل برآمدات میں متوقع اضافے کے پیش نظر ہائیڈروجن پراکسائیڈ کی کھپت بڑھنے کا امکان ہے۔ ہم رواں مالی سال کی دوسری شہ ماہی میں بہتر مالی کارکردگی دکھانے کیلئے پرعزم ہیں۔

اس موقع پر بورڈ تمام سٹیک ہولڈرز کے مسلسل تعاون کا شکریہ ادا ہے۔ ہم کمپنی کے ملازمین کا کام سے لگن اور سخت محنت کو سراہتا ہے۔

اللہ تعالیٰ ہمیں مستقبل میں درپیش چیلنجز کا سامنا کرنے کی توفیق عطا فرمائے۔

بورڈ ممبران کی جانب سے


 عمران غفور
 چیف ایگزیکٹو آفیسر

فیصل آباد
 28 فروری 2020

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF SITARA PEROXIDE LIMITED ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Sitara Peroxide Limited** (the Company) as at December 31, 2019, the related condensed interim statement of profit or loss, and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows and notes to the financial statements for the six month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the three-month period ended December 31, 2019 and related comparative information have not been reviewed, as we are required to review only the cumulative figures for the six month period ended December 31, 2019.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements as at December 31, 2019 and for the six-month period then ended, is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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

Chartered Accountants

Place: Lahore

Date: February 28, 2020

Statement of Financial Position

Condensed Interim Statement of Financial Position As at December 31, 2019

| | | December 31, 2019 (Un-Audited) | June 30, 2019 (Audited) |
|---|------|--------------------------------------|-------------------------------|
| | Note | ----- Rupees ----- | |
| ASSETS | | | |
| Non - current assets | | | |
| Property, plant and equipment | 4 | 2,475,662,191 | 2,580,125,562 |
| Long term advances and deposits | | 4,205,000 | 4,205,000 |
| | | <u>2,479,867,191</u> | <u>2,584,330,562</u> |
| Current assets | | | |
| Stores, spare parts and loose tools | | 106,025,957 | 94,793,290 |
| Stock in trade | | 504,953,700 | 526,695,174 |
| Trade debts | 5 | 111,038,652 | 132,123,577 |
| Loans and advances | | 197,750,974 | 233,675,393 |
| Deposits and short term prepayments | | 55,674,120 | 79,454,828 |
| Sales tax refundable | | 41,331,217 | 155,436,650 |
| Cash and bank balances | | 20,665,200 | 3,008,439 |
| | | <u>1,037,439,820</u> | <u>1,225,187,351</u> |
| | | <u>3,517,307,011</u> | <u>3,809,517,913</u> |
| TOTAL ASSETS | | | |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 551,000,000 | 551,000,000 |
| Un-appropriated profit | | 106,867,209 | 75,417,761 |
| Surplus on revaluation of property, plant and equipment | 6 | 1,277,993,789 | 1,326,370,455 |
| | | <u>1,935,860,998</u> | <u>1,952,788,216</u> |
| Non - current liabilities | | | |
| Long term financing | 7 | 193,575,017 | 249,222,984 |
| Deferred liabilities | | 541,367,948 | 530,649,816 |
| Deferred mark-up | | 187,180,500 | 115,928,401 |
| | | <u>922,123,465</u> | <u>895,801,201</u> |
| Current liabilities | | | |
| Trade and other payables | 8 | 205,312,880 | 393,475,057 |
| Accrued markup | | 36,222,972 | 105,421,503 |
| Short term borrowings | | 227,787,997 | 242,227,178 |
| Current portion of long term financing | 7 | 176,090,895 | 160,672,238 |
| Provision for taxation | | 13,907,804 | 59,132,520 |
| | | <u>659,322,548</u> | <u>960,928,496</u> |
| Contingencies and commitments | | | |
| | 9 | | |
| | | <u>3,517,307,011</u> | <u>3,809,517,913</u> |
| TOTAL EQUITY AND LIABILITIES | | | |

The annexed selected notes from 1 to 18 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Statement of Profit or Loss

Condensed Interim Statement of Profit or Loss (Un-audited) for the Six Months Period Ended December 31, 2019

| | Note | Six months ended | | Three months ended | |
|---------------------------------|------|---------------------|---------------------|---------------------|---------------------|
| | | December 31 2019 | December 31 2018 | December 31 2019 | December 31 2018 |
| ----- Rupees ----- | | | | | |
| Sales - net | 10 | 931,074,940 | 1,050,176,485 | 536,893,058 | 496,554,100 |
| Cost of sales | 11 | (828,771,325) | (716,079,530) | (472,187,284) | (368,439,459) |
| Gross profit | | 102,303,615 | 334,096,955 | 64,705,774 | 128,114,641 |
| Distribution cost | | 44,608,608 | 33,715,364 | 25,925,817 | 18,327,850 |
| Administrative expenses | | 53,870,730 | 48,730,710 | 26,085,397 | 25,214,398 |
| Other expenses | | - | 19,337,503 | - | 19,337,503 |
| Finance cost | | 46,341,983 | 47,265,754 | 24,616,775 | 27,000,263 |
| | | (144,821,321) | (149,049,331) | (76,627,989) | (89,880,014) |
| Other income | 12 | 50,872,373 | 61,334,090 | 9,494,671 | 61,207,236 |
| (Loss) / Profit before taxation | | 8,354,667 | 246,381,714 | (2,427,544) | 99,441,863 |
| Provision for taxation | 13 | (25,281,885) | (62,304,864) | (19,736,004) | (55,384,584) |
| (Loss) / Profit for the period | | (16,927,218) | 184,076,850 | (22,163,548) | 44,057,279 |
| Earnings per share | | | | | |
| - basic and diluted | 14 | (0.31) | 3.34 | (0.40) | 0.80 |

The annexed selected notes from 1 to 18 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Comprehensive Income

Condensed Interim Statement of Comprehensive Income (Un Audited) for the Six Months Period Ended December 31, 2019

| | Six months ended | | Three months ended | |
|---|---------------------|---------------------|---------------------|---------------------|
| | December 31 2019 | December 31 2018 | December 31 2019 | December 31 2018 |
| | ----- Rupees ----- | | | |
| (Loss) / profit for the period | (16,927,218) | 184,076,850 | (22,163,548) | 44,057,279 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive (loss) / income for the period | (16,927,218) | 184,076,850 | (22,163,548) | 44,057,279 |

The annexed selected notes from 1 to 18 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Cash Flows

Condensed Interim Statement of Cash Flows (Un-audited) for the Six Months Period Ended December 31, 2019

| Note | Six months ended | |
|--|----------------------|----------------------|
| | December 31, 2019 | December 31, 2018 |
| | ----- Rupees ----- | |
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 8,354,667 | 246,381,714 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 91,463,371 | 111,266,238 |
| Gain on sales of property, plant and equipment | - | (1,000,000) |
| Profit on bank deposit | (130,769) | (142,148) |
| Provision for staff retirement gratuity | 3,665,585 | 3,062,723 |
| Finance cost | 46,341,983 | 47,265,754 |
| | 141,340,170 | 160,452,567 |
| Operating cash flows before working capital changes | 149,694,837 | 406,834,281 |
| (Increase) / decrease in current assets | | |
| Stores, spare parts and loose tools | (11,232,667) | (5,891,622) |
| Stock-in-trade | 21,741,474 | (101,189,134) |
| Trade debts | 21,084,925 | (2,126,406) |
| Advances | (8,669,955) | 14,133,712 |
| Deposits and short term prepayments | 23,780,708 | (37,365,994) |
| Sales tax refundable | 114,105,433 | (50,639,335) |
| Increase / (decrease) in current liability | | |
| Trade and other payables | (188,162,177) | (21,463,012) |
| Changes in working capital | (27,352,259) | (204,541,791) |
| Cash generated from operations | 122,342,578 | 202,292,490 |
| Finance cost paid | (44,288,415) | (54,919,304) |
| Staff retirement gratuity paid | (3,664,191) | (1,954,533) |
| Income taxes (paid)- net | (15,195,489) | (18,737,684) |
| | (63,148,095) | (75,611,521) |
| Net cash generated from operating activities | 59,194,483 | 126,680,969 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | - | (15,562,001) |
| Proceeds from sales of property, plant and equipment | - | 1,000,000 |
| Advance against reversal / (purchase) of land | 13,000,000 | (35,700,000) |
| Profit on bank deposits | 130,769 | 142,148 |
| Net cash generated / (used) from investing activities | 13,130,769 | (50,119,853) |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of long-term financing | (40,229,310) | (67,058,392) |
| Short term financing - net | (14,439,181) | (8,004,001) |
| Net cash used in financing activities | (54,668,491) | (75,062,393) |
| Net increase in cash and cash equivalents (A+B+C) | 17,656,761 | 1,498,723 |
| Cash and cash equivalents at beginning of period | 3,008,439 | 1,634,358 |
| Cash and cash equivalents at end of the period | 20,665,200 | 3,133,081 |

The annexed selected notes from 1 to 18 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Statement of Changes in Equity

Condensed Interim Statement of Changes In Equity (Un-audited) for the Six Months Period Ended December 31, 2019

| | Share capital | Accumulated losses | Surplus on revaluation of property, plant and equipment | Total |
|---|---------------|--------------------|---|---------------|
| ----- Rupees ----- | | | | |
| Balance as at July 01, 2018 (audited) | 551,000,000 | (223,264,696) | 1,423,123,786 | 1,750,859,090 |
| Profit for the six months period ended December 31, 2018 | - | 184,076,850 | - | 184,076,850 |
| Other comprehensive income for the six months period ended December 31, 2018 | - | - | - | - |
| Total comprehensive income | - | 184,076,850 | - | 184,076,850 |
| Transfer to accumulated losses on account of incremental depreciation - net of tax | - | 47,314,093 | (47,314,093) | - |
| Balance as at December 31, 2018 - Un-audited | 551,000,000 | 8,126,247 | 1,375,809,693 | 1,934,935,940 |
| Balance as at July 01, 2019 (audited) | 551,000,000 | 75,417,761 | 1,326,370,455 | 1,952,788,216 |
| Loss for the six months period ended December 31, 2019 | - | (16,927,218) | - | (16,927,218) |
| Other comprehensive income for the six months period ended December 31, 2019 | - | - | - | - |
| Total comprehensive loss | - | (16,927,218) | - | (16,927,218) |
| Transfer to unappropriated profit on account of incremental depreciation - net of tax | - | 48,376,666 | (48,376,666) | - |
| Balance as at December 31, 2019 - Un-audited | 551,000,000 | 106,867,209 | 1,277,993,789 | 1,935,860,998 |

The annexed selected notes from 1 to 18 form an integral part of these condensed interim financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

Notes to the Financial Statements

Selected Explanatory Notes to the Condensed Interim Financial Information (Un-audited) for the Six Months Period Ended December 31, 2019

1 LEGAL STATUS AND OPERATIONS

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 (now the Companies Act, 2017). The Company is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hassan Road, Karachi in the province of Sindh and the manufacturing facilities are located at 26-KM Sheikhpura Road, Faisalabad in the province of Punjab. The principal activity of the Company is manufacturing and sale of hydrogen peroxide (H_2O_2).

2 BASIS OF PREPARATION

2.1 These condensed interim financial statements of the Company for the six months period ended December 31, 2019 have been prepared in accordance with the International Accounting Standard - 34 "Interim Financial Reporting", provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements should be read in conjunction with annual audited financial statements for the year ended June 30, 2019. Comparative statement of financial position is extracted from annual audited financial statements for the year ended June 30, 2019 whereas comparative statement of profit or loss, comparative statement of comprehensive income, comparative statement of changes in equity and comparative statement of cash flows are stated from un-audited condensed interim financial statements for the six months period ended on December 31, 2018.

2.3 These condensed interim financial statements are un-audited. However, a limited scope review has been performed by the statutory auditors of the Company in accordance with section 237 of Companies Act, 2017 and they have issued their review report thereon.

2.4 These condensed interim financial statements is un-audited. However, a limited scope review has been performed by the statutory auditors of the Company in accordance with section 237 of Companies Act 2017 and they have issued their review report thereon.

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

3 ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies and methods of computation adopted in preparation of these condensed interim financial statements are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended June 30, 2019 except as disclosed hereunder:

3.1 Changes in accounting standards

The following changes in accounting standards have taken place effective from July 01, 2019:

Notes to the Financial Statements

3.1.1 IFRS 16 - Leases

IFRS 16 - Leases (IFRS 16) replaced various standards and guidance including 'IAS 17 'Leases', IFRIC 4 'Determine whether an Arrangement contains a Lease', SIC 15 'Operating Lease - Incentives' and SIC 27 'Evaluating the Substance of Transactions in the Legal Form of Lease'.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the condensed interim financial statements, unless the term is 12 months or less or the lease is for a low value asset. Thus, the classification required under IAS 17 'Leases' into operating or finance leases is eliminated for lessees. For each lease, the lessee recognizes a liability for the lease obligations to be incurred in the future. Correspondingly, a right of use leased asset is capitalized at an amount which is generally equivalent to the present value of the future lease payments plus any directly attributable costs. This amount is amortized over the period by the lower of lease term or useful life of the assets unless the lease transfers ownership of the underlying asset to the lessee by the end of lease term or if the cost of right of use asset reflect that the lessee will exercise a purchase option, in which case, the lessee will depreciate the right of use asset from the commencement date to the end of the useful life of underlying assets.

The Company has determined that the adoption of IFRS 16 does not have any impact on the Company's condensed interim financial statements for the period ended December 31, 2019.

| | | (Un-Audited) December 31, 2019 | (Audited) June 30, 2019 |
|--|--------------------|---|--|
| Note | ----- Rupees ----- | | |
| 4 PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating assets | 4.1 | 2,452,962,191 | 2,544,425,562 |
| Advance against capital work in progress | | 22,700,000 | 35,700,000 |
| | | <u>2,475,662,191</u> | <u>2,580,125,562</u> |
| 4.1 Operating assets | | | |
| Opening carrying value | | 2,544,425,562 | 2,722,609,461 |
| Additions during the period / year: | | | |
| Electric installations | | - | 56,345 |
| Office equipment | | - | 30,500 |
| Vehicles | | - | 5,408,180 |
| | | - | 5,495,025 |
| Net book value of assets disposed off during the period / year | | - | (1,083,124) |
| | | <u>2,544,425,562</u> | <u>2,727,021,362</u> |
| Depreciation charged during the period / year | | (91,463,371) | (182,595,800) |
| | | <u>2,452,962,191</u> | <u>2,544,425,562</u> |

Notes to the Financial Statements

4.2 The Company follows the revaluation model. Revaluation of Land, building and plant and machinery was carried out by MYK Associates (Private) Limited, independent valuer not related to the Company. MYK Associates (Private) Limited is on panel of Pakistan Banks Association as 'Any Amount' asset valuer. It is also on panel of State Bank of Pakistan and possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations. The fair value was determined using the comparable price method after performing detailed enquiries and verification from various estate agents, brokers and builders keeping in view the location of the property / project, condition, size, utilization, and other relevant factors.

The revaluation performed on June 30, 2018 resulted in a further surplus of Rs. 913 million. Out of the total revaluation surplus of Rs. 2,542 million, Rs. 1,278 million net of tax (June 2019: Rs. 1,326 million) remains undepreciated as at December 31, 2019.

Since the date of last revaluation, there has been no material change in the market factors that derive fair value of these properties, and therefore, management believes that the carrying value of these assets approximate its fair market value.

Details of the Company's revalued assets and information about fair value hierarchy, as at December 31, 2019 are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------|--------------------|---------------|---------|---------------|
| | ----- Rupees ----- | | | |
| Land | - | 246,630,000 | - | 246,630,000 |
| Building | - | 168,769,798 | - | 168,769,798 |
| Plant and machinery | - | 2,003,978,330 | - | 2,003,978,330 |

4.3 Had there been no revaluation, the net book value of the revalued assets would have been as follows.

| | (Un-Audited) December 31, 2019 | (Audited) June 30, 2019 |
|---------------------|--------------------------------------|-------------------------------|
| | ----- Rupees ----- | |
| Land | 41,997,852 | 41,997,852 |
| Building | 69,524,607 | 73,568,040 |
| Plant and machinery | 449,833,075 | 498,556,531 |
| | <u>561,355,534</u> | <u>614,122,423</u> |

5 Trade debts includes debtors to whom sales are made through traders. These are secured against advances received from traders in respect of sales. The amount is presented net of advances received from these traders. The advances received from traders amount to Rs. 165.8 million as at December 31, 2019.

Notes to the Financial Statements

| | (Un-Audited) December 31, 2019 | (Audited) June 30, 2019 |
|--|--------------------------------------|-------------------------------|
| Note | ----- Rupees ----- | |
| 6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | | |
| Balance at beginning of the period / year | 1,326,370,455 | 1,423,123,786 |
| Transfer to accumulated profits in respect of incremental depreciation charged during the period / year - net of deferred tax | 6.1 (48,376,666) | (96,753,331) |
| | <u>1,277,993,789</u> | <u>1,326,370,455</u> |
| 6.1 Incremental depreciation charged during the period / year | | |
| Charge of the period / year | 68,136,149 | 136,272,297 |
| Less: deferred tax liability relating to incremental depreciation | (19,759,483) | (39,518,966) |
| | <u>48,376,666</u> | <u>96,753,331</u> |
| 7 LONG-TERM FINANCING | | |
| Secured - from financial institutions | | |
| Under sukuk arrangements | | |
| Balance at beginning of the period / year | 409,895,222 | 504,790,184 |
| Less: paid during the period / year | (40,229,310) | (94,894,962) |
| Less: current portion | (176,090,895) | (160,672,238) |
| Balance at the end of period / year | 193,575,017 | 249,222,984 |
| Under mark-up arrangements | | |
| Balance at beginning of the period / year | - | 18,666,671 |
| Less: paid during the period / year | - | - |
| Less: current portion | - | (18,666,671) |
| Balance at the end of period / year | - | - |
| | <u>193,575,017</u> | <u>249,222,984</u> |
| 7.1 During the period, the Company has entered into fifth supplemental musharka trust deed. As a result thereof, the size of monthly instalment has been enhanced with no change in other terms and conditions. | | |
| 8 TRADE AND OTHER PAYABLES | | |

These include Rs. 5 million (June 30, 2019 : Rs. 60 million) payable to associated company.

Notes to the Financial Statements

(Un-Audited)
December 31,
2019

(Audited)
June 30,
2019

----- Rupees -----

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

Guarantees issued by Banks on behalf of the Company

99,270,865

94,640,000

9.2 Commitments

Irrevocable letters of credit

45,357,780

24,447,902

| Six months ended | | Three months ended | |
|--------------------|-------------|--------------------|-------------|
| December 31 | December 31 | December 31 | December 31 |
| 2019 | 2018 | 2019 | 2018 |
| ----- Rupees ----- | | | |

10 SALES - NET

| | | | | |
|--------------|-------------|---------------|-------------|-------------|
| Local sales | 927,186,940 | 1,050,176,485 | 533,005,058 | 496,554,100 |
| Export Sales | 3,888,000 | - | 3,888,000 | - |
| | 931,074,940 | 1,050,176,485 | 536,893,058 | 496,554,100 |

11 COST OF SALES

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Raw material consumed | 62,096,742 | 167,427,468 | 24,337,124 | 145,226,379 |
| Fuel and power | 443,102,517 | 340,781,526 | 241,903,177 | 173,840,527 |
| Packing material consumed | 125,672,887 | 102,747,246 | 67,071,130 | 49,873,057 |
| Salaries, wages and benefits | 45,553,037 | 45,393,503 | 22,557,563 | 24,424,607 |
| Factory overheads | 139,767,666 | 144,681,396 | 72,580,635 | 80,254,395 |
| | 816,192,849 | 801,031,139 | 428,449,629 | 473,618,965 |
| Work-in-process | | | | |
| - Opening stock | 494,933,303 | 459,183,873 | 493,608,780 | 432,173,110 |
| - Closing stock | (482,003,604) | (522,821,144) | (482,003,604) | (522,821,144) |
| | 12,929,699 | (63,637,271) | 11,605,176 | (90,648,034) |
| Cost of goods manufactured | 829,122,548 | 737,393,868 | 440,054,805 | 382,970,931 |
| Finished goods | | | | |
| - Opening stock | 4,751,033 | 2,679,001 | 37,234,735 | 9,461,867 |
| - Closing stock | (5,102,256) | (23,993,339) | (5,102,256) | (23,993,339) |
| | (351,223) | (21,314,338) | 32,132,479 | (14,531,472) |
| Cost of goods sold - own manufactured products | 828,771,325 | 716,079,530 | 472,187,284 | 368,439,459 |

Notes to the Financial Statements

12 OTHER INCOME

This includes mark-up on saving account amounting to Rs. 130,769 (December 2018: Rs. 142,148) and gain on sale of catalyst amounting to Rs. 50,339,185 (December 2018: Rs. 60,058,842).

| | Six months ended | | Three months ended | |
|--|------------------|-------------|--------------------|-------------|
| | December 31 | December 31 | December 31 | December 31 |
| | 2019 | 2018 | 2019 | 2018 |

----- Rupees -----

13 PROVISION FOR TAXATION

| | | | | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| Current - for the period | 14,565,149 | 44,474,274 | 9,019,268 | 37,553,994 |
| - for prior year | - | 473,839 | - | 473,839 |
| Deferred | 10,716,736 | 17,356,751 | 10,716,736 | 17,356,751 |
| | <u>25,281,885</u> | <u>62,304,864</u> | <u>19,736,004</u> | <u>55,384,584</u> |

14 EARNINGS PER SHARE - BASIC AND DILUTED

| | | | | |
|--|--------------|-------------|--------------|------------|
| (loss) / Profit for the period | (16,927,218) | 184,076,850 | (22,163,548) | 44,057,279 |
| Weighted average number of ordinary shares outstanding during the period | 55,100,000 | 55,100,000 | 55,100,000 | 55,100,000 |
| Earnings per share | (0.31) | 3.34 | (0.40) | 0.80 |

15 TRANSACTIONS WITH RELATED PARTIES

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

| | Six months ended | |
|--|------------------|-------------|
| | December 31 | December 31 |
| | 2019 | 2018 |

----- Rupees -----

Relationship with the Company

Nature of transactions

| | | | |
|--------------------------|---------------------------------|------------|--------------|
| Associated company | Organizational charges charged | 8,092,860 | 6,944,315 |
| | Short term loan repaid | - | (31,000,000) |
| | Accrued markup | - | (7,612,496) |
| Key management personnel | Remuneration and other benefits | 23,234,522 | 24,911,611 |
| | Employee benefit plan | 3,664,191 | 1,954,533 |

15.1 The relationship with Sitara Spinning Limited, an associated company, is based on common directorship.

Notes to the Financial Statements

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

The different levels at which the financial instruments are carried have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

The fair value of financial instruments is approximately the same as their carrying value.

17 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on February 28, 2020.

18 GENERAL

Figures have been rounded off to the nearest rupee.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR



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