Sitara Energy Limited

Annual Report 2017

بسم الله الرحمن الرحيم

Sitara Energy Limited

Consolidated Accounts
(Sitara Energy Ltd and Its Subsidiary Company)

Board of Directors

Ms. Noureen Javed (Chairperson)
Mr. Javed Iqbal (Chief Executive Officer)
Mr. Sarosh Javed
Mr. Mukhtar A. Sheikh
Mr. Rana M. Arshad Iqbal
Ms. Haniah Javed
Mr. Mubashir Ahmed Zareen

Chief Financial Officer

Mr. Ijaz A. Babar - 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)
Ms. Haniah Javed
Ms. Noureen Javed

Human Resource & Remuneration Committee

Mr. Mukhtar Ahmad Sheikh (Chairman)
Mr. Rana M. Arshad Iqbal
Ms. Noureen Javed

Auditors

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

Bankers

Standrad Chartered Bank (Pak) Limited
Albaraka Bank (Pakistan) Limited
National Bank of Pakistan
First Women Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
The Bank of Punjab
MCB Bank Limited
United Bank Limited
Meezan Bank Limited
Allied Bank Limited
Silk Bank Limited
Askari Bank Limited
Summit Bank Limited
Habib Bank Limited

Website

http://www.sitara.pk

Vision Statement

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

Mission Statement

Our principled and honest business practices are focused to provide reliable & economical power to our customers, to maximize return to the shareholders and to respect all other stakeholders & community.

Notice of Annual General Meeting

Notice is hereby given that the 27th Annual General Meeting of Sitara Energy Limited will be held at The Institute of Chartered Accountants of Pakistan (ICAP) Auditorium Hall, Chartered Accountants Avenue, Clifton, Karachi, on Saturday, October 28, 2017 at 2:30 p.m. to transact the following business:

1. To confirm the minutes of Annual General Meeting held on October 29, 2016.

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2017 together with the Reports of Auditors and Directors thereon.

3. To appoint auditors for the year ending June 30, 2018 and to fix their remuneration.

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

By order of the Board

September 27, 2017
Karachi:

MAZHAR ALI KHAN
Company Secretary

NOTES:

1. CLOSURE OF SHARE TRANSFER BOOKS.

The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from October 21, 2017 to October 28, 2017 (both days inclusive). Transfers received in order at Company's Share Registrar's Office by the close of business on October 20, 2017 will be treated in time for the purpose of attendance and voting at the Annual General Meeting of the Company.

2. PARTICIPATION IN THE ANNUAL GENERAL MEETING.

A member entitled to attend and vote at this meeting is entitled to appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at Company's Share Registrar's Office M/s. THK Associates (Pvt) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi duly stamped and signed not less than 48 hours before the time of meeting.

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

a) For attending the meeting:

i) In case of individuals, the account holders or sub-account holders and their registration details are uploaded as per the regulations, shall authenticate their identity by showing their original Computerized National Identity Card (CNIC), or Original Passport at the time of attending the meeting.

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

b) For appointing proxies:

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

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

iii) Form of proxy is attached to the notice of meeting being sent to the members.

4. CIRCULATION OF ANNUAL REPORTS VIA EMAIL OR ANY OTHER MEDIA:

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its SRO No. 470(I)/2016 dated 31st May, 2016, that have allowed companies to circulate their Annual Audited Accounts (i.e. Annual Balance Sheet and Profit and Loss Accounts, Auditor's Report and Directors' Report etc ("Annual Report") along with the Notice of Annual General Meeting ("Notice") to its shareholders through Email or any other Electronic Media at the registered addresses.

Shareholders who wish to receive the hardcopy of Financial Statements shall have to fill the attached standard request form (also available on the company's website www.sitara.pk) and send at the Company address.

5. PLACEMENT OF FINANCIAL STATEMENTS:

The audited financial statements of the Company for the year ended June 30, 2017 have been placed at the Company's website: www.sitara.pk.

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

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.

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**

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

8. **Health, Safety & Environment (HSE) Policy**

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

9. **Smoking Policy**

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

10. **Seat Belt Policy**

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

11. **Other Employment, Outside Interests, Civic Activities**

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

12. **Unsolicited Gifts**

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

13. Family Connections and Employment of Relatives

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

14. Company and Personal Property

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

15. Alcohol and Drugs

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

16. Gambling

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

17. Rumor Mongering & Gossiping

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

18. Harassment

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

19. Grievance Handling

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

20. Whistle Blowing

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

21. General Discipline

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

22. Reporting Violations / Disciplinary Actions

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

by order of the Board

JAVED IQBAL
Chief Executive Officer

The Board of Directors of Sitara Energy Limited is pleased to present Annual Report with the audited Financial Statements together with Auditors' Report thereon for the financial year ended June 30, 2017.

FINANCIAL RESULTS

Sales Revenue for the year decreased to Rs. 2,116.461 Mln in 2017 from Rs. 3,074.265 Mln in 2016 as a result of lower demand from BPCs. The reason for shortfall in demand is the increase in the prices of gas and oil being major component of unit cost and price determination. The lower sale also led to increase in per unit overhead cost. The company controlled other generation costs to offset the impact of increasing prices of gas and oil to a certain extent. However, Gross Profit decreased to Rs. 130.338 Mln from Rs. 368.698 Million in 2016, resulting in Loss of Rs. 96.561 Mln during year ended 2017 in comparison with Profit Rs. 162.421 Mln in year ended 2016.

The company generated 197,842 Mwh in 2017 in comparison with 315,632 Mwh in 2016 reflecting decrease in production by 37% and increase in overall per unit overhead cost by 26%. Generation Mix of RFO: Gas slightly changed from 73%: 27% in 2016 to 74%: 26% in 2017.

Financial results for the year ended June 30, 2017 are summarized below:

		2017			2016	
		SEL	**Consolidated**		SEL	Consolidated
		Rs. "000"	**Rs. "000"**		Rs. "000"	Rs. "000"
Sales		2,116,462	2,116,462		3,074,266	3,092,626
Gross profit		130,338	130,338		368,698	369,557
(Loss) / Profit before taxation		(96,561)	(96,465)		162,421	161,212
Net (Loss) / Profit after taxation		(96,561)	(96,465)		162,421	161,212
Unapproriated profit brought forward		835,546	832,205		696,990	694,858
Profit available for appropriation		738,985	735,740		859,411	856,070
Appropriation						
Final dividend for the year ended June 30, 2016: Rs. 2/- per share		38,184	38,184		23,865	23,865
Transferred to general reserve		50,000	50,000		-	-
		88,184	88,184		23,865	23,865
Profit available for appropriation		650,801	647,556		835,546	832,205
(Loss) / Earning per share - Basic and diluted	Rs.	(5.06)	(5.05)	Rs.	8.51	8.44

Proposed appropriation

The Board of Directors has recommended:

- Final cash dividend of Rs. Nil per share (2016: Rs. 2/- per share i.e., 20%).
- Appropriation of Rs. Nil (2016: 50 Million) to General Reserve.

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

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) Cost of investments of Staff Provident Fund Trust as at June 30, 2017 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
Mr. Javed Iqbal	4
Mr. Sarosh Javed	4
Mrs. Noureen Javed	4
Ms. Haniah Javed	4
Mr. Mukhtar A. Sheikh	4
Mr. Rana M. Arshad Iqbal	4
Mr. Mubashir Ahmed Zareen	4

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

Name of Member	Meetings attended / Status
Mr. Rana M. Arshad Iqbal	4 / Chairman
Ms. Haniah Javed	4 / Member
Mrs. Noureen Javed	4 / Member

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 Mr. Javed Iqbal, Chief Executive officer and Mr. Sarosh Javed, Executive Director of the company was increased by 25% in accordance with the terms of his appointment as approved by the Board of Directors.

n) Pattern of Shareholding as at June 30, 2017 is annexed.

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

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

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 2017, the Company has donated Rs. 78,100/- (2016: Rs. 153,000/-) to welfare institution operating in the fields of health and education.

Future Prospects and Outlook

The profitability of the company during the financial year 2017-18 will largely depends upon affordable prices of RFO and natural gas / liquefied natural gas to ensure competitive tariff to the BPCs.

FESCO had filed Power Acquisition Request (FESCO PAR) with NEPRA in August 2011 to renew Power Purchase Agreement (PPA) with Sitara Energy Limited (SEL). NEPRA allowed, in December 2012, FESCO & SEL to continue supply while FESCO PAR was lying pending for its approval. FESCO could not get approval of its PAR from NEPRA and SEL had to terminate PPA with FESCO in March 2015. NEPRA approved FESCO PAR in April 2017, after a lapse of more than 5 years and 2 months between the date the matter was heard by the Authority and the date when the PAR was decided on 14.04.2017, and with the direction to reduce fuel cost component with effect from September 2011 and recovery be made from the company. SEL has filed Review Petition against the aforesaid decision which Review Petition has been accepted for hearing by NEPRA which is pending for hearing. The company will defend the case for its legitimate rights and sanctity of PPA by FESCO and NEPRA.

The company is pursuing all the possible venues to increase load demand including but not limited to maintain the existing Bulk Power Consumers (BPCs), to add new BPCs, to facilitate BPCs in the approval process of Zero Rating from FBR, to participate in the process of Upfront Tariff on Gas & RFO by NEPRA and to implement a steel project (a new BPC) within Sitara Group for the long term sustainable viability and growth of the company.

Auditors

The auditors of the company M/S RSM 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 27, 2017
Faisalabad

JAVED IQBAL
Chief Executive Officer

مستقبل کے امکانات

مالی سال 18-2017ء میں کمپنی کا منافع بہت حد تک فرنس آئل اور قدرتی گیس/ مائع قدرتی گیس کی مناسب قیمتوں پر فراہمی پر منحصر ہے تاکہ اپنے بجلی صارفین (BPCs) کو مناسب قیمت پر بجلی فراہم کی جاسکے۔

فیسکو نے ستارہ انرجی لمیٹڈ کے ساتھ کئے گئے پاور پرچیز ایگریمنٹ (PPA) کی تجدید کیلئے اگست 2011ء میں نیپرا کو پاور ایکویزیشن ریکوسٹ (Power Acquisition Request - FESCO PAR) جمع کروائی تھی۔ نیپرا نے فیسکو اور ستارہ انرجی لمیٹڈ کو دسمبر 2012ء میں بجلی کی خرید وفروخت جاری رکھنے کی اجازت دے دی تھی۔ جبکہ فیسکو پی۔اے۔آر (FESCO PAR) نیپرا میں منظوری کیلئے پڑی ہوئی تھی۔ فیسکو نیپرا سے اپنی پی۔اے۔آر (FESCO PAR) کی منظوری نہ کرواسکا اور ستارہ انرجی لمیٹڈ نے مارچ 2015ء میں فیسکو کے ساتھ (PPA) منسوخ کردیا۔ نیپرا نے فیسکو کی پی۔اے۔آر (FESCO PAR) کی منظوری اپریل 2017ء میں دی۔ جبکہ اس دوران، اس تاریخ سے جب اتھارٹی نے سماعت کی تھی اور اس تاریخ تک جب فیسکو پی۔اے۔آر (FESCO PAR) کا فیصلہ بمطابق 14 اپریل 2017ء کو ہوا، 5 سال 2 ماہ کا عرصہ گزر چکا تھا۔ اس فیصلے میں فیسکو کو ہدایت دی گئی ہے کہ تیل کی لاگت (Fuel Cost Component) کو ستمبر 2011ء سے کم کیا جائے اور کمپنی سے ریکوری کی جائے۔ ستارہ انرجی لمیٹڈ نے نیپرا کے مذکورہ بالا فیصلے کے خلاف نظر ثانی کی درخواست مئی 2017ء میں فائل کردی ہے۔ نظر ثانی کی درخواست نیپرا میں سماعت کیلئے منظور ہوچکی ہے بہر حال ابھی اس نظر ثانی درخواست کی سماعت نہیں ہوئی۔ کمپنی اپنے جائز حقوق کیلئے پورا دفاع کرے گی۔ مزید برآں نیپرا اور فیسکو کو پاور پرچیز ایگریمنٹ (PPA) کی پاسداری کیلئے پابند کرے گی۔

کمپنی حتی الامکان کوشش کرے گی کہ اپنے موجودہ صارفین کو برقرار رکھے، اضافی بجلی صارفین تلاش کرے، اُن بجلی صارفین کی مدد کرے جو ایف۔بی۔آر (FBR) سے زیرو ریٹنگ کی سہولت (Zero Rating Facility) لینا چاہتے ہیں، نیپرا کے اپ فرنٹ ٹیرف ڈٹرمینیشن برائے فرنس آئل اور گیس (Upfront Tariff Determination on RFO & Gas) کے پراسس میں بھرپور شمولیت کرے اور ستارہ گروپ کے اندر ایک سٹیل پروجیکٹ (a new BPC) کا اضافہ کرے تاکہ اس کمپنی کو عرصہ دراز تک منافع بخش اور ترقیاتی طریقے پر چلایا جاسکے۔

آڈیٹرز

کمپنی کے موجودہ آڈیٹرز میسرز آر ایس ایم اویس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹینٹس جو کہ ریٹائر ہورہے ہیں، اہل ہونے پر اپنے آپ کو دوبارہ تقرری کے لیے پیش کیا ہے۔ جس کی آڈٹ کمیٹی نے دوبارہ تقرری کے لیے سفارش کی ہے۔

قدردانی

بورڈ آف ڈائریکٹرز اپنے تمام سٹیک ہولڈرز کے قدردان ہیں کہ انہوں نے کمپنی پر مکمل بھروسہ کرتے ہوئے اس کی حمایت کی۔ بورڈ اس بات کو بھی تسلیم کرتا ہے کہ جس طرح پیشہ ور ماہرین اور انجینئرز نے اپنی مکمل تندہی اور جوش وجذبہ کے ساتھ کمپنی کی ترقی میں اپنا کردار ادا کیا ہے وہ قابل تحسین ہے۔ اور یہ امید کرتا ہے کہ اسی جذبہ اور لگاؤ کے ساتھ کمپنی سے منسلک رہتے ہوئے مستقبل میں بھی اپنا کردار ادا کرتے رہیں گے۔

بحکم بورڈ

جاوید اقبال

چیف ایگزیکٹو آفیسر

27 ستمبر، 2017ء

فیصل آباد

ممبر کا نام	میٹنگ میں حاضری/اسٹیٹس	
جناب رانا ایم ارشد اقبال	4	چیئر مین
محترمہ حنیہ جاوید	4	ممبر
محترمہ نورین جاوید	4	ممبر

l۔ اس سال ہیومن ریسورسز اور ریمونریشن کمیٹی (Human Resources & Remuneration Committee) کی کل 2 میٹنگ منعقد ہوئی جس کی تفصیل درجہ ذیل ہے۔

ممبر کا نام	میٹنگ میں حاضری/اسٹیٹس	
جناب مختار اے شیخ	2	چیئر مین
محترمہ نورین جاوید	2	ممبر
جناب رانا ایم ارشد اقبال	2	ممبر

m۔ جناب جاوید اقبال چیف ایگزیکٹو آفیسر اور جناب سروش جاوید ایگزیکٹو ڈائریکٹر کے سالانہ معاوضہ میں بورڈ آف ڈائریکٹرز نے ان کی تقرری کی شرائط کے مطابق 25% فیصد اضافہ کرنے کی توثیق کر دی ہے۔

n۔ 30 جون 2017 کا شیئر ہولڈنگ پیٹرن منسلک ہے۔

o۔ کوڈ آف کارپوریٹ گورننس کی تعمیل کا اسٹیٹس منسلک ہے۔

p۔ تمام ریلیٹیڈ پارٹیز اور ایسوسی ایٹڈ کمپنیز کے ساتھ لین دین آرمز لینگتھ پرائس (Arms length price) کے مطابق طے کیا جاتا ہے۔

ویب ریفرنس

SECP کے جاری کردہ SRO 634(1)/2014 بتاریخ جولائی 10، 2014 کے تحت کمپنی نے اپنی کارآمد ویب سائٹ قائم کر رکھی ہے۔
جس میں کمپنی کے سالانہ ششماہی اور سہ ماہی رپورٹ اور نوٹس باقاعدگی سے لگائے جاتے ہیں۔ کمپنی کی ویب سائیٹ کا پتہ http://www.sitara.pk ہے۔

ریلیٹڈ پارٹیز

ریلیٹڈ پارٹیز کے درمیان تمام لین دین آرمز لینگتھ پر کی گئی ہیں جو کہ کمپیئر ایبل اَن کنٹرولڈ پرائسز میتھڈ (Comparable uncontrolled prices method) کے تحت ہیں۔ کمپنی نے ٹرانسفر پرائسنگ کی بیسٹ پریکٹسیز پر مکمل عمل درآمد کیا گیا ہے جو کہ اسٹاک ایکسچینج کے لسٹنگ ریگولیشن میں درج ہیں۔

ہیومن ریسورسز کے انتظامات

بہترین پر یقین جو کہ ہمارا نسب العین ہے اور اس کی وجہ سے ہم ترقی کی راہ پر گامزن ہیں۔ اور یہی نسب العین ہمیں نئے اور بہترین ذہن کی تلاش اور ان پر سرمایہ کاری کی ترغیب دیتا ہے تاکہ ہم اپنے لوگوں کی تمام شعبوں میں ذہنی نشوونما کریں۔ ان کو بہترین تعلیمی ماحول مہیا کریں تاکہ نئے اور بہترین خیالات اور تحقیق کی راہ ہموار ہو۔

کارپوریٹ سماجی ذمہ داری

کمپنی نے ہمیشہ اپنی سماجی ذمہ داری کو محسوس کیا ہے اور یہی کمپنی کی پالیسی بھی ہے تاکہ معاشرہ کو بہتر بنانے اور قوم کی فلاح و بہبود میں اپنا حصہ ڈالے۔ مالی سال 2017ء کمپنی نے 78,100 روپے (2016ء 153,000 روپے) فلاحی اداروں کو بطور عطیہ دیئے جو صحت اور تعلیم کے کام میں استعمال کر رہے ہیں۔

مجوزہ مناسب منافع کی تقسیم:

بورڈ آف ڈائریکٹرز نے نقد منافع صفر روپے فی شیئر کی سفارش کی ہے۔ جو کہ 2016ء میں =/2 روپے فی شیئر یعنی 20 فیصد کی تھی۔ بورڈ آف ڈائریکٹرز نے جنرل ریزرو صفر روپے منتقل کرنے سفارش کی ہے جو کہ سال 2016ء میں 50 ملین روپے تھی۔

یہ تصرف آنے والے مالیاتی گوشواروں میں ظاہر کیے جائیں گے جو کہ کمپنی آرڈیننس 1984ء کے نظر ثانی شدہ چوتھے شیڈول کے مطابق ہوگا۔

کارپوریٹ اور مالیاتی رپورٹنگ کا ڈھانچہ

کوڈ آف کارپوریٹ گورنینس کی تعمیل کرتے ہوئے کارپوریٹ اور مالیاتی رپورٹنگ کے ڈھانچے کی تفصیل مندرجہ ذیل ہے۔

a۔ مالیاتی گوشوارے کمپنیز آرڈیننس 1984ء کی ضروریات کے مطابق تیار کیے گئے ہیں جو کہ منصفانہ مالی حالت، آپریٹنگ نتائج، کیش فلو اور ایکوئٹی میں تبدیلی کو پیش کرتے ہیں۔

b۔ کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔

c۔ مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

d۔ حسابات کی تیاری میں پاکستان میں رائج شدہ بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈ کی پیروی کی گئی ہے۔

e۔ اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

f۔ کمپنی کے گوئنگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔

g۔ ضابطہء کارپوریٹ گورننس، بمطابق لسٹنگ ریگولیشن، میں سے کسی خاطر خواہ شق سے انحراف نہیں ہو رہا ہے۔

h۔ کمپنی کا گزشتہ دس سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔

i۔ اسٹاف پروویڈنٹ فنڈ کی سرمایہ کاری کی لاگت مالی سال 30 جون 2017ء میں 15.120 ملین روپے رہی ہے۔

j۔ اس سال بورڈ آف ڈائریکٹرز کی 4 میٹنگز منعقد ہوئی۔ ڈائریکٹرز کی حاضری کی تفصیل مندرجہ ذیل ہے۔

نام	حاضری میٹنگ
جناب جاوید اقبال	4
جناب سروش جاوید	4
محترمہ نورین جاوید	4
محترمہ حنیہ جاوید	4
جناب مختار اے شیخ	4
جناب رانا ایم ارشد اقبال	4
جناب مبشر احمد زرین	4

k۔ اس سال آڈٹ کمیٹی کی کل 4 میٹنگ منعقد ہوئیں ہر فرد کی حاضری کی تفصیل مندرجہ ذیل ہے۔

ستارہ انرجی لمیٹڈ کا بورڈ آف ڈائریکٹرز کمپنی کی سالانہ رپورٹ بمعہ آڈٹ شدہ مالیاتی گوشوارے اور آڈیٹرز کی رپورٹ مالی سال 30 جون 2017ء کو پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

مالی نتائج

سال 2017ء میں فروخت آمدنی کم ہو کر 2,116.461 ملین روپے ہوگئی جبکہ یہ فروخت آمدنی 2016ء میں 3,074.265 ملین روپے تھی اسکی بنیادی وجہ بجلی کے صارفین کی طلب میں کمی کا نتیجہ ہے۔ طلب میں کمی کی وجہ گیس اور تیل کی قیمتوں میں اضافہ ہے جو کہ فی یونٹ لاگت اور قیمت کے تعین کا بڑا جزو ہے۔ فروخت میں کمی بھی فی یونٹ اوور ہیڈ کاسٹ (Per unit overhead cost) میں اضافے کی وجہ بنی ہے۔ کمپنی نے کسی حد تک دوسری پیداواری لاگت کو کنٹرول کر کے گیس اور تیل کی قیمتوں میں اضافے کے اثر کو آف سیٹ (Offset) کیا بہر حال مجموعی منافع کم ہو کر 130.338 ملین روپے ہوگیا جبکہ یہ مجموعی منافع 2016ء میں 368.698 ملین روپے تھا۔ اور نتیجتاً سال 2017ء کے اختتام پر صافی نقصان 96.561 ملین روپے کا ہوا۔ جبکہ سال 2016ء کے اختتام پر صافی منافع 162.421 ملین روپے تھا۔

سال 2017ء میں کمپنی نے 197,842 میگا واٹ آورز بجلی کے یونٹ پیدا کیے جبکہ 2016ء میں 315,632 میگا واٹ آورز بجلی کے یونٹ کی پیداوار تھی۔ اسطرح پیداوار میں 37% کمی واقع ہوئی جو کہ فی یونٹ پیداواری لاگت میں 26% اضافے کا سبب بنی۔ سال 2017ء میں پیداواری مکس معمولی سی تبدیلی کے ساتھ فرنس آئل: گیس 74%:26% رہا۔ سال 2016ء میں یہ مکس 73%:27% تھا۔

مذکورہ بالا تمام عوامل کا مشترکہ اثر کمپنی کے سالانہ منافع/(نقصان) اور فی شیئر آمدنی/(نقصان) کی صورت میں نکلا ہے۔
جون 2017ء کے مالی نتائج درج ذیل ہیں۔

تفصیل	مالی سال 2017		مالی سال 2016	
	ستارہ انرجی	کنسولیڈیٹڈ	ستارہ انرجی	کنسولیڈیٹڈ
	پاکستانی روپے ہزاروں میں		پاکستانی روپے ہزاروں میں	
فروخت آمدنی	2,116,462	2,116,462	3,092,626	3,074,266
مجموعی منافع	130,338	130,338	369,557	368,698
ٹیکسیشن سے قبل منافع/(نقصان)	(96,465)	(96,561)	161,212	162,421
ٹیکسیشن کے بعد منافع/(نقصان)	(96,465)	(96,561)	161,212	162,421
غیر مختص منافع آگے لایا	832,205	835,546	694,858	696,990
تقسیم کے لیے دستیاب منافع	735,740	738,985	856,070	859,411
اپروپری ایشن				
فائنل ڈیویڈنڈ مالیاتی سال 30 جون 2016ء 2 روپے فی شیئر	38,184	38,184	23,865	23,865
عمومی ریزرو میں منتقلی	50,000	50,000	-	-
	88,184	88,184	23,865	23,865
غیر مختص نفع	647,556	650,801	832,205	835,546
فی شیئر (نقصان)/ آمدنی (Basic and diluted)	(5.05)	(5.06)	8.44	8.51

AS AT JUNE 30, 2017

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
641	1	100	7,235
381	101	500	178,769
113	501	1,000	109,901
141	1,001	5,000	404,571
31	5,001	10,000	242,634
9	10,001	15,000	116,546
6	15,001	20,000	110,914
4	20,001	25,000	92,701
2	25,001	30,000	55,400
1	30,001	35,000	34,000
2	35,001	40,000	76,000
1	50,001	55,000	50,500
1	55,001	60,000	59,000
1	65,001	70,000	66,500
1	80,001	85,000	83,000
1	85,001	90,000	90,000
1	95,001	100,000	100,000
1	140,001	145,000	142,500
3	145,001	150,000	443,500
2	195,001	200,000	399,000
1	200,001	205,000	203,500
1	245,001	250,000	250,000
1	255,001	260,000	256,117
1	260,001	265,000	263,151
1	410,001	415,000	414,500
1	595,001	600,000	600,000
1	655,001	660,000	656,000
1	730,001	735,000	732,360
1	770,001	775,000	774,661
1	1,070,001	1,075,000	1,073,237
1	1,145,001	1,150,000	1,150,000
1	1,545,001	1,550,000	1,550,000
1	1,625,001	1,630,000	1,628,500
1	6,675,001	6,680,000	6,677,303
1,357			**19,092,000**

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	6,677,303	34.97
Mrs. Naureen Javed	1	1,073,237	5.62
Mr. Sarosh Javed	1	1,000	0.01
Ms. Haniah Javed	1	1,000	0.01
Mr. Mukhtar Ahmed Shaikh	1	1,000	0.01
Rana Muhammad Arshad Iqbal	1	500	0.00
Mr. Mubashir A.Zareen	1	5,000	0.03
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	1,551,644	8.13
Insurance Companies	1	1,628,500	8.52
Mutual Funds	1	263,151	1.38
Foreign Companies	1	1,000	0.01
Joint Stock Companies	7	1,494,162	7.82
General Public (Local)	1,310	5,430,809	28.44
General Public (Foreign)	22	26,840	0.14
Others	2	24,237	0.13
	1,357	**19,092,000**	**100.00**

Detail of purchase/sale of shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses/minor children during 2016-2017.

Mr. Javed Iqbal (Chief Executive of the Company) received Gift =423,000= shares during the year.

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

1	Mr. Javed Iqbal, CEO	6,677,303
2	State Life Insurance Corp. of Pakistan	1,628,500
3	National Bank of Pakistan	1,550,144
4	Mr. Masood Ahmed Khan	1,150,000
5	Mrs. Naureen Javed, Chairperson	1,073,237

The Board has determined threshold under clause xvi(1) of Code of Corporate Governance 2012 in respect of trading of Company's shares by executives and employees who are drawing annual basic salary of Rs. 2.4 million or more.

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

PARTICULARS	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
	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	190,920
Share premium	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190
General reserve	970,000	920,000	920,000	820,000	720,000	620,000	590,000	540,000	490,000	460,000	460,000
Fixed assets at cost	2,387,252	2,427,988	2,360,966	2,270,025	2,280,107	2,244,936	2,249,956	2,237,936	2,226,647	2,119,520	1,746,110
Accumulated depreciation	1,443,573	1,416,939	1,326,594	1,232,748	1,161,137	1,074,287	999,716	934,534	853,915	783,377	724,815
Current assets	2,092,220	1,850,913	1,461,309	1,337,901	1,484,527	1,003,629	951,136	1,065,017	1,067,153	975,860	696,225
Current liabilites	1,816,238	1,464,328	1,143,122	1,219,313	1,283,248	1,509,799	1,838,056	1,496,000	1,377,056	1,084,109	1,009,867
INCOME											
Sales	2,116,462	3,074,266	3,658,739	5,035,627	5,183,842	4,866,139	3,753,492	3,875,481	3,009,929	2,286,357	1,461,240
Other income	11,934	15,875	120,831	73,659	1,805	96,523	9,841	4,794	7,168	14,032	7,422
Pre tax profit / (loss)	(96,561)	162,421	104,975	203,674	249,313	251,916	91,527	106,926	80,338	112,669	1,518
Taxation	-	-	-	(853)	-	448	487	(269)	(698)	358	339
STATISTICS AND RATIOS											
Pre tax profit / (loss) to sales %	(4.56)	5.28	2.87	4.04	4.81	5.18	2.44	2.76	2.67	4.93	0.10
Pre tax profit / (loss) to capital %	(28.90)	48.61	31.42	60.96	74.62	75.40	27.39	32.00	24.05	33.72	0.45
Current ratio	1.15	1.26	1.28	1.10	1.16	0.66	0.52	0.71	0.77	0.90	0.69
Paid up value if per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
(Loss) / Earing after tax per share (Rs.)	(5.06)	8.51	5.50	10.71	13.06	13.17	4.77	5.61	4.24	5.88	0.06
Cash dividend %	-	20.00	12.50	20.00	10.00	10.00	10.00	20.00	20.00	25.00	-
Break up value per share (Rs.)	102.39	109.45	102.19	98.70	88.98	76.93	64.75	61.99	58.37	56.63	50.74

Statement of Compliance with the Code of Corporate Governance

Name of the company: Sitara Energy Limited
Year ended: June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 19 (Chapter 5) of listing regulations of Rule Book of Pakistan Stock Exchange Limited (Formerly: Karachi Stock Exchange Limited) 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. Naureen Javed Ms. Haniah Javed Mr. Mukhtar Ahmed Sheikh Mr. Mubashir Ahmad Zareen

   The independent director meets the criteria of independence under clause 5.19.1.(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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 or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy was occurred in the BOD during the year.

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

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

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

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. Two of the seven Directors of the Company are exempted from the requirement of Directors Training Program (“DTP”), while remaining five Directors have got certified with DTP.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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 (3) Members, of whom two (2) are non-executive directors and the chairman of the committee is an independent director.

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

17. The board has formed an HR and Remuneration Committee. It comprises of three (3) Members, of whom two (2) are non-executive directors and one (1) is an independent director and 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 ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

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

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

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

September 27, 2017
Faisalabad

JAVED IQBAL
Chief Executive Officer

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2017 prepared by the Board of Directors of Sitara Energy Limited (the company) to comply with requirenments of clause No. 5.19.23 of Pakistan Stock Exchange Limited Regulations.

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 and to highlight any non compliance with the requirenments of the code. 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 whether 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, 2017.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

September 27, 2017
Place: Faisalabad

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Sitara Energy Limited (the company) as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2017 and of the loss, its comprehensive loss, 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.

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

September 27, 2017
Place: Faisalabad

Balance Sheet as at June 30, 2017

	Note	2017 Rupees	2016 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		970,000,000	920,000,000
Unappropriated profit		650,800,350	835,545,598
		1,954,910,350	2,089,655,598
NON-CURRENT LIABILITIES			
Long term financing	4	-	-
Liabilities against assets			
subject to finance lease	5	2,460,256	5,672,545
		2,460,256	5,672,545
CURRENT LIABILITIES			
Trade and other payables	6	747,659,148	462,022,805
Interest / mark up payable	7	29,367,198	26,127,010
Short term bank borrowings	8	1,036,616,864	771,873,926
Current portion of:			
Long term financing	4	-	200,000,000
Liabilities against assets			
subject to finance lease	5	2,594,756	4,304,139
Provision for taxation			
- income tax		-	-
		1,816,237,966	1,464,327,880
CONTINGENCIES AND			
COMMITMENTS	9	-	-
		3,773,608,572	3,559,656,023

	Note	2017 Rupees	2016 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,597,705,763	1,657,400,605
Investment property	11	32,340,600	-
Investment in subsidiary	12	49,995,000	49,995,000
Long term deposits	13	1,347,150	1,347,150
		1,681,388,513	1,708,742,755
CURRENT ASSETS			
Stores, spares and loose tools	14	277,915,846	252,832,432
Stock of oil and lubricants	15	263,301,676	55,045,529
Trade debts	16	749,630,401	862,430,381
Loans and advances	17	591,957,499	246,439,309
Deposits and prepayments	18	33,673,772	36,138,314
Other receivables	19	41,679,060	39,679,060
Tax refunds due from			
Government	20	71,581,252	39,700,123
Cash and bank balances	21	62,480,553	318,648,120
		2,092,220,059	1,850,913,268
		3,773,608,572	3,559,656,023

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, 2017

	Note	2017 Rupees	2016 Rupees
Sales - net	22	2,116,461,828	3,074,265,783
Cost of generation	23	1,986,124,034	2,705,567,970
Gross profit		130,337,794	368,697,813
Other income	24	11,934,126	15,874,767
		142,271,920	384,572,580
Operating expenses	25	122,285,120	106,076,844
Other operating expenses	26	-	8,569,883
Finance cost	27	116,548,048	107,505,278
		238,833,168	222,152,005
(Loss) / Profit for the year before taxation		(96,561,248)	162,420,575
Provision for taxation	28	-	-
(Loss) / Profit for the year		(96,561,248)	162,420,575
(Loss) / Earnings per share - Basic and diluted	29	(5.06)	8.51

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, 2017

	2017 **Rupees**	2016 Rupees
(Loss) / Profit for the year	(96,561,248)	162,420,575
Other comprehensive income for the year	-	-
Total comprehensive (Loss) / income for the year	(96,561,248)	162,420,575

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

Cash Flow Statement for the Year Ended June 30, 2017

		2017 Rupees	2016 Rupees
(a)	**CASH FLOWS FROM OPERATING ACTIVITIES**		
	(Loss) / Profit for the year before taxation	(96,561,248)	162,420,575
	Adjustments for:		
	Depreciation of property, plant and equipment	35,795,211	95,971,091
	Depreciation of investment property	898,350	-
	Provision for staff retirement benefits	3,008,378	2,990,144
	Gain on disposal of:		
	Operating assets	(2,347,599)	(746,290)
	Non-operating land	-	(12,653,908)
	Balances written back	(5,544,289)	-
	Finance cost	116,548,048	107,505,278
	Operating cash flows before working capital changes	51,796,851	355,486,890
	Changes in working capital		
	Decrease / (Increase) in current assets		
	Stores, spares and loose tools	(25,083,414)	33,792,153
	Stocks	(208,256,147)	1,509,238
	Trade debts	112,799,980	(2,523,325)
	Loans and advances	(346,569,697)	(142,148,585)
	Deposits and prepayments	2,464,542	(25,499,729)
	Other receivables	(2,000,000)	51,300,000
	Tax refunds due from government - sales tax	(26,346,512)	-
	Increase in current liabilities		
	Trade and other payables	290,951,517	60,795,343
		(202,039,731)	(22,774,905)
	Cash (used in) / generated from operating activities	(150,242,880)	332,711,985
	Income tax paid	(4,483,110)	(5,534,617)
	Staff retirement benefits paid	(3,299,692)	(2,710,958)
	Finance cost paid	(113,307,860)	(110,295,810)
	Net cash (used in) / generated from operating activities	(271,333,542)	214,170,600

Cash Flow Statement for the Year Ended June 30, 2017

	2017 Rupees	2016 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(11,191,720)	(53,104,530)
Proceeds from disposal of :		
Operating assets	4,200,000	6,385,000
Non operating land	-	78,610,000
Increase in long term deposits	-	(221,900)
Net cash (used in) / generated from investing activities	(6,991,720)	31,668,570
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of :		
Long term financing	(200,000,000)	-
Liabilities against assets subject to finance lease	(4,921,672)	(2,758,954)
Increase in short term bank borrowings - net	264,742,938	60,247,152
Dividend paid	(37,663,571)	(23,617,671)
Net cash generated from financing activities	22,157,695	33,870,527
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(256,167,567)	279,709,697
Cash and cash equivalents at the beginning of the year	318,648,120	38,938,423
Cash and cash equivalents at the end of the year	62,480,553	318,648,120

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, 2017

	Issued, subscribed and paid up capital	Capital reserve	Revenue reserves			Total
		Share premium	General reserve	Unappropriated profit	Sub total	
	Rupees					
Balance as at July 01, 2015	190,920,000	143,190,000	920,000,000	696,990,023	1,616,990,023	1,951,100,023
Transaction with owners						
Dividend for the year ended June 30, 2015 : Rs.1.25/- per share	-	-	-	(23,865,000)	(23,865,000)	(23,865,000)
Total comprehensive income for the year						
Profit for the year	-	-	-	162,420,575	162,420,575	162,420,575
Other comprehensive income	-	-	-	-	-	-
	-	-	-	162,420,575	162,420,575	162,420,575
Balance as at June 30, 2016	190,920,000	143,190,000	920,000,000	835,545,598	1,755,545,598	2,089,655,598
Transaction with owners						
Dividend for the year ended June 30, 2016 : Rs.2.00/- per share	-	-	-	(38,184,000)	(38,184,000)	(38,184,000)
Transferred to general reserve	-	-	50,000,000	(50,000,000)	-	-
Total comprehensive (loss) for the year						
(Loss) for the year	-	-	-	(96,561,248)	(96,561,248)	(96,561,248)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	(96,561,248)	(96,561,248)	(96,561,248)
Balance as at June 30, 2017	190,920,000	143,190,000	970,000,000	650,800,350	1,620,800,350	1,954,910,350

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, 2017

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 Pakistan Stock Exchange Limited. 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, 2016 and therefore, have been applied in preparing these financial statements.

- **Amendment s to IAS 1 Disclosure Initiative**

  These amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

  These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The application of standard has no significant impact 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 application of standard has no significant impact on the Company's financial statements.

- **Equity Method in Separate Financial Statements – Amendments to IAS 27**

  These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The application of standard has no significant impact on the Company's financial statements.

- **Annual improvements 2014**

  These set of amendments impacts 3 standards:

  IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.

  IAS 19, 'Employee benefits' regarding discount rates.

  IAS 34, 'Interim financial reporting' regarding disclosure of information.

  The company has applied the amendments to IFRS's included in the annual improvements 2014 cycle in the current year.

  The application of amendments has no significant impact on the disclosures or amounts recognized in 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, 2016 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):**

  IFRS 9 contains accounting requirements for financial instruments in the areas of classification and measurement, impairments, hedge accounting, de-recognition:

  All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at Fair Value Through Other Comprehensive Income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, standard requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

In relation to the impairment of financial assets, standard requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The standard is effective for accounting period beginning on or after January 01, 2018. The management of the Company is reviewing the changes to evaluate the impact of application of standard on the 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 recognized, 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, 2018. The Management is in the process of evaluating the impact of application of the standard on the Company's financial statements.

IFRS 16 Leases

Replaces the current IAS – 17 and requires lessees to recognize a lease liability reflecting future lease payments for virtually all lease contracts.

The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of standard is not expected to have any material impact on the Company's financial statements.

IAS 12 Income taxes

The amendments to IAS 12 address the issue of recognition of deferred tax assets for unrealized losses and clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendments are effective for accounting period beginning on or after January 01, 2017. The application of standard is not expected to have any material impact on the Company's financial statements.

IAS 7 Statement of cash flows

The amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment is effective for accounting period beginning on or after January 01, 2017. The application of amendments is not expected to have any material impact on the Company's financial statements.

IFRIC 22 Foreign currency transactions and advance consideration:

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The company is yet to assess the full impact of the IFRIC.

This IFRIC is effective for accounting period beginning on or after January 01, 2018. The application of IFRIC is not expected to have any material impact on the Company's financial statements.

Amendments to IAS 40 Investment Property:

These amendments clarify the requirements relating to transfers of property to, or from, investment property. The amendments are effective for accounting period beginning on or after January 01, 2018. The application of amendments is not expected to have any material impact on the Company's financial statements.

- **Annual improvements 2014-2016**

Annual Improvements to IFRSs through 2014-2016 cycle have been issued by IASB on December 08, 2016, amending the following standards;

IFRS 12: Disclosure of Interests in Other Entities

IAS 28: Investments in Associates and Joint Ventures.

The amendments are effective for accounting periods beginning on or after January 01, 2017 and January 01, 2019. The application of amendments is not expected to have any material impact on the Company's financial statements.

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

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

2.3 Basis of preparation

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

2.4 Leases

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

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss account, unless 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.

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.

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 Investment property

Investment property which is property held to earn rentals and / or for capital appreciation, is valued using the cost method i.e. at cost less any accumulated depreciation and impairment in value, if any.

Depreciation on building is charged to income on reducing balance method at the rate of 10% per annum. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged for the month in which the property is disposed off.

Gains or losses on disposal of investment property, if any, are included in current income.

2.12 Impairment

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

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

2.13 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.

2.14 Investment in subsidiary

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

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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 Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.23 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.

2.24 Transactions with related parties

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

2.25 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. 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

2016	**2017**		**2017**	2016
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 (2016: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

4. Long term financing

	2017 Rupees	2016 Rupees
Secured		
From banking company		
Under mark up arrangement		
Term finance	-	200,000,000
Less: Current portion	-	200,000,000
	-	200,000,000

4.1 It was subject to mark up at the rate of 3 months KIBOR plus 2.65% per annum.

5. Liabilities against assets subject to finance lease

	2017 Rupees	2016 Rupees
Opening balance	9,976,684	4,376,138
Obtained during the year	-	8,359,500
	9,976,684	12,735,638
Paid / adjusted during the year	(4,921,672)	(2,758,954)
	5,055,012	9,976,684
Less: Current portion	2,594,756	4,304,139
	2,460,256	5,672,545

5.1 These represents vehicles acquired under lease agreements. The purchase option is available to the company on payment of last installment and surrender of deposit at the end of lease period.

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 8.62% to 8.64% (2016: 8.67% to 12.68%) per annum being the interest rates implicit in leases.

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

Year ending June 30,	**2017 Rupees**	2016 Rupees
2017	-	5,489,492
2018	2,857,704	2,864,376
2019	2,521,630	2,525,174
	5,379,334	10,879,042
Financial charges:		
Payable	(26,681)	(37,073)
Allocated to future periods	(297,641)	(865,285)
	5,055,012	9,976,684

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

	2017		2016	
	Minimum lease payments	**Present of minimum lease payments**	Minimum lease payments	Present of minimum lease payments
	--------------------------------Rupees--------------------------------			
Due within one year	2,857,704	2,728,554	5,489,492	5,272,766
Due after one year but not later than five years	2,521,630	2,326,458	5,389,550	4,703,918
	5,379,334	5,055,012	10,879,042	9,976,684

	Note	**2017 Rupees**	2016 Rupees
6. Trade and other payables			
Creditors		665,547,047	326,610,060
Accrued liabilities		66,936,879	114,237,111
Provident fund - related party		490,162	781,476
Unclaimed dividend		3,767,632	3,247,203
Security deposit		1,310,310	-
Workers' profit participation fund	6.1	-	8,569,883
Sales tax		-	3,893,090
Withholding taxes		9,076,183	1,820,127
Other		530,935	2,863,855
		747,659,148	462,022,805

	Note	2017 Rupees	2016 Rupees
6.1 Workers' profit participation fund			
Opening balance		8,569,883	5,543,715
Interest on funds utilised in the Company's business		351,802	407,197
		8,921,685	5,950,912
Paid to workers on behalf of the fund		(8,921,685)	(5,950,912)
		-	-
Allocation for the year		-	8,569,883
		-	8,569,883
7. Interest / mark up payable			
Interest / mark up on secured:			
Long term financing		-	4,485,677
Liabilities against assets subject to finance lease		26,681	37,073
Short term bank borrowings		29,340,517	21,604,260
		29,367,198	26,127,010
8. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finance I	8.2	114,000,000	114,000,000
Morabaha finance II		-	25,000,000
Term finance	8.3	113,863,336	193,573,671
Running finances	8.4	605,674,533	439,300,255
Cash finance	8.5	203,078,995	-
		1,036,616,864	771,873,926

8.1 The aggregate unavailed short term financing facilities available to the Company are Rs. 587.383 million (2016: 227.12 million).

8.2 It is subject to mark up at the rate of 3 months KIBOR plus 2.25% per annum (2016: 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 running finances (Refer Note 8.4). 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 8.3) and running finances (Refer Note 8.4) and personal guarantees of directors of the Company.

Effective mark up rate charged during the year ranges from 8.28% to 10.38% per annum (2016: 8.6% to 10.98% per annum).

8.3 It is subject to mark up at the rate of 1 month KIBOR plus 2% per annum (2016: 1 month KIBOR plus 2% per annum). It is secured against first joint pari passu charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Not 8.2) and running finances (Refer Note 8.4) and by personal guarantee of directors of the Company.

Effective mark up rate charged during the year ranges from 8.20% to 8.28% per annum (2016: 8% to 8.5% per annum).

8.4 These are subject to mark up at the rate of 3 months KIBOR plus 2.00% to 2.65% per annum (2016: 3 months KIBOR plus 2.00% to 2.65% 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 8.2) and short term term finance (Refer Note 8.3), first charge over fixed assets of the Company ranking pari passu with the charges created in respect of morabaha finance - I (Refer Note 8.2). These are further secured against ranking charge over fixed assets, token registered mortgage of Rs. 700,000/- and equitable mortgage of personal properties of directors and by personal guarantee of two directors of the Company.

Effective mark up rate charged during the year ranges from 8.04% to 8.77% per annum (2016: 8.35% to 10.25% per annum).

8.5 It is subject to mark up at the rate of 3 month KIBOR plus 2.00% per annum payable quarterly. It is secured against pledge of oil stocks and by personal guarantee of two directors of the company.

Effective mark up rate charged during the year ranges from 8.01% to 8.12%.

	2017 Rupees	2016 Rupees
9. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Bank guarantees issued in favour of Sui Northern Gas Pipelines Limited for supply of gas	188,169,000	188,020,000
Demand of Income tax for the tax years 2004 to 2006 (2016: 2004 to 2006) is not acknowledged in view of pending appeals.	1,313,929	1,313,929
Demand of gas Infrastructure development cess not acknowledged. The Company has challenged the levy from year 2011 to 2014 before the Honourable Lahore High Court Lahore claiming that the company be treated as part of the industrial sector, Therefore entitled to benefit of non-recovery granted to industrial sector. The matter is pending before the committee constituted by SNGPL.	137,952,501	137,952,501
Commitments		
Under letters of credit for stores and spares	3,549,514	18,786,565

	Note	2017 Rupees	2016 Rupees
10. Property, plant and equipment			
Operating assets	10.1	943,679,362	1,011,049,704
Capital work in progress	10.4	140,601,688	139,026,188
Non-operating land	10.5	513,424,713	507,324,713
		1,597,705,763	1,657,400,605

10.1 Operating assets

	Note	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	Vehicles	Sub total	Total
		Rupees												
At July 01, 2015														
Cost		58,240,700	223,546,285	1,835,145,556	167,713,974	4,297,647	9,729,737	6,641,770	14,885,397	34,185,320	2,354,386,386	6,579,310	6,579,310	2,360,965,696
Accumulated depreciation		-	(149,465,273)	(1,036,030,510)	(100,067,175)	(3,274,777)	(5,324,689)	(3,515,197)	(9,725,617)	(17,787,107)	(1,325,190,345)	(1,403,586)	(1,403,586)	(1,326,593,931)
Net book value		58,240,700	74,081,012	799,115,046	67,646,799	1,022,870	4,405,048	3,126,573	5,159,780	16,398,213	1,029,196,041	5,175,724	5,175,724	1,034,371,765
Year ended June 30, 2016														
Opening net book value		58,240,700	74,081,012	799,115,046	67,646,799	1,022,870	4,405,048	3,126,573	5,159,780	16,398,213	1,029,196,041	5,175,724	5,175,724	1,034,371,765
Additions		-	42,400,000	10,000,000	-	-	178,105	102,000	340,000	16,018,800	69,038,905	9,248,835	9,248,835	78,287,740
Disposals:														
Cost		-	-	-	-	-	-	-	-	(11,265,020)	(11,265,020)	-	-	(11,265,020)
Accumulated depreciation		-	-	-	-	-	-	-	-	5,626,310	5,626,310	-	-	5,626,310
		-	-	-	-	-	-	-	-	(5,638,710)	(5,638,710)	-	-	(5,638,710)
Depreciation charge		-	(9,881,434)	(70,240,823)	(6,764,680)	(102,287)	(447,645)	(315,207)	(535,145)	(5,816,447)	(94,103,668)	(1,867,423)	(1,867,423)	(95,971,091)
Closing net book value		58,240,700	106,599,578	738,874,223	60,882,119	920,583	4,135,508	2,913,366	4,964,635	20,961,856	998,492,568	12,557,136	12,557,136	1,011,049,704
At June 30, 2016														
Cost		58,240,700	265,946,285	1,845,145,556	167,713,974	4,297,647	9,907,842	6,743,770	15,225,397	38,939,100	2,412,160,271	15,828,145	15,828,145	2,427,988,416
Accumulated depreciation		-	(159,346,707)	(1,106,271,333)	(106,831,855)	(3,377,064)	(5,772,334)	(3,830,404)	(10,260,762)	(17,977,244)	(1,413,667,703)	(3,271,009)	(3,271,009)	(1,416,938,712)
Net book value		58,240,700	106,599,578	738,874,223	60,882,119	920,583	4,135,508	2,913,366	4,964,635	20,961,856	998,492,568	12,557,136	12,557,136	1,011,049,704
At July 01, 2016														
Cost		58,240,700	265,946,285	1,845,145,556	167,713,974	4,297,647	9,907,842	6,743,770	15,225,397	38,939,100	2,412,160,271	15,828,145	15,828,145	2,427,988,416
Accumulated depreciation		-	(159,346,707)	(1,106,271,333)	(106,831,855)	(3,377,064)	(5,772,334)	(3,830,404)	(10,260,762)	(17,977,244)	(1,413,667,703)	(3,271,009)	(3,271,009)	(1,416,938,712)
Net book value		58,240,700	106,599,578	738,874,223	60,882,119	920,583	4,135,508	2,913,366	4,964,635	20,961,856	998,492,568	12,557,136	12,557,136	1,011,049,704
Year ended June 30, 2017														
Opening net book value		58,240,700	106,599,578	738,874,223	60,882,119	920,583	4,135,508	2,913,366	4,964,635	20,961,856	998,492,568	12,557,136	12,557,136	1,011,049,704
Additions		-	-	-	-	-	341,999	58,900	35,500	3,079,821	3,516,220	-	-	3,516,220
Transferred to investment property	11.1													
Cost		-	(42,400,000)	-	-	-	-	-	-	-	(42,400,000)	-	-	(42,400,000)
Accumulated depreciation		-	9,161,050	-	-	-	-	-	-	-	9,161,050	-	-	9,161,050
		-	(33,238,950)	-	-	-	-	-	-	-	(33,238,950)	-	-	(33,238,950)
Disposals:														
Cost		(1,852,401)	-	-	-	-	-	-	-	-	(1,852,401)	-	-	(1,852,401)
Accumulated depreciation		-	-	-	-	-	-	-	-	-	-	-	-	-
		(1,852,401)	-	-	-	-	-	-	-	-	(1,852,401)	-	-	(1,852,401)
Depreciation charge		-	(9,761,608)	(11,857,521)	(6,088,212)	(92,058)	(425,799)	(292,319)	(497,647)	(4,268,620)	(33,283,784)	(2,511,427)	(2,511,427)	(35,795,211)
Closing net book value		56,388,299	63,599,020	727,016,702	54,793,907	828,525	4,051,708	2,679,947	4,502,488	19,773,057	933,633,653	10,045,709	10,045,709	943,679,362
At June 30, 2017														
Cost		56,388,299	223,546,285	1,845,145,556	167,713,974	4,297,647	10,249,841	6,802,670	15,260,897	42,018,921	2,371,424,090	15,828,145	15,828,145	2,387,252,235
Accumulated depreciation		-	(159,947,265)	(1,118,128,854)	(112,920,067)	(3,469,122)	(6,198,133)	(4,122,723)	(10,758,409)	(22,245,864)	(1,437,790,437)	(5,782,436)	(5,782,436)	(1,443,572,873)
Net book value		56,388,299	63,599,020	727,016,702	54,793,907	828,525	4,051,708	2,679,947	4,502,488	19,773,057	933,633,653	10,045,709	10,045,709	943,679,362
Annual rate of depreciation (%)		-	10	-	10	10	10	10	10	20	-	20	-	-

10.2 Depreciation for the year has been allocated as under:

	2017 Rupees	2016 Rupees
Cost of generation	27,799,399	86,989,224
Operating expenses	7,995,812	8,981,867
	35,795,211	95,971,091

10.3 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Operating assets					
Freehold Land	1,852,401	-	1,852,401	4,200,000	Khalid Mehmood Chak# 61 R.B, Badianwala, Tehsil, Jaranwala, Faisalabad.
2017	**1,852,401**	**-**	**1,852,401**	**4,200,000**	
2016	11,265,020	5,626,310	5,638,710	6,385,000	

10.4 Capital work in progress

	Freehold land	Civil work	Total
	---Rupees---		
Balance as at July 1, 2015	51,167,500	86,012,648	137,180,148
Capital expenditure incurred during the year	-	1,846,040	1,846,040
Balance as at June 30, 2016	51,167,500	87,858,688	139,026,188
Capital expenditure incurred during the year	-	1,575,500	1,575,500
Balance as at June 30, 2017	51,167,500	89,434,188	140,601,688

	Note	**2017 Rupees**	2016 Rupees
10.5 Non-operating land			
Cost of land	10.5.2	471,537,059	558,283,151
Land Purchased		7,974,000	-
		479,511,059	558,283,151
Disposed off during the year		-	(86,746,092)
		479,511,059	471,537,059
Advances for purchase of land		33,913,654	35,787,654
		513,424,713	507,324,713

10.5.1 The land is held for future expansion.

10.5.2 This includes land worth Rs. 250.1 million (2016: Rs. 250.1 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 pending.

	Note	**2017 Rupees**	2016 Rupees
11. Investment property			
Cost		42,400,000	-
Accumulated depreciation		(10,059,400)	-
Net book value		32,340,600	-
11.1 Reconciliation of written down value for the year			
Opening net book value as at July 01,2016		-	-
Transferred from			
Operating assets	10.1	33,238,950	-
Depreciation charge		(898,350)	-
Closing net book value as at June 30,		32,340,600	-
Annual rate of depreciation (%)		10	

11.2 The fair value of investment property is approximately Rs. 133.338 million as at June 30,2017.

	2017 Rupees	2016 Rupees
13. Investment in subsidiary		
Sitara International (Private) Limited 4,999,500 (2016: 4,999,500) ordinary shares of Rs. 10/- each fully paid in cash. Ownership interest 99.99% (2016: 99.99%)	49,995,000	49,995,000

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.

	2017 Rupees	2016 Rupees
13. Long term deposits		
Security deposits	511,200	511,200
Lease deposit	835,950	1,450,000
Less: Current portion	-	(614,050)
	835,950	835,950
	1,347,150	1,347,150
14. Stores, spares and loose tools		
Stores	16,285,290	16,435,343
Spares	275,973,672	257,237,998
Loose tools	1,768,699	1,923,685
	294,027,661	275,597,026
Less: Provision for slow moving and obsolete items	(16,111,815)	(22,764,594)
	277,915,846	252,832,432

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

	2017 Rupees	2016 Rupees
15. Stock of oil and lubricants		
Furnace oil	255,620,753	46,698,429
Diesel oil	2,848,470	2,569,478
Lube oil	4,774,472	5,718,418
Wastes	57,981	59,204
	263,301,676	55,045,529

15.1 Stock in trade amounting to Rs.254.167 million was pledged as security with the bank.

	2017 Rupees	2016 Rupees
16. Trade debts		
Unsecured		
Considered good		
Related parties		
Sitara Chemtek (Private) Limited	489,723	1,047,427
Sitara Fabrics Limited	77,692,632	43,948,523
	78,182,355	44,995,950
Others	671,448,046	817,434,431
	749,630,401	862,430,381

	Note	2017 Rupees	2016 Rupees
17. Loans and advances			
Considered good			
Loans to staff		3,510,323	1,512,709
Loan to subsidiary	17.1	567,844,750	218,409,250
Advances			
Suppliers		14,095,708	15,787,449
Income tax		4,483,110	5,534,617
For purchases / expenses		1,978,975	5,062,266
Letters of credit fee and expenses		44,633	133,018
		591,957,499	246,439,309

17.1 It is unsecured and interest free.

	Note	2017 Rupees	2016 Rupees
18. Deposits and prepayments			
Deposits			
Security deposit		150,000	150,000
Current portion of long term deposits		-	614,050
Guarantee margin		31,375,800	31,375,800
		31,525,800	32,139,850
Prepayments		2,147,972	3,998,464
		33,673,772	36,138,314
19. Other receivables	19.1	41,679,060	39,679,060

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

	2017 Rupees	2016 Rupees
20. Tax refunds due from government		
Sales tax	26,346,512	-
Income tax	45,234,740	39,700,123
	71,581,252	39,700,123
21. Cash and bank balances		
Cash in hand	4,873,570	2,240,937
Cash at banks		
In current accounts	57,606,983	316,407,183
	62,480,553	318,648,120

	Note	**2017 Rupees**	2016 Rupees
22. Sales - net			
Electricity		2,422,202,296	3,594,508,039
Steam		36,136,353	43,359,908
		2,458,338,649	3,637,867,947
Less: Sales tax		330,876,025	539,406,350
		2,127,462,624	3,098,461,597
Less: Electricity duty		11,000,796	24,195,814
		2,116,461,828	3,074,265,783
23. Cost of generation			
Cost of gas, oil and lubricants	23.1	1,782,742,464	2,357,361,754
Salaries, wages and benefits		72,499,616	74,613,036
Staff retirement benefits		1,884,756	1,895,743
Stores, spares and loose tools		69,354,562	153,151,419
Travelling and conveyance		6,480,435	6,444,409
Vehicles running and maintenance		2,866,294	2,871,605
Insurance		6,274,472	5,589,461
Repairs and maintenance		10,954,301	11,800,285
Entertainment		3,366,408	3,075,962
Depreciation	10.2	27,799,399	86,989,224
Other		1,901,327	1,775,072
		1,986,124,034	2,705,567,970
23.1 Cost of gas, oil and lubricants			
Gas		497,642,896	730,573,121
Oil and lubricants		1,285,099,568	1,626,788,633
		1,782,742,464	2,357,361,754
24. Other income			
Income from assets other than financial assets:			
Sale of scrap and waste		2,523,038	2,474,569
Rental Income		1,519,200	-
Gain on disposal of			
Operating assets		2,347,599	746,290
Non-operating land		-	12,653,908
Balances written back		5,544,289	-
		11,934,126	15,874,767

	Note	2017 Rupees	2016 Rupees
25. Operating expenses			
Director's remuneration		25,950,000	19,996,000
Salaries and benefits		38,109,379	36,467,635
Staff retirement benefits		1,123,622	1,094,401
Postage and telephone		2,071,589	2,061,807
Vehicles running and maintenance		5,338,485	4,561,070
Travelling and conveyance		6,637,759	5,985,118
Printing and stationery		1,874,761	2,416,090
Entertainment		4,767,099	4,196,335
Legal and professional		9,547,571	4,798,000
Fee, subscription and periodicals		5,627,311	3,057,834
Rent, rates and taxes		209,292	199,605
Advertisement		376,421	710,825
Insurance		1,788,339	1,830,890
Auditors' remuneration	25.1	1,264,000	1,264,000
Repairs and maintenance		2,215,251	2,006,851
Donations		78,100	153,000
Depreciation on property, plant and equipment	10.2	7,995,812	8,981,867
Depreciation on investment property	11.1	898,350	-
Utilities		3,824,401	3,433,359
Other		2,587,578	2,862,157
		122,285,120	106,076,844
25.1 Auditors' remuneration			
Audit fee		1,000,000	1,000,000
Sundry services		264,000	264,000
		1,264,000	1,264,000
26. Other operating expenses			
Workers' profit participation fund	6.1	-	8,569,883
27. Finance cost			
Interest / mark-up on :			
Long term financing		-	18,535,550
Liabilities against assets subject to finance lease		571,921	530,773
Short term bank borrowings		111,219,621	85,083,166
Workers' profit participation fund		351,802	407,197
Bank charges and commission		4,404,704	2,948,592
		116,548,048	107,505,278

	Note	2017 Rupees	2016 Rupees

28. Provision for taxation

	Note	2017	2016
Current			
For the year	28.1	-	-
For prior years'		-	-
		-	-

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. Moreover the Company has incurred loss during the year.

28. Earnings per share - Basic and diluted

	2017	2016
(Loss) / Profit for the year (Rupees)	(96,561,248)	162,420,575
Weighted average number of ordinary shares	19,092,000	19,092,000
(Loss) / Earnings per share - Basic and diluted (Rupees)	(5.06)	8.51

29.1 There is no dilutive effect on the basic (loss) / earnings per share of the Company.

30. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2017			2016		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
	Rupees					
Remuneration	13,254,545	6,381,818	18,036,228	10,530,000	5,054,400	15,463,701
Medical allowance	1,325,455	638,182	1,803,623	1,170,000	561,600	1,546,370
Perquisites	2,900,000	1,450,000	263,090	1,950,000	730,000	360,065
Contribution to provident fund	-	-	783,432	-	-	704,112
	17,480,000	8,470,000	20,886,373	13,650,000	6,346,000	18,074,248
Number of persons	1	1	12	1	1	10

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. 2,699,696/- (2016: Rs. 2,424,108/-). 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	2017 Rupees	2016 Rupees
Subsidiary	Loan given	349,435,500	134,101,250
Associated undertakings	Sales	144,414,192	110,216,014
Provident fund	Contribution for the year	3,008,378	2,990,144

32. PLANT CAPACITY AND ACTUAL PRODUCTION

	2017	2016
Number of generators installed	25	25
Number of generators worked	20	23
Installed energy generation capacity (Mega watt hours)	769,303	769,303
Actual energy generation (Mega watt hours)	197,842	315,632
Actual average load (Mega watt)	22.58	36.03

Reasons for low generation:

- Installed generators include two standby generators and closure of three generators due to major overhauling.
- Adjustment in planned optimum capacity utilisation level.
- Extra capacity for future growth.

33. DISCLOSURE WITH REGARDS TO PROVIDENT FUND

		2017	2016
Size of the fund	(Rupees)	34,767,327	33,583,436
Cost of investments made	(Rupees)	15,120,000	15,120,000
Percentage of investments made	(% age)	43.49%	45.02%
Fair value of investments	(Rupees)	33,521,395	29,572,743

33.1 The figures for 2017 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.

	2017	2016

34. NUMBER OF EMPLOYEES

	2017	2016
Total number of employees as at June 30,	284	286
Average number of employees during the year	299	273

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.

35.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2017 Rupees	2016 Rupees
Financial assets at amortised cost:		
Deposits	32,361,750	32,975,800
Investment in subsidiary	49,995,000	49,995,000
Trade debts	749,630,401	862,430,381
Loans and advances	571,355,073	219,921,959
Other receivables	41,679,060	39,679,060
Cash and bank balances	62,480,553	318,648,120
	1,507,501,837	1,523,650,320
Financial liabilities at amortised cost:		
Long term financing	-	200,000,000
Liabilities against assets subject to finance lease	5,055,012	9,976,684
Trade and other payables	738,092,803	446,958,229
Interest / markup payable	29,367,198	26,127,010
Short term bank borrowings	1,036,616,864	771,873,926
	1,809,131,877	1,454,935,849

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 M/S Sitara Chemical Industries Limited and M/S Sitara Spinning Mills Limited. The trade debts receivable from these customers constitute 52% (2016: 63%) of total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2017 Rupees	2016 Rupees
Deposits	32,361,750	32,975,800
Trade debts	749,630,401	862,430,381
Other receivables	41,679,060	39,679,060
Bank balances	57,606,983	316,407,183
	881,278,194	1,251,492,424

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

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

The Company's most significant customers are M/S Sitara Chemical Industries Limited and M/S Sitara Spinning Mills Limited. The break-up of amount due from customers is as follows:

	2017 Rupees	2016 Rupees
Sitara Chemical Industries Limited	341,191,946	262,989,540
Sitara Spinning Mills Limited	52,013,210	279,105,983
Other industrial users	356,425,245	320,334,858
	749,630,401	862,430,381

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

Not past due		
Related parties	78,182,355	44,995,950
Others	457,564,021	688,543,585
	535,746,376	733,539,535
Past due		
Others	213,884,025	128,890,846
	749,630,401	862,430,381

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.

35.2.2 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, 2017 and 2016:

	2017				
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**Two to five years**
	--------------------------Rupees in thousand----------------------------				
Financial liabilities:					
Liabilities against assets subject to finance lease	5,055	5,379	1,429	1,429	2,522
Trade and other payables	738,093	738,093	738,093	-	-
Short term bank borrowings	1,036,617	1,147,367	185,182	962,185	-
	1,779,765	1,890,839	924,704	963,614	2,522

	2016				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	--------------------------Rupees in thousand----------------------------				
Financial liabilities:					
Long term financing	200,000	218,047	13,362	204,685	-
Liabilities against assets subject to finance lease	9,977	10,835	2,505	2,940	5,390
Trade and other payables	446,958	446,958	446,958	-	-
Short term bank borrowings	771,874	848,735	189,352	659,383	-
	1,428,809	1,524,575	652,177	867,008	5,390

The contractual cash flows relating to mark up on 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. 883.692 million (2016: 1,220.778 million) and unavailed short term borrowing facilities of Rs. 587.383 million (2016: Rs. 227.12 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 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, loss for the year and equity would have been lower / higher by Rs.10.16 million (2016: Rs. 9.51 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 in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('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	**2017 Rupees**	2016 Rupees
Total Debt	4, 5 & 8	1,041,671,876	981,850,610
Less: Cash and cash equivalents	21	62,480,553	318,648,120
Net Debt		979,191,323	663,202,490
Total equity		1,954,910,350	2,089,655,598
Total capital		2,934,101,673	2,752,858,088
Gearing ratio		33.37%	24.09%

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 27, 2017.

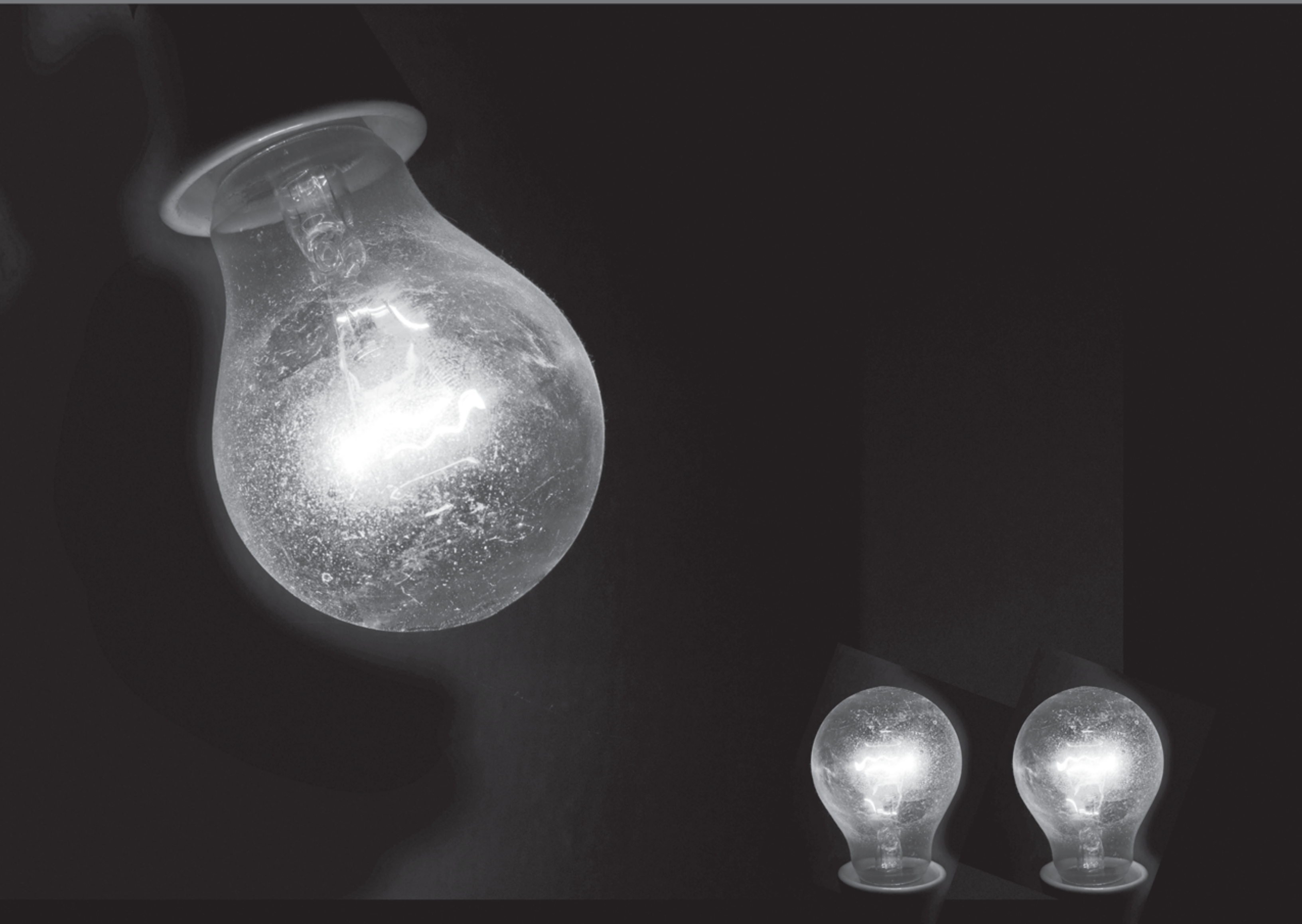
37. GENERAL

37.1 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 Statement of the Sitara Energy Limited (the parent) and Sitara International (Pvt.) Limited (the Subsidiary) for the year ended June 30, 2017.

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

The consolidated financials are as follows:

	30.06.2017	30.06.2016
	Rupees in thousands	
Sales - net	2,116,462	3,092,626
Gross Profit	130,338	369,557
(Loss) / Profit before taxation	(96,465)	161,212
(Loss) / Profit after taxation	(96,465)	161,212
(Loss) / Earning per share	(5.05)	8.44

by order of the Board

September 27, 2017
Faisalabad

JAVED IQBAL
Chief Executive Officer

ڈائریکٹرز رپورٹ مجموعی مالیاتی گوشوارے

بورڈ آف ڈائریکٹرز ستارہ انرجی لمیٹڈ (پیرنٹ) اور ستارہ انٹرنیشنل لمیٹڈ (سبسڈیری) ختم ہونے والے مالی سال 30 جون 2017 کے مالیاتی گوشوارے پیش کرتے ہوئے انتہائی مسرت محسوس کرتا ہے آپ کی کمپنی سبسڈیری کمپنی کے 99% شیئرز کی ملکیت رکھتی ہے جو کہ ٹیکسائل کے سامان/مشینری اور رئیل اسٹیٹ کے کاروبار سے منسلک ہے۔

مالیاتی گوشواروں برائے مالی سال 30 جون 2017ء اور 30 جون 2016ء کی تفصیلات درج ذیل ہیں۔

تفصیل	30 جون 2017ء	30 جون 2016ء
	پاکستانی روپے ہزاروں میں	
فروخت ۔ نٹ	2,116,462	3,092,626
مجموعی منافع	130,338	369,557
ٹیکسیشن سے قبل (نقصان) / منافع	(96,465)	161,212
سال کا (نقصان) / منافع	(96,465)	161,212
فی شیئر (نقصان) / آمدنی Parent میں قابل وصف حصہ (روپے)	(5.05)	8.44

بحکم بورڈ

جاوید اقبال

چیف ایگزیکٹو آفیسر

27 ستمبر، 2017ء

فیصل آباد

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, 2017 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, 2017 and the results of their operations, their comprehensive loss, cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

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

Dated: September 27, 2017
Place: Faisalabad

Consolidated Balance Sheet as at June 30, 2017

	Note	**2017 Rupees**	2016 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
Revenue reserves			
General reserve		970,000,000	920,000,000
Unappropriated profit		647,556,463	832,205,208
		1,951,666,463	2,086,315,208
Non-controlling interest		7,291	7,281
		1,951,673,754	2,086,322,489
NON-CURRENT LIABILITIES			
Long term financing	5	-	-
Liabilities against assets			
subject to finance lease	6	2,460,256	5,672,545
		2,460,256	5,672,545
CURRENT LIABILITIES			
Trade and other payables	7	748,915,048	463,119,706
Interest / mark up payable	8	29,367,198	26,127,010
Short term bank borrowings	9	1,036,616,864	771,873,926
Current portion of:			
Long term financing	5	-	200,000,000
Liabilities against assets			
subject to finance lease	6	2,594,756	4,304,139
Provision for taxation			
- income tax		-	-
		1,817,493,866	1,465,424,781
CONTINGENCIES AND COMMITMENTS	10	-	-
		3,771,627,876	3,557,419,815

	Note	**2017 Rupees**	2016 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,594,185,986	1,653,884,220
Investment Property	12	32,340,600	-
Long term deposits	13	1,347,150	1,347,150
		1,627,873,736	1,655,231,370
CURRENT ASSETS			
Stores, spares and loose tools	14	277,915,846	252,832,432
Stocks	15	663,278,236	110,925,539
Investment property	16	63,403,000	63,403,000
Trade debts	17	749,630,401	862,430,381
Loans and advances	18	173,712,749	148,219,568
Deposits and prepayments	19	33,673,772	36,138,314
Other receivables	20	43,179,060	39,679,060
Tax refunds due from			
Government	21	72,633,136	40,462,499
Cash and bank balances	22	66,327,940	348,097,652
		2,143,754,140	1,902,188,445
		3,771,627,876	3,557,419,815

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, 2017

	Note	**2017 Rupees**	2016 Rupees
Sales - net	23	2,116,461,828	3,092,625,783
Cost of generation and sales	24	1,986,124,034	2,723,068,314
Gross profit		130,337,794	369,557,469
Other income	25	13,434,126	15,874,767
		143,771,920	385,432,236
Operating expenses	26	123,688,443	108,141,299
Other operating expenses	27	-	8,569,883
Finance cost	28	116,548,212	107,509,046
		240,236,655	224,220,228
(Loss) / Profit for the year before taxation		(96,464,735)	161,212,008
Provision for taxation	29	-	-
(Loss) / Profit for the year		(96,464,735)	161,212,008
Attributable to:			
Shareholders of the Parent		(96,464,745)	161,212,129
Non-controlling interest		10	(121)
		(96,464,735)	161,212,008
(Loss) / Earnings per share - Basic and diluted			
Attributable to the shareholders of the Parent	30	(5.05)	8.44

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, 2017

	2017 Rupees	2016 Rupees
(Loss) / Profit for the year	(96,464,735)	161,212,008
Other comprehensive income for the year	-	-
Total comprehensive (Loss) / income for the year	(96,464,735)	161,212,008
Attributable to:		
Shareholders of the Parent	(96,464,745)	161,212,129
Non-controlling interest	10	(121)
	(96,464,735)	161,212,008

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, 2017

		2017 Rupees	2016 Rupees
(a)	**CASH FLOWS FROM OPERATING ACTIVITIES**		
	(Loss) / Profit for the year before taxation	(96,464,735)	161,212,008
	Adjustments for:		
	Depreciation of property, plant and equipment	35,798,603	95,974,860
	Depreciation of investment property	898,350	-
	Provision for staff retirement benefits	3,008,378	2,990,144
	Gain on disposal of:		
	Operating assets	(2,347,599)	(746,290)
	Non-operating land	-	(12,653,908)
	Balances written back	(5,544,289)	-
	Finance cost	116,548,212	107,509,046
	Operating cash flows before working capital changes	51,896,920	354,285,860
	Changes in working capital		
	Decrease / (Increase) in current assets		
	Stores, spares and loose tools	(25,083,414)	33,792,153
	Stocks	(552,352,697)	(7,673,078)
	Trade debts	112,799,980	(2,523,325)
	Loans and advances	(26,834,197)	(107,447,335)
	Deposits and prepayments	2,464,542	(25,499,729)
	Other receivables	(3,500,000)	51,300,000
	Tax refunds due from government - sales tax	(26,346,512)	-
	Increase in current liabilities		
	Trade and other payables	291,110,517	60,818,663
		(227,741,781)	2,767,349
	Cash (used in) / generated from operating activities	(175,844,861)	357,053,209
	Income tax paid	(4,483,110)	(5,824,126)
	Staff retirement benefits paid	(3,299,692)	(2,710,958)
	Finance cost paid	(113,308,024)	(110,299,578)
	Net cash (used in) / generated from operating activities	(296,935,687)	238,218,547

Consolidated Cash Flow Statement for the Year Ended June 30, 2017

	2017 Rupees	2016 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(11,191,720)	(53,104,530)
Proceeds from disposal of :		
Operating assets	4,200,000	6,385,000
Non operating land	-	78,610,000
Increase in long term deposits	-	(221,900)
Net cash (used in) / generated from investing activities	(6,991,720)	31,668,570
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of :		
Long term financing	(200,000,000)	-
Liabilities against assets subject to finance lease	(4,921,672)	(2,758,954)
Increase in short term bank borrowings - net	264,742,938	60,247,152
Dividend paid	(37,663,571)	(23,617,671)
Net cash generated from financing activities	22,157,695	33,870,527
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(281,769,712)	303,757,644
Cash and cash equivalents at the beginning of the year	348,097,652	44,340,008
Cash and cash equivalents at the end of the year	66,327,940	348,097,652

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, 2017

	Capital and reserves						Non-Controlling Interest
	Issued, subscribed and paid up capital	Capital Reserve	Revenue Reserves			Total	
		Share Premium	General Reserve	Unapropriated profit	Sub total		
	Rupees						
Balance as at July 01, 2015	190,920,000	143,190,000	920,000,000	694,858,079	1,614,858,079	1,948,968,079	7,402
Transaction with owners							
Final dividend for the year ended June 30, 2015: Rs. 1.25/- per share	-	-	-	(23,865,000)	(23,865,000)	(23,865,000)	-
Total comprehensive income for the year							
Profit / (loss) for the year	-	-	-	161,212,129	161,212,129	161,212,129	(121)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	161,212,129	161,212,129	161,212,129	(121)
Balance as at June 30, 2016	190,920,000	143,190,000	920,000,000	832,205,208	1,752,205,208	2,086,315,208	7,281
Transaction with owners							
Final dividend for the year ended June 30, 2016: Rs. 2/- per share	-	-	-	(38,184,000)	(38,184,000)	(38,184,000)	-
Transferred to general reserve	-	-	50,000,000	(50,000,000)	-	-	-
Total comprehensive (loss) for the year							
(Loss) / profit for the year	-	-	-	(96,464,745)	(96,464,745)	(96,464,745)	10
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	(96,464,745)	(96,464,745)	(96,464,745)	10
Balance as at June 30, 2017	190,920,000	143,190,000	970,000,000	647,556,463	1,617,556,463	1,951,666,463	7,291

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, 2017

1. GROUP STATUS AND ACTIVITIES

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

1.2 The Parent is incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange Limited. 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.

1.3 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 interest 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, 2016 and therefore, have been applied in preparing these financial statements.

- **Amendments to IAS 1 Disclosure Initiative**

  These amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

  These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The application of standard has no significant impact 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 application of standard has no significant impact on the Group's financial statements.

- **Equity Method in Separate Financial Statements – Amendments to IAS 27**

  These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The application of standard has no significant impact on the Group's financial statements.

- **Annual improvements 2014**

  These set of amendments impacts 3 standards:

  IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.

  IAS 19, 'Employee benefits' regarding discount rates.

  IAS 34, 'Interim financial reporting' regarding disclosure of information.

  The group has applied the amendments to IFRS's included in the annual improvements 2014 cycle in the current year.

  The application of amendments has no significant impact on the disclosures or amounts recognized in the Group's financial statements.

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

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Group beginning on or after July 01, 2016 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):**

  IFRS 9 contains accounting requirements for financial instruments in the areas of classification and measurement, impairments, hedge accounting, de-recognition:

  All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at Fair Value Through Other Comprehensive Income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

  With regard to the measurement of financial liabilities designated as at fair value through profit or loss, standard requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

  In relation to the impairment of financial assets, standard requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39.

  The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The standard is effective for accounting period beginning on or after January 01, 2018. The management of the Group is reviewing the changes to evaluate the impact of application of standard on the 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 recognized, 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, 2018. The Management is in the process of evaluating the impact of application of the standard on the Group's financial statements.

IFRS 16 Leases

Replaces the current IAS – 17 and requires lessees to recognize a lease liability reflecting future lease payments for virtually all lease contracts.

The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of standard is not expected to have any material impact on the Group's financial statements.

IAS 12 Income taxes

The amendments to IAS 12 address the issue of recognition of deferred tax assets for unrealized losses and clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendments are effective for accounting period beginning on or after January 01, 2017. The application of standard is not expected to have any material impact on the Group's financial statements.

IAS 7 Statement of cash flows

The amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities

The amendment is effective for accounting period beginning on or after January 01, 2017. The application of amendments is not expected to have any material impact on the Group's financial statements.

IFRIC 22 Foreign currency transactions and advance consideration:

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Group is yet to assess the full impact of the IFRIC.

This IFRIC is effective for accounting period beginning on or after January 01, 2018. The application of IFRIC is not expected to have any material impact on the Group's financial statements.

Amendments to IAS 40 Investment Property:

These amendments clarify the requirements relating to transfers of property to, or from, investment property. The amendments are effective for accounting period beginning on or after January 01, 2018. The application of amendments is not expected to have any material impact on the Group's financial statements.

- **Annual improvements 2014-2016**

Annual Improvements to IFRSs through 2014-2016 cycle have been issued by IASB on December 08, 2016, amending the following standards;

IFRS 12: Disclosure of Interests in Other Entities

IAS 28: Investments in Associates and Joint Ventures.

The amendments are effective for accounting periods beginning on or after January 01, 2017 and January 01, 2019. The application of amendments is not expected to have any material impact on the Group's financial statements.

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

There are 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.

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.

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 3.12). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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.

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 which is property held to earn rentals and / or for capital appreciation, is valued using the cost method i.e. at cost less any accumulated depreciation and impairment in value, if any.

Depreciation on building is charged to income on reducing balance method at the rate of 10% per annum. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged for the month in which the property is disposed off.

Gains or losses on disposal of investment property, if any, are included in current income.

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, 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.

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 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.

3.18 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.

3.19 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.

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

2016	2017		2017	2016
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 (2016: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

	2017 Rupees	2016 Rupees
5. Long term financing		
Secured		
From banking company		
Under mark up arrangement		
Term finance	-	200,000,000
Less: Current portion	-	200,000,000
	-	-

5.1 It was subject to mark up at the rate of 3 months KIBOR plus 2.65% per annum.

	2017 Rupees	2016 Rupees
6. Liabilities against assets subject to finance lease		
Opening balance	9,976,684	4,376,138
Obtained during the year	-	8,359,500
	9,976,684	12,735,638
Paid / adjusted during the year	(4,921,672)	(2,758,954)
	5,055,012	9,976,684
Less: Current portion	2,594,756	4,304,139
	2,460,256	5,672,545

6.1 These represents vehicles acquired under lease agreements. The purchase option is available to the company on payment of last installment and surrender of deposit at the end of lease period.

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 8.62% to 8.64% (2016: 8.67% to 12.68%) per annum being the interest rates implicit in leases.

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

Year ending June 30,	**2017 Rupees**	2016 Rupees
2017	-	5,489,492
2018	2,857,704	2,864,376
2019	2,521,630	2,525,174
	5,379,334	10,879,042
Financial charges:		
Payable	(26,681)	(37,073)
Allocated to future periods	(297,641)	(865,285)
	5,055,012	9,976,684

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

	2017		2016	
	Minimum lease payments	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
	----------Rupees----------			
Due within one year	2,857,704	2,728,554	5,489,492	5,272,766
Due after one year but not later than five years	2,521,630	2,326,458	5,389,550	4,703,918
	5,379,334	5,055,012	10,879,042	9,976,684

	Note	**2017 Rupees**	2016 Rupees
7. Trade and other payables			
Creditors		666,225,047	327,183,060
Accrued liabilities		67,514,779	114,761,011
Provident fund - related party		490,162	781,476
Unclaimed dividend		3,767,632	3,247,203
Security deposit		1,310,310	-
Workers' profit participation fund	7.1	-	8,569,883
Sales tax		-	3,893,090
Withholding taxes		9,076,183	1,820,127
Other		530,935	2,863,856
		748,915,048	463,119,706

	Note	2017 Rupees	2016 Rupees
7.1 Workers' profit participation fund			
Opening balance		8,569,883	5,543,715
Interest on funds utilised in the Group's business		351,802	407,197
		8,921,685	5,950,912
Paid to workers on behalf of the fund		(8,921,685)	(5,950,912)
		-	-
Allocation for the year		-	8,569,883
		-	8,569,883

8. Interest / mark up payable

	Note	2017 Rupees	2016 Rupees
Interest / mark up on secured:			
Long term financing		-	4,485,677
Liabilities against assets subject to finance lease		26,681	37,073
Short term bank borrowings		29,340,517	21,604,260
		29,367,198	26,127,010

9. Short term bank borrowings

	Note	2017 Rupees	2016 Rupees
Secured - under mark up arrangements			
Morabaha finance I	9.2	114,000,000	114,000,000
Morabaha finance II		-	25,000,000
Term finance	9.3	113,863,336	193,573,671
Running finances	9.4	605,674,533	439,300,255
Cash Finance	9.5	203,078,995	-
		1,036,616,864	771,873,926

9.1 The aggregate unavailed short term financing facilities available to the Parent are Rs. 587.383 million (2016: Rs. 227.12 million).

9.2 It is subject to mark up at the rate of 3 months KIBOR plus 2.25% per annum (2016: 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 running finances (Refer Note 9.4). 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 9.3) and running finances (Refer Note 9.4) and personal guarantees of directors of the Parent.

Effective mark up rate charged during the year ranges from 8.28% to 10.38% per annum (2016: 8.6% to 10.98% per annum).

9.3 It is subject to mark up at the rate of 1 month KIBOR plus 2% per annum (2016: 1 month KIBOR plus 2% per annum). It is secured against first joint pari passu 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 running finances (Refer Note 9.4) and by personal guarantee of directors of the Company.

Effective mark up rate charged during the year ranges from 8.20% to 8.28% per annum (2016: 8% to 8.5% per annum).

9.4 These are subject to mark up at the rate of 3 months KIBOR plus 2.00% to 2.65% per annum (2016: 3 months KIBOR plus 2.00% to 2.65% 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 9.3), 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). These are further secured against ranking charge over fixed assets, token registered mortgage of Rs. 700,000/- and equitable mortgage of personal properties of directors and by personal guarantee of two directors of the Company.

Effective mark up rate charged during the year ranges from 8.04% to 8.77% per annum (2016: 8.35% to 10.25% per annum).

9.5 It is subject to mark up at the rate of 3 month KIBOR plus 2.00% per annum payable quarterly. It is secured against pledge of oil stocks and by personal guarantee of two directors of the Parent

Effective mark up rate charged during the year ranges from 8.01% to 8.12%.

	2017 Rupees	2016 Rupees
10. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Bank guarantees issued in favour of Sui Northern Gas Pipelines Limited for supply of gas	188,169,000	188,020,000
Demand of Income tax for the tax years 2004 to 2006 (2016: 2004 to 2006) is not acknowledged in view of pending appeals.	1,313,929	1,313,929
Demand of gas Infrastructure development cess not acknowledged. The Company has challenged the levy from year 2011 to 2014 before the Honourable Lahore High Court Lahore claiming that the company be treated as part of the industrial sector, Therefore entitled to benefit of non-recovery granted to industrial sector. The matter is pending before the committee constituted by SNGPL.	137,952,501	137,952,501
Commitments		
Under letters of credit for stores and spares	3,549,514	18,786,565
Under agreement for purchase of land	7,209,375	93,490,625

	Note	2017 Rupees	2016 Rupees
11. Property, plant and equipment			
Operating assets	11.1	943,709,898	1,011,083,632
Capital work in progress	11.4	140,601,688	139,026,188
Non-operating land	11.5	509,874,400	503,774,400
		1,594,185,986	1,653,884,220

11.1 Operating assets

	Note	Company owned											Assets subject to finance lease		
		Freehold land	Building on feehold land	Plant and machinery	Electric Installations	Factory equipment	Electric Appliances	Furniture and fixtures	Office equipment	Arms and ammunitions	Vehicles	Sub total	Vehicles	Sub total	Total
		Rupees													
At July 01, 2015															
Cost		58,240,700	223,546,285	1,835,145,556	167,713,974	4,297,647	9,729,737	6,641,770	14,965,825	29,625	34,185,320	2,354,496,439	6,579,310	6,579,310	2,361,075,749
Accumulated depreciation		-	(149,465,273)	(1,036,030,510)	(100,067,175)	(3,274,777)	(5,324,689)	(3,515,197)	(9,779,441)	(18,532)	(17,787,107)	(1,325,262,701)	(1,403,586)	(1,403,586)	(1,326,666,287)
Net book value		58,240,700	74,081,012	799,115,046	67,646,799	1,022,870	4,405,048	3,126,573	5,186,384	11,093	16,398,213	1,029,233,738	5,175,724	5,175,724	1,034,409,462
Year ended June 30, 2016															
Opening net book value		58,240,700	74,081,012	799,115,046	67,646,799	1,022,870	4,405,048	3,126,573	5,186,384	11,093	16,398,213	1,029,233,738	5,175,724	5,175,724	1,034,409,462
Additions		-	42,400,000	10,000,000	-	-	178,105	102,000	340,000	-	16,018,800	69,038,905	9,248,835	9,248,835	78,287,740
Disposals:															
Cost		-	-	-	-	-	-	-	-	-	(11,265,020)	(11,265,020)	-	-	(11,265,020)
Accumulated depreciation		-	-	-	-	-	-	-	-	-	5,626,310	5,626,310	-	-	5,626,310
		-	-	-	-	-	-	-	-	-	(5,638,710)	(5,638,710)	-	-	(5,638,710)
Depreciation charge		-	(9,881,434)	(70,240,823)	(6,764,680)	(102,287)	(447,645)	(315,207)	(537,805)	(1,109)	(5,816,447)	(94,107,437)	(1,867,423)	(1,867,423)	(95,974,860)
Closing net book value		58,240,700	106,599,578	738,874,223	60,882,119	920,583	4,135,508	2,913,366	4,988,579	9,984	20,961,856	998,526,496	12,557,136	12,557,136	1,011,083,632
At June 30, 2016															
Cost		58,240,700	265,946,285	1,845,145,556	167,713,974	4,297,647	9,907,842	6,743,770	15,305,825	29,625	38,939,100	2,412,270,324	15,828,145	15,828,145	2,428,098,469
Accumulated depreciation		-	(159,346,707)	(1,106,271,333)	(106,831,855)	(3,377,064)	(5,772,334)	(3,830,404)	(10,317,246)	(19,641)	(17,977,244)	(1,413,743,828)	(3,271,009)	(3,271,009)	(1,417,014,837)
Net book value		58,240,700	106,599,578	738,874,223	60,882,119	920,583	4,135,508	2,913,366	4,988,579	9,984	20,961,856	998,526,496	12,557,136	12,557,136	1,011,083,632
At July 01, 2016															
Cost		58,240,700	265,946,285	1,845,145,556	167,713,974	4,297,647	9,907,842	6,743,770	15,305,825	29,625	38,939,100	2,412,270,324	15,828,145	15,828,145	2,428,098,469
Accumulated depreciation		-	(159,346,707)	(1,106,271,333)	(106,831,855)	(3,377,064)	(5,772,334)	(3,830,404)	(10,317,246)	(19,641)	(17,977,244)	(1,413,743,828)	(3,271,009)	(3,271,009)	(1,417,014,837)
Net book value		58,240,700	106,599,578	738,874,223	60,882,119	920,583	4,135,508	2,913,366	4,988,579	9,984	20,961,856	998,526,496	12,557,136	12,557,136	1,011,083,632
Year ended June 30, 2017															
Opening net book value		58,240,700	106,599,578	738,874,223	60,882,119	920,583	4,135,508	2,913,366	4,988,579	9,984	20,961,856	998,526,496	12,557,136	12,557,136	1,011,083,632
Additions		-	-	-	-	-	341,999	58,900	35,500	-	3,079,821	3,516,220	-	-	3,516,220
Transferred to investment property	12.1														
Cost		-	(42,400,000)	-	-	-	-	-	-	-	-	(42,400,000)	-	-	(42,400,000)
Accumulated depreciation		-	9,161,050	-	-	-	-	-	-	-	-	9,161,050	-	-	9,161,050
		-	(33,238,950)	-	-	-	-	-	-	-	-	(33,238,950)	-	-	(33,238,950)
Disposals:															
Cost		(1,852,401)	-	-	-	-	-	-	-	-	-	(1,852,401)	-	-	(1,852,401)
Accumulated depreciation		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(1,852,401)	-	-	-	-	-	-	-	-	-	(1,852,401)	-	-	(1,852,401)
Depreciation charge		-	(9,761,608)	(11,857,521)	(6,088,212)	(92,058)	(425,799)	(292,319)	(500,041)	(998)	(4,268,620)	(33,287,176)	(2,511,427)	(2,511,427)	(35,798,603)
Closing net book value		56,388,299	63,599,020	727,016,702	54,793,907	828,525	4,051,708	2,679,947	4,524,038	8,986	19,773,057	933,664,189	10,045,709	10,045,709	943,709,898
At June 30, 2017															
Cost		56,388,299	223,546,285	1,845,145,556	167,713,974	4,297,647	10,249,841	6,802,670	15,341,325	29,625	42,018,921	2,371,534,143	15,828,145	15,828,145	2,387,362,288
Accumulated depreciation		-	(159,947,265)	(1,118,128,854)	(112,920,067)	(3,469,122)	(6,198,133)	(4,122,723)	(10,817,287)	(20,639)	(22,245,864)	(1,437,869,954)	(5,782,436)	(5,782,436)	(1,443,652,390)
Net book value		56,388,299	63,599,020	727,016,702	54,793,907	828,525	4,051,708	2,679,947	4,524,038	8,986	19,773,057	933,664,189	10,045,709	10,045,709	943,709,898
Annual rate of depreciation (%)		-	10	-	10	10	10	10	10	-	20	-	20	-	-

	2017 Rupees	2016 Rupees
11.2 Depreciation for the year has been allocated as under:		
Cost of generation	27,799,399	86,989,224
Operating expenses	7,999,204	8,985,636
	35,798,603	95,974,860

11.3 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Operating assets					
Vehicles					
	1,852,401	-	1,852,401	4,200,000	Khalid Mehmood Chak# 61 R.B, Badianwala, Tehsil, Jaranwala, Faisalabad.
2017	**1,852,401**	**-**	**1,852,401**	**4,200,000**	
2016	11,265,020	5,626,310	5,638,710	6,385,000	

11.4 Capital work in progress

	Freehold land	Civil work	Total
	------Rupees------		
Balance as at July 1, 2015	51,167,500	86,012,648	137,180,148
Capital expenditure incurred during the year	-	1,846,040	1,846,040
Balance as at June 30, 2016	51,167,500	87,858,688	139,026,188
Capital expenditure incurred during the year	-	1,575,500	1,575,500
Balance as at June 30, 2017	51,167,500	89,434,188	140,601,688

11.5 Non-operating land

	2017 Rupees	2016 Rupees
Cost of land	467,986,746	554,732,838
Land Purchased	7,974,000	-
	475,960,746	554,732,838
Disposed off during the year	-	(86,746,092)
	475,960,746	467,986,746
Advances for purchase of land	33,913,654	35,787,654
	509,874,400	503,774,400

11.5.1 The land is held for future expansion.

11.5.2 This includes land worth Rs. 250.1 million (2016: Rs. 250.1 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 pending.

	Note	2017 Rupees	2016 Rupees
12. Investment property			
Cost		42,400,000	-
Accumulated depreciation		(10,059,400)	-
Net book value		32,340,600	-
12.1 Reconciliation of written down value for the year			
Opening net book value as at July 01,2016		-	-
Transferred from			
Operating assets	11.1	33,238,950	-
Depreciation charge		(898,350)	-
Closing net book value as at June 30,		32,340,600	-
Annual rate of depreciation (%)		10	

12.2 The fair value of investment property is approximately Rs. 133.338 million as at June 30,2017.

	2017 Rupees	2016 Rupees
13. Long term deposits		
Security deposits	511,200	511,200
Lease deposit	835,950	1,450,000
Less: Current portion	-	(614,050)
	835,950	835,950
	1,347,150	1,347,150
14. Stores, spares and loose tools		
Stores	16,285,290	16,435,343
Spares	275,973,672	257,237,998
Loose tools	1,768,699	1,923,685
	294,027,661	275,597,026
Less: Provision for slow moving and obsolete items	(16,111,815)	(22,764,594)
	277,915,846	252,832,432

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

15. Stocks

	2017 Rupees	2016 Rupees
Furnace oil	255,620,753	46,698,429
Diesel oil	2,848,470	2,569,478
Lube oil	4,774,472	5,718,418
Waste	57,981	59,204
Land	399,976,560	55,880,010
	663,278,236	110,925,539

15.1 Stock in trade amounting to Rs.254.167 million was pledged as security with the bank.

16. Investment property

	2017 Rupees	2016 Rupees
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, 2016. There is no significant change in fair value since the last valuation date.

17. Trade debts

	2017 Rupees	2016 Rupees
Unsecured		
Considered good		
Related parties		
Sitara Chemtek (Private) Limited	489,723	1,047,427
Sitara Fabrics Limited	77,692,632	43,948,523
	78,182,355	44,995,950
Others	671,448,046	817,434,431
	749,630,401	862,430,381

	Note	2017 Rupees	2016 Rupees
18. Loans and advances			
Considered good			
Loans to staff		3,510,323	1,512,709
Advances			
Suppliers		15,995,708	15,787,449
Income tax		4,483,110	5,824,126
For purchases / expenses		1,978,975	16,962,266
Letters of credit fee and expenses		44,633	133,018
Advances for purchase of land	18.1	147,700,000	108,000,000
		173,712,749	148,219,568

18.1 This represent advance for purchase of land through an associated undertaking for development project under joint venture arrangement.

	Note	2017 Rupees	2016 Rupees
19. Deposits and prepayments			
Deposits			
Security deposit		150,000	150,000
Current portion of long term deposits		-	614,050
Guarantee margin		31,375,800	31,375,800
		31,525,800	32,139,850
Prepayments		2,147,972	3,998,464
		33,673,772	36,138,314
20. Other receivables	20.1	43,179,060	39,679,060

20.1 These include receivables against sale of non operating land and non-current assets held for sale amounting Rs.41.679 million. It also includes commission receivable from associated undertaking - Sitara Fabrics Limited amounting Rs.1.5 million.

	2017 Rupees	2016 Rupees
21. Tax refunds due from government		
Sales tax	26,346,512	-
Income tax	46,286,624	40,462,499
	72,633,136	40,462,499
22. Cash and bank balances		
Cash in hand	7,584,220	15,127,892
Cash at banks		
In current accounts	58,743,720	332,969,760
	66,327,940	348,097,652

	Note	2017 Rupees	2016 Rupees

23. Sales - net

	Note	2017 Rupees	2016 Rupees
Electricity		2,422,202,296	3,594,508,039
Steam		36,136,353	43,359,908
		2,458,338,649	3,637,867,947
Less: Sales tax		330,876,025	539,406,350
		2,127,462,624	3,098,461,597
Less: Electricity duty		11,000,796	24,195,814
Land		-	18,360,000
		2,116,461,828	3,092,625,783

24. Cost of generation and sales

	Note	2017 Rupees	2016 Rupees
Cost of generation	24.1	1,986,124,034	2,705,567,970
Cost of sales - land		-	17,500,344
		1,986,124,034	2,723,068,314

24.1 Cost of generation

	Note	2017 Rupees	2016 Rupees
Cost of gas, oil and lubricants	24.1.1	1,782,742,464	2,357,361,754
Salaries, wages and benefits		72,499,616	74,613,036
Staff retirement benefits		1,884,756	1,895,743
Stores, spares and loose tools		69,354,562	153,151,419
Travelling and conveyance		6,480,435	6,444,409
Vehicles running and maintenance		2,866,294	2,871,605
Insurance		6,274,472	5,589,461
Repairs and maintenance		10,954,301	11,800,285
Entertainment		3,366,408	3,075,962
Depreciation	11.2	27,799,399	86,989,224
Other		1,901,327	1,775,072
		1,986,124,034	2,705,567,970

24.1.1 Cost of gas, oil and lubricants

	Note	2017 Rupees	2016 Rupees
Gas		497,642,896	730,573,121
Oil and lubricants		1,285,099,568	1,626,788,633
		1,782,742,464	2,357,361,754

25. Other income

	Note	2017 Rupees	2016 Rupees
Income from assets other than financial assets:			
Sale of scrap and waste		2,523,038	2,474,569
Rental Income		1,519,200	-
Gain on disposal of:			
Operating assets		2,347,599	746,290
Non-operating land		-	12,653,908
Commission		1,500,000	-
Balances written back		5,544,289	-
		13,434,126	15,874,767

	Note	2017 Rupees	2016 Rupees
26. Operating expenses			
Directors' remuneration		25,950,000	19,996,000
Salaries and benefits		39,291,835	37,650,091
Staff retirement benefits		1,123,622	1,094,401
Postage and telephone		2,071,589	2,061,807
Vehicles running and maintenance		5,338,485	4,561,070
Travelling and conveyance		6,637,759	5,985,118
Printing and stationery		1,874,761	2,416,090
Entertainment		4,767,099	4,196,335
Legal and professional		9,641,571	5,546,100
Fee, subscription and periodicals		5,635,786	3,070,964
Rent, rates and taxes		209,292	199,605
Advertisement		376,421	710,825
Insurance		1,788,339	1,830,890
Auditors' remuneration	26.1	1,369,000	1,369,000
Repairs and maintenance		2,215,251	2,006,851
Donations		78,100	153,000
Depreciation on property, plant and equipment	11.2	7,999,204	8,985,636
Depreciation on investment property	12.1	898,350	-
Utilities		3,824,401	3,433,359
Other		2,597,578	2,874,157
		123,688,443	108,141,299
26.1 Auditors' remuneration			
Audit fee		1,105,000	1,105,000
Sundry services		264,000	264,000
		1,369,000	1,369,000
27. Other operating expenses			
Workers' profit participation fund	7.1	-	8,569,883
28. Finance cost			
Interest / mark-up on :			
Long term financing		-	18,535,550
Liabilities against assets subject to finance lease		571,921	530,773
Short term bank borrowings		111,219,621	85,083,166
Workers' profit participation fund		351,802	407,197
Bank charges and commission		4,404,868	2,952,360
		116,548,212	107,509,046

	Note	2017 Rupees	2016 Rupees
29. Provision for taxation			
Current			
For the year	29.1	-	-
For prior years'		-	-
Deferred		-	-
		-	-

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 of subsidiary is nill due to tax losses. Moreover the parent has incurred loss during the year.

29.2 Deferred tax asset after considering tax losses available for adjustment works out to Rs. 2,272,373/- (2016 : Rs.1,205,288/-). This is not recognized in these financial statements due to uncertain future results.

	2017 Rupees	2016 Rupees
30. Earnings per share - Basic and diluted		
(Loss) / Profit for the year attributable to shareholders of the Parent (Rupees)	(96,464,735)	161,212,008
Weighted average number of ordinary shares	19,092,000	19,092,000
(Loss) / Earnings per share - Basic and diluted (Rupees)	(5.05)	8.44

30.1 There is no dilutive effect on the basic (loss) / earnings per share of the Group.

31. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2017			2016		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
	Rupees					
Remuneration	13,254,545	6,381,818	18,036,228	10,530,000	5,054,400	15,463,701
Medical allowance	1,325,455	638,182	1,803,623	1,170,000	561,600	1,546,370
Perquisites	2,900,000	1,450,000	263,090	1,950,000	730,000	360,065
Contribution to provident fund	-	-	783,432	-	-	704,112
	17,480,000	8,470,000	20,886,373	13,650,000	6,346,000	18,074,248
Number of persons	1	1	12	1	1	10

31.1 The Chief Executive Officer and director are entitled to free use of Parent Company maintained car and other perquisites. One executive is entitled to conveyance facility. The monetary value of these benefits approximates Rs. 2,699,696/- (2016: Rs. 2,424,108/-). The Directors have waived off their meeting fee.

32. TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of transactions	**2017 Rupees**	2016 Rupees
Associated undertakings	Sales	144,414,192	110,216,014
Provident fund	Contribution for the year	3,008,378	2,990,144

33. PLANT CAPACITY AND ACTUAL PRODUCTION

	2017	2016
Number of generators installed	25	25
Number of generators worked	20	23
Installed energy generation capacity (Mega watt hours)	769,303	769,303
Actual energy generation (Mega watt hours)	197,842	315,632
Actual average load (Mega watt)	22.58	36.03

Reasons for low generation:

- Installed generators include two standby generators and closure of three generators due to major overhauling.
- Adjustment in planned optimum capacity utilisation level.
- Extra capacity for future growth.

34. DISCLOSURE WITH REGARDS TO PROVIDENT FUND

		2017	2016
Size of the fund	(Rupees)	34,767,327	33,583,436
Cost of investments made	(Rupees)	15,120,000	15,120,000
Percentage of investments made	(% age)	43.49%	45.02%
Fair value of investments	(Rupees)	33,521,395	29,572,743

34.1 The figures for 2016 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.

	2017	2016

35. NUMBER OF EMPLOYEES

	2017	2016
Total number of employees as at June 30,	287	289
Average number of employees during the year	302	276

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group 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.

36.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2017 Rupees	2016 Rupees
Financial assets at amortised cost:		
Deposits	32,361,750	32,975,800
Trade debts	749,630,401	862,430,381
Loans and advances	3,510,323	1,512,709
Other receivables	41,679,060	39,679,060
Cash and bank balances	66,327,940	348,097,652
	893,509,474	1,284,695,602
Financial liabilities at amortised cost:		
Long term financing	-	200,000,000
Liabilities against assets subject to finance lease	5,055,012	9,976,684
Trade and other payables	739,348,703	448,055,130
Interest / markup payable	29,367,198	26,127,010
Short term bank borrowings	1,036,616,864	771,873,926
	1,810,387,777	1,456,032,750

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 M/S Sitara Chemical Industries Limited and M/S Sitara Spinning Mills Limited. The trade debts receivable from these customers constitute 52% (2016: 63%) of total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2017 Rupees	2016 Rupees
Deposits	32,361,750	32,975,800
Trade debts	749,630,401	862,430,381
Other receivables	41,679,060	39,679,060
Bank balances	58,743,720	332,969,760
	882,414,931	1,268,055,001

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 M/S Sitara Chemical Industries Limited and M/S Sitara Spinning Mills Limited. The break-up of amount due from customers is as follows:

	2017 Rupees	2016 Rupees
Sitara Chemical Industries Limited	341,191,946	262,989,540
Sitara Spinning Mills Limited	52,013,210	279,105,983
Other industrial users	356,425,245	320,334,858
	749,630,401	862,430,381

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

Not past due		
Related parties	78,182,355	44,995,950
Others	457,564,021	688,543,585
	535,746,376	733,539,535
Past due		
Others	213,884,025	128,890,846
	749,630,401	862,430,381

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.

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, 2017 and 2016:

	2017				
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**Two to five years**
	--------------------------Rupees in thousand----------------------------				
Financial liabilities:					
Liabilities against assets subject to finance lease	5,055	5,379	1,429	1,429	2,522
Trade and other payables	748,915	748,915	748,915	-	-
Short term bank borrowings	1,036,617	1,147,367	185,182	962,185	-
	1,790,587	1,901,661	935,526	963,614	2,522

	2016				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	--------------------------Rupees in thousand----------------------------				
Financial liabilities:					
Long term financing	200,000	218,047	13,362	204,685	-
Liabilities against assets subject to finance lease	9,976	10,835	2,505	2,940	5,390
Trade and other payables	463,120	463,120	463,120	-	-
Short term bank borrowings	771,874	848,735	189,352	659,383	-
	1,444,970	1,540,737	668,339	867,008	5,390

The contractual cash flows relating to mark up on 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. 888.591 million (2016: Rs. 1,250.990 million) and unavailed short term borrowing facilities of Rs.587.383 million (2016: Rs.227.12 million) as at the year end.

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 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 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, loss for the year and equity would have been lower / higher by Rs.10.16 million (2016: Rs. 9.51 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 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 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 total borrowings ('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 was as follows:

	Note	**2017**	2016
		Rupees	Rupees
Total Debt	5 , 6 & 9	1,041,671,876	981,850,610
Less: Cash and cash equivalents	22	66,327,940	348,097,652
Net Debt		975,343,936	633,752,958
Total equity		1,951,666,463	2,086,315,208
Total capital		2,927,010,399	2,720,068,166
Gearing ratio		33.32%	23.30%

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Group and authorised for issue on September 27, 2017.

38. GENERAL

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

CHIEF EXECUTIVE OFFICER

DIRECTOR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<u>**SITARA ENERGY LIMITED**</u>

CIRCULATION OF ANNUAL AUDITED ACCOUNTS

The Company Secretary
Sitara Energy Limited
601-602, Business Centre,
Mumtaz Hassan Road,
Karachi

Subject : Circulation of Annual Audited Accounts via Email or any other Media

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its SRO No. 470(I)/2016 dated 31ST May, 2016, that have allowed companies to circulate their Annual Audited Accounts (i.e. Annual Balance Sheet and Profit and Loss Accounts, Auditor's Report and Directors' Report etc ("Annual Report") along with the Notice of Annual General Meeting ("Notice") to its shareholders through Email or any other Electronic Media at the registered addresses.

Shareholders who wish to receive the hardcopy of Financial Statements shall have to fill the below form and send us to Company address.

I/We hereby consent Option 1 or Option 2 to the above SROs for Audited Financial Statements and Notice of General Meeting(s) delivered to me hard from instead Email or any other Electronic Media.

☐ Option 1 – Via Email

Name of the Members/Shareholders ______________________________

CNIC NO. ______________________________

Folio / CDC Account Number ______________________________

Valid Email Address ______________________________

(to receive Financial Statements alongwith
Notice of General Meetings instead of
hardcopy/CD/DVD/USB)

☐ Option 2 – Via Hard copy

Name of the Members/Shareholders ______________________________

CNIC NO. ______________________________

Folio / CDC Account Number ______________________________

Mailing Address ______________________________
(to receive Financial Statements along with
Notice of General Meetings instead of
Email/CD/DVD/USB and other Electronic Media)

I/We hereby confirm that the above mentioned information is correct and in case of any change thereon, I/We will immediately intimate to the Company's Share Registrar. I/we further confirm that the transmission of Company's Annual Audited Financial Statements and Notice of General Meeting(s) through my/our above address would be taken as compliance with the Companies Act, 2017.

____

SITARA ENERGY LIMITED

601-602 Business Centre,
Mumtaz Hassan Road,
Karachi-74000
Tel: 021-32420620-32413944

FORM OF PROXY
ANNUAL GENERAL MEETING

I/We ______________________________ S/o/D/o/W/o ______________________________ of ____being a member of **SITARA ENERGY LIMITED** and holder of __________________ Ordinary Shares as per Share Register Folio No.________ and/or CDC Participant ID No. ____________________ and Account / Sub-account No. ___________ do hereby appoint Mr./Mrs./Miss ______________________________ ______________ Folio No./CDC No. _______________ of _______________ failing him/her, Mr./Mrs./Miss ______________________________ Folio No./CDC No. _______________ of _________________ as my/our proxy to attend, act and vote for me/us on my/our behalf at Annual General Meeting of the Company to be held on Saturday, October 28, 2017 at 2:30 pm at the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.

____________________ ____________________

Signature of Shareholder
Folio / CDC A/C No.

Signature of Proxy

Five Rupees
Revenue Stamp

Dated this __________ day of __________ 2017

Witness:

1. Signature ______________________
   Name ______________________
   Address ______________________
   ____
   CNIC or ______________________
   Passport No. ______________________

Witness:

2. Signature ______________________
   Name ______________________
   Address ______________________
   ____
   CNIC or ______________________
   Passport No. ______________________

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on member's behalf.

2. If a member is unable to attend the meeting. He/She may complete and sign this form and send it to the Company's Share Registrar M/s. THK Associates (Pvt) Limited 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi so as to reach not less than 48 hours before the time appointed for holding the Meeting.

3. For CDC Account Holders / Corporate Entities; in addition to the above, the following requirements have to be met:

(a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers be stated on the form.
(b) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
(c) The proxy shall produce his original CNIC or original passport at the time of the meeting. In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Sitara Energy Limited

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THK Associates (Pvt) Limited
1st Floor, 40-C, Block-6, P.E.C.H.S.,
Karachi

ستارہ انرجی لمیٹڈ

پراکسی فارم

اجلاسِ عام

میں/ہم ____________________

ستارہ انرجی لمیٹڈ کے ممبر/ممبران رجسٹرڈ فولیو نمبر/شرکاء کی آئی ڈی/سی ڈی سی سب اکاؤنٹ نمبر کے مطابق عمومی شیئرز ____________

____________ رکھتے ہیں بذریعہ ہذا ____________ کو تقرر کرتے ہیں۔ رجسٹرڈ فولیو نمبر/شرکاء کی

آئی ڈی/سی ڈی سی سب اکاؤنٹ نمبر ____________ یا اُس کے شرکت نہ کرنے کی صورت میں ____________

____________ رجسٹرڈ فولیو نمبر/شرکاء کی آئی ڈی/سی ڈی سی سب اکاؤنٹ نمبر کو بطور پراکسی 28 اکتوبر 2017 بوقت 02:30 بجے دوپہر بمقام انسٹیوٹ آف چارٹرڈ اکاؤنٹینٹس آف پاکستان چارٹرڈ اکاؤنٹینٹس ایونیو کلفٹن، کراچی کمپنی کے منعقد ہونے والے اجلاس عام اور اُس کے کسی التواء تک میری/ہماری جانب سے ووٹ دینا اور اجلاس میں شرکت کے کا حق دیتا ہوں۔

ریونیو اسٹامپ -/5 روپے	____________ دستخط پراکسی	____________ دستخط شیئر ہولڈر

بتاریخ ____________ ۲۰۱۷ء

گواہان	گواہان
دستخط ____________	دستخط ____________
نام ____________	نام ____________
ایڈریس ____________	ایڈریس ____________
____________	____________
شناختی کارڈ ____________	شناختی کارڈ ____________
پاسپورٹ ____________	پاسپورٹ ____________

نوٹس:

(1) ایک رکن جو اجلاس عام میں شرکت کرنے اور ووٹ دینے کا اہل ہے اس کو حق حاصل ہے کہ وہ کسی دوسرے فرد کو بطور پراکسی اپنی جانب سے شرکت کرنے اور ووٹ دینے کے لئے مقرر کرے۔

(2) اگر کوئی رکن اجلاس میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مکمل اور تصدیق شدہ کمپنی کے شیئر رجسٹرار میسرز THK ایسوسیٹس، پہلی منزل، C-40 بلاک 6، پی۔ای۔سی۔ایچ۔ایس کراچی کو اجلاس کے منعقد ہونے سے 48 گھنٹے قبل بھجوائیں۔

(3) CDC اکاؤنٹ ہولڈرز/کارپوریٹ انٹیٹیز مندرجہ بالا کے علاوہ مذکورہ شقوں پر عمل کریں۔

(a) پراکسی فارم میں دو گواہان کے دستخط نیز ان کے پتے اور شناختی کارڈ نمبر کا اندراج بھی لازمی ہے۔

(b) رکن اور پراکسی کی تصدیق شدہ قومی شناختی کارڈ یا پاسپورٹ کی نقول کی فراہمی۔

(c) پراکسی کے لئے لازم ہے کہ وہ اجلاس کے وقت اصل قومی شناختی کارڈ یا پاسپورٹ تصدیق کے لئے فراہم کرے۔ Corporate Entity کی صورت میں بورڈ آف ڈائریکٹرز کی تصدیق شدہ قرارداد کی نقل بشمول Power of Attorney دستخط کے ساتھ (بجز اگر پہلے ہی جمع کروادی گئی ہے) پراکسی فارم کے ہمراہ کمپنی کے شیئر رجسٹرار کو جمع کروائے۔

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Karachi

If undelivered please return to:

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