Sitara Energy Limited

Annual Report 2014

Contents

بسم الله الرحمن الرحيم

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 Officer)
Mr. Sarosh Javed	
Mr. Mukhtar A. Sheikh	
Mr. Rana M. Arshad Iqbal	
Mrs. Haniah Javed	
Mst. Naseem Akhtar	

CHIEF FINANCIAL OFFICER

Mr. Haroon Ahmed Zuberi FCA

COMPANY SECRETARY

Mr. Mazhar Ali Khan

LEGAL ADVISOR

Sahibzada Muhammad Arif

SHARE REGISTRAR

THK Associates (Private) Limited
Ground Floor, State Life Building No. 3,
Dr. Ziauddin Ahmed Road, Karachi. 75530
P. O. Box No. 8533, UAN: +92(21)111-000-322
Fax: +92(21) 35655595
E mail: Secretariat@thk.com.pk

REGISTERED OFFICE

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

PLANT

33, K.M., Sheikhupura Road, Faisalabad

AUDIT COMMITTEE

Mr. Rana M. Arshad Iqbal	(Chairman)
Mrs. Haniah Javed	
Mst. Naseem Akhtar	

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Mukhtar Ahmad Sheikh	(Chairman)
Mr. Rana Muhammad Arshad Iqbal	
Mrs. Noureen Javeed	

AUDITORS

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

BANKERS

Standard Chartered Bank (Pak) Limited
Albaraka Bank (Pakistan) Ltd
National Bank of Pakistan
Faysal Bank Limited
The Bank of Punjab
MCB Islamic Banking
United Bank Limited
Meezan Bank Limited
Bank Alfalah Limited
Allied Bank Limited

WEBSITE

http://www.sitara.pk

Vision & Mission Statement

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.

Notice of Annual General Meeting

Notice is hereby given that the 24th Annual General Meeting of Sitara Energy Limited 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 28, 2014 at 3:00 p.m. to transact the following business:

1. To confirm the minutes of Annual General Meeting held on October 29, 2013.

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2014 together with the Reports of the Auditors and Directors thereon.

3. To approve payment of Cash Dividend at the rate of 20% (Rs.2/= per share) as recommended by the Directors.

4. To appoint Auditors for the year ending June 30, 2015 and to fix their remuneration.

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

By order of the Board

Karachi:
September 29, 2014

MAZHAR ALI KHAN
Company Secretary

NOTES:

CLOSURE OF SHARE TRANSFER BOOKS

The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from October 21, 2014 to October 28, 2014 (both days inclusive). Transfers received in order at the Share Registrar Office of the company by the close of business on October 20, 2014 will be treated in time for the purpose of payment of the final cash dividend. If approved by the shareholders.

PARTICIPATION IN THE ANNUAL GENERAL MEETING

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

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

a) For attending the meeting:

i) In case of individuals, the account holders or sub-account holders and / or the persons whose securities are in group account and their registration details are uploaded as per the regulations, shall

Notice of Annual General Meeting

authenticate their identity by showing their original Computerized National Identity Card (CNIC), or Original Passport at the time of attending the meeting.

ii) In case of Corporate Entities, the Board of Directors' resolution / power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For appointing proxies:

i) In case of individuals, the account holders or sub account holders and / or the persons whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form. The proxies shall produce their original CNIC or original passport at the time of meeting.

ii) In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the company's registrar.

CONFIRMATION FOR FILING STATUS OF INCOME TAX RETURN FOR APPLICATION OF REVISED TAX RATES PURSUANT TO THE PROVISIONS OF FINANCE ACT, 2014.

All members of the company are hereby informed that pursuant to the provisions of Finance Act, 2014 effective July 01, 2014 changes have been made with regards to deduction of income tax for cash dividend.

Members of the Company are, therefore, requested to update their tax paying status by sending following detail on the company's registrar address and the members who have deposited their shares into Central Depository Company of Pakistan Limited (CDC) are requested to send a copy of detail regarding tax payment status also to the relevant member stock exchange and CDC if maintain CDC investor account:

Folio / CDS ID / AC No	Name	National Tax No	CNIC No (In case of individuals)	Income Tax return for the year 2013 filed (Yes or No.)

The information may be sent at the registered postal address of the company's registrar.

The above mentioned information would enable us to process the dividend payment according to the taxpaying status of the members.

The "Income Tax Return Filing Status" form is enclosed to facilitate shareholders to provide detail regarding national tax number and confirmation for filing of income tax return.

Notice of Annual General Meeting

PAYMENT OF CASH DIVIDEND ELECTRONICALLY (e-dividend)

In order to establish a process for cash dividend payment where dividends can be paid more efficiently to shareholders, Securities and Exchange Commission of Pakistan (SECP) has envisaged e-dividend mechanism. Under this mechanism amount of dividend will be credited electronically into the account of shareholders. New method of payment will eliminate the chances of dividend warrants getting lost in the post, returned undelivered or delivered on wrong address. SECP has advised all listed companies to adopt e-dividend mechanism due to benefits it entails to their shareholders.

The company has requested its shareholders through letters and notices to send mandate instruction by filing the mandate form to opt for the dividend mandate option. We request you to provide duly filled and signed dividend mandate form.

The dividend mandate form is again enclosed to facilitate shareholders to opt the mandate option and provide required information to make payment of cash dividend through direct credit to shareholder's bank account.

CDC account holders are requested to submit their mandate instruction to the relevant member Stock Exchange and CDC if maintaining CDC investor account.

SUBMISSION OF COMPUTERIZED NATIONAL IDENTITY CARD (CNIC) / NATIONAL TAXPAYER NUMBER (NTN)

The directive of SECP contained in SRO 831(1)2012 of 5th July 2012, provides that the dividend warrant should bear the Computerized National Identity Card (CNIC) number of the registered member, CNIC number of the members is therefore, mandatory for the issue of future dividend warrants and in the absence of such information, payment of dividend may be withheld. The Company has already requested its shareholders through letters and notices to provide attested copies of their valid CNICs.

The members who have not yet provided their CNICs are once again advised to provide attested copy of their valid CNICs to ensure timely disbursement of the dividend.

CHANGE OF ADDRESS

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

Director's Report

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Sitara Energy Limited for the year ended June 30, 2014, along with the audited financial statements and Auditors' Report thereon.

FINANCIAL RESULTS

Net sales for the year was Rs. 5,035.627 million (2013: Rs. 5,183.842 million) and cost of generation was Rs. 4,640.964 million (2013: Rs 4,652.085 million). This slightly decrease in sales was due to lower demand of RFO based electricity as compared to last year. The average load of RFO based electricity for the year was 23.12 MW (2013: 24.34 MW).

The company earned net profit of Rs. 204.527 million during the year resulting in earnings per share of Rs. 10.71 as compared to net profit of Rs. 249.313 million and earnings per share of Rs. 13.06 last year. Decrease in profitability of the Company was due to increase in cost of generation due to which gross profit margin was declined to 7.83% (2013: 10.25%).

Financial results for the year ended June 30, 2014 and 2013 are summarized below:

		2014			2013	
		SEL	**Consolidated**		SEL	Consolidated
		Rupees in thousands			Rupees in thousands	
Sales		5,035,627	5,066,358		5,183,842	5,183,842
Gross profit		394,663	392,229		531,757	531,757
Profit before taxation		203,674	206,531		249,313	248,489
Provision for taxation		(853)	(774)		-	11
Profit for the year		204,527	207,305		249,313	248,477
Unapproriated profit brought forward		644,764	641,296		514,543	511,911
Profit available for appropriation		849,291	848,601		763,856	760,388
Appropriation						
Final dividend for the year ended June 30, 2013: Rs. 1.00 per share		19,092	19,092		19,092	19,092
Transferred to general reserve		100,000	100,000		100,000	100,000
		119,092	119,092		119,092	119,092
Profit available for appropriation		730,199	729,509		644,764	641,296
Earning per share - Basic & diluted	Rs.	10.71	10.86	Rs.	13.06	13.01

Proposed appropriation

The Directors have recommended:

- Final cash dividend of Rs.2/- per share i.e, 20% (2013: Rs. 1/- per share i.e, 10%).
- Appropriation of Rs. 100 million (2013: 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.

Director's Report

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) Costs of investments of Staff Provident Fund Trust as at June 30, 2014 was Rs. 15.120 million.

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

Name of Director	Meetings attended / Status		
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	2	/	New appointment
Mr. Maqbool Ahmad Chaudhary	2	/	Retired

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

Director's Report

Name of Member	Meetings attended / Status		
Mr. Rana M. Arshad Iqbal	4	/	Chairman
Mrs. Haniah Javed	4	/	Member
Mst. Naseem Akhter	2	/	Member
Mr. Maqbool Ahmad Chaudhary	2	/	Retired

l) During the year two meetings of the Human Resource and Remuneration committee were held. Attendance by each member was as follows:-

Name of Member	Meetings attended / Status		
Mr. Mukhtar A. Sheikh	2	/	Chairman
Mrs. Noureen Javed	2	/	Member
Mr. Rana M. Arshad Iqbal	2	/	Member

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

n) During the year Mr. Sarosh Javed was appointed as Executive Director of the company. The remuneration of Executive Director was approved by shareholders in their last Annual General Meeting held on October 29, 2013.

o) Pattern of Shareholding as at June 30, 2014 is annexed.

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

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

r) 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

s) 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.

t) None of the employee of the company has made any trade in the shares of the company who falls beyond the threshold of Rs. 2.4 million annual basic salary.

u) No purchase / sale of shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses / minor children during the year.

Director's Report

WEB REFERENCE

In compliance with SRO 634 (1)/2014 dated July 10, 2014, the company is maintaining a functional website. Annual, half yearly and quarterly reports and other notices are regularly posted at the company's website address (http://www.sitara.pk).

RELATED PARTIES

Transactions between related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method. The company has fully complied with the best practices on transfer pricing as contained in the Listing Regulations of Stock Exchanges in Pakistan.

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 2014, the company has donated Rs. 4.08 million (2013: Rs. 2.31) million to welfare institution operating in the fields of health and education.

FUTURE PROSPECTS AND OUTLOOK

The profitability of the company during the financial year 2014-15 will largely depends on agreement with Faisalabad Electric Supply Company (FESCO) which is lying pending with NEPRA for its approval and also availability of natural gas for industrial sector.

AUDITORS

The auditors of the company 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 retiring auditors.

APPRECIATION

The Board of Directors appreciates all its stakeholders for their trust and continued support to the company. The Board also recognizes the contribution made by a very dedicated team of professionals and engineers who served the company with enthusiasm, and hope that the same spirit of devotion shall remain intact in the future ahead to the company.

by order of the Board

September 29, 2014
Faisalabad

JAVED IQBAL
Chief Executive

Code of Conduct

It is a fundamental policy of Sitara Energy Limited to conduct its business with honesty, integrity and in accordance with the highest professional, ethical and legal standards. The company has adopted comprehensive Code of Conduct (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.

Code of Conduct

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 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 maybe 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 company 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

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

8. Health, Safety and 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.

Code of Conduct

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 the company 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

The company 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 and 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

Code of Conduct

performance or that creates an intimidating, humiliating, offensive, or hostile environment.

19. Grievance Handling

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

20. Whistle Blowing

In order to enhance good governance and transparency, the company 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.

by order of the Board

September 29, 2014
Faisalabad

JAVED IQBAL
Chief Executive

Pattern of Shareholding

AS AT JUNE 30, 2014

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
465	1	100	7,390
401	101	500	190,878
95	501	1,000	92,951
156	1,001	5,000	453,646
33	5,001	10,000	257,900
12	10,001	15,000	166,500
7	15,001	20,000	124,623
8	20,001	25,000	181,947
3	25,001	30,000	87,500
1	30,001	35,000	33,000
2	35,001	40,000	76,000
3	40,001	45,000	126,098
3	45,001	50,000	145,500
1	55,001	60,000	59,000
1	65,001	70,000	66,500
1	75,001	80,000	75,247
1	80,001	85,000	83,000
1	145,001	150,000	145,500
1	175,001	180,000	178,500
2	195,001	200,000	400,000
1	210,001	215,000	213,500
1	235,001	240,000	238,500
1	255,001	260,000	256,117
1	260,001	265,000	263,151
2	320,001	325,000	645,974
1	410,001	415,000	414,500
1	595,001	600,000	600,000
1	655,001	660,000	656,000
1	830,001	835,000	832,360
1	930,001	935,000	933,661
1	995,001	1,000,000	1,000,000
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
1,213			**19,092,000**

Pattern of Shareholding

AS AT JUNE 30, 2014

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
Mrs. Haniah Javed	1	1,000	0.01
Mst. Naseem Akhtar	1	1,000	0.01
Mr. Mukhtar Ahmed Shaikh	1	1,000	0.01
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.	3	1,132,161	5.93
Insurance Companies	1	1,628,500	8.53
Modarabas and Mutual Funds	1	263,151	1.38
Foreign Companies	1	1,000	0.01
Joint Stock Companies	11	1,456,271	7.63
General Public (Local)	1,173	6,319,523	33.10
General Public (Foreign)	10	20,000	0.10
Others	3	26,737	0.14
	1,213	**19,092,000**	**100.00**

Key Operating and Financial Data for Last Ten Years

Particulars	**2014**	2013	2012	2011	2010	2009	2008	2007	2006	2005
	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 reserve	**820,000**	720,000	620,000	590,000	540,000	490,000	460,000	460,000	460,000	460,000
Fixed assets at cost	**2,270,025**	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
Accumulated depreciation	**1,232,748**	1,161,137	1,074,287	999,716	934,534	853,915	783,377	724,815	686,817	646,259
Current assets	**1,337,901**	1,484,527	1,003,629	951,136	1,065,017	1,067,153	975,860	696,225	1,043,688	806,477
Current liabilites	**1,219,313**	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
INCOME										
Sales	**5,035,627**	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
Other income	**73,659**	1,805	96,523	9,841	4,794	7,168	14,032	7,422	28,364	1,889
Pre tax profit / (loss)	**203,674**	249,313	251,916	91,527	106,926	80,338	112,669	1,518	7,351	(40,118)
Taxation	**(853)**	-	448	487	(269)	(698)	358	339	398	276
STATISTICS AND RATIOS										
Pre tax profit to sales %	**4.04**	4.81	5.18	2.44	2.76	2.67	4.93	0.10	0.55	(3.47)
*Pre tax profit to capital %	**60.96**	74.62	75.40	27.39	32.00	24.05	33.72	0.45	2.20	(12.01)
Current ratio	**1.10**	1.16	0.66	0.52	0.71	0.77	0.90	0.69	1.04	1.09
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
Earing after tax per share (Rs.)	**10.71**	13.06	13.17	4.77	5.61	4.24	5.88	0.06	0.36	(2.12)
Cash dividend %	**20.00**	10.00	10.00	10.00	20.00	20.00	25.00	-	-	-
Break up value per share (Rs.)	**98.70**	88.98	76.93	64.75	61.99	58.37	56.63	50.74	50.68	50.32

*Pre tax profit to capital has been regrouped. Capital includes issued, subscribed and paidup capital and Capital reserve - share premium. Comparitives figures have been rearranged.

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 directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Director	Mr. Rana Muhammad Arshad Iqbal
Executive Directors	Mr. Javed Iqbal Mr. Sarosh Javed
Non Executive Directors	Mrs. Noureen Javed Mrs. Haniah Javed Mr. Mukhtar Ahmad Sheikh Mst. Naseem Akhtar

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

2. The Directors have confirmed that none of them is serving as a director on 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. A casual vacancy occurred in the Board during the year was filled within the prescribed time period.

5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executives and executive director, 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 and one director has obtained certification last year. During the year, another director has obtained 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.

Statement of Compliance with the Code of Corporate Governance

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 of the Board.

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

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

15. The Board has formed an Audit Committee. It comprises 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 the 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 have confirmed that they have observed IFAC guidelines in this regard.

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

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 enshrined in the CCG have been complied with.

September 29, 2014
Faisalabad

JAVED IQBAL
Chief Executive

Avais Hyder Liaquat Nauman
Chartered Accountants

RSM

478-D, Peoples Colony No. 1
Faisalabad - Pakistan
T: +92 (41) 854 1165, 854 1965 F: +92 (41) 854 2765
E: faisalabad@ahln.com.pk W: www.ahln.com.pk

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, 2014 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.

The Code also 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, 2014.

AVAIS HYDER LIAQUAT NAUMAN Ahln
CHARTERED ACCOUNTANTS

Date: 29 SEP 2014
Place: Faisalabad

Other Offices at:
Lahore : (92-42) 3587 2731/2/3
Karachi : (92-21) 3565 5975/6
Islamabad : (92-51) 211 4096/7/8
Peshawar : (92-91) 527 7205/527 8310
Quetta : (92-81) 282 9809

Avais Hyder Liaquat Nauman
Chartered Accountants

RSM

478-D, Peoples Colony No. 1
Faisalabad - Pakistan
T: +92 (41) 854 1165, 854 1965 F: +92 (41) 854 2765
E: faisalabad@ahln.com.pk W: www.ahln.com.pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Sitara Energy Limited (the company) as at June 30, 2014 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

Other Offices at:
Lahore : (92-42) 3587 2731/2/3
Karachi : (92-21) 3565 5975/6
Islamabad : (92-51) 211 4096/7/8
Peshawar : (92-91) 527 7205/527 8310
Quetta : (92-81) 282 9809

Avais Hyder Liaquat Nauman
Chartered Accountants

RSM

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, 2014 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.

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

Dated: 29 SEP 2014
Place: Faisalabad

Balance Sheet as at June 30, 2014

	Note	2014 Rupees	2013 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
Revenue reserves			
General reserve		820,000,000	720,000,000
Unappropriated profit		730,199,138	644,764,486
		1,884,309,138	1,698,874,486
NON-CURRENT LIABILITIES			
Redeemable capital	4	-	155,000,000
Long term financing	5	200,000,000	300,000,000
Liabilities against assets			
subject to finance lease	6	4,381,114	-
		204,381,114	455,000,000
CURRENT LIABILITIES			
Trade and other payables	7	484,963,244	329,012,234
Interest / mark up payable	8	34,369,805	42,696,745
Short term bank borrowings	9	443,347,384	753,586,428
Current portion of:			
Redeemable capital	4	155,000,000	155,000,000
Long term financing	5	100,000,000	-
Liabilities against assets			
subject to finance lease	6	1,632,416	2,100,249
Provision for taxation			
- income tax		-	852,817
		1,219,312,849	1,283,248,473
CONTINGENCIES AND			
COMMITMENTS	10	-	-
		3,308,003,101	3,437,122,959

	Note	2014 Rupees	2013 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,918,981,666	1,902,090,144
Investment in subsidiary	12	49,995,000	49,995,000
Long term deposits	13	1,125,250	511,200
		1,970,101,916	1,952,596,344
CURRENT ASSETS			
Stores, spares and loose tools	14	313,114,872	376,216,699
Stock of oil and lubricants	15	113,911,673	90,191,850
Trade debts	16	612,989,361	642,413,372
Loans and advances	17	13,180,886	21,544,712
Deposits and prepayments	18	8,150,031	3,297,496
Other receivables	19	96,375,000	-
Tax refunds due from			
Government - income tax		31,737,302	23,799,916
Cash and bank balances	20	47,115,759	9,245,662
		1,236,574,884	1,166,709,707
Non-current assets			
held for sale	21	101,326,301	317,816,908
		1,337,901,185	1,484,526,615
		3,308,003,101	3,437,122,959

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, 2014

	Note	**2014 Rupees**	2013 Rupees
Sales - net	22	5,035,626,960	5,183,842,311
Cost of generation	23	4,640,963,935	4,652,084,830
Gross profit		394,663,025	531,757,481
Other income	24	73,658,766	1,804,849
		468,321,791	533,562,330
Operating expenses	25	94,635,580	71,394,482
Other operating expenses	26	14,975,045	13,124,126
Finance cost	27	155,037,331	199,730,275
		264,647,956	284,248,883
Profit for the year before taxation		203,673,835	249,313,447
Provision for taxation	28	(852,817)	-
Profit for the year		204,526,652	249,313,447
Earnings per share - Basic and diluted	29	10.71	13.06

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, 2014

	2014 Rupees	2013 Rupees
Profit for the year	204,526,652	249,313,447
Other comprehensive income for the year	-	-
Total comprehensive income for the year	204,526,652	249,313,447

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

Cash Flow Statement for the Year Ended June 30, 2014

	2014 Rupees	2013 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	203,673,835	249,313,447
Adjustments for:		
Depreciation of property, plant and equipment	89,765,944	86,850,486
Provision for staff retirement benefits	3,238,208	2,731,832
Gain on disposal of:		
Non-current assets held for sale - land	(50,481,843)	-
Balances written back	(19,989,580)	-
Loss on disposal of property, plant and equipment	4,028,436	-
Donation - in kind	2,050,039	-
Finance cost	155,037,331	199,730,275
Operating cash flows before working capital changes	387,322,370	538,626,040
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	63,101,827	2,812,993
Stock of oil and lubricants	(23,719,823)	(13,279,055)
Trade debts	29,424,011	(142,638,191)
Loans and advances	4,647,657	(9,659,303)
Deposits and prepayments	(5,541,235)	76,543
Other receivables	(96,375,000)	22,378,162
Tax refunds due from government - income tax	-	(10,000,000)
Increase in current liabilities		
Trade and other payables	213,262,977	66,788,609
	184,800,414	(83,520,242)
Cash generated from operating activities	572,122,784	455,105,798
Income tax paid	(4,231,692)	(7,947,860)
Staff retirement benefits paid	(3,148,792)	(2,715,104)
Finance cost paid	(163,364,271)	(214,296,135)
Net cash generated from operating activities	401,378,029	230,146,699

Cash Flow Statement for the Year Ended June 30, 2014

	2014 Rupees	2013 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(114,972,693)	(71,019,153)
Proceeds from disposal of:		
Property, plant and equipment	2,204,000	-
Non-current assets held for sale - land	235,641,177	-
Increase in long term deposits	(614,050)	-
Net cash generated from / (used in) investing activities	122,258,434	(71,019,153)
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of:		
Redeemable capital	(155,000,000)	(155,000,000)
Liabilities against assets subject to finance lease	(1,538,519)	(2,200,577)
Long term financing obtained	-	300,000,000
(Decrease) in short term bank borrowings - net	(310,239,044)	(277,381,158)
Dividend paid	(18,988,803)	(20,410,412)
Net cash (used in) financing activities	(485,766,366)	(154,992,147)
Net increase in cash and cash equivalents (a+b+c)	37,870,097	4,135,399
Cash and cash equivalents at the beginning of the year	9,245,662	5,110,263
Cash and cash equivalents at the end of the year	47,115,759	9,245,662

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, 2014

	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, 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
Transaction with owners						
Dividend for the year ended June 30, 2013 : 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	-	-	-	204,526,652	204,526,652	204,526,652
Other comprehensive income	-	-	-	-	-	-
	-	-	-	204,526,652	204,526,652	204,526,652
Balance as at June 30, 2014	190,920,000	143,190,000	820,000,000	730,199,138	1,550,199,138	1,884,309,138

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

Notes to the Financial Statements for the Year Ended June 30, 2014

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 in the province of Sindh. 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 of the Company for the periods beginning on or after July 01, 2013 and therefore, have been applied in preparing these financial statements:

- 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 Company does not have any offsetting arrangements in place, therefore, the amendments do not have material impact on the disclosures.

- 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

Notes to the Financial Statements for the Year Ended June 30, 2014

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 standard does not 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 does not have any material impact on the Company's financial statements.

- 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 standard does 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, 2013 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 9 "Financial Instruments" (2014): A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 "Financial Instruments: Recognition and Measurement". The standard contains requirements in the areas of classification and measurement, impairment, hedge accounting, de-recognition.

  Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner under IAS 39, however there are differences in the requirements applying to the measurement of an

Notes to the Financial Statements for the Year Ended June 30, 2014

entity's own credit risk. It introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It also introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The standard is effective for accounting periods beginning on or after January 01, 2018.

IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before February 01, 2015. The management of the Company is reviewing the changes to evaluate the impact of application of standard on the Company's financial statements.

- IFRS 15 "Revenue from Contracts with Customers": IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

  Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is effective for accounting periods beginning on or after January 01, 2017. The Management is in the process of evaluating the impact of application of the standard on the Company's financial statements.

- Amendment to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": In this amendment it is clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendment is effective for accounting periods beginning on or after January 01, 2016. The application of amendment may result in change of depreciation method for plant and machinery, however, its impact is not determinable at this stage.

- 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.

- Amendments to IAS 36 "Impairment of Assets": These amendments address the disclosures and clarify the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are effective for accounting periods beginning on or after January 01, 2014. The application of amendments is not expected to have any material impact on

Notes to the Financial Statements for the Year Ended June 30, 2014

the Company's financial statements.

- Amendments to IAS 39 "Financial Instruments Recognition and Measurement": These amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments are effective for accounting periods beginning on or after January 01, 2014. The application of amendments is not expected to have any material impact on the Company's financial statements.

- The IASB has issued Annual Improvements to IFRS's 2010-2012 Cycle

  Amendments to the following standards were made which are effective for the accounting periods beginning on or after July 01, 2014:

  IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

  IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

  IFRS 8 — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

  IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

  IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

  IAS 24 — Clarify how payments to entities providing management services are to be disclosed.

  These amendments are not expected to have any material impact on the Company's financial statements.

- The IASB has issued Annual Improvements to IFRS's 2011-2013 Cycle

  Amendments to the following standards were made which are effective for the accounting periods beginning on or after July 01, 2014:

  IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

  IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

Notes to the Financial Statements for the Year Ended June 30, 2014

IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.

IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These amendments are not expected to have any material impact on the Company's financial statements.

- "IFRIC 21 Levies

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 ""Provisions, Contingent Liabilities and Contingent Assets"" and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides guidance on recognition of a liability to pay levies. The interpretation is effective for accounting periods beginning on or after January 01, 2014. The application is not expected to have 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 these are directly attributable to qualifying assets, in which case these 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.

Notes to the Financial Statements for the Year Ended June 30, 2014

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 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.

Notes to the Financial Statements for the Year Ended June 30, 2014

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

Notes to the Financial Statements for the Year Ended June 30, 2014

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.

Notes to the Financial Statements for the Year Ended June 30, 2014

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

2013	2014		2014	2013
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 (2013: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

Notes to the Financial Statements for the Year Ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
4. Redeemable capital			
Secured			
Sukuk certificates - II	4.1	155,000,000	310,000,000
Less: Current portion		155,000,000	155,000,000
		-	155,000,000

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 is convertible into first charge. 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.

Sukuk certificates 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 10.74% to 11.29% per annum (2013: 10.65% to 13.17% per annum).

	Note	2014 Rupees	2013 Rupees
5. Long term financing			
Secured			
From banking company			
Under mark up arrangement			
Term finance	5.1	300,000,000	300,000,000
Less: Current portion		100,000,000	-
		200,000,000	300,000,000

5.1 It is secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 9.2) and running finance (Refer Note 9.5). It is further secured by personal guarantee of directors of the Company. Terms of repayment have been revised during the year, Rs. 100 million is payable on March 31, 2015 and balance

Notes to the Financial Statements for the Year Ended June 30, 2014

amount is payable on March 31, 2016. It is subject to mark up at the rate of 3 months KIBOR plus 2.65% (2013: 3%) per annum.

Effective rate of mark up charged during the year ranges from 10.74% to 12.79% per annum (2013: 12.51% per annum).

	2014 Rupees	2013 Rupees
6. Liabilities against assets subject to finance lease		
Opening balance	2,100,249	4,300,826
Obtained during the year	6,140,500	-
	8,240,749	4,300,826
Paid / adjusted during the year	(2,227,219)	(2,200,577)
	6,013,530	2,100,249
Less: Current portion	1,632,416	2,100,249
	4,381,114	-

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 11.69% to 12.68% (2013: 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:

Year ending June 30,		**2014 Rupees**	2013 Rupees
	2014	-	2,208,708
	2015	2,224,128	-
	2016	2,224,128	-
	2017	2,652,834	-
		7,101,090	2,208,708
Financial charges:			
Payable		(36,390)	(3,303)
Allocated to future periods		(1,051,170)	(105,156)
		6,013,530	2,100,249

Notes to the Financial Statements for the Year Ended June 30, 2014

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

	2014		2013	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	Rupees			
Due within one year	2,224,128	1,632,416	2,208,708	2,100,249
Due after one year but not later than five years	4,876,962	4,381,114	-	-
	7,101,090	6,013,530	2,208,708	2,100,249

7. Trade and other payables

	Note	2014 Rupees	2013 Rupees
Creditors		374,906,560	156,126,861
Accrued liabilities		84,585,024	79,569,788
Import duty		-	19,962,500
Advance against non-current assets held for sale		2,200,000	39,715,000
Provident fund - related party		556,560	467,144
Unclaimed dividend		2,773,674	2,670,477
Workers' profit participation fund	7.1	10,946,609	13,124,126
Sales tax		2,528,020	12,450,713
Withholding taxes		2,991,826	4,204,763
Other	7.2	3,474,971	720,862
		484,963,244	329,012,234

7.1 Workers' profit participation fund

	2014 Rupees	2013 Rupees
Opening balance	13,124,126	13,591,488
Interest on funds utilised in the Company's business	283,309	44,952
	13,407,435	13,636,440
Paid to workers on behalf of the fund	(13,407,435)	(13,636,440)
	-	-
Allocation for the year	10,946,609	13,124,126
	10,946,609	13,124,126

7.2 It includes Rs. 2,000,000/- (2013: Nil) due to subsidiary company.

Notes to the Financial Statements for the Year Ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
8. Interest / mark up payable			
Interest / mark up on secured:			
Redeemable capital		2,205,416	4,195,956
Long term financing		9,567,715	1,542,082
Liabilities against assets subject to finance lease		36,390	3,303
Short term bank borrowings		22,560,284	36,955,404
		34,369,805	42,696,745
9. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finance I	9.2	70,400,000	203,500,000
Morabaha finance II	9.3	30,000,000	30,000,000
Term finance	9.4	205,251,619	219,485,987
Running finances	9.5	137,695,765	300,600,441
		443,347,384	753,586,428

9.1 The aggregate unavailed short term financing facilities available to the Company are Rs. 469.15 million (2013: Rs. 245.89 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 term finance (Refer Note 5.1) and running finances (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 term finance (Refer Note 9.4) and running finances (Refer Note 9.5).

Effective mark up rates charged during the year ranges from 11.32% to 12.42% per annum (2013: 11.61% to 16.26% per annum).

9.3 It is subject to mark up at the rate of 6 months KIBOR plus 3.25% per annum (2013: 2.83% 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 of the Company measuring 01 Kanal 13 Marla, situated at Chak No. 212 RB and by personal guarantee of directors of the Company.

Effective mark up rates charged during the year ranges from 11.94% to 16.63% per annum (2013: 12.26% to 14.85% per annum).

9.4 It is subject to mark up at the rate of 1 month KIBOR plus 1.5% per annum (2013: 1.5% to 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) and by personal guarantee of CEO of the Company.

Notes to the Financial Statements for the Year Ended June 30, 2014

Effective mark up rates charged during the year ranges from 10.51% to 11.88% per annum (2013: 9.69% to 13.60% per annum).

9.5 These are subject to mark up at the rate of 3 months KIBOR plus 2.50% to 2.65% per annum (2013: 2% to 3% per annum) with a prompt payment rebate ranging from 0.10% to 0.50% per annum. Running finances 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 term finance (Refer Note 9.4), first charge over fixed assets of the Company ranking pari passu with the charges created in respect of long term term finance (Refer Note 5.1) and morabaha finance - I (Refer Note 9.2). These are further secured against ranking charge over fixed assets and by personal guarantee of two directors of the Company.

Effective mark up rates charged during the year ranges from 11.24% to 12.79% per annum (2013: 11.28% to 14.97% per annum).

	2014 Rupees	2013 Rupees
10. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Bank guarantees 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. 1,313,929/- (2013: Rs. 83,476,649/-) for the tax years 2004 to 2006 (2013: 2004 to 2010) is not acknowledged in view of pending appeals.	-	-
Commitments		
Under letters of credit for stores and spares	3,113,511	20,097,491
Under contract for fixed capital expenditure	701,938	2,642,866
Under contract for repair and maintenance	11,531,760	-

Notes to the Financial Statements for the Year Ended June 30, 2014

		Note	2014 Rupees	2013 Rupees
11	**Property, plant and equipment**			
	Operating assets	11.1	1,037,276,888	1,118,970,040
	Capital work in progress	11.4	224,639,003	149,043,410
	Non-operating land	11.5	657,065,775	634,076,694
			1,918,981,666	1,902,090,144

11.1 Operating assets

	Company owned										Assets subject to finance lease			
	Freehold land	Building on feehold land	Plant and machinery	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, 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, 2013														
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
Year ended June 30, 2014														
Opening 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
Additions	-	-	-	-	219,000	221,545	402,984	112,000	8,853,180	9,808,709	-	6,579,310	6,579,310	16,388,019
Transferred from leasehold to owned assets														
Cost	-	-	-	-	-	-	-	-	7,487,000	7,487,000	-	(7,487,000)	(7,487,000)	-
Accumulated depreciation	-	-	-	-	-	-	-	-	(3,759,375)	(3,759,375)	-	3,759,375	3,759,375	-
	-	-	-	-	-	-	-	-	3,727,625	3,727,625	-	(3,727,625)	(3,727,625)	-
Disposals:														
Cost	(2,050,039)	-	(19,062,000)	-	-	-	-	(1,468,389)	(3,890,110)	(26,470,538)	-	-	-	(26,470,538)
Accumulated depreciation	-	-	14,787,908	-	-	-	-	1,218,025	2,149,378	18,155,311	-	-	-	18,155,311
	(2,050,039)	-	(4,274,092)	-	-	-	-	(250,364)	(1,740,732)	(8,315,227)	-	-	-	(8,315,227)
Depreciation charge	-	(6,175,996)	(66,196,874)	(8,351,457)	(122,225)	(490,053)	(364,571)	(604,910)	(6,948,843)	(89,254,929)	-	(511,015)	(511,015)	(89,765,944)
Closing net book value	58,240,700	55,583,961	796,697,541	75,163,110	1,136,522	4,571,060	3,348,303	5,279,183	30,786,853	1,030,807,233	-	6,469,655	6,469,655	1,037,276,888
At June 30, 2014														
Cost	58,240,700	198,224,762	1,755,875,877	167,713,974	4,297,647	9,413,472	6,524,770	14,438,417	48,715,615	2,263,445,234	-	6,579,310	6,579,310	2,270,024,544
Accumulated depreciation	-	(142,640,801)	(959,178,336)	(92,550,864)	(3,161,125)	(4,842,412)	(3,176,467)	(9,159,234)	(17,928,762)	(1,232,638,001)	-	(109,655)	(109,655)	(1,232,747,656)
Net book value	58,240,700	55,583,961	796,697,541	75,163,110	1,136,522	4,571,060	3,348,303	5,279,183	30,786,853	1,030,807,233	-	6,469,655	6,469,655	1,037,276,888
Annual rate of depreciation (%)	-	10	-	10	10	10	10	10	20		-	20		

		2014 Rupees	2013 Rupees
11.2	**Depreciation for the year has been allocated as under:**		
	Cost of generation	80,846,552	82,244,764
	Operating expenses	8,919,392	4,605,722
		89,765,944	86,850,486

Notes to the Financial Statements for the Year Ended June 30, 2014

11.3 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Operating assets					
Plant and machinery (Written off)	19,062,000	14,787,908	4,274,092	-	N/A
Vehicles (Sold by negotiation)	600,000	468,229	131,771	335,000	Mr. Muhammad Naseem, Chak.# 119/J.B Rasoolpur, Faisalabad.
	68,010	61,316	6,694	14,000	Mr. Muhammad Afzal, Chak # 102/R.B, Burewala, Faisalabad.
	772,100	586,144	185,956	400,000	Associated undertaking, M/s Sitara Fabrics Limited, 4th Floor, Sitra Tower, Bilal Chowk, New Civil Lines, Faisalabad.
	2,450,000	1,033,689	1,416,311	1,225,000	Mr. Muhammad Ashraf, H. No. 788-C, Faisal Town, Lahore.
	3,890,110	2,149,378	1,740,732	1,974,000	
Office equipment (Sold by negotiation)	1,468,389	1,218,025	250,364	230,000	Mr. Muhammad Bilal, House No.139, Street No. 7, Muzafar Colony, Samanabad, Faisalabad.
2014	**24,420,499**	**18,155,311**	**6,265,188**	**2,204,000**	
2013	**-**	**-**	**-**	**-**	

11.3.1 A piece of land valuing Rs. 2,050,039/- (2013 : Nil) has been donated to an associated undertaking (Refer Note 25.2).

Notes to the Financial Statements for the Year Ended June 30, 2014

11.4 Capital work in progress

	Freehold land	Civil work	Plant and machinery	Total
	----------Rupees----------			
Balance as at July 1, 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
Capital expenditure incurred during the year	-	11,852,356	63,743,237	75,595,593
Balance as at June 30, 2014	51,167,500	109,728,266	63,743,237	224,639,003

	Note	**2014 Rupees**	2013 Rupees
11.5 Non-operating land			
Cost of land	11.5.2	593,069,375	612,751,497
Transferred to non-current assets held for sale	21	17,729,748	64,446,478
		575,339,627	548,305,019
Advances for purchase of land	11.5.3	81,726,148	85,771,675
		657,065,775	634,076,694

11.5.1 The land is held for future expansion.

11.5.2 This includes land worth Rs. 263.5 million (2013: Rs. 281.2 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. Legal formalities for transfer of land in the name of the Company are in process.

11.5.3 It includes Rs. 47.269 million (2013: Rs. 47.269 million) advance to subsidiary company.

	2014 Rupees	2013 Rupees
12. Investment in subsidiary		
Sitara International (Private) Limited 4,999,500 (2013: 4,999,500) ordinary shares of Rs. 10/- each fully paid in cash. Ownership interset 99.99% (2013: 99.99%)	49,995,000	49,995,000

Notes to the Financial Statements for the Year Ended June 30, 2014

12.1 M/S Sitara International (Private) Limited is incorporated in Pakistan as a private limited company under the Companies Ordinance, 1984. The registered office of the Subsidiary is situated at 601-602 Business centre, Mumtaz Hasan Road, Karachi.

	2014 Rupees	2013 Rupees
13. Long term deposits		
Long term deposits	1,125,250	1,199,900
Less: Current portion	-	688,700
	1,125,250	511,200
14. Stores, spares and loose tools		
Stores		
In hand	15,596,569	14,600,494
In transit	1,449,436	2,949,013
	17,046,005	17,549,507
Spares	326,835,561	390,935,929
Loose tools	2,130,424	1,752,966
	346,011,990	410,238,402
Less: Provision for slow moving and obsolete items	(32,897,118)	(34,021,703)
	313,114,872	376,216,699

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

	2014 Rupees	2013 Rupees
15. Stock of oil and lubricants		
Furnace oil	102,146,381	77,305,416
Diesel oil	2,495,087	3,244,281
Lube oil	9,193,934	9,540,458
Wastes	76,271	101,695
	113,911,673	90,191,850
16. Trade debts		
Unsecured		
Considered good		
Related parties		
Sitara Chemtek (Private) Limited	670,913	85,054
Sitara Fabrics Limited	1,881,788	2,460,811
	2,552,701	2,545,865
Others	610,436,660	639,867,507
	612,989,361	642,413,372

Notes to the Financial Statements for the Year Ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
17. Loans and advances			
Considered good			
Loans to staff		458,834	20,000
Advances			
Suppliers		8,463,843	11,605,707
Income tax		4,231,692	7,947,861
For purchases / expenses		10,000	1,411,183
Letters of credit fee and expenses		16,517	559,961
		13,180,886	21,544,712
18. Deposits and prepayments			
Deposits			
Security deposit		150,000	-
Current portion of long term deposits		-	688,700
Guarantee margin		7,500,000	2,000,000
		7,650,000	2,688,700
Prepayments		500,031	608,796
		8,150,031	3,297,496
19. Other receivables	19.1	96,375,000	-

19.1 These represent receivables against sale of non-current assets held for sale.

	Note	2014 Rupees	2013 Rupees
20. Cash and bank balances			
Cash in hand		713,814	962,662
Cash at banks			
In current accounts		46,401,945	8,283,000
		47,115,759	9,245,662
21. Non-current assets held for sale			
Land			
Opening balance		317,816,908	253,370,430
Transferred from			
Non-operating land	11.5	17,729,748	64,446,478
		335,546,656	317,816,908
Disposed off during the year		234,220,355	-
		101,326,301	317,816,908

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

Notes to the Financial Statements for the Year Ended June 30, 2014

		Note	2014 Rupees	2013 Rupees
22.	**Sales - net**			
	Electricity		5,798,788,130	5,893,908,768
	Steam		109,817,370	127,140,188
			5,908,605,500	6,021,048,956
	Less: Sales tax		862,472,267	827,929,826
			5,046,133,233	5,193,119,130
	Less: Electricity duty		10,506,273	9,276,819
			5,035,626,960	5,183,842,311
23.	**Cost of generation**			
	Cost of gas, oil and lubricants	23.1	4,275,754,292	4,275,378,340
	Salaries, wages and benefits		62,013,971	52,465,520
	Staff retirement benefits		2,098,650	1,710,916
	Stores, spares and loose tools		181,709,950	169,612,629
	Provision for slow moving and obsolete items		-	34,021,703
	Travelling and conveyance		7,778,477	7,022,525
	Vehicles running and maintenance		7,283,613	6,375,600
	Insurance		5,322,662	5,416,662
	Repairs and maintenance		13,857,648	14,051,156
	Entertainment		1,874,491	1,453,893
	Depreciation	11.2	80,846,552	82,244,764
	Other		2,423,629	2,331,122
			4,640,963,935	4,652,084,830
23.1	**Cost of gas, oil and lubricants**			
	Gas		691,267,913	613,951,094
	Oil and lubricants		3,584,486,379	3,661,427,246
			4,275,754,292	4,275,378,340
24.	**Other income**			
	Income from assets other than financial assets:			
	Sale of scrap and waste		3,187,343	1,804,849
	Gain on disposal of non-current assets held for sale - land		50,481,843	-
	Balances written back		19,989,580	-
			73,658,766	1,804,849

Notes to the Financial Statements for the Year Ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
25. Operating expenses			
Director's remuneration		12,963,000	6,925,640
Salaries and benefits		30,337,549	25,510,176
Staff retirement benefits		1,139,558	1,020,916
Postage and telephone		2,210,537	2,412,582
Vehicles running and maintenance		7,773,381	5,473,931
Travelling and conveyance		5,496,670	4,546,877
Printing and stationery		1,621,301	1,504,484
Entertainment		3,828,067	4,272,611
Legal and professional		2,917,957	971,300
Fee, subscription and periodicals		2,512,631	2,038,287
Rent, rates and taxes		193,981	194,830
Advertisement		80,560	480,300
Insurance		1,842,030	1,377,660
Auditors' remuneration	25.1	1,264,000	1,286,500
Repairs and maintenance		1,638,110	1,282,291
Donations	25.2	4,080,039	2,314,000
Depreciation	11.2	8,919,392	4,605,722
Utilities		3,203,849	1,652,422
Other		2,612,968	3,523,953
		94,635,580	71,394,482

25.1 Auditors' remuneration

	2014 Rupees	2013 Rupees
Audit fee	1,000,000	1,000,000
Sundry services	264,000	286,500
	1,264,000	1,286,500

25.2 Donations

Chief Executive Officer, Mr. Javed Iqbal is the trustee of Aziz Fatimah Trust, Gulistan Colony, Sheikhupura Road, Faisalabad, to whom Rs. 1,020,000/- (2013: Rs. 2,314,000/-) and a piece of land valuing Rs. 2,050,039/- (2013 : Nil) (Refer Note 11.3.1) have been donated during the year.

	Note	2014 Rupees	2013 Rupees
26. Other operating expenses			
Workers' profit participation fund	7.1	10,946,609	13,124,126
Loss on disposal of property, plant and equipment		4,028,436	-
		14,975,045	13,124,126

Notes to the Financial Statements for the Year Ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
27. Finance cost			
Interest / mark-up on:			
Redeemable capital		25,476,798	47,709,142
Long term financing		37,010,696	1,542,082
Liabilities against assets subject to finance lease		164,166	336,097
Short term bank borrowings		91,254,410	148,939,543
Workers' profit participation fund		283,309	44,952
Bank charges and commission		847,952	1,158,459
		155,037,331	199,730,275
28. Provision for taxation			
Current			
For the year	28.1	-	-
For prior years'		(852,817)	-
		(852,817)	-

28.1 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. Therefore no provision for taxation has been made.

29. Earnings per share - Basic and diluted	2014	2013
Profit for the year (Rupees)	204,526,652	249,313,447
Weighted average number of ordinary shares	19,092,000	19,092,000
Earnings per share - Basic and diluted (Rupees)	10.71	13.06

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

Notes to the Financial Statements for the Year Ended June 30, 2014

30. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2014			2013	
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Executives
	----------Rupees----------				
Remuneration	6,823,636	3,272,727	8,387,498	5,459,673	6,393,316
Medical allowance	682,364	327,273	838,750	545,967	639,332
Perquisites	1,420,000	437,000	1,312,447	920,000	866,061
Contribution to provident fund	-	-	591,011	-	467,256
	8,926,000	4,037,000	11,129,706	6,925,640	8,365,965
Number of persons	1	1	7	1	6

30.1 The Chief Executive Officer and director are 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. 3,737,164/- (2013: Rs. 2,257,683/-). The Directors have waived off their meeting fee.

31. 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 30. Other significant transactions with related parties are as follows:

Relationship with the Company	**Nature of transactions**	**2014 Rupees**	2013 Rupees
Subsidiary	Refund of advance for purchase of land	-	8,000,000
Associated undertakings	Sales	19,381,462	7,307,971
	Sale of vehicle	400,000	-
	Donation - in cash	1,020,000	2,314,000
	- in kind	2,050,039	-
Provident fund	Contribution for the year	3,238,208	2,731,832

Notes to the Financial Statements for the Year Ended June 30, 2014

32. PLANT CAPACITY AND ACTUAL PRODUCTION

	2014	2013
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)	304,078	347,727
Actual average load (Mega watt)	34.71	39.69

Reasons for low generation:

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

33. DISCLOSURE WITH REGARDS TO PROVIDENT FUND

		2014	2013
Size of the fund	(Rupees)	27,208,539	24,487,297
Cost of investments made	(Rupees)	15,120,000	15,120,000
Percentage of investments made	(% age)	55.57%	61.75%
Fair value of investments	(Rupees)	23,686,367	21,482,245

33.1 The figures for 2014 are based on the un-audited financial statements of the provident fund. Investment has been made in Defense Saving Certificates in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for that purpose.

34. NUMBER OF EMPLOYEES

	2014	2013
Total number of employees as at June 30,	276	271
Average number of employees during the year	278	270

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through mix of equity, debt and working capital with a view to maintain 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.

Notes to the Financial Statements for the Year Ended June 30, 2014

35.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2014 Rupees	2013 Rupees
Financial assets at amortised cost:		
Deposits	8,775,250	3,199,900
Investment in subsidiary	49,995,000	49,995,000
Trade debts	612,989,361	642,413,372
Loans and advances	458,834	1,412,810
Other receivables	96,375,000	-
Cash and bank balances	47,115,759	9,245,662
Non-current assets held for sale	101,326,301	317,816,908
	917,035,505	1,024,083,652
Financial liabilities at amortised cost:		
Redeemable capital	155,000,000	310,000,000
Long term financing	300,000,000	300,000,000
Liabilities against assets subject to finance lease	6,013,530	2,100,249
Trade and other payables	465,740,229	239,087,988
Interest / markup payable	34,369,805	42,696,745
Short term bank borrowings	443,347,384	753,586,428
	1,404,470,948	1,647,471,410

35.2 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:

35.2.1 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. The Company is exposed to concentration of credit risk towards the major customers Faisalabad Electric Supply Company (FESCO), M/S Sitara Chemical Industries Limited and M/S Sitara Spinning Mills Limited. The trade debts receivable from these customers constitute 81% (2013: 93%) of total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2014 Rupees	2013 Rupees
Deposits	8,775,250	3,199,900
Trade debts	612,989,361	642,413,372
Other receivables	96,375,000	-
Bank balances	46,401,945	8,283,000
	764,541,556	653,896,272

Notes to the Financial Statements for the Year Ended June 30, 2014

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 Faisalabad Electric Supply Company (FESCO), M/S Sitara Chemical Industries Limited and M/S Sitara Spinning Mills Limited. The break-up of amount due from customers is as follows:

	2014 Rupees	2013 Rupees
FESCO	209,562,676	316,258,769
Sitara Chemical Industries Limited	188,102,347	214,528,878
Sitara Spinning Mills Limited	152,526,626	93,365,877
Other industrial users	62,797,712	18,259,848
	612,989,361	642,413,372
The aging of trade debts as at balance sheet date is as under:		
Not past due		
Related parties	2,552,701	2,545,865
Others	540,099,613	515,461,667
	542,652,314	518,007,532
Past due		
Others	70,337,047	124,405,840
	612,989,361	642,413,372

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, 2014 and 2013:

Notes to the Financial Statements for the Year Ended June 30, 2014

	2014				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	----------Rupees in thousand----------				
Financial liabilities:					
Redeemable capital	155,000	171,013	87,155	83,858	-
Long term financing	300,000	361,716	27,973	115,338	218,405
Liabilities against assets subject to finance lease	6,014	7,101	1,112	1,112	4,877
Trade and other payables	465,740	465,740	465,740	-	-
Short term bank borrowings	443,347	507,795	144,953	362,842	-
	1,370,101	1,513,365	726,933	563,150	223,282

	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	2,209	1,701	508	-
Trade and other payables	239,088	239,088	239,088	-	-
Short term bank borrowings	753,586	831,407	128,168	703,239	-
	1,604,774	1,781,505	483,009	805,314	493,182

The contractual cash flows relating to mark up on redeemable capital, long term financing and short term bank 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. 793.169 million (2013: 993.28 million) and unavailed short term borrowing facilities of Rs. 469.15 million (2013: Rs. 245.89 million) as at the year end.

35.2.3 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.11.37 million (2013: Rs. 12.8 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.

35.3 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

35.4 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

Notes to the Financial Statements for the Year Ended June 30, 2014

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	**2014 Rupees**	2013 Rupees
Total Debt	4, 5, 6 & 9	904,360,914	1,365,686,677
Less: Cash and cash equivalents	20	47,115,759	9,245,662
Net Debt		857,245,155	1,356,441,015
Total equity		1,884,309,138	1,698,874,486
Total capital		2,741,554,293	3,055,315,501
Gearing ratio		31.27%	44.40%

36. 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 29, 2014.

37. GENERAL

37.1 RE-ARRANGEMENT

Prior year figures have been rearranged / regrouped wherever considered necessary for the purpose of better presentation. Different expenses were included in "other" under the head of "Cost of generation". These have been disclosed as separate line items under the same head. Detail is as follows:

Description	**Amount Rupees**
Vehicles running and maintenance	6,375,600
Travelling and conveyance	7,022,525
Entertainment	1,453,893
	14,852,018

37.2 Nomenclature of " Other operating income " has been changed to " Other income " to comply with the amendments in Fourth Schedule to the Companies Ordinance, 1984.

37.3 Figures have been rounded off to the nearest Rupee 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 parent) and Sitara International (Private) Limited (the subsidiary) for the year ended June 30, 2014.

The Company holds 99% shares in the Subsidiary which is trading in textile goods / machinery and real estate business.

Financial results for the year ended June 30, 2014 and June 30, 2013 are summarized below:

	30.06.2014	30.06.2013
	Rupees in thousands	
Sales - net	**5,066,358**	5,183,842
Gross Profit	**392,229**	531,757
Profit before taxation	**206,531**	248,489
Profit for the year	**207,305**	248,477
Earning per share-basic and diluted	**10.86**	13.01

by order of the Board

September 29, 2014
Faisalabad

JAVED IQBAL
Chief Executive

Avais Hyder Liaquat Nauman
Chartered Accountants

RSM

478-D, Peoples Colony No. 1
Faisalabad - Pakistan
T: +92 (41) 854 1165, 854 1965 F: +92 (41) 854 2765
E: faisalabad@ahln.com.pk W: www.ahln.com.pk

AUDITORS' REPORT TO THE MEMBERS

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, 2014 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, 2014 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.

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

Dated: 29 SEP 2014
Place: Faisalabad

Other Offices at:
Lahore : (92-42) 3587 2731/2/3
Karachi : (92-21) 3565 5975/6
Islamabad : (92-51) 211 4096/7/8
Peshawar : (92-91) 527 7205/527 8310
Quetta : (92-81) 282 9809

Consolidated Balance Sheet as at June 30, 2014

	Note	2014 Rupees	2013 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
Revenue reserves			
General reserve		820,000,000	720,000,000
Unappropriated profit		729,509,147	641,296,477
		1,883,619,147	1,696,508,358
Non-controlling interest		7,546	7,407
		1,883,626,693	1,696,515,765
NON-CURRENT LIABILITIES			
Redeemable capital	5	-	155,000,000
Long term financing	6	200,000,000	300,000,000
Liabilities against assets			
subject to finance lease	7	4,381,114	-
		204,381,114	455,000,000
CURRENT LIABILITIES			
Trade and other payables	8	483,770,854	339,162,609
Interest / mark up payable	9	34,369,805	42,696,745
Short term bank borrowings	10	443,347,384	753,586,428
Current portion of:			
Redeemable capital	5	155,000,000	155,000,000
Long term financing	6	100,000,000	
Liabilities against assets			
subject to finance lease	7	1,632,416	2,100,249
Provision for taxation -			
income tax		61,200	864,067
		1,218,181,659	1,293,410,098
CONTINGENCIES AND			
COMMITMENTS	11	-	-
		3,306,189,466	3,444,925,863

	Note	2014 Rupees	2013 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,868,204,495	1,851,317,627
Long term deposits	13	1,125,250	511,200
		1,869,329,745	1,851,828,827
CURRENT ASSETS			
Stores, spares and loose tools	14	313,114,872	376,216,699
Stocks	15	133,351,367	123,356,754
Investment property	16	63,403,000	63,403,000
Trade debts	17	612,989,361	642,413,372
Loans and advances	18	14,609,306	25,961,193
Deposits and prepayments	19	8,150,031	3,297,496
Short-term investments		-	4,226,200
Other receivables	20	96,375,000	-
Tax refunds due from			
Government - income tax		32,109,922	24,154,525
Cash and bank balances	21	61,430,561	12,250,889
		1,335,533,420	1,275,280,128
Non-current assets			
held for sale	22	101,326,301	317,816,908
		1,436,859,721	1,593,097,036
		3,306,189,466	3,444,925,863

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, 2014

	Note	**2014 Rupees**	2013 Rupees
Sales - net	23	5,066,358,210	5,183,842,311
Cost of generation and sales	24	4,674,128,839	4,652,084,830
Gross profit		392,229,371	531,757,481
Other income	25	80,231,777	2,029,849
		472,461,148	533,787,330
Operating expenses	26	95,916,775	72,378,621
Other operating expenses	27	14,975,045	13,181,219
Finance cost	28	155,038,697	199,738,874
		265,930,517	285,298,714
Profit for the year before taxation		206,530,631	248,488,616
Provision for taxation	29	(774,317)	11,250
Profit for the year		207,304,948	248,477,366
Attributable to:			
Shareholders of the Parent		207,304,670	248,477,450
Non-controlling interest		278	(84)
		207,304,948	248,477,366
Earnings per share - Basic and diluted			
Attributable to the shareholders of the Parent	30	10.86	13.01

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, 2014

	2014 Rupees	2013 Rupees
Profit for the year	207,304,948	248,477,366
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
Other Items		
Fair value reserve reclassified to profit and loss account on disposal of investment	(1,102,020)	-
Total comprehensive income for the year	206,202,928	249,223,566
Attributable to:		
Shareholders of the Parent	206,202,789	249,223,575
Non-controlling interest	139	(9)
	206,202,928	249,223,566

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

Consolidated Cash Flow Statement for the Year Ended June 30, 2014

		2014 Rupees	2013 Rupees
(a)	**CASH FLOWS FROM OPERATING ACTIVITIES**		
	Profit for the year before taxation	206,530,631	248,488,616
	Adjustments for:		
	Depreciation of property, plant and equipment	89,770,598	86,855,657
	Provision for staff retirement benefits	3,238,208	2,731,832
	Gain on disposal of:		
	Non-current assets held for sale - land	(50,481,843)	-
	Short term investments	(6,324,885)	-
	Balances written back	(20,012,706)	-
	Loss on disposal of property, plant and equipment	4,028,436	-
	Donation - in kind	2,050,039	-
	Balances written off - net	-	57,093
	Finance cost	155,038,697	199,738,874
	Operating cash flows before working capital changes	383,837,175	537,872,072
	Changes in working capital		
	(Increase) / decrease in current assets		
	Stores, spares and loose tools	63,101,827	2,812,993
	Stocks	(9,994,613)	(13,279,055)
	Trade debts	29,424,011	(139,712,161)
	Loans and advances	7,647,657	(13,481,223)
	Deposits and prepayments	(5,541,235)	76,543
	Other receivables	(96,375,000)	22,378,162
	Tax refunds due from government - income tax	-	(10,000,000)
	Increase in current liabilities		
	Trade and other payables	201,943,338	68,515,820
		190,205,985	(82,688,921)
	Cash generated from operating activities	574,043,160	455,183,151
	Income tax paid	(4,290,192)	(7,994,421)
	Staff retirement benefits paid	(3,148,792)	(2,715,104)
	Finance cost paid	(163,365,637)	(214,304,734)
	Net cash generated from operating activities	403,238,539	230,168,892

Consolidated Cash Flow Statement for the Year Ended June 30, 2014

	2014 Rupees	2013 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(114,972,693)	(71,019,153)
Proceeds from disposal of :		
Property, plant and equipment	2,204,000	-
Non-current assets held for sale - land	235,641,177	-
Short-term investments	9,449,065	
Increase in long term deposits	(614,050)	-
Net cash generated from / (used in) investing activities	131,707,499	(71,019,153)
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of :		
Redeemable capital	(155,000,000)	(155,000,000)
Liabilities against assets subject to finance lease	(1,538,519)	(2,200,577)
Long term financing obtained	-	300,000,000
(Decrease) in short term bank borrowings - net	(310,239,044)	(277,381,158)
Dividend paid	(18,988,803)	(20,410,412)
Net cash (used in) financing activities	(485,766,366)	(154,992,147)
Net increase in cash and cash equivalents (a+b+c)	49,179,672	4,157,592
Cash and cash equivalents at the beginning of the year	12,250,889	8,093,297
Cash and cash equivalents at the end of the year	61,430,561	12,250,889

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, 2014

	Capital and reserves								Non Controlling Interest
		Capital Reserve			Revenue Reserve				
	Issued, subscribed and paid up capital	Share Premium	Fair Value Reserve	Sub total	General Reserve	Unapropriated profit	Sub total	Total	
	Rupees								
Balance as at July 01, 2012	190,920,000	143,190,000	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
Transaction with owners									
Final dividend for the year ended June 30, 2013: 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	-	-	-	-	-	207,304,670	207,304,670	207,304,670	278
Other comprehensive income									
Other Items									
Fair value reserve reclassified to profit and loss account on disposal of investment	-	-	(1,101,881)	(1,101,881)	-	-	-	(1,101,881)	(139)
	-	-	(1,101,881)	(1,101,881)	-	207,304,670	207,304,670	206,202,789	139
Balance as at June 30, 2014	190,920,000	143,190,000	-	143,190,000	820,000,000	729,509,147	1,549,509,147	1,883,619,147	7,546

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

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 in the province of Sindh. 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 / machinery and real estate business. The registered office of the Subsidiary is situated at 601-602 Business centre, Mumtaz Hasan Road, Karachi in the province of Sindh.

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 of the Group for the periods beginning on or after July 01, 2013 and therefore, have been applied in preparing these financial statements:

- 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 Group does not have any offsetting arrangements in place, therefore, the amendments do not have material impact on the disclosures.

- 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 standard does not 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 standard does not 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 does 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

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

mandatory for accounting periods of the Company beginning on or after July 01, 2013 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 periods

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 9 "Financial Instruments" (2014): A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 "Financial Instruments: Recognition and Measurement". The standard contains requirements in the areas of classification and measurement, impairment, hedge accounting, de-recognition.

  Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. It introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It also introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The standard is effective for accounting periods beginning on or after January 01, 2018.

- IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before February 01, 2015. The management of the Parent is reviewing the changes to evaluate the impact of application of standard on the Group's financial statements.

- IFRS 15 "Revenue from Contracts with Customers": IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

  Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is effective for accounting periods beginning on or after January 01, 2017. The Management is in the process of evaluating the impact of application of the standard on the Group's financial statements.

- Amendment to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": In this amendment it is clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendment is effective for accounting periods beginning on or after January 01, 2016. The application of amendment is not expected to have any material impact on the Group's financial statements.

- 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 Group's financial statements.

- Amendments to IAS 36 "Impairment of Assets": These amendments address the disclosures and clarify the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are effective for accounting periods beginning on or after January 01, 2014. The application of amendments is not expected to have any material impact on the Group's financial statements.

- Amendments to IAS 39 "Financial Instruments Recognition and Measurement": These amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments are effective for accounting periods beginning on or after January 01, 2014. The application of amendments is not expected to have any material impact on the Group's financial statements.

- The IASB has issued Annual Improvements to IFRS's 2010-2012 Cycle

  Amendments to the following standards were made which are effective for the accounting periods beginning on or after July 01, 2014:

  IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

  IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

  IFRS 8 — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

  IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24 — Clarify how payments to entities providing management services are to be disclosed.

These amendments are not expected to have any material impact on the Group's financial statements.

- The IASB has issued Annual Improvements to IFRS's 2011-2013 Cycle

  Amendments to the following standards were made which are effective for the accounting periods beginning on or after July 01, 2014:

  IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

  IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

  IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.

  IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

  These amendments are not expected to have any material impact on the Group's financial statements.

- IFRIC 21 Levies

  This interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and those where the timing and amount of the levy is certain.

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

There are certain new standards, 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 values.

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 these are directly attributable to qualifying assets, in which case these 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 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.

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

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.

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

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 land is recognised when legal title passes.

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, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller. 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

2013	**2014**		**2014**	2013
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 (2013: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

	Note	**2014 Rupees**	2013 Rupees
5. Redeemable capital			
Secured			
Sukuk certificates - II	5.1	155,000,000	310,000,000
Less: Current portion		155,000,000	155,000,000
		-	155,000,000

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 is convertible into first charge. 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.

Sukuk certificates 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 10.74% to 11.29% per annum (2013: 10.65% to 13.17% per annum).

	Note	**2014 Rupees**	2013 Rupees
6. Long term financing			
Secured			
From banking company			
Under mark up arrangement			
Term finance	6.1	300,000,000	300,000,000
Less: Current portion		100,000,000	-
		200,000,000	300,000,000

6.1 It is secured against first charge over fixed assets of the Parent ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 9.2) and running finance (Refer Note 9.5). It is further secured by personal guarantee of directors of the Parent. Terms of repayment have been revised during the year, Rs. 100 million is payable on March 31, 2015 and balance amount is payable on March 31, 2016. It is subject to mark up at the rate of 3 months KIBOR plus 2.65% (2013: 3%) per annum.

Effective rate of mark up charged during the year ranges from 10.74% to 12.79% per annum (2013: 12.51% per annum).

	2014 Rupees	2013 Rupees
7. Liabilities against assets subject to finance lease		
Opening balance	2,100,249	4,300,826
Obtained during the year	6,140,500	-
	8,240,749	4,300,826
Paid / adjusted during the year	(2,227,219)	(2,200,577)
	6,013,530	2,100,249
Less: Current portion	1,632,416	2,100,249
	4,381,114	-

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 11.69% to 12.68% (2013: 11.83% to 15.95%) per annum being the interest rates implicit in leases.

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

		2014 Rupees	2013 Rupees
Year ending June 30,			
	2014	-	2,208,708
	2015	2,224,128	-
	2016	2,224,128	-
	2017	2,652,834	-
		7,101,090	2,208,708
Financial charges:			
Payable		(36,390)	(3,303)
Allocated to future periods		(1,051,170)	(105,156)
		6,013,530	2,100,249

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

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

	2014		2013	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	---Rupees---			
Due within one year	2,224,128	1,632,416	2,208,708	2,100,249
Due after one year but not later than five years	4,876,962	4,381,114	-	-
	7,101,090	6,013,530	2,208,708	2,100,249

	Note	**2014 Rupees**	2013 Rupees
8. Trade and other payables			
Creditors		375,269,560	156,126,861
Accrued liabilities		85,029,634	80,220,163
Advances from customers		-	9,500,000
Import duty		-	19,962,500
Advance against non-current assets held for sale		2,200,000	39,715,000
Provident fund - related party		556,560	467,144
Unclaimed dividend		2,773,674	2,670,477
Workers' profit participation fund	8.1	10,946,609	13,124,126
Sales tax		2,528,020	12,450,713
Withholding taxes		2,991,826	4,204,763
Other		1,474,971	720,862
		483,770,854	339,162,609

8.1 Workers' profit participation fund

Opening balance	13,124,126	13,591,488
Interest on funds utilised in the Group's business	283,309	44,952
	13,407,435	13,636,440
Paid to workers on behalf of the fund	(13,407,435)	(13,636,440)
	-	-
Allocation for the year	10,946,609	13,124,126
	10,946,609	13,124,126

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

	Note	**2014 Rupees**	2013 Rupees
9. Interest / mark up payable			
Interest / mark up on secured:			
Redeemable capital		2,205,416	4,195,956
Long term financing		9,567,715	1,542,082
Liabilities against assets subject to finance lease		36,390	3,303
Short term bank borrowings		22,560,284	36,955,404
		34,369,805	42,696,745
10. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finances I	10.2	70,400,000	203,500,000
Morabaha finances II	10.3	30,000,000	30,000,000
Term finance	10.4	205,251,619	219,485,987
Running finances	10.5	137,695,765	300,600,441
		443,347,384	753,586,428

10.1 The aggregate unavailed short term financing facilities available to the Parent are Rs. 469.15 million (2013: Rs. 245.89 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 term finance (Refer Note 6.1) and running finance (Refer Note 10.5). 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 term finance (Refer Note 10.4) and running finances (Refer Note 10.5).

Effective mark up rates charged during the year ranges from 11.32% to 12.42% per annum (2013: 11.61% to 16.26% per annum).

10.3 It is subject to mark up at the rate of 6 months KIBOR plus 3.25% per annum (2013: 2.83% 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 of the Parent measuring 01 Kanal 13 Marla, situated at Chak No. 212 RB and by personal guarantee of directors of the Parent.

10.4 It is subject to mark up at the rate of 1 month KIBOR plus 1.5% per annum (2013: 1.5% to 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 10.2) and running finances (Refer Note 10.5) and by personal guarantee of CEO of the Parent.

Effective mark up rates charged during the year ranges from 10.51% to 11.88% per annum (2013: 9.69% to 13.60% per annum).

10.5 These are subject to mark up at the rate of 3 months KIBOR plus 2.50% to 2.65% per annum (2013: 2% to 3% per annum) with a prompt payment rebate ranging from 0.10% to 0.50% per annum.

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

Running finances 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 term finance (Refer Note 9.4), first charge over fixed assets of the Parent ranking pari passu with the charges created in respect of long term term finance (Refer Note 5.1) and morabaha finance - I (Refer Note 9.2). These are further secured against ranking charge over fixed assets and by personal guarantee of two directors of the Parent.

Effective mark up rates charged during the year ranges from 11.24% to 12.79% per annum (2013: 11.28% to 14.97% per annum).

	2014 Rupees	2013 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. 1,313,929/- (2013: Rs. 83,476,649/-) for the tax years 2004 to 2006 (2013: 2004 to 2010) is not acknowledged in view of pending appeals.	-	-
Commitments		
Under letters of credit for stores and spares	3,113,511	20,097,491
Under contract for fixed capital expenditure	701,938	2,642,866
Under contract for repair and maintenance	11,531,760	-

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

		Note	2014 Rupees	2013 Rupees
12	**Property, plant and equipment**			
	Operating assets	12.1	1,037,318,774	1,119,016,580
	Capital work in progress	12.4	224,639,003	149,043,410
	Non-operating land	12.5	606,246,718	583,257,637
			1,868,204,495	1,851,317,627

12.1 Operating assets

	Group owned											Assets subiect to finance lease			
	Freehold land	Building on feehold land	Plant 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, 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, 2013															
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
Year ended June 30, 2014															
Opening 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
Additions	-	-	-	-	219,000	221,545	402,984	112,000	-	8,853,180	9,808,709	-	6,579,310	6,579,310	16,388,019
Transferred from leasehold to owned assets															
Cost	-	-	-	-	-	-	-	-	-	7,487,000	7,487,000	-	(7,487,000)	(7,487,000)	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	(3,759,375)	(3,759,375)	-	3,759,375	3,759,375	-
	-	-	-	-	-	-	-	-	-	3,727,625	3,727,625	-	(3,727,625)	(3,727,625)	-
Disposals:															
Cost	(2,050,039)	-	(19,062,000)	-	-	-	-	(1,468,389)	-	(3,890,110)	(26,470,538)	-	-	-	(26,470,538)
Accumulated depreciation	-	-	14,787,908	-	-	-	-	1,218,025	-	2,149,378	18,155,311	-	-	-	18,155,311
	(2,050,039)	-	(4,274,092)	-	-	-	-	(250,364)	-	(1,740,732)	(8,315,227)	-	-	-	(8,315,227)
Depreciation charge	-	(6,175,996)	(66,196,874)	(8,351,457)	(122,225)	(490,053)	(364,571)	(608,194)	(1,370)	(6,948,843)	(89,259,583)	-	(511,015)	(511,015)	(89,770,598)
Closing net book value	58,240,700	55,583,961	796,697,541	75,163,110	1,136,522	4,571,060	3,348,303	5,308,743	12,326	30,786,853	1,030,849,119	-	6,469,655	6,469,655	1,037,318,774
At June 30, 2014															
Cost	58,240,700	198,224,762	1,755,875,877	167,713,974	4,297,647	9,413,472	6,524,770	14,518,845	29,625	48,715,615	2,263,555,287	-	6,579,310	6,579,310	2,270,134,597
Accumulated depreciation	-	(142,640,801)	(959,178,336)	(92,550,864)	(3,161,125)	(4,842,412)	(3,176,467)	(9,210,102)	(17,299)	(17,928,762)	(1,232,706,168)	-	(109,655)	(109,655)	(1,232,815,823)
Net book value	58,240,700	55,583,961	796,697,541	75,163,110	1,136,522	4,571,060	3,348,303	5,308,743	12,326	30,786,853	1,030,849,119	-	6,469,655	6,469,655	1,037,318,774
Annual rate of depreciation (%)	-	10	-	10	10	10	10	10	-	20	-	-	20	-	-

		2014 Rupees	2013 Rupees
12.2	**Depreciation for the year has been allocated as under:**		
	Cost of generation	80,846,552	82,244,764
	Operating expenses	8,924,046	4,610,893
		89,770,598	86,855,657

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

12.3 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Operating assets					
Plant and machinery (Written off)	19,062,000	14,787,908	4,274,092	-	N/A
Vehicles (Sold by negotiation)	600,000	468,229	131,771	335,000	Mr. Muhammad Naseem, Chak.# 119/J.B Rasoolpur, Faisalabad.
	68,010	61,316	6,694	14,000	Mr. Muhammad Afzal, Chak # 102/R.B, Burewala, Faisalabad.
	772,100	586,144	185,956	400,000	Associated undertaking, M/s Sitara Fabrics Limited, 4th Floor, Sitra Tower, Bilal Chowk, New Civil Lines, Faisalabad.
	2,450,000	1,033,689	1,416,311	1,225,000	Mr. Muhammad Ashraf, H. No. 788-C, Faisal Town, Lahore.
	3,890,110	2,149,378	1,740,732	1,974,000	
Office equipment (Sold by negotiation)	1,468,389	1,218,025	250,364	230,000	Mr. Muhammad Bilal, House No.139, Street No. 7, Muzafar Colony,Samanabad, Faisalabad.
2014	**24,420,499**	**18,155,311**	**6,265,188**	**2,204,000**	
2013	**-**	**-**	**-**	**-**	

12.3.1 A piece of land valuing Rs. 2,050,039/- (2013 : Nil) has been donated to an associated undertaking (Refer Note 26.2).

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

12.4 Capital work in progress

	Freehold land	Civil work	Plant and machinery	Total
	------Rupees------			
Balance as at July 1, 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
Capital expenditure incurred during the year	-	11,852,356	63,743,237	75,595,593
Balance as at June 30, 2014	51,167,500	109,728,266	63,743,237	224,639,003

	Note	**2014 Rupees**	2013 Rupees
12.5 Non-operating land			
Cost of land		589,519,062	609,201,184
Transferred to non-current assets held for sale	22	17,729,748	64,446,478
		571,789,314	544,754,706
Advances for purchase of land		34,457,404	38,502,931
		606,246,718	583,257,637

12.5.1 The land is held for future expansion.

13. Long term deposits

	Note	**2014 Rupees**	2013 Rupees
Long term deposits		1,125,250	1,199,900
Less: Current portion		-	688,700
		1,125,250	511,200

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

	2014 Rupees	2013 Rupees
14. Stores, spares and loose tools		
Stores		
In hand	15,596,569	14,600,494
In transit	1,449,436	2,949,013
	17,046,005	17,549,507
Spares	326,835,561	390,935,929
Loose tools	2,130,424	1,752,966
	346,011,990	410,238,402
Less: Provision for slow moving and obsolete items	(32,897,118)	(34,021,703)
	313,114,872	376,216,699

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

	2014 Rupees	2013 Rupees
15. Stocks		
Furnace oil	102,146,381	77,305,416
Diesel oil	2,495,087	3,244,281
Lube oil	9,193,934	9,540,458
Waste	76,271	101,695
Land	19,439,694	33,164,904
	133,351,367	123,356,754
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.

	2014 Rupees	2013 Rupees
17. Trade debts		
Unsecured		
Considered good		
Related parties		
Sitara Chemtek (Private) Limited	670,913	85,054
Sitara Fabrics Limited	1,881,788	2,460,811
	2,552,701	2,545,865
Others	610,436,660	639,867,507
	612,989,361	642,413,372

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

	Note	**2014 Rupees**	2013 Rupees
18. Loans and advances			
Considered good			
Loans to staff		458,834	20,000
Advances			
Suppliers	18.1	9,833,763	15,975,627
Income tax		4,290,192	7,994,422
For purchases / expenses		10,000	1,411,183
Letters of credit fee and expenses		16,517	559,961
		14,609,306	25,961,193

18.1 It includes advance of Nil (2013: Rs.3,000,000/-) to an associated undertaking - Sitara Fabrics Limited.

	Note	**2014 Rupees**	2013 Rupees
19. Deposits and prepayments			
Deposits			
Security deposit		150,000	-
Current portion of long term deposits	13	-	688,700
Guarantee margin		7,500,000	2,000,000
		7,650,000	2,688,700
Prepayments		500,031	608,796
		8,150,031	3,297,496
20. Other receivables		96,375,000	-

20.1 These represent receivables against sale of non-current assets held for sale.

	2014 Rupees	2013 Rupees
21. Cash and bank balances		
Cash in hand	13,322,583	2,217,625
Cash at banks		
In current accounts	48,107,978	10,033,264
	61,430,561	12,250,889

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
22. Non-current assets held for sale			
Land			
Opening balance		317,816,908	253,370,430
Transferred from			
Non-operating land	12.5	17,729,748	64,446,478
		335,546,656	317,816,908
Disposed off during the year		234,220,355	-
		101,326,301	317,816,908

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

	Note	2014 Rupees	2013 Rupees
23. Sales - net			
Electricity		5,798,788,130	5,893,908,768
Steam		109,817,370	127,140,188
		5,908,605,500	6,021,048,956
Less: Sales tax		862,472,267	827,929,826
Less: Electricity duty		10,506,273	9,276,819
		5,035,626,960	5,183,842,311
Land		30,731,250	-
		5,066,358,210	5,183,842,311
24. Cost of generation and sales			
Cost of generation	24.1	4,640,963,935	4,652,084,830
Cost of sales - land		33,164,904	-
		4,674,128,839	4,652,084,830
24.1 Cost of generation			
Cost of gas, oil and lubricants	24.1.1	4,275,754,292	4,275,378,340
Salaries, wages and benefits		62,013,971	52,465,520
Staff retirement benefits		2,098,650	1,710,916
Stores, spares and loose tools		181,709,950	169,612,629
Provision for slow moving and obsolete items		-	34,021,703
Travelling and conveyance		7,778,477	7,022,525
Vehicles running and maintenance		7,283,613	6,375,600
Insurance		5,322,662	5,416,662
Repairs and maintenance		13,857,648	14,051,156
Entertainment		1,874,491	1,453,893
Depreciation	12.2	80,846,552	82,244,764
Other		2,423,629	2,331,122
		4,640,963,935	4,652,084,830

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
24.1.1 Cost of gas, oil and lubricants			
Gas		691,267,913	613,951,094
Oil and lubricants		3,584,486,379	3,661,427,246
		4,275,754,292	4,275,378,340
25. Other income			
Income from financial assets:			
Gain on disposal of short term investments		6,324,885	-
Income from assets other than financial assets:			
Ground rent		225,000	225,000
Sale of scrap and waste		3,187,343	1,804,849
Gain on disposal of:			
Non current assets held for sale - land		50,481,843	-
Balances written back		20,012,706	-
		80,231,777	2,029,849
26. Operating expenses			
Director's remuneration		12,963,000	6,925,640
Salaries and benefits		31,194,285	26,254,844
Staff retirement benefits		1,139,558	1,020,916
Postage and telephone		2,210,537	2,412,582
Vehicles running and maintenance		7,773,381	5,473,931
Travelling and conveyance		5,496,670	4,546,877
Printing and stationery		1,621,301	1,504,484
Entertainment		3,828,067	4,272,611
Legal and professional		3,025,357	1,047,800
Fee, subscription and periodicals		2,544,431	2,105,787
Rent, rates and taxes		193,981	194,830
Advertisement		80,560	480,300
Insurance		1,842,030	1,377,660
Auditors' remuneration	26.1	1,544,000	1,376,500
Repairs and maintenance		1,638,110	1,282,291
Donations	26.2	4,080,039	2,314,000
Depreciation	12.2	8,924,046	4,610,893
Utilities		3,203,849	1,652,422
Other		2,613,573	3,524,253
		95,916,775	72,378,621
26.1 Auditors' remuneration			
Audit fee		1,250,000	1,075,000
Sundry services		294,000	301,500
		1,544,000	1,376,500

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

26.2 Donations

Chief Executive Officer, Mr. Javed Iqbal is the trustee of Aziz Fatimah Trust, Gulistan Colony, Sheikhupura Road, Faisalabad, to whom Rs. 1,020,000/- (2013: Rs. 2,314,000/-) and a piece of land valuing Rs. 2,050,039/- (2013 : Nil) (Refer Note 12.3.1) have been donated during the year.

	Note	**2014 Rupees**	2013 Rupees
27. Other operating expenses			
Workers' profit participation fund	8.1	10,946,609	13,124,126
Loss on disposal of property, plant and equipment		4,028,436	-
Balances written off - net		-	57,093
		14,975,045	13,181,219
28. Finance cost			
Interest / mark-up on:			
Redeemable capital		25,476,798	47,709,142
Long term financing		37,010,696	1,542,082
Liabilities against assets subject to finance lease		164,166	336,097
Short term bank borrowings		91,254,410	148,939,543
Workers' profit participation fund		283,309	44,952
Bank charges and commission		849,318	1,167,058
		155,038,697	199,738,874
29. Provision for taxation			
Current			
for the year	29.1	61,200	11,250
for prior years	29.1	(835,517)	-
Deferred	29.2	-	-
		(774,317)	11,250

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 tax on rental income under normal tax regime.

29.2 Deferred tax asset after considering tax losses available for adjustment works out to Rs. 8,506,732/- (2013: Rs. 10,242,238/-). 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 only the rental income is subject to tax. Other incomes of the Group are either exempt or not chargeable to tax due to tax losses.

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

	2014	2013
30. Earnings per share - Basic and diluted		
Profit for the year attributable to shareholders of the Parent (Rupees)	207,304,670	248,477,450
Weighted average number of ordinary shares	19,092,000	19,092,000
Earnings per share - Basic and diluted (Rupees)	10.86	13.01

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

31. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2014			2013	
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Executives
	----------Rupees----------				
Remuneration	6,823,636	3,272,727	8,387,498	5,459,673	6,393,316
Medical allowance	682,364	327,273	838,750	545,967	639,332
Perquisites	1,420,000	437,000	1,312,447	920,000	866,061
Contribution to provident fund	-	-	591,011	-	467,256
	8,926,000	4,037,000	11,129,706	6,925,640	8,365,965
Number of persons	1	1	7	1	6

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. 3,737,164/- (2013: Rs. 2,257,683/-). The Directors have waived off their meeting fee.

32. 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 31. Other significant transactions with related parties are as follows:

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

Relationship	Nature of transactions	2014 Rupees	2013 Rupees
Associated undertakings	Advance against supplies		
	(Paid) / Received	3,000,000	(3,000,000)
	Sales	19,381,462	7,307,971
	Sale of vehicle	400,000	-
	Donation - in cash	1,020,000	2,314,000
	- in kind	2,050,039	-
Provident fund	Contribution for the year	3,238,208	2,731,832

33. PLANT CAPACITY AND ACTUAL PRODUCTION

	2014	2013
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)	304,078	347,727
Actual average load (Mega watt)	34.71	39.69

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

34. DISCLOSURE WITH REGARDS TO PROVIDENT FUND

		2014	2013
Size of the fund	(Rupees)	27,208,539	24,487,297
Cost of investments made	(Rupees)	15,120,000	15,120,000
Percentage of investments made	(% age)	55.57%	61.75%
Fair value of investments	(Rupees)	23,686,367	21,482,245

34.1 The figures for 2014 are based on the un-audited financial statements of the Provident Fund. Investment has been made in Defense Saving Certificates in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for that purpose.

35. NUMBER OF EMPLOYEES

	2014	2013
Total number of employees as at June 30,	278	273
Average number of employees during the year	280	272

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group finances its operations through the mix of equity, debt and working capital with a view to maintain 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.

36.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2014 Rupees	2013 Rupees
Financial assets at amortised cost:		
Deposits	8,775,250	3,199,900
Trade debts	612,989,361	642,413,372
Loans and advances	458,834	1,412,810
Short term Investments	-	4,226,200
Other receivables	96,375,000	-
Cash and bank balances	61,430,561	12,250,889
Non-current assets held for sale	101,326,301	317,816,908
	881,355,307	981,320,079
Financial liabilities at amortised cost:		
Redeemable capital	155,000,000	310,000,000
Long term financing	300,000,000	300,000,000
Liabilities against assets	-	-
subject to finance lease	6,013,530	2,100,249
Trade and other payables	464,547,839	239,738,363
Interest / markup payable	34,369,805	42,696,745
Short term bank borrowings	443,347,384	753,586,428
	1,403,278,558	1,648,121,785

36.2 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:

36.2.1 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. The Group is exposed to concentration of credit risk towards the major customers Faisalabad Electric Supply Company (FESCO), M/S Sitara Chemical Industries Limited and M/S Sitara Spinning Mills Limited. The trade debts receivable from these customers constitute 81% (2013: 93%) of total receivables. The maximum exposure to credit risk at the reporting date is as follows:

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

	2014 Rupees	2013 Rupees
Deposits	8,775,250	3,199,900
Trade debts	612,989,361	642,413,372
Other receivables	96,375,000	-
Bank balances	48,107,978	10,033,264
	766,247,589	655,646,536

Due to Group'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 Faisalabad Electric Supply Company (FESCO), M/S Sitara Chemical Industries Limited and M/S Sitara Spinning Mills Limited. The break-up of amount due from customers is as follows:

	2014 Rupees	2013 Rupees
FESCO	209,562,676	316,258,769
Sitara Chemical Industries Limited	188,102,347	214,528,878
Sitara Spinning Mills Limited	152,526,626	93,365,877
Other industrial users	62,797,712	18,259,848
	612,989,361	642,413,372
The aging of trade debts as at balance sheet date is as under:		
Not past due	2,552,701	2,545,865
Related parties	540,099,613	515,461,667
Others	542,652,314	518,007,532
Past due		
Others	70,337,047	124,405,840
	612,989,361	642,413,372

Based on the past experience and taking into consideration, the financial position, and previous record of recoveries, the Parent 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.

36.2.2 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, 2014 and 2013:

	2014				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	Rupees in thousands				
Financial liabilities:					
Redeemable capital	155,000	171,013	87,155	83,858	-
Long term financing	300,000	361,716	27,973	115,338	218,405
Liabilities against assets subject to finance lease	6,014	7,101	1,112	1,112	4,877
Trade and other payables	464,548	464,548	464,548	-	-
Short term bank borrowings	443,347	507,795	144,953	362,842	-
	1,368,909	1,512,173	725,741	563,150	223,282

	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	2,209	1,701	508	-
Trade and other payables	239,738	239,738	239,738	-	-
Short term bank borrowings	753,586	831,407	128,168	703,239	-
	1,605,424	1,782,155	483,659	805,314	493,182

The contractual cash flows relating to mark up on redeemable capital, long term financing and short term bank 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. 904.23 million (2013: Rs. 1,000.86 million) and unavailed short term borrowing facilities of Rs. 469.15 million (2013: Rs. 245.89 million) as at June 30, 2014.

36.2.3 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.11.37 million (2013: Rs. 12.8 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.

36.3 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

36.4 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

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2014

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	**2014 Rupees**	2013 Rupees
Total Debt	5, 6,7 & 10	904,360,914	1,365,686,677
Less: Cash and cash equivalents	21	61,430,561	12,250,889
Net Debt		842,930,353	1,353,435,788
Total equity		1,883,619,147	1,696,508,358
Total capital		2,726,549,500	3,049,944,146
Gearing ratio		30.92%	44.38%

37. 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 29, 2014.

38. GENERAL

38.1 RE-ARRANGEMENT

Prior year figures have been rearranged / regrouped wherever considered necessary for the purpose of better presentation. Different expenses were included in "other" under the head of "Cost of generation". These have been disclosed as separate line items under the same head. Detail is as follows:

Description	**Amount Rupees**
Vehicles running and maintenance	6,375,600
Travelling and conveyance	7,022,525
Entertainment	1,453,893
	14,852,018

38.2 Nomenclature of " Other operating income " has been changed to " Other income " to comply with the amendments in Fourth Schedule to the Companies Ordinance, 1984.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

FORM OF PROXY
24th Annual General Meeting

I/We ______________________ of ______________________ being a member of

Sitara Energy Limited and holder of ______________________ Ordinary Shares as per share register

Folio No. ____________ hereby appoint ______________________

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

______________________ of ____________ who is also member of the Company,

Folio No. ______________________

For beneficial owners as per CDC List

CDC Participant I.D. No. ______________________ Sub-Account No. ______________________

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

hereby appoint ______________________ of ______________________ who is also a member of the Company, Folio No. ____________ or failing him/her ______________________ of ______________________ who is also a member of the Company, Folio No. ____________ as my/our proxy to vote and act for me/our behalf at the 24th Annual General Meeting of the Company to be held on Tuesday October 28, 2014 or at any adjornment thereof.

Five Rupees
Revenue Stamp

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

Dated this ____________ day of ____________ 2014
For beneficial owners as per CDC list

Signature of Proxy ______________________

Witnesses:

1 Signature ______________________

Name ______________________

Address ______________________

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

or Passport No. ______________________

Witnesses:

2 Signature ______________________

Name ______________________

Address ______________________

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

or Passport No. ______________________

Note: Proxies, in order to be effective, must be received at the Company's Share Registrar's Office at M/s.THK Associates (Pvt) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi-75530 not less than 48 hours before the meeting.

CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with the proxy form before submission to the Company.

INCOME TAX RETURN FILING STATUS FORM

Confirmation for filing status of income tax return for application of revised rates pursuant to the Provision of Finance Act, 2014.

THK Associates (Pvt) Limited
2nd Floor, State Life Building No.3,
Dr. Ziauddin Ahmed Road,
Karachi-75530.

I, Mr. /Mrs. /Ms_____________________S/O, D/O, W/O________________ hereby confirm that I am registered as National Tax Payer. My relevant detail is given below:

Folio/ CDC ID/ A/C No	Name	National Tax No	CNIC No (in case of Individuals)**	Income Tax return for the Year 2013 filed (Yes or No)***

It is stated that the above-mentioned information is correct.

____
Signature of the Shareholder

The Shareholders having their accounts with Central Depository Company (CDC) have also to communicate confirmation of tax payment status information to relevant Member Stock Exchange and CDC if maintain CDC investor account in addition to the Company's Share Registrar.

**Please attach attested photocopy of the CNIC
***Please attach attested photocopy of receipt of income tax return.

DIVIDEND MANDATE FORM

To:*

I, Mr./ Mrs./ Ms.__________________________S/O, D/O, W/O_______________________ hereby authorize Sitara Energy Limited to directly credit cash dividend declared by it, if any, in the below mentioned bank account.

(i) Shareholder's Detail	
Name of the Shareholder	
Folio No./CDC Participants ID A/C No.	
CNIC No.**	
Passport No. (in case of foreign Shareholder) ***	
Land Line Phone Number	
Cell Number	

(ii) Shareholder's Bank Detail	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	

It is stated that the above-mentioned information is correct and that I will intimate the changes in the above mentioned information to the Company and the concerned Share Registrar as soon as these occur.

____
Signature of the Shareholder

*The Shareholders having physical shares have to address the Company's Share Registrar on the address given below:

THK Associates (Pvt) Limited
2nd Floor, State Life Building No.3,
Dr. Ziauddin Ahmed Road,
Karachi-75530.

and Shareholders having their accounts with Central Depository Company (CDC) have to Communicate mandate information to relevant Member Stock Exchange.

** Please attach attested photocopy of the CNIC
***Please attach attested photocopy of the Passport

If undelivered please return to:
Sitara Energy Limited
601-602 Business Centre,
Mumtaz Hassan Road, karachi-74000
Tel: 021-32420620-32413944
Fax: 021-32415452