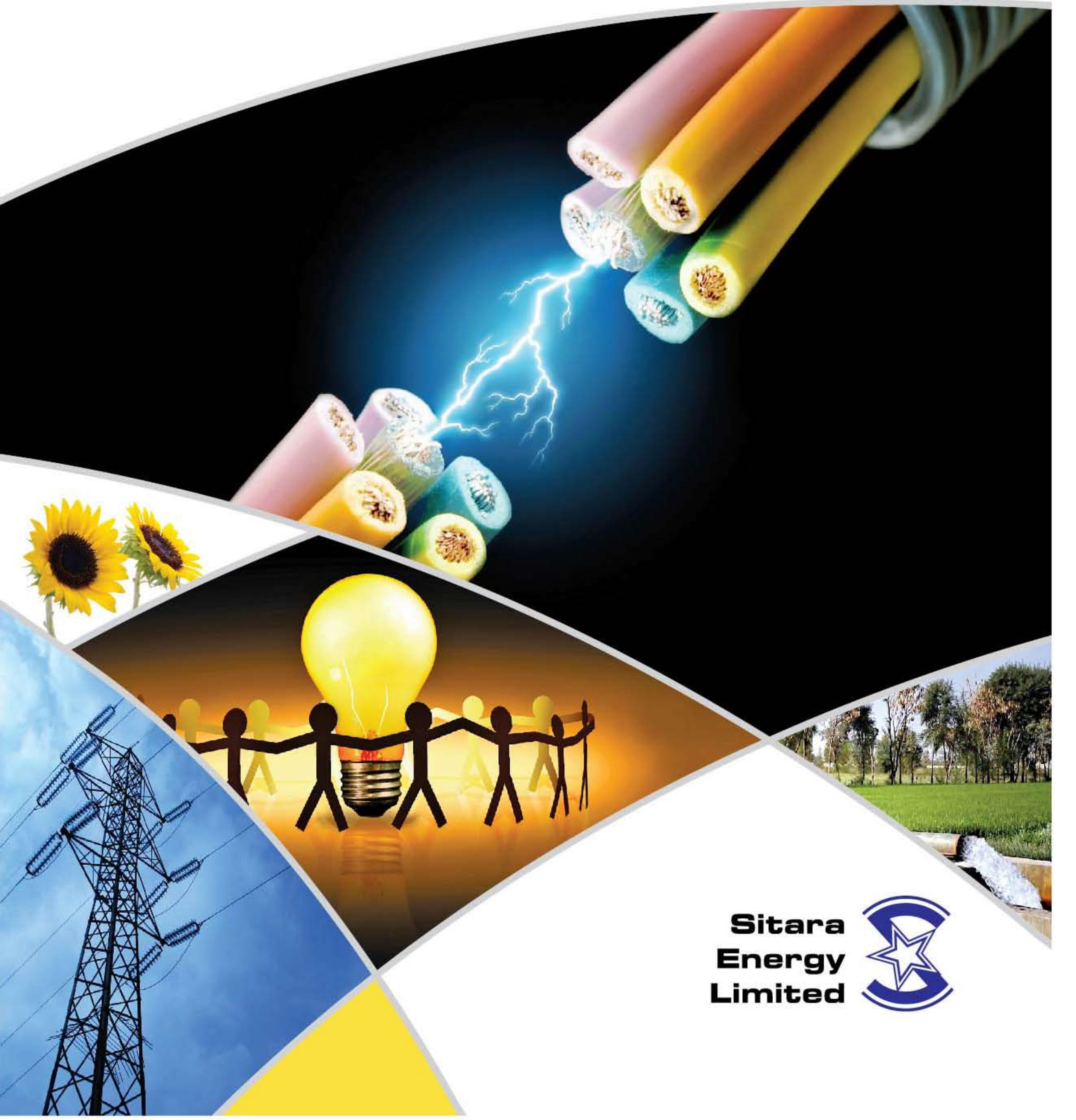
ANNUAL REPORT 2013



Sitara Energy Limited

Contents

Sitara Energy Limited

Consolidated Accounts (Sitara Energy Ltd and Its Subsidiary Company)

Company Information

Board of Directors

Mrs. Noureen Javed (Chairman)

Mr. Javed Iqbal (Chief Executive)
Mr. Sarosh Javed
Mrs. Haniah Javed
Mr. Maqbool Ahmad Chaudhary
Mr. Rana Muhammad Arshad Iqbal
Mr. Mukhtar A. Sheikh

Audit Committee

Mr. Rana M. Arshad Iqbal (Chairman)

Mr. Maqbool Ahmad Choudhry
Mrs. Haniah Javed

Human Resource Committee

Mr. Mukhtar A. Sheikh (Chairman)

Mr. Rana Muhammad Arshad Iqbal
Mrs. Noureen Javed

Auditors

M/s. Avais Hyder Liaquat Nauman (Chartered Accountants)
Faisalabad, Pakistan

Chief Financial Officer

Mr. Haroon Ahmed Zuberi - FCA

Company Secretary

Mr. Mazhar Ali Khan

Bankers

Faysal Bank Limited
United Bank Limited
Allied Bank Limited
Albaraka Bank (Pakistan) Limited
Standrad Chartered Bank (Pak) Limited

The Bank of Punjab
Meezan Bank Limited
First Women Bank Limited
National Bank of Pakistan Limited

MCB Bank Limited
Bank Alfalah Limited
Askari Bank Limited

Legal Advisor

Sahibzada Muhammad Arif

Registered Office

601-602 Business Centre, Mumtaz Hassan Road,Karachi – 74000, Pakistan

Share Registrar

THK Associates (Private) Limited
Ground Floor, State Life Building No. 3,
Dr. Ziauddin Ahmed Road, Karachi. 75530, Pakistan
UAN: +92(21)111-000-322 Fax: +92(21) 35655595
E mail: Secretariat@thk.com.pk

Project Location

33 K.M., Sheikhupura Road, Faisalabad, Pakistan.

Website

http://www.sitara.pk

Vision Statement

Sitara Energy Limited through its innovative technology and effective resource management has maintained high ethical and professional standards. To create a work environment that fosters pride, job satisfaction and equal opportunity for career growth for the employees.

Mission Statement

While keeping our fundamentals correct our principled and honest business practices meet our customer's requirements.

CEO's Message

The financial year 2012 - 13 has come to a close with Sitara Energy Limited (SEL) declaring a healthy stream of profits as has been our tradition in the past even in the pace of tough energy crisis in the country that continues to affect the economy and the society at large – even to date.

In the backdrop of a volatile landscape, SEL continues to invest in strategic areas capitalizing on the opportunities that the country offers. Despite challenging times we have always maintained a positive outlook on the country's and the Company's future – linking our growth to that of the country.

Energy continues to play a vital role in our lives – it helps us produce food, fuel transport and power communication channels across the world. Over the coming decades, as the country continues its growth, the energy requirements of the nation will continue to swell with an increased number of people striving to gain access to energy to enjoy a higher standard of living. However, these developments would place greater pressure on our country's resources, such as energy, water, and food. Cognizant of this fact we are determined to use human ingenuity, strategic investments, innovation and technology to unlock the energy that our customers need to power their lives in the years ahead, while aiming to limit our impact on the environment.

In the year 2013 SEL also witnessed changes in the management yet we embraced the change and continued to dispatch healthy load factors, generating energy for industry and thousands of households across Pakistan.

As the country's best power producer we pride ourselves on our penchant for innovation which has always been the hallmark of our business operations and the guiding force behind our operational strategy. As we continue to translate our strengths into our business success, the year 2014 will pave the way for a new performance driven culture at SEL, which will be geared towards enhancing our human resource capacity at par with global standards, embarking on a corporate management training plan to develop future leadership from within the organization, and achieving excellence at every level, every step of the way.

Furthermore, whilst we consolidated our resources to deliver this excellence through the year, our pursuit of value creation for a broad category of our stakeholders will be fueled with a strategic focus on key objectives that will drive our operational decisions as we go forward.

At SEL, we take honor in the fact that we have a tremendous responsibility to fulfill towards society and the economy at large and given our core strengths, our passion to do well and contribute towards Pakistan's growth is matched only by our undying perseverance to be the leader in energy landscape of the country.

Javed Iqbal
Chief Executive Officer

It is a fundamental policy of Sitara Energy Limited (the Company) 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 (Code) 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.

Salient Features of the Code for the Directors

1. Conflict of Interest

Each director must avoid any conflict of interest between the director and the Company, its associated or subsidiary undertaking. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company, should be disclosed promptly.

2. Corporate Opportunities

Directors are prohibited from taking for themselves personally, opportunities related to the Company's business; using the Company's property, information or position for personal gain or competing with the Company for business opportunities.

3. Confidentiality

Directors must maintain the confidentiality of information entrusted to them by the Company and any other confidential information about the Company and its associated or subsidiary undertaking that comes to them, except when disclosure is authorized by the Chairman of the Board or legally mandated.

4. Honesty, Integrity and Fair Dealing

Directors must act honestly and fairly and exhibit high ethical standards in dealing with all stakeholders of the Company.

5. Compliance with Laws, Rules and Regulations

Directors 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.

6. Encouraging the Reporting of Any Possible Illegal or Unethical Behavior

Directors should take steps to ensure that the Company promotes ethical behavior; encourages employees to talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation; encourages employees to report violations of laws, rules, regulations, Company policies and procedures or the Company's Code of Conduct to appropriate personnel; and informs employees that the Company will not allow retaliation for reports made in good faith.

7. Trading in Company Shares

Certain restrictions / reporting requirements apply to trading by the directors in Company shares. Directors shall make sure that they remain compliant with these statutory requirements.

8. Compliance Procedures

Directors should disclose any suspected violations of this Code promptly in the immediately subsequent meeting of the Board of directors.

Salient Features of the Code for Employees

1. Conflict of Interests

Employees / trainees must not engage in activities or transactions which may give rise, or which may be seen to have given rise, to conflict between their personal interests and the interest of the Company.

2. Confidentiality and Disclosure of Information

Employees / trainees are expected to safeguard confidential information and must not, without authority, disclose such information about the Company activities to the press, to any outside source, or to employees/ trainees who are not entitled to such information.

3. Political Contribution

No funds or assets of the Company may be contributed to any political party or organization or to any individual who either holds public office or is a candidate for public office except where such a contribution is permitted by law.

4. Bribes and Commercial Payments

An employee / trainee must not give or receive bribes or other payments, which are intended to influence a business decision or compromise independent judgment; nor must any employee / trainee give money in order to obtain business for the Company, nor receive money for having given the Company's business to an outside agency.

5. Proper Recording of Funds, Assets, Receipts and Disbursements

All funds, assets, receipts and disbursements must be properly recorded in the books of the Company.

6. Agreements with Agents, Sales Representatives or Consultant

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.

7. Relations and Dealings with Suppliers, Consultants, Agents, Intermediaries and Other Third Parties

SEL's relations and dealings with suppliers, consultants, agents, intermediaries and other third parties should at all times be such that SEL's integrity and its reputation should not be damaged if details of the relationship or dealings were to become public knowledge.

8. Health, Safety & Environment (HSE) Policy

Every employee / trainee at work must take reasonable care for the health and safety of him / her and others including visitors who may be affected by his / her acts or omissions at work and co-operate in Company's efforts to protect the environment.

9. Smoking Policy

Smoking and exposure of workplace to tobacco poses serious health hazard to the employee / trainees besides potential risks of fire and explosions considering this, smoking is permitted only in designated 'Smoking Areas.

10. Seat Belt Policy

As per policy it is mandatory for all SEL employees / trainees, contractors, visitors and all other persons to fasten seat belts in the front seats of the vehicle while traveling.

11. Other Employment, Outside Interests, Civic Activities

SEL does not allow its employees / trainees to take any part-time and / or full-time second employment during employees' / trainees' Engagement with the Company.

12. Unsolicited Gifts

Accepting gifts that might place an employee / trainee under obligation is prohibited. Employees / trainees must politely but firmly decline any such offer and explain that in accordance with the Company's instructions, they are unable to accept the offer.

13. Family Connections and Employment of Relatives

Any dealings between staff and outside organizations, in which they have a direct, indirect or family connection must be fully disclosed to the Management.

14. Company and Personal Property

An employee / trainee must not take or use Company property or the property of another employee / trainee without permission; nor must the employee / trainee use Company property for private purposes without the Management's permission.

15. Alcohol and Drugs

Alcohol in any form and the use of drugs, except under medical advice, is prohibited at all locations.

16. Gambling

All forms of organized gambling or betting on the Company's premises are forbidden.

17. Rumor Mongering & Gossiping

Rumor mongering, persuasive allegations, accusations and exaggerations with the main purpose of negatively influencing and manipulating the minds and emotions of the fellow employees / trainees are strictly prohibited.

18. Harassment

It is the policy of the Company to promote productive work environment and not to tolerate verbal or physical conduct by any employee / trainee that harasses, disrupts, or interferes with another's work performance or that creates an intimidating, humiliating, offensive, or hostile environment.

19. Grievance Handling

SEL strives to provide a fair & impartial process to its employees / trainees and ensure timely resolution of their grievance.

20. Whistle Blowing

In order to enhance good governance and Transparency, SEL has introduced a Whistle Blowing Policy. The Policy provides an avenue to employees / trainees and vendors to raise concerns and report legal and ethical issues like fraud, corruption or any other unlawful conduct or dangers to the public or the environment.

21. General Discipline

Every employee / trainee must adhere to Company's rules of service and make sure that he / she is familiar with all of them.

22. Reporting Violations / Disciplinary Actions

Any violation of this Code shall be promptly reported to the Human Resources department by any employee / trainee having knowledge thereof or having reasonable belief that such violation has occurred.

Notice of Annual General Meeting

Notice is hereby given that the 23rd Annual General Meeting of Sitara Energy Limited (the Company) will be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwan-e-Sadr Road, Karachi, on Tuesday, October 29, 2013 at 2:00 p.m. to transact the following business:

Ordinary Business

1. To confirm the minutes of Extra Ordinary General Meeting held on April 15, 2013.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2013 together with the Reports of the Auditors and Directors thereon.
3. To approve payment of cash dividend at the rate of 10% (Re. 1.00 per share) as recommended by the Directors.
4. To appoint Auditors for the year ending June 30, 2014 and to fix their remuneration.

Special Business

5. To approve the remuneration of the Working Director of the Company.
6. To transact any other ordinary business of the Company with the permission of the Chair.

By order of the Board

Karachi:
September 21, 2013

MAZHAR ALI KHAN
Company Secretary

NOTES:

i. The share transfer books of the company will remain closed from October 23, 2013 to October 29, 2013 (both days inclusive)

ii. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at Company's Share Registrar's Office M/s. THK Associates (Pvt) Limited, Ground Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi not less than 48 hours before the time of meeting.

iii. The member whose name appears on the register at the close of business on October 22, 2013 will be entitled to cash dividend.

iv. Shareholders who have deposited their shares into Central Depository Company are advised to bring their Computerized National Identity Card along with their CDC account number at the meeting venue.

v. Shareholders are advised to notify any change in their addresses.

vi. As per SECP Circular No.779(1)2011, dated August 18, 2011 the DIVIDEND WARRANTS should bear the CNIC number of Registered shareholder(s), so please members who have not yet submitted photocopy of their Computerized National Identity Cards (CNIC) are requested to send the same to our Shares Registrar at the earliest.

Statement Under Section 160(1)(B) of the Companies Ordinance, 1984.

This statement sets out the material facts concerning the special business to be transacted at the 23rd Annual General Meeting of the Company to be held on October 29, 2013.

According to Government regulations, shareholders' approval will be sought for payment of remuneration and the provisions of certain facilities to the Working director of the Company as recommended by the Board of directors of the Company. For this purpose it is proposed to pass the following resolution as an ordinary resolution.

"**RESOLVED THAT** the company hereby authorizes the holding of office of profit and payment as tax free monthly remuneration to Mr. Sarosh Javed, Working director not exceeding Rs. 300,000/- (Rupees Three Hundred Thousand Only) for the year ending June 30, 2014 and for subsequent years a sum with an annual increase of upto 25% of the remuneration being paid from time to time, as determined by the Board of directors".

The Working director will also be provided company maintained car, leave fare assistance, free medical cover for self and family and other perquisites as per company rules and regulations in force from time to time.

The directors of the Company are pleased to present the annual report of the Company along with the audited financial statements for the year ended June 30, 2013.

FINANCIAL RESULTS

Turn over for the period was Rs. 5,183.84 million (2012: Rs. 4,866.13 million) and operating cost were Rs. 4,652.08 million (2012: Rs 4,341.21 million) both turnover and operating costs registered an increase in the current year compared to the previous year mainly due to higher fuel oil prices.

The Company earned a net profit Rs. 249.31 million during the year resulting in earnings per share of Rs. 13.06 compared to net profit of Rs. 251.47 million and earnings per share of Rs. 13.17 last year.

Financial results for the year ended June 30, 2013 and June 30, 2012 are summarized below:

	2013		2012	
	SEL	**Consolidated**	SEL	Consolidated
	Rupees in thousands		Rupees in thousands	
Sales	**5,183,842**	**5,183,842**	4,866,139	4,879,166
Gross profit	**531,758**	**531,758**	524,931	525,513
Profit before taxation	**249,313**	**248,489**	251,916	251,747
Provision for taxation	**-**	**11**	448	618
Net Profit after taxation	**249,313**	**248,477**	251,468	251,129
Unapproriated profit brought forward	**514,543**	**511,911**	312,167	309,874
Profit available for appropriation	**763,856**	**760,388**	563,635	561,003
Appropriation				
Final dividend for the year ended				
June 30, 2012: Rs. 1.00 per share	**19,092**	**19,092**	19,092	19,092
Transferred to general reserve	**100,000**	**100,000**	30,000	30,000
	119,092	**119,092**	49,092	49,092
Profit available for appropriation	**644,764**	**641,296**	514,543	511,911
Earning per share - Basic Rs.	**13.06**	**13.01**	13.17	13.15

Proposed appropriation

The Directors have recommended:

- Final cash dividend of Rs.1/- per share i.e, 10% (2012: Rs. 1/- per share i.e, 10%).
- Appropriation of Rs. 100 million (2012: Rs. 100 million) to General Reserve.

These appropriations will be reflected in the subsequent financial statements in compliance with the revised fourth schedule to the Companies Ordinances, 1984.

Generation

	2013 (Mwh)	2013 %	2012 (Mwh)	2012 %
Actual Capacity (including standby generators)	**696,946**		696,946	
Operating Capacity (excluding standby generators)	**620,909**		620,909	
Actual Generation	**347,727**	**100.00**	330,849	100.00
Capacity Utilization	**56.00%**		53.29%	
Units Sold	**336,358**	**96.73**	313,961	94.90
Auxiliary Consumption	**11,369**	**3.27**	11,540	3.49
Line Losses	**5,158**	**1.48**	5,348	1.62

Raw Material Consumption

	2013				2012			
	Quantity consumed	**Units**	**Value in '000'**	**Average rate**	Quantity consumed	Units	Value in '000'	Average rate
Furnace oil	**49,785**	**M. Ton**	**3,444,449**	**69,186**	48,563	M. Ton	3,336,672	68,708
Lube Oil	**476,407**	**Liter**	**99,906**	**210**	542,246	Liter	121,846	225
H.S. Diesel Oil	**518,600**	**Liter**	**48,524**	**94**	542,870	Liter	45,734	84
Light Diesel Oil	**861,000**	**Liter**	**68,548**	**80**	-		-	-
Gas Consumption	**1,193,564**	**MMBTU**	**613,951**	**514**	1,191,442	MMBTU	554,225	465

Corporate and Financial Reporting Framework

In compliance of the Code of Corporate Governance, we give below the statement on corporate and financial reporting frame work:

a) The financial statements have been drawn up in conformity with the requirements of the Companies Ordinance, 1984 and present fairly its state of affairs, the operating results, cash flows and changes in equity.

b) Proper books of accounts have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.

d) International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.

e) The internal control system is sound in design and has been effectively implemented and monitored.

f) There is no significant doubt about the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of Code of Corporate Governance, as detailed in listing regulations.

h) Summary of key operating and financial data for the last ten years is annexed.

i) Value of investments of Provident Fund Trust as at June 30, 2013 was Rs. 15.120 million.

j) Following directors were appointed / retired in the Extra Ordinary General Meeting of the Company held on April 15, 2013 for a period of three years.

Name of Director	Status	
Mr. Javed Iqbal	Executive Director	/ retired and reappointed
Mr. Sarosh Javed	Non Executive Director	/ retired and reappointed
Mr. Mukhtar A. Sheikh	Non Executive Director	/ retired and reappointed
Mrs. Noureen Javed	Non Executive Director	/ retired and reappointed
Mrs. Haniah Javed	Non Executive Director	/ retired and reappointed
Mr. Maqbool Ahmad Chaudhary	Non Executive Director	/ new appointment
Mrs. Naseem Akhter	Retired	
Mr. Rana M. Arshad Iqbal*	Independent Director	/ retired and reappointed

*The independent director meets the criteria of independence under clause i(b) of Code of Corporate Governance.

k) During the year four meetings of the Board were held. Attendance by the Directors was as follows:-

Name of Director	Meetings attended
Mr. Javed Iqbal	4
Mr. Sarosh Javed	4
Mr. Mukhtar A. Sheikh	4
Mrs. Noureen Javed	4
Mrs. Haniah Javed	4
Mr. Rana M. Arshad Iqbal	4
Mst. Naseem Akhter	3
Mr. Maqbool Ahmad Chaudhary	1

l) During the year four meetings of the audit committee were held. Attendance by each member was as follows:-

Name of Director	Meetings attended / Status		
Mr. Rana M. Arshad Iqbal	1	/	Chairman
Mr. Maqbool Ahmad Chaudhry	1	/	Member
Mrs. Haniah Javed	1	/	Member
Mr. Sarosh Javed	3	/	Retired chairman
Mr. Javed Iqbal	3	/	Retired member
Mst. Naseem Akhter	3	/	Retired member

m) The remuneration of the Chief Executive was increased by 25% in accordance with the terms of his appointment as approved by the Board of directors.

n) Pattern of Shareholding as at June 30, 2013 is annexed.

o) Statement of compliance with Code of Corporate Governance is also annexed.

p) All transactions with related parties and associated undertakings are carried out at arm's length determined in accordance with comparable uncontrolled price method.

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

	Shareholding
Mr. Javed Iqbal	6,254,303
Mrs. Noureen Javed	1,073,237
National Bank of Pakistan	1,130,661
State Life Insurance Corporation of Pakistan	1,628,500

r) 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.

s) None of the employees of the Company has made any trade of shares of the Company who falls beyond the threshold of Rs. 2.4 million annual basic salary.

t) One director (Mr. Maqbool Ahmad Chaudhry) has acquired 500 qualification shares of the Company during the year.

Web Reference

The Company maintains a functional website. Annual, half yearly and quarterly reports are regularly posted at the Company website. http://www.sitara.pk

Human Resources Management

Our commitment to excellence plays a significant role in our ability to be successful. This commitment enables us to continue investing behind talent development of our people across all functional departments. They are provided with a learning environment that encourages and fosters new ideas, initiatives and teamwork.

Corporate Social Responsibility

It is Company's policy to contribute to the uplift and welfare of the community in order to fulfill its social responsibility. During the year 2013, the Company has donated Rs. 2.31 million to welfare institution operating in the field of health.

Future Prospects And Outlook

The profitability of the Company during the financial year 2013-14 will largely depends on agreement with Faisalabad Electric Supply Company (FESCO) which is lying pending with NEPRA for its approval and availability of natural gas.

Auditors

The auditors M/S Avais Hyder Liaquat Nauman, Chartered Accountants, retire and being eligible has offered themselves for re-appointment. The Audit Committee has recommended re-appointment of the same auditors.

Appreciation

We are thankful to our shareholders for the turst and confidence reposed in the Company.

by order of the Board

September 21, 2013
Faisalabad

JAVED IQBAL
Chief Executive Officer

AS AT JUNE 30, 2013

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
355	1	100	7,290
417	101	500	197,498
107	501	1,000	104,935
160	1,001	5,000	466,378
38	5,001	10,000	291,900
8	10,001	15,000	103,500
7	15,001	20,000	121,427
9	20,001	25,000	212,407
5	25,001	30,000	136,500
3	35,001	40,000	113,000
2	40,001	45,000	84,098
2	45,001	50,000	100,000
2	55,001	60,000	114,500
1	60,001	65,000	63,500
1	80,001	85,000	83,000
1	100,001	105,000	100,247
1	145,001	150,000	145,500
1	150,001	155,000	152,500
1	185,001	190,000	190,000
2	195,001	200,000	400,000
1	210,001	215,000	213,500
1	255,001	260,000	256,117
1	260,001	265,000	263,151
1	275,001	280,000	275,500
1	320,001	325,000	323,000
1	410,001	415,000	414,500
1	420,001	425,000	424,474
1	595,001	600,000	600,000
1	620,001	625,000	625,000
1	655,001	660,000	656,000
1	830,001	835,000	832,360
1	930,001	935,000	933,661
1	1,070,001	1,075,000	1,073,237
1	1,130,001	1,135,000	1,130,517
1	1,625,001	1,630,000	1,628,500
1	6,250,001	6,255,000	6,254,303
1,139			**19,092,000**

AS AT JUNE 30, 2013

Associated Companies, Undertaking and Related Parties	Number	Share Held	Percentage
Sitara Fabrics Limited	1	656,000	3.44
Directors, CEO & their Spouse and Minor Children			
Mr. Javed Iqbal	1	6,254,303	32.76
Mrs. Naureen Javed	1	1,073,237	5.62
Mr. Sarosh Javed	1	1,000	0.01
Ms. Hania Javed	1	1,000	0.01
Mr. Mukhtar Ahmed Sheikh	1	1,000	0.01
Mr. Maqbool Ahmed Chaudhary	1	500	0.00
Mr. Rana Muhammad Arshad Iqbal	1	500	0.00
NIT AND ICP			
National Bank of Pakistan - Trustee Department	2	256,617	1.34
Investment Corporation of Pakistan			
Bank, Development Finance Institutions, Non Banking Finance Institutions.	4	1,151,965	6.03
Insurance Companies	2	1,634,500	8.56
Modarabas and Mutual Funds	1	263,151	1.38
Foreign Companies	1	1,000	0.01
Joint Stock Companies	14	1,680,771	8.80
General Public (Local)	1,099	6,085,018	31.87
General Public (Foreign)	5	4,701	0.02
Others	3	26,737	0.14
	1,139	**19,092,000**	**100.00**

Key Operating and Financial Data for Last Ten Years

Particulars	**2013**	2012	2011	2010	2009	2008	2007	2006	2005	2004
	Rupees in thousand									
Financial Position										
Paid up capital	**190,920**	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920
Share premium	**143,190**	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190
General reserves	**720,000**	620,000	590,000	540,000	490,000	460,000	460,000	460,000	460,000	460,000
Fixed assets at cost	**2,280,107**	2,244,936	2,249,956	2,237,936	2,226,647	2,119,520	1,746,110	1,220,807	1,168,553	1,149,569
Accumulated depreciation	**1,161,137**	1,074,287	999,716	934,534	853,915	783,377	724,815	686,831	646,259	599,992
Current assets	**1,484,527**	1,256,999	971,364	1,095,765	1,072,613	975,860	696,225	1,043,688	806,477	639,991
Current liabilities	**1,283,248**	1,509,799	1,838,056	1,496,000	1,377,056	1,084,109	1,009,867	1,007,194	741,091	276,847
Income										
Sales	**5,183,842**	4,866,139	3,753,492	3,875,481	3,009,929	2,286,357	1,461,240	1,346,031	1,154,753	1,110,958
Other income	**1,805**	96,523	9,841	4,794	7,168	14,032	7,422	28,364	1,889	1,713
Pre tax profit	**249,313**	251,916	91,527	106,926	80,338	112,669	1,518	7,351	(40,118)	90,439
Taxation	**-**	448	487	(269)	(698)	358	339	398	276	201
Statistics And Ratios										
Pre tax profit to sale %	**4.81**	5.18	2.44	2.76	2.67	4.93	0.10	0.55	(3.47)	8.14
Pre tax profit to capital %	**130.59**	131.95	47.94	56.01	42.08	59.01	0.80	3.85	(21.01)	47.37
Current ratio	**1.16**	0.83	0.53	0.73	0.78	0.90	0.69	1.04	1.09	2.31
Paid up value per share (Rs.)	**10.00**	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Earning after tax per share (Rs.)	**13.06**	13.17	4.77	5.61	4.24	5.88	0.06	0.36	(2.12)	4.73
Cash dividend %	**10.00**	10.00	10.00	20.00	20.00	25.00	-	-	-	25.00
Break up value per share (Rs.)	**88.98**	76.93	64.75	61.99	58.37	56.63	50.74	50.68	50.32	54.93

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the listing regulations of Karachi Stock Exchange, Lahore Stock Exchange and Islamabad 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 Company encourages representation of independent non-executive directors and the directors representing minority interests on its board of directors. However, at present the board includes:

Category	**Names**
Independent Director	Mr. Rana Muhammad Arshad Iqbal
Executive Director	Mr. Javed Iqbal
Non Executive Directors	Mrs. Noureen Javed Mr. Sarosh Javed Mrs. Haniah Javed Mr. Mukhtar Ahmad Sheikh Mr. Maqbool Ahmad Chaudhary

   The independent director meets the criteria of independence under clause 1 (b) of the CCG.

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

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI.

4. No casual vacancy occurred on the Board during the year.

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 and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his 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. Directors are well conversant and fully aware of the listing regulations, legal requirements and operational imperatives of the Company. Two directors of the Company are exempt from the requirement of certification under directors’ training program. During the year one director has acquired certification under the directors’ training program conducted by the Institute of Chartered Accountants of Pakistan.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The directors' report for this year has been prepared in compliance with the requirements of the 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 by 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 of three members, of whom two are non executive directors and one is an independent director who is also 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 a Human Resource and Remuneration Committee. It comprises of three members, of whom two are non executive directors and one is an independent director. The chairman of the committee is a non executive director.

18. The Board has set up an effective internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

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, 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 Institute of Chartered Accountants of Pakistan.

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 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 the market price of Company's shares, was determined and intimated to directors, employees and stock exchange.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.

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

September 21, 2013
Faisalabad

JAVED IQBAL
Chief Executive Officer

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2013 prepared by the Board of Directors of Sitara Energy Limited (the company) to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges (the Stock Exchanges) where the company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company 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 wether the Board's statement on internal control covers all risks and controls, or to form an opinion on effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Sub- Regulation (xiii) of Listing Regulations No. 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19,2009 requires the company to place before the Board of Directors for their consideration and approval of 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the 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 of Corporate Governance as applicable to the company for the year ended June 30, 2013.

September 21, 2013
Faisalabad

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Sitara Energy Limited (the company) as at June 30, 2013 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 account 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 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, 2013 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

September 21, 2013
Faisalabad

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner:- Hamid Masood

BALANCE SHEET
AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
30,000,000 ordinary shares			
of Rs. 10/- each.		300,000,000	300,000,000
Issued, subscribed			
and paid up capital	3	190,920,000	190,920,000
Capital reserve - share premium		143,190,000	143,190,000
General reserve		720,000,000	620,000,000
Unappropriated profit		644,764,486	514,543,039
		1,698,874,486	1,468,653,039
NON-CURRENT LIABILITIES			
Redeemable capital	4	155,000,000	310,000,000
Long term financing	5	300,000,000	-
Liabilities against assets			
subject to finance lease	6	-	2,110,377
		455,000,000	312,110,377
CURRENT LIABILITIES			
Trade and other payables	7	329,012,234	263,525,309
Interest / mark up payable	8	42,696,745	57,262,605
Short term bank borrowings	9	753,586,428	1,030,967,586
Current portion of:			
Redeemable capital	4	155,000,000	155,000,000
Liabilities against assets			
subject to finance lease	6	2,100,249	2,190,449
Provision for taxation			
- income tax		852,817	852,817
		1,283,248,473	1,509,798,766
CONTINGENCIES AND			
COMMITMENTS	10	-	-
		3,437,122,959	3,290,562,182
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,902,090,144	1,982,367,955
Investment in subsidiary	12	49,995,000	49,995,000
Long term deposits	13	511,200	1,199,900
		1,952,596,344	2,033,562,855
CURRENT ASSETS			
Stores, spares and loose tools	14	376,216,699	379,029,692
Stock of oil and lubricants	15	90,191,850	76,912,795
Trade debts	16	642,413,372	499,775,181
Loans and advances	17	21,544,712	12,100,662
Deposits and prepayments	18	3,297,496	2,685,339
Other receivables		-	22,378,162
Tax refunds due from			
Government - income tax		23,799,916	5,636,803
Cash and bank balances	19	9,245,662	5,110,263
		1,166,709,707	1,003,628,897
Non-current assets			
held for sale	20	317,816,908	253,370,430
		1,484,526,615	1,256,999,327
		3,437,122,959	3,290,562,182

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	**2013 Rupees**	2012 Rupees
Sales - net	21	5,183,842,311	4,866,138,711
Cost of generation	22	4,652,084,830	4,341,207,916
Gross profit		531,757,481	524,930,795
Other operating income	23	1,804,849	96,523,055
		533,562,330	621,453,850
Operating expenses	24	71,394,482	80,229,505
Other operating expenses	25	13,124,126	19,712,890
Finance cost	26	199,730,275	269,595,101
		284,248,883	369,537,496
Profit for the year before taxation		249,313,447	251,916,354
Provision for taxation	27	-	448,304
Profit for the year		249,313,447	251,468,050
Earnings per share - Basic and diluted	28	13.06	13.17

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
Profit for the year	249,313,447	251,468,050
Other comprehensive income for the year	-	-
Total comprehensive income for the year	249,313,447	251,468,050

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	249,313,447	251,916,354
Adjustments for:		
Depreciation of property, plant and equipment	86,850,486	79,243,388
Provision for staff retirement benefits	2,731,832	2,535,291
Gain on disposal of:		
Property, plant and equipment	-	(13,676,072)
Non-current assets held for sale	-	(81,356,615)
Finance cost	199,730,275	269,595,101
Balances written off - net	-	6,121,402
Operating cash flows before working capital changes	538,626,040	514,378,849
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	2,812,993	25,632,079
Stock of oil and lubricants	(13,279,055)	45,020,570
Trade debts	(142,638,191)	(165,816,168)
Loans and advances	(9,659,303)	42,551,487
Deposits and prepayments	76,543	(965,524)
Other receivables	22,378,162	-
Tax refuns due from government- income tax	(10,000,000)	-
Increase in current liabilities		
Trade and other payables	66,788,609	135,565,991
	(83,520,242)	81,988,435
Cash generated from operating activities	455,105,798	596,367,284
Income tax paid	(7,947,860)	(3,128,939)
Staff retirement benefits paid	(2,715,104)	(2,516,825)
Finance cost paid	(214,296,135)	(287,379,384)
Net cash generated from operating activities	230,146,699	303,342,136

		2013 Rupees	2012 Rupees
(b)	**CASH FLOWS FROM INVESTING ACTIVITIES**		
	Additions in property, plant and equipment	(71,019,153)	(91,379,860)
	Proceeds from disposal of :		
	Property, plant and equipment	-	34,359,700
	Non-current assets held for sale	-	213,022,314
	Net cash (used in) / generated from investing activities	(71,019,153)	156,002,154
(c)	**CASH FLOWS FROM FINANCING ACTIVITIES**		
	Repayment of :		
	Redeemable capital	(155,000,000)	(180,000,000)
	Long term financing	-	(300,000,000)
	Liabilities against assets subject to finance lease	(2,200,577)	(2,111,014)
	Long term financing obtained	300,000,000	-
	(Decrease) / increase in short term bank borrowings - net	(277,381,158)	44,102,661
	Dividend paid	(20,410,412)	(19,010,884)
	Net cash (used in) financing activities	(154,992,147)	(457,019,237)
	Net increase in cash and cash equivalents (a+b+c)	4,135,399	2,325,053
	Cash and cash equivalents at the beginning of the year	5,110,263	2,785,210
	Cash and cash equivalents at the end of the year	9,245,662	5,110,263

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Issued, subscribed and paid up capital	Capital reserve	Revenue reserve			Total
		Share premium	General reserve	Unappropriated profit	Sub total	
	Rupees					
Balance as at July 01, 2011	190,920,000	143,190,000	590,000,000	312,166,989	902,166,989	1,236,276,989
Transaction with owners						
Dividend for the year ended						
June 30, 2011 : Rs.1/- per share	-	-	-	(19,092,000)	(19,092,000)	(19,092,000)
Transferred to general reserve	-	-	30,000,000	(30,000,000)	-	-
Total comprehensive income for the year						
Profit for the year	-	-	-	251,468,050	251,468,050	251,468,050
Other comprehensive income	-	-	-	-	-	-
	-	-	-	251,468,050	251,468,050	251,468,050
Balance as at June 30, 2012	190,920,000	143,190,000	620,000,000	514,543,039	1,134,543,039	1,468,653,039
Transaction with owners						
Dividend for the year ended						
June 30, 2012 : Rs.1/- per share	-	-	-	(19,092,000)	(19,092,000)	(19,092,000)
Transferred to general reserve	-	-	100,000,000	(100,000,000)	-	-
Total comprehensive income for the year						
Profit for the year	-	-	-	249,313,447	249,313,447	249,313,447
Other comprehensive income	-	-	-	-	-	-
	-	-	-	249,313,447	249,313,447	249,313,447
Balance as at June 30, 2013	190,920,000	143,190,000	720,000,000	644,764,486	1,364,764,486	1,698,874,486

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

1. STATUS AND ACTIVITIES

1.1 Sitara Energy Limited (the Company) is incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984 and is listed on all stock exchanges in Pakistan. The main object of the Company is generation and distribution of electricity. The registered office of the Company is situated at 601-602 Business centre, Mumtaz Hasan Road, Karachi. The project is located at Tehsil Jaranwala, District Faisalabad in the province of Punjab.

1.2 The Company is implementing expansion project comprising electricity generation capacity of 21 MW.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements for the periods beginning on or after July 01, 2012 and therefore, have been applied in preparing these financial statements:

- IAS 1 “Presentation of Financial Statements”. The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the ‘statement of comprehensive income’ is renamed the ‘statement of profit or loss and other comprehensive income’ and the ‘income statement’ is renamed the ‘statement of profit or loss’ whose use is not mandatory. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The Company is continuing use of existing terminology. The presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit and loss, other comprehensive income and total comprehensive income.

- IFRS 7 "Financial Instruments Disclosures". The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. These amendments do not have any material impact on the Company's financial statements.

- IAS – 12 "Income Taxes". The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. These amendments do not have any material impact on the Company's financial statements.

2.2.2 Standards, amendments to standards and interpretations becoming effective in current year but not relevant

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2012 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

2.2.3 Standards, amendments to standards and interpretations becoming effective in future periods

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates:

- IFRS 7 (Amendments) "Financial Instruments Disclosures" on offsetting financial assets and financial liabilities. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments are effective for accounting periods of the Company beginning on or after July 01, 2013. The Company does not have any offsetting arrangements in place. The amendments will have no material impact on the disclosures.

- IFRS 9 "Financial Instruments". IFRS 9 (as originally issued in 2009) introduces new requirements for the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for the accounting periods beginning on or after July 01, 2015. IFRS 9 contains a number of transitional provisions.

  The standard requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt instruments must be measured at fair value through profit or loss. All equity investments within the scope of IAS 39 are to be measured in the statement of financial position at fair value, with the gains and losses recognised in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at fair value through other comprehensive income, with only dividend income generally recognised in profit or loss. The standard requires that changes in the fair value of a financial liability designated as at fair value through profit or loss attributable to changes in the credit risk of that liability, presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

The IASB has issued exposure drafts to propose new category of debt instruments, more forward looking impairment model and new hedge accounting.

It is not practicable to provide a reasonable estimate of impact until a final standard is issued and detailed review has been completed.

- A package of five standards on consolidation, Joint arrangements, associates and disclosures was issued comprising IFRS, 10, 11, 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

  Subsequent to the issue of these standards, amendments to IFRS 10,11 and 12 were issued to clarify certain transitional guidance on the first time application of the standards.

  The standards are effective for accounting periods of the Company beginning on or after July 01, 2013.

The impact of these standards is set out below:

- IFRS 10 "Consolidated Financial Statements". replaces the part of IAS 27 "Consolidated and Separate Financial Statements" that deals with consolidated financial statements and SIC-12 "Consolidation – Special Purpose Entities". A more robust definition of control has been developed in IFRS 10 in order to capture unintentional weaknesses of the definition of control set out in the previous version of IAS 27. A new definition of control contains three elements: a) power ever an investee, b) exposure or rights to variable returns from its involvement with the investee and c) ability to use its power over the investee to affect the amount of the investor's returns. The standard adds application guidance to assist in assessing whether an investor controls an investee in complex scenarios. The application of the standard is not expected to have any material impact on the Company's financial statements.

- IFRS 11 "Joint Arrangements". replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers".

- IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. 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. Joint ventures have rights to the net assets of the arrangement. Equity method of accounting is used and proportionate consolidation is not allowed. Joint operators have rights to the assets and obligations of the arrangement. Each joint operator recognizes its share of the assets, liabilities, revenues and expenses. 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.

The application of the standard is not expected to have any material impact on the Company's financial statements.

- IFRS 12 "Disclosures of interest in other entities". This is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

- IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on their financial statements. The application of the standard may result in additional disclosures.

- IAS 27 (as revised in 2011) "Separate Financial Statements". The revised standard sets out the requirements regarding separate financial statements only. Requirements of consolidated financial statements are covered in IFRS-10. The application of the standard is not expected to have any material impact on the Company's financial statements.

- IAS 28 (as Revised in 2011) "Associates and Joint Ventures". The revised standard deals with how to apply the equity method of accounting for investment in joint ventures, as well as associates, following the issue of IFRS 11 which requires investments in Joint ventures to be accounted for using the equity method of accounting. The application of the standard is not expected to have any material impact on the Company's financial statements.

- IFRS 13 "Fair Value Measurement" establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value for financial reporting purposes, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. 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. The application of IFRS 13 may result in changes in how entities determine fair values for financial reporting purposes. IFRS 13 requires extensive disclosures about fair value measurements. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 "Financial Instruments: Disclosures" are extended by IFRS 13 to cover all assets and liabilities within its scope. The standard is effective for accounting periods of the Company beginning on or after July 01, 2013. The application of the standard may result in more extensive disclosures in financial statements.

- IAS 19 "Employee Benefits". The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Net interest: recognised in profit or loss and calculated by applying the discount rate at the beginning of each reporting period to the net defined benefit liability or asset at the beginning of that reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. The amendments are effective for accounting periods of the Company beginning on or after July 01, 2013.The amendments to IAS-19 require retrospective application. Based on the preliminary assessment, the application of the amendments will not have material impact on the retained earnings of the Company due to recognition of current cumulative un-recognised actuarial losses next year.

- IAS 32 (Amendment) “Financial Instruments: Presentation”. This amendment updates the application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment is effective for accounting periods of the Company beginning on or after July 01, 2014. The application of the amendment is not expected to have any material impact on the Company’s financial statements.

2.2.4 Standards, amendments to standards and interpretations becoming effective in future periods but not relevant

"There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company’s operations, therefore, not disclosed in these financial statements.

2.3 Basis of preparation

These financial statements have been prepared under the "historical cost convention".

2.4 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 initially 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 a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company’s general policy on borrowing costs (Refer Note 2.12). Contingent rentals are recognised as expenses in the periods in which they are incurred.

2.5 Staff retirement benefits

The Company operates defined contribution plan - approved provident fund scheme for all its employees. Equal monthly contributions are made both by the Company and the employees at the rate of 10 percent per annum of the basic salary.

2.6 Trade and other payables

Liabilities for trade and other payables are measured at cost which is the fair value of the consideration to be paid in future for goods and services received whether billed to the Company or not.

2.7 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past event, 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 can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.8 Provision for taxation

Current

Provision for taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available, if any, under the law.

Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax asset is recognised 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 utilised.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax charged or credited in the income statement, except in case of items credited or charged to equity in which case it is included in equity.

2.9 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

2.10 Property, plant and equipment

Operating assets

Operating assets, except freehold land, are stated at cost less accumulated depreciation and accumulated impairment in value, if any. Freehold land is stated at cost less accumulated impairment in value, if any.

When parts of an item of operating asset have different useful lives, they are recognised as separate items of operating assets.

Depreciation is charged to income applying the reducing balance method at the rates specified in the property, plant and equipment note except plant and machinery on which depreciation is charged by applying unit of production method subject to minimum charge of Rs. 10 million to cover obsolescence.

Depreciation on additions other than additions in plant and machinery during the period is charged from the month in which an asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed off. The assets' residual values and useful lives are reviewed at each financial year end and adjusted, if impact on depreciation is significant.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Capital work in progress

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are stated at cost less impairment in value, if any and are transferred to specific assets as and when these assets are available for use.

Assets subject to finance lease

In view of certainty of ownership at the end of the lease period, assets subject to finance lease are stated at cost less accumulated depreciation and accumulated impairment in value, if any. These are depreciated over their expected useful lives on the same basis as owned assets.

Non-operating land

Non-operating land is stated at cost.

Gains and losses on disposal of property, plant and equipment are included in current income.

2.11 Impairment

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indications exist, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account, unless the relevant assets are carried at revalued amounts, 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 cost to sell and value in use.

Where impairment loss subsequently reverses, the carrying amounts of the assets are increased to the revised recoverable amounts but limited to the carrying amounts that would have been determined had no impairment loss been recognised for the assets in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant assets are carried at revalued amounts, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.12 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 capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.13 Investment in subsidiary

Investment in subsidiary company is measured at cost. Provision for diminution in value is made if considered permanent.

2.14 Stores, spares and loose tools

These are valued at cost, determined on moving average method less allowance for slow moving and obsolete items. Items in transit are valued at invoice value plus other charges incurred thereon.

2.15 Stock of oil and lubricants

Stock, except wastes, are valued at lower of cost and net realisable value using the moving average method. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

Wastes are valued at net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to make the sale.

2.16 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad are written off when identified. Other receivables are recognised at nominal amount which is fair value of the consideration to be received in future.

2.17 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. 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.

2.18 Non-current assets held for sale

Non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current asset (or disposal group) classified as held for sale is measured at the lower of its previous carrying amount and fair value less costs to sell.

Non-current asset (or disposal group) classified as held for sale that no longer meet the criteria of classification as held for sale is transferred to non-current assets at the lower of:

- Its carrying amount before the assets were classified as held for sale, adjusted for any depreciation, amortisation or revaluation that would have been recognised had the assets not been classified as held for sale, and

- Its recoverable amount at the date of the subsequent decision not to sell.

Gains and losses on disposal of non-current asset (or disposal group) held for sale are included in current income.

2.19 Foreign currency translation

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 retranslated 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 net profit or loss for the period.

2.20 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

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

2.21 Offsetting of financial asset and financial liability

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 realise the asset and settle the liability simultaneously.

2.22 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 is recognised as the power and steam are supplied.

2.23 Transactions with related parties

Transactions with related parties are carried out at arm's length. The prices are determined in accordance with comparable uncontrolled price method. The power is sold to related parties at the rates determined by National Electric Power Regulatory Authority.

2.24 Critical accounting estimates and judgments

The preparation of financial statements in conformity with International Accounting Standards / International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 the circumstances, the results of which form the basis of making judgments about carrying values 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 recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3. Issued, subscribed and paid up capital

2012	2013		2013	2012
Number of shares			Rupees	Rupees
19,092,000	19,092,000	Ordinary shares of Rs. 10/- each fully paid in cash.	190,920,000	190,920,000

3.1 656,000 (2012: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

	Note	2013 Rupees	2012 Rupees
4. Redeemable capital			
Secured			
Sukuk certificates - II	4.1	310,000,000	465,000,000
Less: Current portion		155,000,000	155,000,000
		155,000,000	310,000,000

4.1 These represents balance out of 124,000 sukuk certificates of Rs. 5,000/- each privately placed with an investment bank.

These are secured by way of ranking charge over the musharika assets which shall be converted into first charge on completion of legal formalities. These are further secured against mortgage of immovable property located at 33 KM, Sheikhupura Road, Faisalabad to the extent of beneficial rights of certificate holders.

During the musharika, the legal title to the musharika assets will remain with the Company, however, a trustee will hold the beneficial title on behalf of the investors.

Terms of repayment of Sukuk certificates have been revised and Sukuk certificates of Rs. 465 million outstanding on December 30, 2011 are redeemable in six semi annual instalments commenced from November 16, 2012 and ending on May 16, 2015.

The certificate holders are entitled to rental payments for use of musharika assets. Rental payments are calculated to provide return equal to the base rate plus incremental rental plus service agency charges incurred by the trustee during the previous semi annual period.

Base rate is defined as six months KIBOR and incremental rental is defined as margin of 1.15% per annum.

Effective yield rate of rental charged during the year ranges from 10.65% to 13.17% per annum (2012: 13.06% to 15.75% per annum).

	Note	2013 Rupees	2012 Rupees
5. Long term financing			
Secured			
From banking company			
Under mark up arrangement			
Term finance	5.1	300,000,000	-

5.1 It is secured against first charge over fixed assets of the Company ranking pari passu with the charge created in respect of morabaha finance-I (Refer Note 9.2) and running finance (Refer Note 9.4). It is further secured by personal guarantee of directors of the Company. It is repayable in lump sum on March 31, 2015. It is subject to mark up at the rate of 3 months KIBOR plus 3% per annum.

Effective rate of mark up charged during the year is 12.51% per annum .

	2013 Rupees	2012 Rupees
6. Liabilities against assets subject to finance lease		
Opening balance	4,300,826	6,411,840
Paid / adjusted during the year	(2,200,577)	(2,111,014)
	2,100,249	4,300,826
Less: Current portion	2,100,249	2,190,449
	-	2,110,377

6.1 These represents vehicles acquired under ijarah finance. The principal plus financial charges are payable over the lease period in 36 instalments. The liability represents the total minimum lease payments discounted at 11.83% to 15.95% per annum being the interest rates implicit in leases.

6.2 The future minimum lease payments to which the Company is committed as at the year end are as under:

		2013 Rupees	2012 Rupees
Year ending June 30,			
	2013	-	2,608,020
	2014	2,208,708	2,208,708
		2,208,708	4,816,728
Financial charges:			
Payable		(3,303)	(11,322)
Allocated to future periods		(105,156)	(504,580)
		2,100,249	4,300,826

6.3 Reconciliation of minimum lease payments and their present values is given below:

	2013		2012	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	----Rupees----			
Due within one year	2,208,708	2,100,249	2,608,020	2,190,449
Due after one year but not later than five years	-	-	2,208,708	2,110,377
	2,208,708	2,100,249	4,816,728	4,300,826

	Note	**2013 Rupees**	2012 Rupees
7. Trade and other payables			
Creditors		156,126,861	67,666,040
Accrued liabilities		79,569,788	105,914,178
Import duty		19,962,500	19,962,500
Advance against non-current assets held for sale		39,715,000	8,715,000
Provident fund-related party		467,144	450,416
Unclaimed dividend		2,670,477	3,988,889
Workers' profit participation fund	7.1	13,124,126	13,591,488
Sales tax		12,450,713	36,036,235
Withholding tax		4,204,763	6,730,945
Other		720,862	469,618
		329,012,234	263,525,309

7.1 Workers' profit participation fund

	2013	2012
Opening balance	13,591,488	4,821,534
Interest on funds utilised in the Company's business	44,952	200,523
	13,636,440	5,022,057
Paid to workers on behalf of the fund	(13,636,440)	(5,022,057)
	-	-
Allocation for the year	13,124,126	13,591,488
	13,124,126	13,591,488

	Note	**2013 Rupees**	2012 Rupees
8. Interest / mark up payable			
Interest / mark up on secured:			
Redeemable capital		4,195,956	7,696,892
Long term financing		1,542,082	-
Liabilities against assets subject to finance lease		3,303	11,322
Short term bank borrowings		36,955,404	49,554,391
		42,696,745	57,262,605
9. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finance I	9.2	203,500,000	214,000,000
Morabaha finance II	9.3	30,000,000	30,000,000
Term finance	9.4	219,485,987	219,000,000
Running finances	9.5	300,600,441	567,967,586
		753,586,428	1,030,967,586

9.1 The aggregate unavailed short term financing facilities available to the Company are Rs. 245.89 million (2012: Rs. 288.03 million).

9.2 It is subject to mark up at the rate of 6 months KIBOR plus 2.25% per annum payable quarterly in arrears. It is secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of long term finance (Refer Note 5.1) and running finance (Refer Note 9.5). It is further secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of short term finance (Refer Note 9.4) and running finances (Refer Note 9.5).

Effective mark up rates charged during the year ranges from 11.61% to 16.26% per annum (2012: 14.07% to 17.62% per annum).

9.3 It is subject to mark up at the rate of 6 months KIBOR plus 2.83% per annum (2012: 3.25% per annum) payable quarterly in arrears. It is secured against ranking charge over movable fixed assets and current assets of the Company. It is further secured against registered and equitable mortgage of land measuring 01 Kanal 13 Marla, situated at chak No. 212 RB and personal guarantee of directors of the Company.

Effective mark up rates charged during the year ranges from 12.26% to 14.85% per annum (2012: 14.85% to 16.63% per annum).

9.4 It is subject to mark up at the rate of 1 month KIBOR plus 1.5% to 2% per annum.(2012: 2% per annum). It is secured against first charge over current assets of the Company ranking pari passu with the charges created in respect morabaha finance-I (Refer Not 9.2) and running finances (Refer Note 9.5).

Effective mark up rates charged during the year ranges from 9.69% to 13.60% per annum (2012: 13.54% to 15.56% per annum).

9.5 These are subject to mark up at the rate of 3 months KIBOR plus 2% to 3% per annum. These are secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 9.2) and short term finance (Refer Note 9.4), ranking charge over fixed assets and personal guarantee of directors of the Company. Running finance of Rs. 87.8 million (2012: Rs. 343 million) is further secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of long term finance (Refer Note 5.1) and morabaha finance - I (Refer Note 9.2).

Effective mark up rates charged during the year ranges from 11.28% to 14.97% per annum (2012: 13.91% to 16.44% per annum).

10. CONTINGENCIES AND COMMITMENTS

	2013 Rupees	2012 Rupees
Contingencies		
Bank guarantee issued in favour of Sui Northern Gas Pipelines Limited for supply of gas	97,171,000	97,171,000
Demand of workers welfare fund not acknowledged in view of pending appeal.	2,183,531	-
Demand of Income tax of Rs. 83,476,649/- (2012: Rs. 3,912,068/-) for the tax years 2004 to 2010 (2012: 2004 to 2008) was not acknowledged in view of pending appeals. On the first appeal, the cases for the tax years 2007 to 2010 involving tax demand of Rs. 82,162,720/- have been subsequently decided in favour of the Company.	-	-
Commitments		
Under letters of credit for stores and spares	20,097,491	14,454,769
Under contract for fixed capital expenditure	2,642,866	-

	Note	**2013** Rupees	2012 Rupees
11 Property, plant and equipment			
Operating assets	11.1	1,118,970,040	1,170,649,297
Capital work in progress	11.3	149,043,410	148,322,911
Non-operating land	11.4	634,076,694	663,395,747
		1,902,090,144	1,982,367,955

11.1 Operating assets

	Company owned										Assets subiect to finance lease			
	Freehold land	Building on feehold land	Pland and machiner	Electric Installations	Factory equipment	Electric Appliances	Furmiture and fixtures	Office equipment	Vehicles	Sub total	Plant and machinery	Vehicles	Sub total	Total
	Rupees													
At July 01, 2011														
Cost	64,811,282	198,224,762	1,744,937,877	157,202,536	3,843,647	7,319,991	4,385,036	14,037,647	17,706,792	2,212,469,570	30,000,000	7,487,000	37,487,000	2,249,956,570
Accumulated depreciation		(121,977,901)	(778,600,299)	(66,318,219)	(2,805,888)	(3,402,962)	(2,284,316)	(8,681,350)	(10,283,642)	(994,354,577)	(4,325,801)	(1,035,461)	(5,361,262)	(999,715,839)
Net book value	64,811,282	76,246,861	966,337,578	90,884,317	1,037,759	3,917,029	2,100,720	5,356,297	7,423,150	1,218,114,993	25,674,199	6,451,539	32,125,738	1,250,240,731
Year ended June 30, 2011														
Opening net book value	64,811,282	76,246,861	966,337,578	90,884,317	1,037,759	3,917,029	2,100,720	5,356,297	7,423,150	1,218,114,993	25,674,199	6,451,539	32,125,738	1,250,240,731
Additions	-	-	-	-	235,000	1,257,052	-	517,935	7,433,390	9,443,377	-	-	-	9,443,377
Disposals:														
Cost	(4,520,543)	-	-	-	-	-	-	-	(9,943,570)	(14,464,113)	-	-	-	(14,464,113)
Accumulated depreciation	-	-	-	-	-	-	-	-	4,672,690	4,672,690	-	-	-	4,672,690
	(4,520,543)	-	-	-	-	-	-	-	(5,270,880)	(9,791,423)	-	-	-	(9,791,423)
Depreciation charge	-	(7,624,686)	(58,369,008)	(9,088,432)	(117,484)	(451,016)	(210,072)	(541,146)	(1,551,236)	(77,953,080)	-	(1,290,308)	(1,290,308)	(79,243,388)
Closing net book value	60,290,739	68,622,175	907,968,570	81,795,885	1,155,275	4,723,065	1,890,648	5,333,086	8,034,424	1,139,813,867	25,674,199	5,161,231	30,835,430	1,170,649,297
At July 01, 2012														
Cost	60,290,739	198,224,762	1,744,937,877	157,202,536	4,078,647	8,577,043	4,385,036	14,555,582	15,196,612	2,207,448,834	30,000,000	7,487,000	37,487,000	2,244,935,834
Accumulated depreciation	-	(129,602,587)	(836,969,307)	(75,406,651)	(2,923,372)	(3,853,978)	(2,494,388)	(9,222,496)	(7,162,188)	(1,067,634,967)	(4,325,801)	(2,325,769)	(6,651,570)	(1,074,286,537)
Net book value	60,290,739	68,622,175	907,968,570	81,795,885	1,155,275	4,723,065	1,890,648	5,333,086	8,034,424	1,139,813,867	25,674,199	5,161,231	30,835,430	1,170,649,297
Year ended June 30, 2012														
Opening net book value	60,290,739	68,622,175	907,968,570	81,795,885	1,155,275	4,723,065	1,890,648	5,333,086	8,034,424	1,139,813,867	25,674,199	5,161,231	30,835,430	1,170,649,297
Additions	-	-	-	10,511,438	-	614,884	1,736,750	1,239,224	21,068,933	35,171,229	-	-	-	35,171,229
Transferred from leasehold to owned assets														
Cost	-	-	30,000,000	-	-	-	-	-	-	30,000,000	(30,000,000)		(30,000,000)	-
Accumulated depreciation	-	-	(4,325,801)	-	-	-	-	-	-	(4,325,801)	4,325,801		4,325,801	-
	-	-	25,674,199	-	-	-	-	-	-	25,674,199	(25,674,199)		(25,674,199)	-
Depreciation charge	-	(6,862,218)	(66,474,262)	(8,792,756)	(115,528)	(498,381)	(317,508)	(549,853)	(2,207,734)	(85,818,240)	-	(1,032,246)	(1,032,246)	(86,850,486)
Closing net book value	60,290,739	61,759,957	867,168,507	83,514,567	1,039,747	4,839,568	3,309,890	6,022,457	26,895,623	1,114,841,055	-	4,128,985	4,128,985	1,118,970,040
At July 01, 2013														
Cost	60,290,739	198,224,762	1,774,937,877	167,713,974	4,078,647	9,191,927	6,121,786	15,794,806	36,265,545	2,272,620,063	-	7,487,000	7,487,000	2,280,107,063
Accumulated depreciation	-	(136,464,805)	(907,769,370)	(84,199,407)	(3,038,900)	(4,352,359)	(2,811,896)	(9,772,349)	(9,369,922)	(1,157,779,008)	-	(3,358,015)	(3,358,015)	(1,161,137,023)
Net book value	60,290,739	61,759,957	867,168,507	83,514,567	1,039,747	4,839,568	3,309,890	6,022,457	26,895,623	1,114,841,055	-	4,128,985	4,128,985	1,118,970,040
Annual rate of depreciation (%)	-	10	-	10	10	10	10	10	20	-	-	20		

11.2 Depreciation for the year has been allocated as under:

	2013 Rupees	2012 Rupees
Cost of generation	82,244,764	75,199,610
Operating expenses	4,605,722	4,043,778
	86,850,486	79,243,388

11.3 Capital work in progress

	Freehold land	Civil work	Total
	Rupees		
Balance as at July 1, 2011	51,167,500	93,627,041	144,794,541
Capital expenditure incurred during the year	-	3,528,370	3,528,370
Balance as at June 30, 2012	51,167,500	97,155,411	148,322,911
Capital expenditure incurred during the year	-	720,499	720,499
Balance as at June 30, 2013	51,167,500	97,875,910	149,043,410

	Note	**2013 Rupees**	2012 Rupees
11.4 Non-operating land			
Cost of land	11.4.1	612,751,497	902,086,978
Transferred to non-current assets held for sale	20	64,446,478	359,107,906
		548,305,019	542,979,072
Advances for purchase of land	11.4.2	85,771,675	120,416,675
		634,076,694	663,395,747

11.4.1 This includes land worth Rs. 281.2 million (2012: Rs. 294.78 million) not in the name of the Company. The land is in the name of the subsidiary. As per agreement the Company is entitled to get the land transferred in its own name or in the name of any nominee.

11.4.2 It includes Rs. 47.269 million (2012: Rs. 55.269 million) advance to subsidiary company.

	2013 Rupees	2012 Rupees
12. Investment in subsidiary		
Sitara International (Private) Limited 4,999,500 (2012: 4,999,500) ordinary shares of Rs. 10/- each fully paid in cash.	49,995,000	49,995,000

	Note	**2013 Rupees**	2012 Rupees
13. Long term deposits			
Long term deposits		1,199,900	1,199,900
Less: Current portion		688,700	-
		511,200	1,199,900
14. Stores, spares and loose tools			
Stores			
In hand	14.1	14,600,494	12,886,549
In transit		2,949,013	-
		17,549,507	12,886,549
Spares	14.1	390,935,929	364,383,760
Loose tools		1,752,966	1,759,383
		410,238,402	379,029,692
Less: Provision for slow moving and obsolete items		(34,021,703)	-
		376,216,699	379,029,692

14.1 Stores and spares include items that may result in fixed capital expenditure but are not distinguishable.

	2013 Rupees	2012 Rupees
15. Stock of oil and lubricants		
Furnace oil	77,305,416	68,921,111
Diesel oil	3,244,281	1,834,805
Lube oil	9,540,458	6,102,028
Wastes	101,695	54,851
	90,191,850	76,912,795
16. Trade debts		
Unsecured		
Considered good		
Related parties		
Sitara Chemtek (Private) Limited	85,054	136,798
Sitara Fabrics Limited	2,460,811	-
	2,545,865	136,798
Others	639,867,507	499,638,383
	642,413,372	499,775,181

	Note	2013 Rupees	2012 Rupees
17. Loans and advances			
Considered good			
Loans to staff		20,000	102,000
Advances			
Suppliers		11,605,707	2,486,787
Income tax		7,947,861	8,163,114
For purchases / expenses		1,411,183	1,207,535
Letters of credit fee and expenses		559,961	141,226
		21,544,712	12,100,662
18. Deposits and prepayments			
Deposits			
Guarantee margin		2,000,000	2,000,000
Current portion of long term deposits		688,700	-
		2,688,700	2,000,000
Prepayments		608,796	685,339
		3,297,496	2,685,339
19. Cash and bank balances			
Cash in hand		962,662	1,269,248
Cash at banks			
In current accounts		8,283,000	3,841,015
		9,245,662	5,110,263
20. Non-current assets held for sale			
Land			
Opening balance		253,370,430	6,863,642
Transferred from			
Non-operating land	11.4	64,446,478	359,107,906
		317,816,908	365,971,548
Plant and machinery			
Opening balance			
Cost		-	14,450,000
Accumulated depreciation		-	(1,085,419)
		-	13,364,581
		317,816,908	379,336,129
Disposed off during the year		-	(125,965,699)
		317,816,908	253,370,430

20.1 The Company is in the process to dispose off the assets as per terms of sale agreements.

	Note	2013 Rupees	2012 Rupees
21. Sales - net			
Electricity		5,893,908,768	5,564,381,169
Steam		127,140,188	110,577,870
		6,021,048,956	5,674,959,039
Less: Sales tax		827,929,826	801,764,942
		5,193,119,130	4,873,194,097
Less: Electricity duty		9,276,819	7,055,386
		5,183,842,311	4,866,138,711
22. Cost of generation			
Cost of fuel, oil, gas and lubricants		4,275,378,340	4,058,476,406
Salaries, wages and benefits		52,465,520	49,543,162
Staff retirement benefits		1,710,916	1,619,166
Stores, spares and loose tools		169,612,629	120,946,224
Provision for slow moving and obsolete items		34,021,703	-
Insurance		5,416,662	5,415,204
Repairs and maintenance		14,051,156	14,900,772
Depreciation	11.2	82,244,764	75,199,610
Other		17,183,140	15,107,372
		4,652,084,830	4,341,207,916
23. Other operating income			
Income from assets other than financial assets:			
Sale of scrap and waste		1,804,849	1,490,368
Gain on disposal of:			
Property, plant and equipment		-	13,676,072
Non-current assets held for sale		-	81,356,615
		1,804,849	96,523,055

	Note	**2013 Rupees**	2012 Rupees
24. Operating expenses			
Director's remuneration		6,925,640	6,138,121
Salaries and benefits		25,510,176	25,977,093
Staff retirement benefits		1,020,916	916,125
Postage and telephone		2,412,582	2,351,167
Vehicles running and maintenance		5,473,931	6,546,498
Traveling and conveyance		4,546,877	3,337,849
Printing and stationery		1,504,484	1,527,470
Entertainment		4,272,611	4,243,788
Legal and professional		971,300	2,198,994
Fee, subscription and periodicals		2,038,287	2,815,289
Rent, rates and taxes		194,830	194,449
Advertisement		480,300	181,870
Insurance		1,377,660	809,471
Auditors' remuneration	24.1	1,286,500	706,500
Repairs and maintenance		1,282,291	6,884,332
Donations	24.2	2,314,000	4,240,000
Depreciation	11.2	4,605,722	4,043,778
Utilities		1,652,422	2,481,999
Other		3,523,953	4,634,712
		71,394,482	80,229,505

24.1 Auditors' remuneration

Audit fee	1,000,000	500,000
Sundry services	286,500	206,500
	1,286,500	706,500

24.2 Donations

Chief Executive Officer, Mr. Javed Iqbal is the trustee of Aziz Fatima Trust, Gulistan Colony, Sheikhupura Road, Faisalabad, to whom Rs. 2,314,000/- (2012: Rs. 4,139,000/-) have been donated during the year.

	Note	2013 Rupees	2012 Rupees
25. Other operating expenses			
Workers' profit participation fund		13,124,126	13,591,488
Balances written off - net		-	6,121,402
		13,124,126	19,712,890
26. Finance cost			
Interest / mark-up on :			
Redeemable capital		47,709,142	74,609,972
Long term financing		1,542,082	32,364,780
Liabilities against assets subject to finance lease		336,097	721,340
Short term bank borrowings		148,939,543	160,209,990
Workers' profit participation fund		44,952	200,523
Bank charges and commission		1,158,459	1,488,496
		199,730,275	269,595,101
27. Provision for taxation			
Current			
for the year	27.1	-	448,304

27.1 The profits and gains derived by the Company from electric power generation project are exempt from levy of income tax under clause (132) of Part-I and clause 11A (v) of Part-IV of the Second Schedule to the Income Tax Ordinance, 2001.

27.2 Relationship between tax expense and accounting profit

Relationship between tax expense and accounting profit has not been presented in these financial statements as the Income from power generation project is exempt. Last year provision for taxation was made in respect of gain on disposal of vehicles.

	2013	2012
28. Earnings per share - Basic and diluted		
Profit for the year (Rupees)	249,313,447	251,468,050
Weighted average number of ordinary shares	19,092,000	19,092,000
Earnings per share - Basic and diluted (Rupees)	13.06	13.17

28.1 There is no dilutive effect on the basic earnings per share of the Company.

29. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2013		2012	
	Chief Executive Officer	Executives	Chief Executive Officer	Executives
	----------Rupees----------			
Remuneration	5,459,673	6,393,316	4,549,718	8,407,958
Medical allowance	545,967	639,332	454,972	840,796
Perquisites	920,000	866,061	1,133,431	1,186,435
Contribution to provident fund	-	467,256	-	586,770
	6,925,640	8,365,965	6,138,121	11,021,959
Number of persons	1	6	1	9

29.1 The Chief Executive Officer is entitled to free use of Company maintained car and other perquisites. One executive is entitled to conveyance facility. The monetary value of these benefits approximates Rs. 2,257,683/- (2012: Rs. 1,741,118/-). The Directors have waived off their meeting fee.

30. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of subsidiary, associated undertakings, directors, key management personnel and post employment benefit plan. Amounts due from and due to related parties are shown under relevant notes to the financial statements. Remuneration to Chief Executive Officer, Directors and Executives is disclosed in Note 29. Other significant transactions with related parties are as follows:

Relationship with the Company	**Nature of transactions**	**2013 Rupees**	2012 Rupees
Subsidiary	Advance for purchase of land (Refunded) / paid	(8,000,000)	18,868,774
Associated undertakings	Sales	7,307,971	273,585,977
	Purchases	-	1,394,117
	Organisational expenses recovered	-	56,000
	Organisational expenses paid	-	744,923
	Short term loan obtained and repaid	-	60,000,000
	Interest on short term loan	-	285,012
Provident fund	Contribution for the year	2,731,832	2,535,291

31. PLANT CAPACITY AND ACTUAL PRODUCTION

	2013	2012
Number of generators installed	24	24
Number of generators worked	22	22
Installed energy generation capacity (Mega watt hours)	696,946	696,946
Actual energy generation (Mega watt hours)	347,727	330,849

Reasons for low generation:
- Installed generators include two standby generators.
- Adjustment in planned optimum capacity utilisation level.
- Extra capacity for future growth.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through the mix of equity, debt and working capital management with a view to maintaining an appropriate mix between various sources of finance to minimise risk. The overall risk management is carried out by the finance department under the oversight of Board of Directors in line with the policies approved by the Board.

32.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2013 Rupees	2012 Rupees
Financial assets:		
Deposits	3,199,900	1,199,900
Investment in subsidiary	49,995,000	49,995,000
Trade debts	642,413,372	499,775,181
Loans and advances	1,412,810	102,000
Other receivables	-	22,378,162
Cash and bank balances	9,245,662	5,110,263
Non-current assets held for sale	317,816,908	253,370,430
	1,024,083,652	831,930,936
Financial liabilities:		
Redeemable capital	310,000,000	465,000,000
Long term financing	300,000,000	-
Liabilities against assets subject to finance lease	2,100,249	4,300,826
Trade and other payables	292,394,258	200,795,629
Interest / markup payable	42,696,745	57,262,605
Short term bank borrowings	753,586,428	1,030,967,586
	1,700,777,680	1,758,326,646

32.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). Risks measured and managed by the Company are explained below:

32.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Credit risk arises from the deposits, trade debts, loans and advances, other receivables and bank balances. The Company is exposed to concentration of credit risk towards the major customers M/S Sitara Chemical Industries Limited and Faisalabad Electric Supply Company (FESCO). The trade debts receivable from these customers constitutes 83% (2012: 77%) of the total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2013 Rupees	2012 Rupees
Deposits	3,199,900	1,199,900
Trade debts	642,413,372	499,775,181
Other receivables	-	22,378,162
Bank balances	8,283,000	3,841,015
	653,896,272	527,194,258

Due to Company's long standing relations with counterparties and after giving due consideration to their financial standing, the management does not expect non performance by these counter parties on their obligations to the Company.

For trade debts credit quality of the customer is assessed, taking into consideration its financial position and previous dealings. Individual credit limits are set. The management regularly monitor and review customers credit exposure.

The Company's most significant customers are M/S Sitara Chemical Industries Limited and Faisalabad Electric Supply Company (FESCO). The break-up of amount due from customers is as follows:

	2013 Rupees	2012 Rupees
FESCO	316,258,769	112,274,110
Sitara Chemical Industries Limited	214,528,878	274,347,950
Other industrial users	111,625,725	113,153,121
	642,413,372	499,775,181
The aging of trade debts as at balance sheet date is as under:		
Not past due	518,007,532	424,056,191
Past due	124,405,840	75,718,990
	642,413,372	499,775,181

Based on the past experience and taking into consideration, the financial position, and previous record of recoveries, the Company believes that trade debts past due do not require any impairment. The credit risk exposure is limited in respect of deposits and bank balances as majority of deposits and all bank balances are placed with local banks/leasing company having good credit rating.

32.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity is to maintain sufficient level of liquidity of the Company on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of balance sheet liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2013 and 2012:

	2013				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	Rupees in thousand				
Financial liabilities:					
Redeemable capital	310,000	339,133	94,147	81,662	163,324
Long term financing	300,000	369,668	19,905	19,905	329,858
Liabilities against assets subject to finance lease	2,100	2,158	1,701	457	-
Trade and other payables	292,394	292,394	292,394	-	-
Short term bank borrowings	753,586	831,407	128,168	703,239	-
	1,658,080	1,834,760	536,315	805,263	493,182

	2012				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	Rupees in thousand				
Financial liabilities:					
Redeemable capital	465,000	554,410	95,041	98,025	361,344
Liabilities against assets subject to finance lease	4,301	5,440	1,283	1,283	2,874
Trade and other payables	200,796	200,796	200,796	-	-
Short term bank borrowings	1,030,968	1,079,403	1,079,403	-	-
	1,701,065	1,840,049	1,376,523	99,308	364,218

The contractual cash flows relating to mark up on redeemable capital, long term and short term borrowings and leases have been determined on the basis of mark up rates as applicable at the year end. The Company will manage the liquidity risk from its own source through equity and working capital management. The Company has liquid assets of Rs. 993.28 million (2012: 759.89 million) and unavailed short term borrowing facilities of Rs. 245.89 million (2012: Rs. 288.03 million) as at the year end.

32.2.3 Market risk management

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange 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 returns.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises from redeemable capital and long term and short term bank borrowings. The interest rate profile of the Company's interest bearing financial instruments is presented in relevant notes to the financial statements.

Sensitivity analysis

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not effect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

Had the interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year and equity would have been lower / higher by Rs.12.8 million (2012: Rs. 15.64 million).

ii) Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Currency risk is covered through forward foreign exchange contracts whenever it is considered appropriate to hedge foreign currency exposure. The Company is not exposed to any currency risk.

iii) Equity price risk

Trading and investing in quoted equity securities give rise to equity price risk. At the balance sheet date, the Company is not exposed to equity price risk.

32.3 Fair value of financial instruments

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

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.

32.4 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay long term financing from / to financial institutions.

The company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('redeemable capital', 'long term financing', 'liabilities against assets subject to finance lease' and 'short term bank borrowings' as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves' and net debt (Debt less cash and cash equivalents).

The salient information relating to capital risk management of the Company was as follows:

	Note	**2013 Rupees**	2012 Rupees
Total Debt	4, 5, 6 & 9	1,365,686,677	1,500,268,412
Less: Cash and cash equivalents	19	9,245,662	5,110,263
Net Debt		1,356,441,015	1,495,158,149
Total equity		1,698,874,486	1,468,653,039
Total capital		3,055,315,501	2,963,811,188
Gearing ratio		44.40%	50.45%

33. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 21, 2013 has proposed a cash dividend of Rs. 1/- per (2012: Rs. 1/- per) share amounting to Rs. 19,092,000/- (2012: Rs. 19,092,000/-) subject to approval of members in the forthcoming Annual General Meeting to be held on October 29, 2013. The Board of Directors has also approved the transfer of an amount of Rs. 100 million (2012: Rs. 100 million) from unappropriated profit to general reserve.

34. DATE OF AUTHORISATION FOR ISSUE

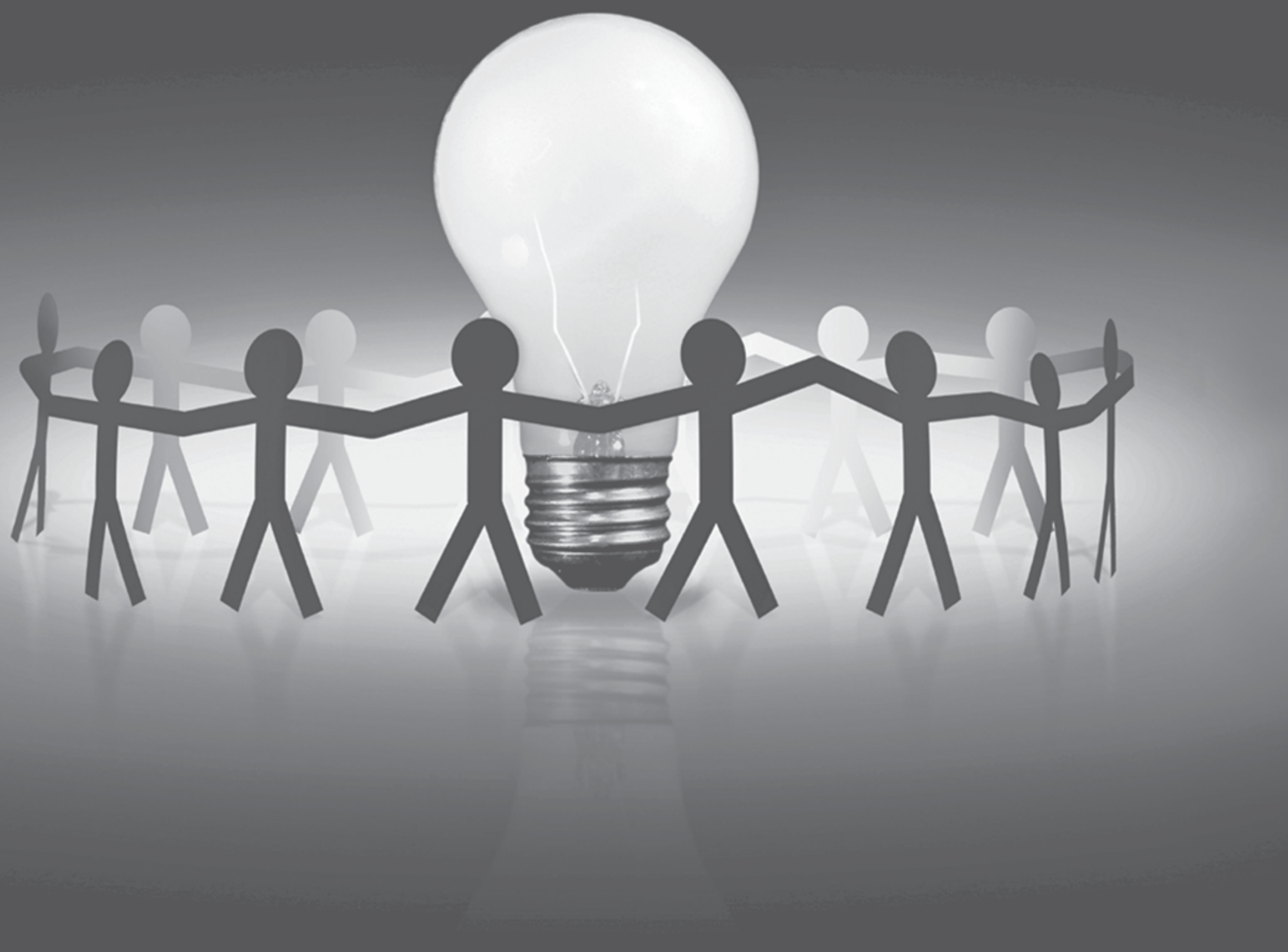
These financial statements have been approved by the Board of Directors of the Company and authorised for issue on September 21, 2013.

35. Figures have been rounded off to the nearest Rupees except where mentioned rounded off in Rupees in thousands.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Consolidated Financial Statements



Directors Report on Consolidated Financial Statements

The Board of directors have pleasure in presenting the Audited Financial Statements of the Sitara Energy Limited (the Company) and its Subsidiary Sitara International (Pvt) Limited (the Subsidiary) for the year ended June 30, 2013.

The Company holds 99% shares in the Subsidiary which is trading in different commodities.

The consolidated financials are as follows:

	30.06.2013	30.06.2012
	Rupees in thousands	
Sales - net	**5,183,842**	4,879,166
Gross Profit	**531,758**	525,513
Profit before taxation	**248,489**	251,747
Profit after taxation	**248,477**	251,129
Earning per share	**13.01**	13.15

by order of the Board

September 21, 2013
Faisalabad

JAVED IQBAL
Chief Executive

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of Sitara Energy Limited (the holding company) and its subsidiary company as at June 30, 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Sitara Energy Limited and its subsidiary company. These financial statements are the responsibility of the holding company's management. 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.

In our opinion the consolidated financial statements present fairly the financial position of Sitara Energy Limited and its subsidiary company as at June 30, 2013 and the results of their operations, their comprehensive income, cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

September 21, 2013
Faisalabad

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner:- Hamid Masood

SITARA ENERGY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
30,000,000 ordinary shares			
of Rs. 10/- each.		300,000,000	300,000,000
Issued, subscribed			
and paid up capital	4	190,920,000	190,920,000
Capital reserve			
Share premium		143,190,000	143,190,000
Fair value reserve		1,101,881	355,756
Revenue reserve			
General reserve		720,000,000	620,000,000
Unappropriated profit		641,296,477	511,911,027
		1,696,508,358	1,466,376,783
Non-controlling interest		7,407	7,416
		1,696,515,765	1,466,384,199
NON-CURRENT LIABILITIES			
Redeemable capital	5	155,000,000	310,000,000
Long term financing	6	300,000,000	-
Liabilities against assets			
subject to finance lease	7	-	2,110,377
		455,000,000	312,110,377
CURRENT LIABILITIES			
Trade and other payables	8	339,162,609	263,948,473
Interest / mark up payable	9	42,696,745	57,262,605
Short term bank borrowings	10	753,586,428	1,030,967,586
Current portion of:			
Redeemable capital	5	155,000,000	155,000,000
Liabilities against assets			
subject to finance lease	7	2,100,249	2,190,449
Provision for taxation			
- income tax		864,067	994,337
		1,293,410,098	1,510,363,450
CONTINGENCIES AND			
COMMITMENTS	11	-	-
		3,444,925,863	3,288,858,026

	Note	2013 Rupees	2012 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,851,317,627	1,923,600,609
Long term deposits	13	511,200	1,199,900
		1,851,828,827	1,924,800,509
CURRENT ASSETS			
Stores, spares and loose tools	14	376,216,699	379,029,692
Stocks	15	123,356,754	110,077,699
Investment property	16	63,403,000	63,403,000
Trade debts	17	642,413,372	502,758,304
Loans and advances	18	25,961,193	12,996,850
Deposits and prepayments	19	3,297,496	2,685,339
Short-term investments	20	4,226,200	3,480,000
Other receivables		-	22,378,162
Tax refunds due from			
Government - income tax		24,154,525	5,784,744
Cash and bank balances	21	12,250,889	8,093,297
		1,275,280,128	1,110,687,087
Non-current assets			
held for sale	22	317,816,908	253,370,430
		1,593,097,036	1,364,057,517
		3,444,925,863	3,288,858,026

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	**2013 Rupees**	2012 Rupees
Sales - net	23	5,183,842,311	4,879,165,751
Cost of generation and sales	24	4,652,084,830	4,353,652,559
Gross profit		531,757,481	525,513,192
Other operating income	25	2,029,849	96,748,055
		533,787,330	622,261,247
Operating expenses	26	72,378,621	81,127,469
Other operating expenses	27	13,181,219	19,712,890
Finance cost	28	199,738,874	269,674,266
		285,298,714	370,514,625
Profit for the year before taxation		248,488,616	251,746,622
Provision for taxation	29	11,250	617,518
Profit for the year		248,477,366	251,129,104
Attributable to:			
Shareholders of the Parent		248,477,450	251,129,138
Non-controlling interest		(84)	(34)
		248,477,366	251,129,104
Earnings per share - Basic and diluted			
Attributable to the shareholders of the Parent	30	13.01	13.15

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
Profit for the year	248,477,366	251,129,104
Other comprehensive income for the year		
Items that will be subsequently reclassified to profit or loss		
Increase in fair value of available for sale investments	746,200	638,400
Total comprehensive income for the year	249,223,566	251,767,504
Attributable to:		
Shareholders of the Parent	249,223,575	251,767,474
Non-controlling interest	(9)	30
	249,223,566	251,767,504

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

	2013 Rupees	2012 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	248,488,616	251,746,622
Adjustments for:		
Depreciation of property, plant and equipment	86,855,657	79,249,134
Provision for staff retirement benefits	2,731,832	2,535,291
Gain on disposal of:		
Property, plant and equipment	-	(13,676,072)
Non-current assets held for sale	-	(81,356,615)
Finance cost	199,738,874	269,674,266
Balances written off - net	57,093	6,121,402
Operating cash flows before working capital changes	537,872,072	514,294,028
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	2,812,993	25,632,079
Stocks	(13,279,055)	24,277,183
Trade debts	(139,712,161)	(143,382,177)
Loans and advances	(13,481,223)	42,003,487
Deposits and prepayments	76,543	(965,524)
Other receivables	22,378,162	-
Tax refunds due from government - income tax	(10,000,000)	-
Increase in current liabilities		
Trade and other payables	68,515,820	154,516,773
	(82,688,921)	102,081,821
Cash generated from operating activities	455,183,151	616,375,849
Income tax paid	(7,994,421)	(4,018,456)
Staff retirement benefits paid	(2,715,104)	(2,516,825)
Finance cost paid	(214,304,734)	(289,459,224)
Net cash generated from operating activities	230,168,892	320,381,344

	2013 Rupees	2012 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(71,019,153)	(91,379,860)
Proceeds from disposal of :		
Property, plant and equipment	-	34,359,700
Non-current assets held for sale	-	213,022,314
Net cash (used in) / generated from investing activities	(71,019,153)	156,002,154
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of :		
Redeemable capital	(155,000,000)	(180,000,000)
Long term financing	-	(300,000,000)
Liabilities against assets subject to finance lease	(2,200,577)	(2,111,014)
Long term financing obtained	300,000,000	-
(Decrease) / increase in short term bank borrowings - net	(277,381,158)	27,802,661
Dividend paid	(20,410,412)	(19,010,884)
Net cash (used in) financing activities	(154,992,147)	(473,319,237)
Net increase in cash and cash equivalents (a+b+c)	4,157,592	3,064,261
Cash and cash equivalents at the beginning of the year	8,093,297	5,029,036
Cash and cash equivalents at the end of the year	12,250,889	8,093,297

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Capital and reserves								
		Capital Reserve			Revenue Reserve				
	Issued, subscribed and paid up capital	Share Premium	Fair Value Reserve	Sub total	General Reserve	Unapropriated profit	Sub total	Total	Non Controtting Interest
	Rupees								
Balance as at July 01, 2011	190,920,000	143,190,000	(282,580)	142,907,420	590,000,000	309,873,889	899,873,889	1,233,701,309	7,386
Transaction with owners									
Final dividend for the year ended June 30, 2011: Rs. 1/- per share	-	-	-	-	-	(19,092,000)	(19,092,000)	(19,092,000)	-
Transferred to general reserve	-	-	-	-	30,000,000	(30,000,000)	-	-	-
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	251,129,138	251,129,138	251,129,138	(34)
Other comprehensive income Items that will be subsequently reclassified to profit or loss Increase in fair value of available for sale investments	-	-	638,336	638,336	-	-	-	638,336	64
	-	-	638,336	638,336	-	251,129,138	251,129,138	251,767,474	30
Balance as at June 30, 2012	190,920,000	43,190,000	355,756	143,545,756	620,000,000	511,911,027	1,131,911,027	1,466,376,783	7,416
Transaction with owners									
Final dividend for the year ended June 30, 2012: Rs. 1/- per share	-	-	-	-	-	(19,092,000)	(19,092,000)	(19,092,000)	-
Transferred to general reserve									
- - -	-	100,000,000	(100,000,000)	-	-	-			
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	248,477,450	248,477,450	248,477,450	(84)
Other comprehensive income Items that will be subsequently reclassified to profit or loss Increase in fair value of available for sale investments	-	-	746,125	746,125	-	-	-	746,125	75
	-	-	746,125	746,125	-	248,477,450	248,477,450	249,223,575	(9)
Balance as at June 30, 2013	190,920,000	143,190,000	1,101,881	144,291,881	720,000,000	641,296,477	1,361,296,477	1,696,508,358	7,407

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

1. GROUP STATUS AND ACTIVITIES

1.1 The Group consists of Sitara Energy Limited (the Parent) and Sitara International (Private) Limited (the Subsidiary).

The Parent is incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984 and is listed on all stock exchanges in Pakistan. The main object of the Parent is generation and distribution of electricity. The registered office of the Parent is situated at 601-602 Business centre, Mumtaz Hasan Road, Karachi. The project is located at Tehsil Jaranwala, District Faisalabad in the province of Punjab.

The Subsidiary is incorporated in Pakistan as a private limited company under the Companies Ordinance, 1984. The principal activities of the Subsidiary is trading in textile goods and machinery and real estate business. The registered office of the Subsidiary is situated at 601-602 Business centre, Mumtaz Hasan Road, Karachi.

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

2. BASIS OF CONSOLIDATION

The financial statements of the Parent and Subsidiary are combined on a line by line basis. The financial statements of the Subsidiary are consolidated from the date on which more than 50% voting rights are transferred to or power to control the subsidiary is established and are excluded from consolidation from the date of disposal or reduction of control.

All intra-company balances, transactions and resulting unrealised profits, if any, are eliminated.

Non-controlling is that part of the net results of the operations and net assets of the subsidiary attributable to interest which are not owned by the Parent.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.2 Application of new and revised International Financial Reporting Standards (IFRSs)

3.2.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements for the periods beginning on or after July 01, 2012 and therefore, have been applied in preparing these financial statements:

- IAS 1 "Presentation of Financial Statements". The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss' whose use is not mandatory. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The Group is continuing use of existing terminology. The presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit and loss, other comprehensive income and total comprehensive income.

- IFRS 7 "Financial Instruments Disclosures". The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. These amendments do not have any material impact on the Group's financial statements.

- IAS – 12 "Income Taxes". The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. These amendments do not have any material impact on the Group's financial statements.

3.2.2 Standards, amendments to standards and interpretations becoming effective in current year but not relevant

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Group beginning on or after July 01, 2012 but are considered not to be relevant to the Group's operations and are, therefore, not disclosed in these financial statements.

3.2.3 Standards, amendments to standards and interpretations becoming effective in future

The following standards, amendments to standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after their respective effective dates:

- IFRS 7 (Amendments) "Financial Instruments Disclosures" on offsetting financial assets and financial liabilities. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments are effective for accounting periods of the Group beginning on or after July 01, 2013. the Group does not have any offsetting arrangements in place. The amendments will have no material impact on the disclosures.

- IFRS 9 “Financial Instruments”. IFRS 9 (as originally issued in 2009) introduces new requirements for the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for the accounting periods beginning on or after July 01, 2015. IFRS 9 contains a number of transitional provisions.

  The standard requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt instruments must be measured at fair value through profit or loss. All equity investments within the scope of IAS 39 are to be measured in the statement of financial position at fair value, with the gains and losses recognised in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at fair value through other comprehensive income, with only dividend income generally recognised in profit or loss. The standard requires that changes in the fair value of a financial liability designated as at fair value through profit or loss attributable to changes in the credit risk of that liability, presented in other comprehensive income, unless the presentation of the effect of the change in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

  The IASB has issued exposure drafts to propose new category of debt instruments, more forward looking impairment model and new hedge accounting.

  It is not practicable to provide a reasonable estimate of impact until a final standard is issued and detailed review has been completed.

- A package of five standards on consolidation, Joint arrangements, associates and disclosures was issued comprising IFRS, 10, 11, 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

  Subsequent to the issue of these standards, amendments to IFRS 10,11 and 12 were issued to clarify certain transitional guidance on the first time application of the standards.

  The standards are effective for accounting periods of the Group beginning on or after July 01, 2013.

  The impact of these standards is set out below:

  - IFRS 10 “Consolidated Financial Statements”. replaces the part of IAS 27 "Consolidated and Separate Financial Statements" that deals with consolidated financial statements and SIC-12 "Consolidation – Special Purpose Entities". A more robust definition of control has been developed in IFRS 10 in order to capture unintentional weaknesses of the definition of control set out in the previous version of IAS 27. A new definition of control contains three elements: a) power over an investee, b) exposure or rights to variable returns from its involvement with the investee and c) ability to use its power over the investee to affect the amount of the investor's returns. The standard adds application guidance to assist in assessing whether an investor controls an investee in complex scenarios. The application of the standard is not expected to have any material impact on the Group's financial statements.

- IFRS 11 "Joint Arrangements". replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers".

- IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. 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. Joint ventures have rights to the net assets of the arrangement. Equity method of accounting is used and proportionate consolidation is not allowed. Joint operators have rights to the assets and obligations of the arrangement. Each joint operator recognizes its share of the assets, liabilities, revenues and expenses. 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.

  The application of the standard is not expected to have any material impact on the Group's financial statements.

- IFRS 12 "Disclosures of interest in other entities". This is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

- IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on their financial statements. The application of the standard may result in additional disclosures.

- IAS 27 (as revised in 2011) "Separate Financial Statements". The revised standard sets out the requirements regarding separate financial statements only. Requirements of consolidated financial statements are covered in IFRS-10. The application of the standard is not expected to have any material impact on the separate financial statements of the Parent.

- IAS 28 (as Revised in 2011) "Associates and Joint Ventures". The revised standard deals with how to apply the equity method of accounting for investment in joint ventures, as well as associates, following the issue of IFRS 11 which requires investments in Joint ventures to be accounted for using the equity method of accounting. The application of the standard is not expected to have any material impact on the Group's financial statements.

- IFRS 13 "Fair Value Measurement" establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value for financial reporting purposes, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. 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. The application of IFRS 13 may result in changes in how entities determine fair values for financial reporting purposes. IFRS 13 requires extensive disclosures about fair value measurements. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 "Financial Instruments: Disclosures" are extended by IFRS 13 to cover all assets and liabilities within its scope. The standard is effective for accounting periods of the Group beginning on or after July 01, 2013. The application of the standard may result in more extensive disclosures in financial statements.

- IAS 19 “Employee Benefits”. The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Net interest: recognised in profit or loss and calculated by applying the discount rate at the beginning of each reporting period to the net defined benefit liability or asset at the beginning of that reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. The amendments are effective for accounting periods of the Group beginning on or after July 01, 2013.The amendments to IAS-19 require retrospective application. Based on the preliminary assessment, the application of the amendments will not have material impact on the retained earnings of the Group due to recognition of current cumulative un-recognised actuarial losses next year.

- IAS 32 (Amendment) “Financial Instruments: Presentation”. This amendment updates the application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment is effective for accounting periods of the Group beginning on or after July 01, 2014. The application of the amendment is not expected to have any material impact on the Group’s financial statements.

3.2.4 Standards, amendments to standards and interpretations becoming effective in future periods but not relevant

There are other amendments to the standards and interpretations that are effective from different future periods but are considered not to be relevant to the Group's operations, therefore, not disclosed in these financial statements.

3.3 Basis of preparation

These financial statements have been prepared under the "historical cost convention" except investment property and investments which are stated at their fair value.

3.4 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.

As lessee

Assets held under finance leases are initially recognised as assets of the Group 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 a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (Refer Note 3.11). Contingent rentals are recognised as expenses in the periods in which they are incurred.

As lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised as expense on a straight-line basis over the lease term.

3.5 Staff retirement benefits

The Parent operates defined contribution plan - approved provident fund scheme for all its employees. Equal monthly contributions are made both by the parent and the employees at the rate of 10 percent per annum of the basic salary.

3.6 Trade and other payables

Liabilities for trade and other payables are measured at cost which is the fair value of the consideration to be paid in future for goods and services received whether billed to the group or not.

3.7 Provisions

Provisions are recognised when the group has a present, legal or constructive obligation as a result of past event, 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 can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.8 Provision for taxation

Current

Provision for taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available, if any, under the law.

Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax asset is recognised 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 utilised.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax charged or credited in the income statement, except in case of items credited or charged to equity in which case it is included in equity.

3.9 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

3.10 Property, plant and equipment

Operating assets

Operating assets, except freehold land, are stated at cost less accumulated depreciation and accumulated impairment in value, if any. Freehold land is stated at cost less accumulated impairment in value, if any.

When parts of an item of operating asset have different useful lives, they are recognised as separate items of operating assets.

Depreciation is charged to income applying the reducing balance method at the rates specified in the property, plant and equipment note except plant and machinery on which depreciation is charged by applying unit of production method subject to minimum charge of Rs. 10 million to cover obsolescence.

Depreciation on additions other than additions in plant and machinery during the year is charged from the month in which an asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed off. The assets' residual values and useful lives are reviewed at each financial year end and adjusted, if impact on depreciation is significant.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Capital work in progress

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are stated at cost less impairment in value, if any and are transferred to specific assets as and when these assets are available for use.

Assets subject to finance lease

In view of certainty of ownership at the end of the lease period, assets subject to finance lease are stated at cost less accumulated depreciation and accumulated impairment in value, if any. These are depreciated over their expected useful lives on the same basis as owned assets.

Non-operating land

Non-operating land is stated at cost.

Gains and losses on disposal of property, plant and equipment are included in current income.

3.11 Impairment

The group assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indications exist, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account, unless the relevant assets are carried at revalued amounts, 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 cost to sell and value in use.

Where impairment loss subsequently reverses, the carrying amounts of the assets are increased to the revised recoverable amounts but limited to the carrying amounts that would have been determined had no impairment loss been recognised for the assets in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant assets are carried at revalued amounts, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.12 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 capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.13 Investment property

Investment property, is property held to earn rentals or for capital appreciation or both, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit and loss account for the period in which they arise.

3.14 Stores, spares and loose tools

These are valued at cost, determined on moving average method less allowance for slow moving and obsolete items. Items in transit are valued at invoice value plus other charges incurred thereon.

3.15 Stocks

Stock of oil and lubricants is valued at lower of cost and net realisable value using the moving average method. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

Yarn and cloth are valued using average cost method and land and machinery are valued at their specific cost.

Wastes are valued at net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to make the sale.

3.16 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad are written off when identified. Other receivables are recognised at nominal amount which is fair value of the consideration to be received in future.

3.17 Investments

Available for sale investments
Investment securities held by the Group which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently re-measured at fair value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognised directly in the equity under fair value reserve until sold, collected, or otherwise disposed off at which time, the cumulative gain or loss previously recognised in equity is included in profit and loss account.

Derecognition
All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the subsidiary has transferred substantially all risks and rewards of ownership.

3.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. 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.

3.19 Non-current assets held for sale

Non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current asset (or disposal group) classified as held for sale is measured at the lower of its previous carrying amount and fair value less costs to sell.

Non-current asset (or disposal group) classified as held for sale that no longer meet the criteria of classification as held for sale is transferred to non-current assets at the lower of :

- Its carrying amount before the assets were classified as held for sale, adjusted for any depreciation, amortisation or revaluation that would have been recognised had the assets not been classified as held for sale, and

- Its recoverable amount at the date of the subsequent decision not to sell.

Gains and losses on disposal of Non-current asset (or disposal group) held for sale are included in current income.

3.20 Foreign currency translation

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 retranslated 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 net profit or loss for the period.

3.21 Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument and de-recognised when the group loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

The particular recognition methods adopted by the group are disclosed in the individual policy statements associated with each item of financial instruments.

3.22 Offsetting of financial asset and financial liability

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the group has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.23 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 is recognised as the power and steam are supplied.

Sale of goods is recorded on dispatch of goods.

3.24 Transactions with related parties

Transactions with related parties are carried out at arm's length. The prices are determined in accordance with comparable uncontrolled price method. The power is sold to related parties at the rates determined by National Electric Power Regulatory Authority.

3.25 Critical accounting estimates and judgments

The preparation of financial statements in conformity with International Accounting Standards / International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 the circumstances, the results of which form the basis of making judgments about carrying values 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 recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

4. Issued, subscribed and paid up capital

2012	**2013**		**2013**	2012
Number of shares			**Rupees**	Rupees
19,092,000	19,092,000	Ordinary shares of Rs. 10/- each fully paid in cash.	190,920,000	190,920,000

4.1 656,000 (2012: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

	Note	**2013 Rupees**	2012 Rupees
5. Redeemable capital			
Secured			
Sukuk certificates - II	5.1	310,000,000	465,000,000
Less: Current portion		155,000,000	155,000,000
		155,000,000	310,000,000

5.1 These represents balance out of 120,000 sukuk certificates of Rs. 5,000/- each privately placed with an investment bank.

These are secured by way of ranking charge over the musharika assets which shall be converted into first charge on completion of legal formalities. These are further secured against mortgage of immovable property located at 33 KM, Sheikhupura Road, Faisalabad to the extent of beneficial rights of certificate holders.

During the musharika, the legal title to the musharika assets will remain with the Parent, however, a trustee will hold the beneficial title on behalf of the investors.

Terms of repayment of Sukuk certificates have been revised and Sukuk certificates of Rs. 465 million outstanding on December 30, 2011 are redeemable in six semi annual instalments commenced from November 16, 2012 and ending on May 16, 2015.

The certificate holders are entitled to rental payments for use of musharika assets. Rental payments are calculated to provide return equal to the base rate plus incremental rental plus service agency charges incurred by the trustee during the previous semi annual period.

Base rate is defined as six months KIBOR and incremental rental is defined as margin of 1.15% per annum.

Effective yield rate of rental charged during the year ranges from 10.65% to 13.17% per annum (2012: 13.06% to 15.75% per annum).

	Note	2013 Rupees	2012 Rupees
6. Long term financing			
Secured			
From banking company			
Under mark up arrangement			
Term finance	6.1	300,000,000	-

6.1 It is secured against first charge over fixed assets of the Parent ranking pari passu with the charge created in respect of morabaha finance-I (Refer Note 9.2) and running finance (Refer Note 9.4). It is further secured by personal guarantee of directors of the Parent. It is repayable in lump sum on March 31, 2015. It is subject to mark up at the rate of 3 months KIBOR plus 3% per annum.

Effective rate of mark up charged during the year is 12.51% per annum .

	2013 Rupees	2012 Rupees
7. Liabilities against assets subject to finance lease		
Opening balance	4,300,826	6,411,840
Paid during the year	(2,200,577)	(2,111,014)
	2,100,249	4,300,826
Less: Current portion	2,100,249	2,190,449
	-	2,110,377

7.1 These represents vehicles acquired under ijarah finance. The principal plus financial charges are payable over the lease period in 36 instalments. The liability represents the total minimum lease payments discounted at 11.83% to 15.95% per annum being the interest rates implicit in leases.

7.2 The future minimum lease payments to which the company is committed as at the year end are as under:

	2013 Rupees	2012 Rupees
Year ending June 30,		
2013	-	2,608,020
2014	2,208,708	2,208,708
	2,208,708	4,816,728
Financial charges:		
Payable	(3,303)	(11,322)
Allocated to future periods	(105,156)	(504,580)
	2,100,249	4,300,826

7.3 Reconciliation of minimum lease payments and their present values is given below:

	2013		2012	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	----------Rupees----------			
Due within one year	2,208,708	2,100,249	2,608,020	2,190,449
Due after one year but not later than five years	-	-	2,208,708	2,110,377
	2,208,708	2,100,249	4,816,728	4,300,826

	Note	**2013 Rupees**	2012 Rupees
8. Trade and other payables			
Creditors		156,126,861	67,666,040
Accrued liabilities		80,220,163	106,337,342
Advances from customers		9,500,000	-
Import duty		19,962,500	19,962,500
Advance against non-current assets held for sale		39,715,000	8,715,000
Provident fund - related party		467,144	450,416
Unclaimed dividend		2,670,477	3,988,889
Workers' profit participation fund	8.1	13,124,126	13,591,488
Sales tax		12,450,713	36,036,235
Withholding tax		4,204,763	6,730,945
Other		720,862	469,618
		339,162,609	263,948,473
8.1 Workers' profit participation fund			
Opening balance		13,591,488	4,821,534
Interest on funds utilised in the Parent's business		44,952	200,523
		13,636,440	5,022,057
Paid to workers on behalf of the fund		(13,636,440)	(5,022,057)
		-	-
Allocation for the year		13,124,126	13,591,488
		13,124,126	13,591,488

	Note	2013 Rupees	2012 Rupees
9. Interest / mark up payable			
Interest / mark up on secured:			
Redeemable capital		4,195,956	7,696,892
Long term financing		1,542,082	-
Liabilities against assets subject to finance lease		3,303	11,322
Short term bank borrowings		36,955,404	49,554,391
		42,696,745	57,262,605
10. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finances I	10.2	203,500,000	214,000,000
Morabaha finances II	10.3	30,000,000	30,000,000
Term finance	10.4	219,485,987	219,000,000
Running finances	10.5	300,600,441	567,967,586
		753,586,428	1,030,967,586

10.1 The aggregate unavailed short term financing facilities available to the Parent are Rs. 245.89 million (2012: Rs. 288.03 million).

10.2 It is subject to mark up at the rate of 6 months KIBOR plus 2.25% per annum payable quarterly in arrears. It is secured against first charge over fixed assets of the Parent ranking pari passu with the charges created in respect of long term finance (Refer Note 5.1) and running finance (Refer Note 9.5). It is further secured against first charge over current assets of the Parent ranking pari passu with the charges created in respect of short term finance (Refer Note 9.4) and running finances (Refer Note 9.5).

Effective mark up rates charged during the year ranges from 11.61% to 16.26% per annum (2012: 14.07% to 17.62% per annum).

10.3 It is subject to mark up at the rate of 6 months KIBOR plus 2.83% per annum (2012: 3.25% per annum) payable quarterly in arrears. It is secured against ranking charge over movable fixed assets and current assets of the Parent. It is further secured against registered and equitable mortgage of land measuring 01 Kanal 13 Marla, situated at chak No. 212 RB and personal guarantee of directors of the Parent.

Effective mark up rates charged during the year ranges from 12.26% to 14.85% per annum (2012: 14.85% to 16.63% per annum).

10.4 It is subject to mark up at the rate of 1 month KIBOR plus 1.5% to 2% per annum.(2012: 2% per annum). It is secured against first charge over current assets of the Parent ranking pari passu with the charges created in respect morabaha finance-I (Refer Not 9.2) and running finances (Refer Note 9.5).

Effective mark up rates charged during the year ranges from 9.69% to 13.60 % per annum (2012: 13.54% to 15.56% per annum).

10.5 These are subject to mark up at the rate of 3 months KIBOR plus 2% to 3% per annum. These are secured against first charge over current assets of the Parent ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 9.2) and short term finance (Refer Note 9.4), ranking charge over fixed assets and personal guarantee of directors of the Parent. Running finance of Rs. 87.8 million (2012: Rs. 343 million) is further secured against first charge over fixed assets of the Parent ranking pari passu with the charges created in respect of long term finance (Refer Note 5.1) and morabaha finance - I (Refer Note 9.2).

Effective mark up rates charged during the year ranges from 11.28% to 14.97% per annum (2012: 13.91% to 16.44% per annum).

	2013 Rupees	2012 Rupees
11. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Bank guarantee issued in favour of Sui Northern Gas Pipelines Limited for supply of gas	97,171,000	97,171,000
Demand of workers welfare fund not acknowledged in view of pending appeal.	2,183,531	-
Demand of Income tax of Rs. 83,476,649/- (2012: Rs. 3,912,068/-) for the tax years 2004 to 2010 (2012: 2004 to 2008) was not acknowledged in view of pending appeals. On the first appeal, the cases for the tax years 2007 to 2010 involving tax demand of Rs. 82,162,720/- have been subsequently decided in favour of the Company.	-	-
Commitments		
Under letters of credit for stores and spares	20,097,491	14,454,769
Under contract for fixed capital expenditure	2,642,866	-

	Note	2013 Rupees	2012 Rupees
12. Property, plant and equipment			
Operating assets	12.1	1,119,016,580	1,170,701,008
Capital work in progress	12.3	149,043,410	148,322,911
Non-operating land	12.4	583,257,637	604,576,690
		1,851,317,627	1,923,600,609

12.1 Operating assets

	Group owned											Assets subiect to finance lease			
	Freehold land	Building on feehold land	Pland and machinery	Electric Installations	Factory equipment	Electric Appliances	Furmiture and fixtures	Office equipment	Arms and ammunitions	Vehicles	Sub total	Plant and machinery	Vehicles	Sub total	Total
	Rupees														
At July 01, 2011															
Cost	64,811,282	198,224,762	1,744,937,877	157,202,536	3,843,647	7,319,991	4,385,036	14,118,075	29,625	17,706,792	2,212,579,623	30,000,000	7,487,000	37,487,000	2,250,066,623
Accumulated depreciation	-	(121,977,901)	(778,600,299)	(66,318,219)	(2,805,888)	(3,402,962)	(2,284,316)	(8,721,230)	(12,716)	(10,283,642)	(994,407,173)	(4,325,801)	(1,035,461)	(5,361,262)	(999,768,435)
Net book value	64,811,282	76,246,861	966,337,578	90,884,317	1,037,759	3,917,029	2,100,720	5,396,845	16,909	7,423,150	1,218,172,450	25,674,199	6,451,539	32,125,738	1,250,298,188
Year ended June 30, 2011															
Opening net book value	64,811,282	76,246,861	966,337,578	90,884,317	1,037,759	3,917,029	2,100,720	5,396,845	16,909	7,423,150	1,218,172,450	25,674,199	6,451,539	32,125,738	1,250,298,188
Additions	-	-	-	-	235,000	1,257,052	-	517,935	-	7,433,390	9,443,377	-	-	-	9,443,377
Disposals:															
Cost	4,520,543)	-	-	-	-	-	-	-	-	(9,943,570)	(14,464,113)	-	-	-	(14,464,113)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	4,672,690	4,672,690	-	-	-	4,672,690
	(4,520,543)	-	-	-	-	-	-	-	-	(5,270,880)	(9,791,423)	-	-	-	(9,791,423)
Depreciation charge	-	(7,624,686)	(58,369,008)	(9,088,432)	(117,484)	(451,016)	(210,072)	(545,201)	(1,691)	(1,551,236)	(77,958,826)	-	(1,290,308)	(1,290,308)	(79,249,134)
Closing net book value	60,290,739	68,622,175	907,968,570	81,795,885	1,155,275	4,723,065	1,890,648	5,369,579	15,218	8,034,424	1,139,865,578	25,674,199	5,161,231	30,835,430	1,170,701,008
At July 01, 2012															
Cost	60,290,739	198,224,762	1,744,937,877	157,202,536	4,078,647	8,577,043	4,385,036	14,636,010	29,625	15,196,612	2,207,558,887	30,000,000	7,487,000	37,487,000	2,245,045,887
Accumulated depreciation	-	(129,602,587)	(836,969,307)	(75,406,651)	(2,923,372)	(3,853,978)	(2,494,388)	(9,266,431)	(14,407)	(7,162,188)	(1,067,693,309)	(4,325,801)	(2,325,769)	(6,651,570)	(1,074,344,879)
Net book value	60,290,739	68,622,175	907,968,570	81,795,885	1,155,275	4,723,065	1,890,648	5,369,579	15,218	8,034,424	1,139,865,578	25,674,199	5,161,231	30,835,430	1,170,701,008
Year ended June 30, 2012															
Opening net book value	60,290,739	68,622,175	907,968,570	81,795,885	1,155,275	4,723,065	1,890,648	5,369,579	15,218	8,034,424	1,139,865,578	25,674,199	5,161,231	30,835,430	1,170,701,008
Additions	-	-	-	10,511,438	-	614,884	1,736,750	1,239,224	-	21,068,933	35,171,229	-	-	-	35,171,229
Transferred from leasehold to owned assets															
Cost	-	-	30,000,000	-	-	-	-	-	-	-	30,000,000	(30,000,000)	-	(30,000,000)	-
Accumulated depreciation	-	-	(4,325,801)	-	-	-	-	-	-	-	(4,325,801)	4,325,801	-	4,325,801	-
	-	-	25,674,199	-	-	-	-	-	-	-	25,674,199	(25,674,199)	-	(25,674,199)	-
Depreciation charge	-	(6,862,218)	(66,474,262)	(8,792,756)	(115,528)	(498,381)	(317,508)	(553,502)	(1,522)	(2,207,734)	(85,823,411)	-	(1,032,246)	(1,032,246)	(86,855,657)
Closing net book value	60,290,739	61,759,957	867,168,507	83,514,567	1,039,747	4,839,568	3,309,890	6,055,301	13,696	26,895,623	1,114,887,595	-	4,128,985	4,128,985	1,119,016,580
At July 01, 2013															
Cost	60,290,739	198,224,762	1,774,937,877	167,713,974	4,078,647	9,191,927	6,121,786	15,875,234	29,625	36,265,545	2,272,730,116	-	7,487,000	7,487,000	2,280,217,116
Accumulated depreciation	-	(136,464,805)	(907,769,370)	(84,199,407)	(3,038,900)	(4,352,359)	(2,811,896)	(9,819,933)	(15,929)	(9,369,922)	(1,157,842,521)	-	(3,358,015)	(3,358,015)	(1,161,200,536)
Net book value	60,290,739	61,759,957	867,168,507	83,514,567	1,039,747	4,839,568	3,309,890	6,055,301	13,696	26,895,623	1,114,887,595	-	4,128,985	4,128,985	1,119,016,580
Annual rate of depreciation (%)	-	10	-	10	10	10	10	10	-	20	-	-	20		

12.2 Depreciation for the year has been allocated as under:

	2013 Rupees	2012 Rupees
Cost of generation	82,244,764	75,199,610
Operating expenses	4,610,893	4,049,524
	86,855,657	79,249,134

12.3 Capital work in progress

	Freehold land	Civil work	Total
	-----------------------------------Rupees-------------------------------------		
Balance as at July 1, 2011	51,167,500	93,627,041	144,794,541
Capital expenditure incurred during the year	-	3,528,370	3,528,370
Balance as at June 30, 2012	51,167,500	97,155,411	148,322,911
Capital expenditure incurred during the year	-	720,499	720,499
Balance as at June 30, 2013	51,167,500	97,875,910	149,043,410

	Note	**2013 Rupees**	2012 Rupees
12.4 Non-operating land			
Cost of land		609,201,184	898,536,665
Transferred to non-current assets held for sale	22	64,446,478	359,107,906
		544,754,706	539,428,759
Advances for purchase of land		38,502,931	65,147,931
		583,257,637	604,576,690
13. Long term deposits			
Long term deposits		1,199,900	1,199,900
Less: Current portion		688,700	-
		511,200	1,199,900

	Note	2013 Rupees	2012 Rupees
14. Stores, spares and loose tools			
Stores			
In hand	14.1	14,600,494	12,886,549
In transit		2,949,013	-
		17,549,507	12,886,549
Spares	14.1	390,935,929	364,383,760
Loose tools		1,752,966	1,759,383
		410,238,402	379,029,692
Less: Provision for slow moving and obsolete items		(34,021,703)	-
		376,216,699	379,029,692

14.1 Stores and spares include items that may result in fixed capital expenditure but are not distinguishable.

	2013 Rupees	2012 Rupees
15. Stocks		
Furnace oil	77,305,416	68,921,111
Diesel oil	3,244,281	1,834,805
Lube oil	9,540,458	6,102,028
Waste	101,695	54,851
Land	33,164,904	33,164,904
	123,356,754	110,077,699
16. Investment property		
Cost	25,144,683	25,144,683
Gain on fair value measurement	38,258,317	38,258,317
	63,403,000	63,403,000

16.1 The fair value of the investment property has been determined on the basis of market value by an independent valuer as at June 30, 2010. There is no significant change in fair value since the last valuation date.

	Note	**2013 Rupees**	2012 Rupees
17. Trade debts			
Unsecured			
Considered good			
Related parties			
Sitara Chemtek (Private) Limited		85,054	136,798
Sitara Fabrics Limited		2,460,811	-
		2,545,865	136,798
Others		639,867,507	502,621,506
		642,413,372	502,758,304
18. Loans and advances			
Considered good			
Loans to staff		20,000	102,000
Advances			
Suppliers	18.1	15,975,627	2,486,787
Income tax		7,994,422	8,511,302
For purchases / expenses		1,411,183	1,755,535
Letters of credit fee and expenses		559,961	141,226
		25,961,193	12,996,850

18.1 It includes advance of Rs. 3,000,000 (2012: NIL) to an associated undertaking M/S Sitara Fabrics Limited.

	Note	**2013 Rupees**	2012 Rupees
19. Deposits and prepayments			
Deposits			
Guarantee margin		2,000,000	2,000,000
Current portion of long term deposits	13	688,700	-
		2,688,700	2,000,000
Prepayments		608,796	685,339
		3,297,496	2,685,339
20. Short-term investments			
Available for sale - at fair value			
Nimir Chemical Industries Limited			
1,000,000 ordinary shares of Rs. 5/- each		2,924,180	2,924,180
Wateen Telecom Limited			
20,000 ordinary shares of Rs. 10/- each		200,000	200,000
		3,124,180	3,124,180
Fair value reserve		1,102,020	355,820
		4,226,200	3,480,000

	Note	2013 Rupees	2012 Rupees
21. Cash and bank balances			
Cash in hand		2,217,625	3,621,552
Cash at banks			
In current accounts		10,033,264	4,471,745
		12,250,889	8,093,297
22. Non-current assets held for sale			
Land			
Opening balance		253,370,430	6,863,642
Transferred from			
Non-operating land	12.4	64,446,478	359,107,906
		317,816,908	365,971,548
Plant and machinery			
Opening balance			
Cost		-	14,450,000
Accumulated depreciation		-	(1,085,419)
		-	13,364,581
		317,816,908	379,336,129
Disposed off during the year		-	(125,965,699)
		317,816,908	253,370,430

22.1 The Parent is in the process to dispose off the assets as per terms of sale agreements.

	2013 Rupees	2012 Rupees
23. Sales - net		
Electricity	5,893,908,768	5,564,381,169
Steam	127,140,188	110,577,870
	6,021,048,956	5,674,959,039
Less: Sales tax	827,929,826	801,764,942
Less: Electricity duty	9,276,819	7,055,386
	5,183,842,311	4,866,138,711
Textile		
Cloth	-	13,027,040
	5,183,842,311	4,879,165,751

	Note	2013 Rupees	2012 Rupees
24. Cost of generation and sales			
Cost of generation	24.1	4,652,084,830	4,341,207,916
Cost of sales		-	12,444,643
		4,652,084,830	4,353,652,559
24.1 Cost of generation			
Cost of fuel, oil, gas and lubricants		4,275,378,340	4,058,476,406
Salaries, wages and benefits		52,465,520	49,543,162
Staff retirement benefits		1,710,916	1,619,166
Stores, spares and loose tools		169,612,629	120,946,224
Provision for slow moving and obsolete items		34,021,703	-
Insurance		5,416,662	5,415,204
Repairs and maintenance		14,051,156	14,900,772
Depreciation	12.2	82,244,764	75,199,610
Other		17,183,140	15,107,372
		4,652,084,830	4,341,207,916
25. Other operating income			
Income from assets other than financial assets:			
Ground rent		225,000	225,000
Sale of scrap and waste		1,804,849	1,490,368
Gain on disposal of:			
Property, plant and equipment		-	13,676,072
Non current assets held for sale		-	81,356,615
		2,029,849	96,748,055

	Note	2013 Rupees	2012 Rupees
26. Operating expenses			
Director's remuneration		6,925,640	6,138,121
Salaries and benefits		26,254,844	26,682,456
Staff retirement benefits		1,020,916	916,125
Postage and telephone		2,412,582	2,351,167
Vehicles running and maintenance		5,473,931	6,546,498
Travelling and conveyance		4,546,877	3,337,849
Printing and stationery		1,504,484	1,527,925
Entertainment		4,272,611	4,243,788
Legal and professional		1,047,800	2,258,994
Fee, subscription and periodicals		2,105,787	2,850,189
Rent, rates and taxes		194,830	194,449
Advertisement		480,300	181,870
Insurance		1,377,660	809,471
Auditors' remuneration	26.1	1,376,500	796,500
Repairs and maintenance		1,282,291	6,884,332
Donations	26.2	2,314,000	4,240,000
Depreciation	12.2	4,610,893	4,049,524
Utilities		1,652,422	2,481,999
Other		3,524,253	4,636,212
		72,378,621	81,127,469

26.1 Auditors' remuneration

	2013 Rupees	2012 Rupees
Audit fee	1,075,000	575,000
Sundry services	301,500	221,500
	1,376,500	796,500

26.2 Donations

Chief Executive Officer, Mr. Javed Iqbal is the trustee of Aziz Fatima Trust, Gulistan Colony, Sheikhupura Road, Faisalabad, to whom Rs. 2,314,000/- (2012: Rs. 4,139,000/-) have been donated during the year.

	2013 Rupees	2012 Rupees
27. Other operating expenses		
Workers' profit participation fund	13,124,126	13,591,488
Balances written off	57,093	6,121,402
	13,181,219	19,712,890

	Note	2013 Rupees	2012 Rupees
28. Finance cost			
Interest / mark-up on :			
Redeemable capital		47,709,142	74,609,972
Long term financing		1,542,082	32,364,780
Liabilities against assets subject to finance lease		336,097	721,340
Short term bank borrowings		148,939,543	160,285,533
Workers' profit participation fund		44,952	200,523
Bank charges and commission		1,167,058	1,492,118
		199,738,874	269,674,266
29. Provision for taxation			
Current			
for the year	29.1	11,250	589,824
for prior years	29.1	-	27,694
Deferred	29.2	-	-
		11,250	617,518

29.1 The profits and gains derived by the Parent from electric power generation project are exempt from levy of income tax under clause (132) of Part-I and clause 11A (v) of Part-IV of the Second Schedule to the Income Tax Ordinance, 2001. Provision for taxation represents final tax on rental income under section 155 and 169 of the Income Tax ordinance, 2001.

29.2 Deferred tax asset after considering tax losses available for adjustment works out to Rs. 10,242,238/- (2012 : Rs.10,174,961/-). This is not recognized in these financial statements due to uncertain future results.

29.3 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit has not been presented in these financial statements as the income of the Group except rental income is exempt from tax and rental income is subject to final tax under section 155 and 169 of the Income Tax Ordinance, 2001.

	2013	2012
30. Earnings per share - Basic and diluted		
Profit for the year attributable to shareholders of the Parent (Rupees)	248,477,450	251,129,138
Weighted average number of ordinary shares	19,092,000	19,092,000
Earnings per share - Basic and diluted (Rupees)	13.01	13.15

30.1 There is no dilutive effect on the basic earnings per share.

31. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2013		2012	
	Chief Executive Officer	Executives	Chief Executive Officer	Executives
	----------Rupees----------			
Remuneration	5,459,673	6,393,316	4,549,718	8,407,958
Medical allowance	545,967	639,332	454,972	840,796
Perquisites	920,000	866,061	1,133,431	1,186,435
Contribution to provident fund	-	467,256	-	586,770
	6,925,640	8,365,965	6,138,121	11,021,959
Number of persons	1	6	1	9

31.1 The Chief Executive Officer is entitled to free use of Company maintained car and other perquisites. One executive is entitled to conveyance facility. The monetary value of these benefits approximates Rs. 2,257,683/- (2012: Rs. 1,741,118/-). The Directors have waived off their meeting fee.

32. TRANSACTIONS WITH RELATED PARTIES

The Group in the normal course of business carries out transactions with various related parties which comprise of associated undertakings, directors of the Group, key management personnel and post employment benefit plan. Amounts due from and due to related parties are shown under the relevant notes to the financial statements. Remuneration to Chief Executive Officer, Directors and Executives of the Parent is disclosed in Note 31. Other significant transactions with related parties are as follows:

Relationship	**Nature of transactions**	**2013 Rupees**	2012 Rupees
Associated undertakings	Sales	7,307,971	276,336,977
	Purchases	-	1,394,117
	Advance against supplies	3,000,000	-
	Organisational expenses recovered	-	56,000
	Organisational expenses paid	-	744,923
	Short term loan obtained and repaid	-	60,000,000
	Interest on short term loan	-	285,012
Provident fund	Contribution for the year	2,731,832	2,535,291

	2013	2012

33. PLANT CAPACITY AND ACTUAL PRODUCTION

Number of generators installed	24	24
Number of generators worked	22	22
Installed energy generation capacity (Mega watt hours)	696,946	696,946
Actual energy generation (Mega watt hours)	347,727	330,849

Reasons for low generation:
- Installed generators include two standby generators.
- Adjustment in planned optimum capacity utilisation level.
- Extra capacity for future growth.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group finances its operations through the mix of equity, debt and working capital management with a view to maintaining an appropriate mix between various sources of finance to minimise risk. The overall risk management is carried out by the finance department under the oversight of Board of Directors in line with the policies approved by the Board.

34.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2013 Rupees	2012 Rupees
Financial assets:		
Deposits	3,199,900	1,199,900
Trade debts	642,413,372	502,758,304
Loans and advances	1,412,810	998,188
Short term Investments	4,226,200	3,480,000
Other receivables	-	22,378,162
Cash and bank balances	12,250,889	8,093,297
Non-current assets held for sale	317,816,908	253,370,430
	981,320,079	792,278,281
Financial liabilities:		
Redeemable capital	310,000,000	465,000,000
Long term financing	300,000,000	-
Liabilities against assets subject to finance lease	2,100,249	4,300,826
Trade and other payables	302,544,633	203,778,752
Interest / markup payable	42,696,745	57,262,605
Short term bank borrowings	753,586,428	1,030,967,586
	1,710,928,055	1,761,309,769

34.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Group's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). Risks measured and managed by the Group are explained below:

34.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Credit risk arises from the deposits, trade debts, loans and advances, other receivables and bank balances. The Group is exposed to concentration of credit risk towards the major customers M/S Sitara Chemical Industries Limited and Faisalabad Electric Supply Company (FESCO). The trade debts receivable from these customers constitute 83% (2012: 76%) of the total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2013 Rupees	2012 Rupees
Deposits	3,199,900	1,199,900
Trade debts	642,413,372	502,758,304
Other receivables	-	22,378,162
Bank balances	12,250,889	8,093,297
	657,864,161	534,429,663

Due to Company's long standing relations with counterparties and after giving due consideration to their financial standing, the management does not expect non performance by these counter parties on their obligations to the Group.

For trade debts credit quality of the customer is assessed, taking into consideration its financial position and previous dealings. Individual credit limits are set. The management regularly monitor and review customers credit exposure.

The Group's most significant customers are M/S Sitara Chemical Industries Limited and Faisalabad Electric Supply Company (FESCO). The break-up of amount due from customers is as follows:

	2013 Rupees	2012 Rupees
FESCO	316,258,769	112,274,110
Sitara Chemical Industries Limited	214,528,878	274,347,950
Industrial users of electricity	111,625,725	113,153,121
Others	-	2,983,123
	642,413,372	502,758,304
The aging of trade debts as at balance sheet date is as under:		
Not past due	518,007,532	429,965,344
Past due	124,405,840	72,792,960
	642,413,372	502,758,304

Based on the past experience and taking into consideration, the financial position, and previous record of recoveries, the Company believes that trade debts past due do not require any impairment. The credit risk exposure is limited in respect of deposits and bank balances as majority of deposits and all bank balances are placed with local banks / leasing company having good credit rating.

34.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's approach to manage liquidity is to maintain sufficient level of liquidity of the Group on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of balance sheet liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2013 and 2012:

	2013				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	-----------Rupees in thousands-----------				
Financial liabilities:					
Redeemable capital	310,000	339,133	94,147	81,662	163,324
Long term financing	300,000	369,668	19,905	19,905	329,858
Liabilities against assets subject to finance lease	2,100	2,158	1,701	457	-
Trade and other payables	339,163	339,163	339,163	-	-
Short term bank borrowings	753,586	831,407	128,168	703,239	-
	1,704,849	1,881,529	583,084	805,263	493,182

	2012				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	-----------Rupees in thousands-----------				
Financial liabilities:					
Redeemable capital	465,000	554,410	95,041	98,025	361,344
Long term financing	-	-	-	-	-
Liabilities against assets subject to finance lease	4,301	5,440	1,283	1,283	2,874
Trade and other payables	263,948	263,948	263,948	-	-
Short term bank borrowings	1,030,968	1,079,403	1,079,403	-	-
	1,764,217	1,903,201	1,439,675	99,308	364,218

The contractual cash flows relating to mark up on redeemable capital, long term and short term borrowings and leases have been determined on the basis of mark up rates as applicable at the year end. The Group will manage the liquidity risk from its own source through equity and working capital management. The Group has liquid assets of Rs. 1,000.86 million (2012: Rs. 759.89 million) and unavailed short term borrowing facilities of Rs. 245.89 million (2012: Rs. 288.03 million) as at June 30, 2013.

34.2.3 Market risk management

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group'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 returns.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises from redeemable capital and long term and short term bank borrowings. The interest rate profile of the group's interest bearing financial instruments is presented in relevant notes to the financial statements.

Sensitivity analysis

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period.

Fair value sensitivity analysis for fixed rate instruments

The Group do not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not effect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

If the increase rate had increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year and equity would have been lower / higher by Rs.12.8 million (2012: Rs. 15.64 million).

ii) Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Currency risk is covered through forward foreign exchange contracts whenever it is considered appropriate to hedge foreign currency exposure. The Group is not exposed to any foreign exchange risk.

iii) Equity price risk

Trading and investing in quoted equity securities give rise to equity price risk. At the balance sheet date, the Group is not exposed to equity price risk.

34.3 Fair value of financial instruments

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

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.

34.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay long term financing from / to financial institutions.

The Group manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('redeemable capital', 'long term financing', 'liabilities against assets subject to finance lease' and 'short term bank borrowings' as shown in the balance sheet). Total capital comprises shareholders’ equity as shown in the balance sheet under 'share capital and reserves' and net debt (debt less cash and cash equivalents).

The salient information relating to capital risk management of the Group were as follows:

	Note	**2013 Rupees**	2012 Rupees
Total Debt	5, 6,7 & 10	1,365,686,677	1,500,268,412
Less: Cash and cash equivalents	21	12,250,889	8,093,297
Net Debt		1,353,435,788	1,492,175,115
Total equity		1,696,508,358	1,466,376,783
Total capital		3,049,944,146	2,958,551,898
Gearing ratio		44.38%	50.44%

35. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Parent in its meeting held on September 21, 2013 has proposed a cash dividend of Rs. 1/- per (2012: Rs. 1/- per) share amounting to Rs. 19,092,000/- (2012: Rs. 19,092,000/-) subject to approval of members in the forthcoming Annual General Meeting to be held on October 29, 2013. The Board of Directors has also approved the transfer of an amount of Rs. 100 million (2012: Rs. 100 million) from unappropriated profit to general reserve.

36. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Parent and authorised for issue on September 21, 2013.

37. GENERAL

37.1 RE-ARRANGEMENT

Stock of the Subsidiary comprising of land amounting to Rs. 33,164,904/- was disclosed as a separate line item "Land held for resale - at cost". It has been included in stocks for more appropriate presentation.

37.2 Figures have been rounded off to the nearest Rupees except where mentioned rounded off in Rupees in thousands.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Notes

FORM OF PROXY

This form of Proxy, in order to be effective, must be deposited duly completed, at the Company's Shares Registrar's Office at M/s THK Associates (Pvt) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi not less than 48 hours before the time of holding the meeting. A Proxy must be a member of the Company. Signature should agree with the specimen registered with the company
Please quote Registered Folio Number/CDC Account Number

I/We ____

of ____

being a member of Sitara Energy Limited entitled to vote and holder of ____________________

ordinary shares, hereby appoint ____

of ____

who is also a member of the Company, as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the 23rd Annual General Meeting of the Company to be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwan-e-sadr Road, Karachi on Tuesday, October 29, 2013 at 2:00 pm and at any adjournment thereof.

As witness my/our hand this ____________________ day of ____________________ 2013

Signed by the said ____ in the presence

of ____________________

____

(Member's Signature)

Affix Rs. 5/- Revenue Stamp which must be cancelled either by signature over it or by some other means

Place ____________________

____

(Witness's Signature)

Date ____________________

If undelivered please return to:

Sitara Energy Limited

601-602 Business Centre,
Mumtaz Hassan Road, karachi-74000
Tel: 021-32420620-32413944
Fax: 021-32415452