Sitara Energy Limited

ANNUAL REPORT 2018

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. Abdullah 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
1st Floor, 40-C, Block-6,
P.E.C.H.S, Karachi - 75400.
UAN : +92 (21) 111-000-322
Ph: +92 (21) 34168270
Fax: +92 (21) 34168271
E-mail: aa@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

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 28th 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 Wednesday, October 24, 2018 at 2:00 p.m. to transact the following business:

1. To confirm the minutes of Annual General Meeting held on October 28, 2017.

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2018 together with the Reports of Auditors and Directors thereon.

3. To appoint auditors and to fix their remuneration for the year ending June 30, 2019. The present auditors M/s RSM Avais Hyder Liaquat Nauman, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.

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

By order of the Board

Karachi:
September 26, 2018

MAZHAR ALI KHAN
Company Secretary

NOTES:

CLOSURE OF SHARE TRANSFER BOOKS.

The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from October 18, 2018 to October 24, 2018 (both days inclusive). Transfers received in order at Company's Share Registrar's Office by the close of business on October 17, 2018 will be treated in time for the purpose of attendance and voting at the Annual General Meeting of the Company.

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.

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. Proxy Form may also be downloaded from the Company's website i.e. www.sitara.pk

SUBMISSION OF COPIES OF CNIC NOT PROVIDED EARLIER

Individual Shareholders are once again reminded to submit a copy of their valid CNIC, if not provided earlier to the Company's Share Registrar, M/s. THK Associates (Private) Limited.

UNCLAIMED DIVIDEND

As per the provision of section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company which have remained unclaimed/unpaid for a period of three years from the date on which it was due and payable are required to be deposited with Securities and Exchange Commission of Pakistan for the credit of Federal Government after issuance of notices to the Shareholders to file their claim. The details of the shares issued and dividend declared by the Company which have remained due for more than three years are available on the Company's website www.sitara.pk. Shareholders are requested to ensure that their claims for unclaimed dividend and shares are lodged promptly. In case, no claim is lodged, the Company shall proceed to deposit the unclaimed/unpaid amount and shares with the Federal Government pursuant to the provision of Section 244(2) of Companies Act, 2017.

CONSENT FOR VIDEO CONFERENCE FACILITY:

Pursuant to SECP Circular No.10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide the following information to the Share Registrar Office of the company i.e. Messers THK Associates (Pvt) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi PABX No.(+9221)111-000-322 and email aa@thk.com.pk.

I/We, being a member of Sitara Energy Limited holder of __________ Ordinary Share(s) as per Registered Folio/CDC A/C No.______________ hereby opt for video conference facility at __________________________
(Place insert Name of the City)

Signature of member

PLACEMENT OF FINANCIAL STATEMENTS:

The audited financial statements of the Company for the year ended June 30, 2018 have been placed at the Company's website: www.sitara.pk.

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 Act 2017, 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**

   Sitara Energy Limited (SEL) 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

I am pleased to welcome you on the 28th Annual General Meeting of your company and present on behalf of the Board of Directors, the Audited Statement of Accounts for the year ended 30th June 2018 along with my review on the performance of your company.

The company declared net loss of Rs 81.857 million during year 2017-18 as compared with net loss of Rs. 96.561 million during year 2016-17 in spite of increase in volume of sales by 13.97%. Accordingly, loss per share is Rs. 4.29 in year 2017-18 in comparison with loss per share of Rs 5.06 in year 2016-17. In fact, furnace oil price has almost doubled since 2015-16 leading to decrease in business volume and losing of bulk power consumers.

The consumer end tariff of the electricity has not been increased by NEPRA and accordingly notified by the Government of Pakistan since 2015. In view of recent increase in gas tariff by OGRA in September 2018, the company may incur additional losses in the absence of corresponding increase in electricity tariff by NEPRA and the Government of Pakistan.

The profitable operation of the company depend upon viable fuel prices, increase in consumer end tariff of the electricity and conducive regulatory frame work.

The focus of company's management will remain on sound business plans for the overall success of the company. I am confident that the company will be successful in meeting the future challenges and targets with its dedicated professional team and work force.

Sitara Energy Limited complies with all the requirements as set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 with respect to the composition, procedures and meetings of the Board of Directors and its committees. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of (the "Board") of Sitara Energy Limited (the "Company") is carried out.

The overall performance of the Board has been assessed as satisfactory. Improvements are an ongoing process leading to action plans for the achievement of company's objectives, including Vision and Mission Statements.

The board meets frequently enough to adequately discharge its responsibilities. The non-executive and independent directors are equally involved in important decisions.

On my behalf and on behalf of the Board of Directors of the company, I take this opportunity of acknowledging the devoted and sincere services of employees of all cadres of the company. I am also grateful to our bankers, shareholders, vendors and valued customers and the government organizations.

Noureen Javed

Faisalabad
September 26, 2018

Ms. Noureen Javed
Chairperson

The Board of Directors of Sitara Energy Limited (SEL) feel pleasure in submitting Annual Report along with audited Financial Statements together with Auditors' Report thereon for the financial year ended June 30, 2018.

Financial Results

Net sales revenue for the year increased to Rs. 2,412.172 million in year 2018 from Rs 2,116.461 million in year 2017 due to slight increase in sale volume and average rate. However, Gross Profit for the year decreased to Rs 52.708 million in 2018 from Rs 130.337 million in 2017 as a result of substantial increase in fuel costs without corresponding increase in tariff by NEPRA. Accordingly, Gross Profit ratio deteriorated to 2.19% in 2018 from 6.16% in 2017 of net sales value.

The net loss reduced to Rs 81.857 million in 2018 from Rs. 96.561 million due to other income resulting from gain on disposal of non-operating land and balances written back.

The company generated 212,259 Mwh in 2018 in comparison with 197,842 Mwh in 2017 reflecting an increase in generation by 7%.

Financial results for the year ended June 30, 2018 are summarized below:

Description	**2018**		2017	
	SEL	**Consolidated**	SEL	Consolidated
	Rupees in Thousands			
Sales	2,412,173	2,412,173	2,116,462	2,116,462
Gross profit	52,708	52,708	130,338	130,338
(Loss) before taxation	(81,858)	(83,454)	(96,561)	(96,465)
Net (loss) after taxation	(81,858)	(83,454)	(96,561)	(96,465)
Unapproriated profit brought forward	650,801	647,556	835,546	832,205
Profit available for appropriation	568,943	564,102	738,985	735,740
Appropriation				
Final dividend for the year ended June 2017: Nil per share (June 2016: Rs. 2 per share)	-	-	38,184	38,184
Transferred to general reserve	-	-	50,000	50,000
	-	-	88,184	88,184
Profit available for appropriation	568,943	564,102	650,801	647,556
(Loss) per share - Basic & diluted - Rs.	(4.29)	(4.37)	(5.06)	(5.05)

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 Act, 2017 and present fairly its state of affairs, the operating results, cash flow statement and statement of 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 and any departures therefrom has been adequately disclosed and explained.

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, 2018 was Rs. 14.120 million.

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

Name of Director	**Meetings attended**
Mr. Javed Iqbal	5
Mr. Sarosh Javed	3
Mr. Mukhtar A. Sheikh	5
Mrs. Noureen Javed	5
Ms. Haniah Javed	5
Mr. Abdullah Javed	1
Mr. Rana M. Arshad Iqbal	5
Mr. Mubashir Ahmed Zareen	5

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 four 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	4 / Chairman
Mrs. Noureen Javed	4 / Member
Mr. Rana M. Arshad Iqbal	4 / Member

m Pattern of Shareholding as at June 30, 2018 is annexed.

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

o) 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 2018, the Company has donated Rs. 100,000/- (2017: Rs. 78,100/-) to welfare institution operating in the fields of health and education.

Future Prospects and Outlook

The profitability of the company during the financial year 2018-19 will largely depends upon affordable prices of RFO and natural gas / liquefied natural gas on the one hand and increase in consumer end tariff by NEPRA on the other hand.

FESCO had filed Power Acquisition Request (FESCO PAR) with NEPRA in August 2011. However, FESCO could not get timely approval of its PAR from NEPRA. Under these circumstances, SEL had to terminate Power Purchase Agreement (PPA) with FESCO in March 2015. Subsequent to termination of PPA, NEPRA approved FESCO PAR in April 2017, after a lapse of more than 5 years and 8 months 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 by NEPRA. Review Petition has been admitted for hearing by NEPRA while the hearing is still pending. The company will defend the case for its legitimate rights and sanctity of PPA by FESCO and NEPRA.

Auditors

The auditors of the company M/S RSM Avais Hyder Liaquat Nauman, Chartered Accountants, retire and being eligible have 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 26, 2018
Faisalabad

JAVED IQBAL
Chief Executive Officer

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 2018 میں کمپنی نے 100,000 روپے (2017ء 78,100 روپے) فلاحی اداروں کو بطور عطیہ دیئے جو صحت اور تعلیم کے کام میں استعمال کر رہے ہیں۔

مستقبل کے امکانات

مالی سال 2018-19 میں کمپنی کا منافع ایک طرف بہت حد تک فرنس آئل اور قدرتی گیس/مائع قدرتی گیس کی سستی قیمتوں پر فراہمی پر منحصر ہوگا اور دوسری طرف نیپرا کے کنزیومر اینڈ ٹیرف (Consumer end Tariff) میں اضافہ پر منحصر ہوگا۔

فیسکو نے ستارہ انرجی کے ساتھ کیئے گئے پاور پرچیز ایگریمنٹ (PPA) کی تجدید کے لئے اگست 2011ء میں نیپرا کو پاور ایکویزیشن ریکوسٹ (Power Acquisition Request - FESCO PAR) جمع کروائی تھی۔ تاہم فیسکو نیپرا سے PAR کی وقت پر منظوری نہ لے سکا۔ ان حالات میں ستارہ انرجی لمیٹڈ کو مارچ 2015ء میں فیسکو کے ساتھ پاور پرچیز ایگریمنٹ منسوخ کرنا پڑا۔ پاور پرچیز ایگریمنٹ کی منسوخی کے بعد، نیپرا نے 5 سال 8 ماہ سے زائد عرصہ گزر جانے کے بعد اپریل 2017 میں پاور ایکویزیشن ریکوسٹ (PAR) کی منظوری حاصل کر لی جسمیں فیول کاسٹ کمپونینٹ (Fuel Cost Conponent) کو ستمبر 2011 سے کم کر کے لاگو کر دیا گیا اور ہدایات دی گئیں کہ کمپنی سے ریکوری کی جائے۔
ستارہ انرجی لمیٹڈ نے نیپرا کے مندرجہ بالا مذکورہ فیصلہ کے خلاف نظر ثانی کی درخواست دائر کر دی ہے۔ نظر ثانی کی درخواست کو نیپرا میں سماعت کے لئے تسلیم کر لیا گیا ہے جبکہ اسکی سماعت ابھی بھی زیر التواء ہے۔ کمپنی اپنے جائز حقوق کیلئے پورا دفاع کرے گی اور نیپرا اور فیسکو کو پاور پرچیز ایگریمنٹ (PPA) کی پاسداری کیلئے پابند کرے گی۔

آڈیٹرز

کمپنی کے موجودہ آڈیٹرز آر ایس ایم اویس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹینٹس جو کہ ریٹائر ہو رہے ہیں، اہل ہونے پر اپنے آپ کو دوبارہ تقرری کے لیے پیش کیا ہے۔ جس کے آڈٹ کمپنی 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 حمائت کی۔ بورڈ اس بات کو بھی تسلیم کرتا ہے کہ جس طرح پیشہ ور ماہرین اور انجینئرز نے اپنی مکمل تندہی اور جوش و جذبہ 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

26 ستمبر 2018ء
فیصل آباد

g۔ ضابطہ 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 2018ء میں 14.120 ملین روپے رہی ہے۔

j۔ اس سال بورڈ آف ڈائریکٹرز کی 5 میٹنگز منعقد ہوئی۔ ڈائریکٹرز کی حاضری کی تفصیل مندرجہ ذیل ہے۔

نام	حاضری میٹنگ
جناب جاوید اقبال	5
جناب سروش جاوید	3
جناب مختار اے شیخ	5
محترمہ نورین جاوید	5
محترمہ حنیہ جاوید	5
جناب عبداللہ جاوید	1
جناب رانا ایم ارشد اقبال	5
جناب مبشر احمد زرین	5

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

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

l۔ اس سال ہیومن ریسورسز اور ریمونریشن کمیٹی (Human Resources & Remuneration Committee) کی کل 4 میٹنگ منعقد ہوئی جس کی تفصیل درجہ ذیل ہے۔

ممبر کا نام	میٹنگ میں حاضری/اسٹیٹس	
جناب مختار اے شیخ	4	چیئرمین
محترمہ نورین جاوید	4	ممبر
جناب رانا ایم ارشد اقبال	4	ممبر

m۔ 30 جون 2018 کا شیئر ہولڈنگ پیٹرن منسلک ہے۔

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

o۔ تمام ریلیٹیڈ پارٹیز اور ایسوسی ایٹیڈ کمپنیز کے ساتھ لین دین آرم 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://sitara.pk ہے۔

ریلیٹڈ پارٹیز

ریلیٹڈ پارٹیز کے درمیان تمام لین دین آرم 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 پریکٹیسس پر مکمل عمل درآمد کیا گیا ہے جو کہ پاکستان اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز 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 تا کہ ہم اپنے لوگوں کی تمام شعبوں میں ذہنی نشو و نما کریں۔ ان کو بہترین تعلیمی ماحول مہیا کریں تا کہ نئے اور بہترین خیالات اور تحقیق کی راہ ہموار ہو۔

ستارہ انرجی لمیٹڈ کا بورڈ آف ڈائریکٹرز کمپنی کی سالانہ رپورٹ بمعہ آڈٹ شدہ مالیاتی گوشوارے اور آڈیٹرز کی رپورٹ مالی سال 30 جون 2018ء کو پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

مالی نتائج

سال 2018ء میں فروخت آمدنی بڑھ کر 2,412.172 ملین روپے ہوگئی جبکہ یہ فروخت آمدنی 2017ء میں 2,116.461 ملین روپے تھی اسکی بنیادی وجہ فروخت آمدنی کے یونٹس کی تعداد اور اوسط ریٹ میں معمولی اضافہ ہے۔ بہرحال مجموعی منافع سال 2018ء میں کم ہو کر 52.708 ملین روپے ہوگیا جبکہ یہ مجموعی منافع 2017ء میں 130.337 ملین روپے تھا۔ اسکی وجہ نیپرا کے ٹیرف میں متعلقہ اضافہ کے بغیر فیول کی لاگت میں بہت زیادہ اضافہ کا ہونا ہے۔ اسطرح مجموعی منافع کی نسبت 2018ء میں 2.19 فیصد تک خراب ہوگئی جو کہ 2017ء میں صافی فروخت آمدنی کا 6.16 فیصد تھا۔

سال 2018ء میں صافی نقصان 81.857 ملین روپے تک کم ہوگیا جو کہ سال 2017ء میں 96.561 ملین روپے تھا۔ اس کی کی وجہ نان آپریٹنگ لینڈ کی فروخت پر ہونے والا گین اور بیلنسز کا رِٹن بیک ہونا ہے۔

سال 2018ء میں کمپنی نے 212,259 میگاواٹ آورز بجلی کے یونٹ پیدا کئے جبکہ 2017ء میں 197,842 میگاواٹ آورز بجلی کے یونٹ کی پیداوار تھی۔ اسطرح پیداوار میں 7% اضافہ ہوا۔

تفصیل	مالی سال 2018		مالی سال 2017	
	ستارہ انرجی	کنسولیڈیٹڈ	ستارہ انرجی	کنسولیڈیٹڈ
	پاکستانی روپے ہزاروں میں			
فروخت آمدنی	2,412,173	2,412,173	2,116,462	2,116,462
مجموعی منافع	52,708	52,708	130,338	130,338
ٹیکسیشن سے قبل (نقصان)	(81,858)	(83,454)	(96,465)	(96,561)
ٹیکسیشن کے بعد (نقصان)	(81,858)	(83,454)	(96,465)	(96,561)
غیر مختص منافع آگے لایا	650,801	647,556	832,205	835,546
تقسیم کے لیے دستیاب منافع	568,943	564,102	735,740	738,985
اپروپری ایشن				
فائنل ڈیویڈنڈ مالیاتی سال جون 2017ء صفر روپے فی شیئر (جون 2016ء 2 روپے فی شیئر)	-	-	38,184	38,184
عمومی ریزرو میں منتقلی	-	-	50,000	50,000
	-	-	88,184	88,184
غیر مختص نفع	568,943	564,102	647,556	650,801
فی شیئر (نقصان) (Basic and diluted)	(4.29)	(4.37)	(5.05)	(5.06)

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 ایکٹ 2017ء کی ضروریات کے مطابق تیار کئے گئے ہیں جو کہ منصفانہ مالی حالت، آپریٹنگ نتائج، کیش فلو اور ایکوٹی 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 مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

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

AS AT JUNE 30, 2018

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
580	1	100	6,898
372	101	500	174,854
111	501	1,000	107,369
136	1,001	5,000	386,914
30	5,001	10,000	235,289
7	10,001	15,000	89,000
3	15,001	20,000	58,000
6	20,001	25,000	136,947
2	25,001	30,000	55,400
1	30,001	35,000	34,000
2	35,001	40,000	76,000
1	40,001	45,000	45,000
1	50,001	55,000	51,500
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
2	145,001	150,000	294,500
1	150,001	155,000	152,000
1	195,001	200,000	200,000
1	200,001	205,000	203,500
1	250,001	250,000	250,500
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	670,001	675,000	674,661
1	730,001	735,000	732,360
1	1,070,001	1,075,000	1,073,237
1	1,465,001	1,470,000	1,467,500
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
1276			**19,092,000**

	Number	Share Held	Percentage
Associated Companies, Undertaking and Related Parties			
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. Abdullah 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			
Investment Corporation of Pakistan	1	500	0.00
Bank, Development Finance Institutions, Non Banking Finance Institutions.	3	1,551,644	8.13
Insurance Companies	1	1,628,500	8.53
Mutual Funds	2	519,268	2.72
Foreign Companies	1	1,000	0.01
Joint Stock Companies	8	1,395,162	7.30
General Public (Local)	1,230	5,531,311	28.97
General Public (Foreign)	19	24,838	0.13
Others	2	24,237	0.12
Relatives other than spouse and minor children	1	500	0.00
	1,276	**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 2017-2018.

Mr. Abdullah Javed (Director of the Company) acquired 1000 qualification 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	1,467,500
5	Mrs. Naureen Javed, Chairperson	1,073,237

The Board has determined threshold in respect of trading of Compnay'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.

Key Operating & Financial Data for Last Ten Years

PARTICULARS	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	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	970,000	920,000	920,000	820,000	720,000	620,000	590,000	540,000	490,000	460,000
Fixed assets at cost	2,378,647	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
Accumulated depreciation	1,472,349	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
Current assets	2,065,888	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
Current liabilites	1,808,698	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
INCOME											
Sales	2,412,173	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
Other income	109,920	11,934	15,875	120,831	73,659	1,805	96,523	9,841	4,794	7,168	14,032
Pre tax profit / (loss)	(81,858)	(96,561)	162,421	104,975	203,674	249,313	251,916	91,527	106,926	80,338	112,669
Taxation	-	-	-	-	(853)	-	448	487	(269)	(698)	358
STATISTICS AND RATIOS											
Pre tax profit / (loss) to sales %	(3.39)	(4.56)	5.28	2.87	4.04	4.81	5.18	2.44	2.76	2.67	4.93
Pre tax profit / (loss) to capital %	(24.50)	(28.90)	48.61	31.42	60.96	74.62	75.40	27.39	32.00	24.05	33.72
Current ratio	1.14	1.15	1.26	1.28	1.10	1.16	0.66	0.52	0.71	0.77	0.90
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.)	(4.29)	(5.06)	8.51	5.50	10.71	13.06	13.17	4.77	5.61	4.24	5.88
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.)	98.11	102.39	109.45	102.19	98.70	88.98	76.93	64.75	61.99	58.37	56.63

Statement of Compliance
With Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of the Company: **SITARA ENERGY LIMITED**
Year Ended: **June 30, 2018**

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:

Gender	**Number**
Male	5
Female	2

2. The composition of the Board of Directors as at June 30, 2018 is as follows:

Category	**Names**
Independent Director	Rana Muhammad Arshad Iqbal
Executive Directors	Mr. Javed Iqbal
Non-Executive Directors	Ms. Naureen Javed Ms. Haniah Javed Mr. Mukhtar Ahmed Sheikh Mr. Mubashir A. Zareen Mr. Abdullah Javed

Further, as per the proviso to Regulation 6 of the COCG Code 2017, grace period has been prescribed in respect of transition phase for composition of the Board with respect to minimum number of independent directors as specified in the 2017 Code, presently, it is lesser than the required number of Independent Directors, however it will be complied with before the expiry of its current board of directors term which will end in April 2019.

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

4. 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.

5. 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.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairperson and, in her absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. In terms of Regulation 20 of the 2017 Code, the Companies are required to ensure that all the directors on their board have acquired the prescribed certification under Director Training Program by June 30, 2021. Presently, Two (2) directors of the Company meet the exemption requirement of the Director's Training Program (DTP), while Four (4) directors have already completed this program. The remaining One (1) director shall obtain certification under the DTP in due course of time.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

    a. Audit Committee
        - Mr. Rana M.Arshad Iqabal, Independent Director (Chairman)
        - Ms. Haniah Javed, Non-Executive Director (Member)
        - Ms. Naureen Javed, Non-Executive Director (Member)

    b. Human Resource & Remuneration Committee
        - Mr. Mukhtar Ahmad Sheikh, Non-Executive Director (Chairman)
        - Mr. Rana M. Arshad Iqbal, Independent Director (Member)
        - Ms. Naureen Javed, Non-Executive Director (Member)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

    a. Audit Committee: Four quarterly meetings during the financial year ended June 30, 2018

    b. HR and Remuneration Committee: Four quarterly meetings during the financial year ended June 30, 2018

15. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. 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 and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Naureen Javed

Faisalabad
September 26, 2018

Mrs. Naureen Javed
Chairperson

INDEPENDENT AUDITOR'S REPORT

To the members of Sitara Energy Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Sitara Energy Limited (the Company), which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

Key Audit Matters	How our audit addressed the key audit matter
Gas Infrastructure Development Cess (GIDC)	
The company is engaged in litigation with its supplier of gas M/S Sui Northern Gas Pipelines Limited (SNGPL) defending demands of Gas Infrastructure Development Cess (GIDC) and late payment Surcharge, thereon' This area involves the significant and complex judgements by the management. The liability of Rs. 137.952 million up to 2014 before promulgation of new GIDC Act 2015 has not been recognized on the ground that the cess is not validly levied as held by the superior courts. From September 2014 onwards the liability on account of GIDC amounting to Rs.340.559 million has been recognized, however charging of late payment surcharge (LPS) of Rs. 105.261 million till June 30, 2018 has not been recognized. The company has challenged both levy of GIDC and charging of LPS before the court which is pending. Non-Recognition of liability of LPS is highly judgmental and is based on assumption that the LPS cannot be charged by the supplier during the pendency of the petition in which stay against recovery is granted because there is no willful default. Given the nature and amounts involved in cases pending in the appellate forums. The accounting is subject to significant judgments which can be changed as the new facts emerge. Therefore we consider this as a key audit matter.	Our audit procedures include the following: Obtaining understanding of the company's procedures and controls over contingent liabilities. Examining the case files particularly the correspondence with the legal counsels hired by the company to represent the cases before the courts. Perusal of the expert opinions obtained by the company and assessing the legal counsels who have issued the opinions. Circulating the external confirmations to the legal advisors. Assessing the adequacy and appropriateness of the disclosures made in the financial statements.

Key Audit Matters	How our audit addressed the key audit matter
Non-Operating Land	
As stated in the note 10.6 to the financial statements the company has made investment of Rs.488.346 million in acquisition of Land for the expansion projects. The investment was made in 2008 but the management has so far not been able to implement its expansion plans due to economic conditions. Judgment is applied by the management in selecting the accounting basis. Due to amounts involved i.e.13.26% of the total assets, we have identified this as a key audit matter.	Our audit procedures with respect to non operating land and advance for purchase of land include examination of relevant documents and correspondences, reading minutes of board meetings and obtaining specific representations from the management regarding company's intentions to implement the expansion projects.
Preparation of financial statements under Companies Act, 2017	
The provisions of the fourth schedule to the Companies Act, 2017 (the Act) became applicable to the Company for the first time in the preparation of these annual financial statements. The Act has also brought certain changes with regards to preparation and presentation of the annual financial statements of the Company. As part of this transition to the requirements, the management performed a gap analysis to identify differences, between the previous and the current financial reporting framework and as a result certain changes were made in the Company's annual financial statements. In view of the extensive impacts in the annexed financial statements due to first time application of the fourth schedule to the Act, we considered it as a key audit matter.	We reviewed and understood the requirements of the Fourth schedule to the Act. Our audit procedures included the following: - Considered the management's process to identify the additional disclosures required in the Company's annual financial statements. - Obtained relevant underlying supports for the additional disclosures and assessed their appropriateness for the sufficient audit evidence. - Verified on test basis the supporting evidence for the additional disclosure and ensured appropriateness of the disclosures made.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for other information. The other information comprises the information in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is Syed Ali Adnan Tirmizey.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Lahore
September 26, 2018

To the members of Sitara Energy Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the listed companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Sitara Energy Limited for the year ended June 30, 2018 in accordance with the requirements of regulations 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non compliance with the requirenments of the Regulations. A review is limited primarily to inquiries of the company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors'statement on internal control covers all risks and control or to form an opinion on effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon the recommendations of the Audit Committee. We have not carried out procedures to asses and determine the company's process for identification of related parties and that 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 Regulations as applicable to the Company for the year ended June 30, 2018.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Lahore
September 26, 2018

Statement of Financial Position as at June 30, 2018

	Note	2018 Rupees	2017 Rupees		Note	2018 Rupees	2017 Rupees
SHARE CAPITAL AND RESERVES				**NON-CURRENT ASSETS**			
Authorised capital				Property, plant and equipment	10	1,536,250,027	1,597,705,763
30,000,000 ordinary shares				Investment property	11	29,106,540	32,340,600
of Rs. 10/- each.		300,000,000	300,000,000	Investment in subsidiary	12	49,995,000	49,995,000
				Long term deposits	13	511,200	1,347,150
Issued, subscribed						1,615,862,767	1,681,388,513
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	970,000,000				
Unappropriated profit		568,942,932	650,800,350				
		1,873,052,932	1,954,910,350				
NON-CURRENT LIABILITIES							
Liabilities against assets							
subject to finance lease	5	-	2,460,256				
		-	2,460,256				
CURRENT LIABILITIES				**CURRENT ASSETS**			
Trade and other payables	6	714,560,809	743,891,516	Stores, spares and loose tools	14	280,259,151	277,915,846
Unclaimed dividend		3,707,941	3,767,632	Stock of oil and lubricants	15	43,139,671	263,301,676
Interest / mark up payable	7	29,640,690	29,367,198	Trade debts	16	755,557,956	749,630,401
Short term bank borrowings	8	1,058,327,348	1,036,616,864	Loans and advances	17	676,393,551	591,520,729
Current portion of:				Deposits and prepayments	18	36,068,028	33,673,772
Liabilities against assets				Other receivables	19	97,850,465	42,115,830
subject to finance lease	5	2,460,908	2,594,756	Tax refunds due from			
Provision for taxation - income tax		-	-	Government	20	156,024,560	71,581,252
				Cash and bank balances	21	20,594,479	62,480,553
		1,808,697,696	1,816,237,966			2,065,887,861	2,092,220,059
CONTINGENCIES AND							
COMMITMENTS	9	-	-				
		3,681,750,628	3,773,608,572			3,681,750,628	3,773,608,572

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

CHIEF EXECUTIVE OFFICER　　DIRECTOR　　CHIEF FINANCIAL OFFICER

Statement of Profit or Loss for the Year Ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales - net	22	2,412,172,787	2,116,461,828
Cost of generation	23	2,359,464,413	1,986,124,034
Gross profit		52,708,374	130,337,794
Other income	24	109,919,647	11,934,126
		162,628,021	142,271,920
Operating expenses	25	119,075,111	122,285,120
Other operating expenses - Balances written off		1,225,066	-
Finance cost	26	124,185,262	116,548,048
		244,485,439	238,833,168
(Loss) for the year before taxation		(81,857,418)	(96,561,248)
Provision for taxation	27	-	-
(Loss) for the year		(81,857,418)	(96,561,248)
(Loss) per share - Basic and diluted	28	(4.29)	(5.06)

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

CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

Statement of other Comprehensive Income for the Year Ended June 30, 2018

	2018 Rupees	2017 Rupees
(Loss) for the year	(81,857,418)	(96,561,248)
Other comprehensive income for the year	-	-
Total comprehensive (Loss) for the year	(81,857,418)	(96,561,248)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

Statement of Cash Flows for the Year Ended June 30, 2018

		2018 Rupees	2017 Rupees
(a)	**CASH FLOWS FROM OPERATING ACTIVITIES**		
	(Loss) for the year before taxation	(81,857,418)	(96,561,248)
	Adjustments for:		
	Depreciation of property, plant and equipment	35,990,882	35,795,211
	Depreciation of investment property	3,234,060	898,350
	Provision for staff retirement benefits	2,806,240	3,008,378
	Gain on disposal of:		
	Operating assets	(18,148,505)	(2,347,599)
	Non-operating land	(13,458,100)	-
	Balances written (back) / off - net	(70,149,848)	(5,544,289)
	Finance cost	124,185,262	116,548,048
	Operating cash flows before working capital changes	(17,397,427)	51,796,851
	Changes in working capital		
	Decrease / (Increase) in current assets		
	Stores, spares and loose tools	(2,343,305)	(25,083,414)
	Stock of oil and lubricants	220,162,005	(208,256,147)
	Trade debts	(5,927,555)	112,799,980
	Loans and advances	(87,612,165)	(346,569,697)
	Deposits and prepayments	(1,558,306)	2,464,542
	Other receivables	(49,140,635)	(2,000,000)
	Tax refunds due from government	(79,960,198)	(26,346,512)
	Increase in current liabilities		
	Trade and other payables	42,123,635	290,951,517
		35,743,476	(202,039,731)
	Cash generated from / (used in) operating activities	18,346,049	(150,242,880)
	Income tax paid	(2,968,833)	(4,483,110)
	Staff retirement benefits paid	(2,885,668)	(3,299,692)
	Finance cost paid	(123,911,770)	(113,307,860)
	Net cash (used in) operating activities	(111,420,222)	(271,333,542)

Statement of Cash Flows for the Year Ended June 30, 2018

	2018 Rupees	2017 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(16,689,041)	(11,191,720)
Proceeds from disposal of :		
Operating assets	44,165,000	4,200,000
Non operating land	23,001,500	-
Net cash generated from / (used in) investing activities	50,477,459	(6,991,720)
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of :		
Long term financing	-	(200,000,000)
Liabilities against assets subject to finance lease	(2,594,104)	(4,921,672)
Increase in short term bank borrowings - net	21,710,484	264,742,938
Dividend paid	(59,691)	(37,663,571)
Net cash generated from financing activities	19,056,689	22,157,695
Net (decrease) in cash and cash equivalents (a+b+c)	(41,886,074)	(256,167,567)
Cash and cash equivalents at the beginning of the year	62,480,553	318,648,120
Cash and cash equivalents at the end of the year	20,594,479	62,480,553

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

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

Statement of Changes In Equity for the Year Ended June 30, 2018

	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, 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
Total comprehensive (loss) for the year						
(Loss) for the year	-	-	-	(81,857,418)	(81,857,418)	(81,857,418)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	(81,857,418)	(81,857,418)	(81,857,418)
Balance as at June 30, 2018	190,920,000	143,190,000	970,000,000	568,942,932	1,538,942,932	1,873,052,932

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

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

Notes to the Financial Statements for the Year Ended June 30, 2018

1. STATUS AND ACTIVITIES

1.1 Sitara Energy Limited (the Company) is incorporated in Pakistan as a public limited Company under the repealed Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act 2017 on May 30, 2017) 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 generation plant is located at 33-K.M. Sheikhupura Road, 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. SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING PERIOD

a) Due to the applicability of Companies Act, 2017 certain disclosures of the financial statements have been presented in accordance with the fourth schedule notified by the Securities and Exchange Commission of Pakistan vide S.R.O 1169 dated 7 November 2017.

b) The average price of furnace oil (main fuel in power generation) has increased from Rs.37,290/- per metric ton during 2017 to Rs.46,256/- per metric ton in 2018.

c) For a detailed discussion about the Company's performance please refer to the Directors' report.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standard (IFRS's) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS's, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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 Company for the periods beginning on or after July 01, 2017 and therefore, have been applied in preparing these 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 application of these amendments has no 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 application of these amendments has no impact on the Company'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 Company beginning on or after July 01, 2017 but are considered not to be relevant to the Company'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 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.

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.

IFRIC 23 Uncertainty over Income Tax Treatments:

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The company is yet to assess the full impact of the IFRIC. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

This IFRIC is effective for accounting period beginning on or after January 01, 2019. 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 1: First-time Adoption of International Financial Reporting Standards.

IAS 28: Investments in Associates and Joint Ventures.

The amendments are effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019. The application of amendments is not expected to have any material impact on the Company's financial statements.

- **Annual improvements 2015-2017 Cycle**

Annual Improvements of IFRSs through 2015-2017 cycle have been issued by IASB on December, 2017, amending the following standards;

IFRS 3: Business Combinations - Re-measurement of previously held interest.

IFRS 11: Joint Venture - Re-measurement of previously held interest.

IAS 12: Income Taxes – Income Tax consequences of dividends.

IAS 23: Borrowing Costs – Borrowing costs eligible for capitalization.

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

3.2.4 Standards, amendments to standards and interpretations becoming effective in future period 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".

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 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 statement of financial position 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 statement of profit or loss, 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 3.13). Contingent rentals are recognised as expenses in the periods in which they are incurred.

3.5 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.

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 Company or not.

3.7 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 statement of financial position 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 statement of financial position 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 statement of financial position date.

Deferred tax charged or credited in the statement of profit or loss, 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 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.

3.11 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.

3.12 Impairment

The Company assesses at each statement of financial position 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 statement of profit or loss, 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.

3.13 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.

3.14 Investment in subsidiary

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

3.15 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.

3.16 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.

3.17 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.

3.18 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

3.19 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 statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position 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.

3.20 Financial instruments

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

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

3.21 Offsetting of financial asset and financial liability

A financial asset and a financial liability is offset and the net amount reported in the statement of financial position, 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.

3.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Revenue is recognised as the power and steam are supplied.

3.23 Transactions with related parties

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

3.24 Critical accounting estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

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

4. Issued, subscribed and paid up capital

2017	**2018**		**2018**	2017
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 (2017: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

	2018 Rupees	2017 Rupees
5. Liabilities against assets subject to finance lease		
Opening balance	5,055,012	9,976,684
Paid / adjusted during the year	(2,594,104)	(4,921,672)
	2,460,908	5,055,012
Less: Current portion	2,460,908	2,594,756
	-	2,460,256

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 8.70% to 9.06% (2017: 8.62% to 8.64%) 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,	2018 Rupees	2017 Rupees
2018	-	2,857,704
2019	2,525,022	2,521,630
	2,525,022	5,379,334
Financial charges:		
Payable	(20,816)	(26,681)
Allocated to future periods	(43,298)	(297,641)
	2,460,908	5,055,012

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

	2018		2017	
	Minimum lease payments	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
	--------------------------------Rupees--------------------------------			
Due within one year	2,525,022	2,460,908	2,857,704	2,728,554
Due after one year but not later than five years	-	-	2,521,630	2,326,458
	2,525,022	2,460,908	5,379,334	5,055,012

	Note	2018 Rupees	2017 Rupees
6. Trade and other payables			
Creditors		642,096,636	665,547,047
Accrued liabilities		63,903,683	66,936,879
Provident fund - related party		410,734	490,162
Security deposit		1,310,310	1,310,310
Workers' profit participation fund	6.1	-	-
Withholding taxes		6,308,511	9,076,183
Other		530,935	530,935
		714,560,809	743,891,516
6.1 Workers' profit participation fund			
Opening balance		-	8,569,883
Interest on funds utilised in the Company's business		-	351,802
		-	8,921,685
Paid to workers on behalf of the fund		-	(8,921,685)
		-	-
Allocation for the year		-	-
		-	-
7. Interest / mark up payable			
Interest / mark up on secured:			
Liabilities against assets subject to finance lease		20,816	26,681
Short term bank borrowings		29,619,874	29,340,517
		29,640,690	29,367,198
8. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finance I	8.2	114,000,000	114,000,000
Term finance	8.3	199,970,594	113,863,336
Running finances	8.4	731,712,097	605,674,533
Cash finance	8.5	12,644,657	203,078,995
		1,058,327,348	1,036,616,864

8.1 The aggregate unavailed short term financing facilities available to the Company are Rs. 565.673 million (2017: 587.383 million).

8.2 It is subject to mark up at the rate of 6 months KIBOR plus 2.25% per annum (2017: 3 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 8.38% to 10.31% per annum (2017: 8.28% to 10.38% per annum).

8.3 It is subject to mark up at the rate of 1 month KIBOR plus 2% per annum (2017: 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 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 8.26% to 8.92% per annum (2017: 8.20% to 8.28% per annum).

8.4 These are subject to mark up at the rate of 3 months KIBOR plus 2.00% to 2.75% per annum (2017: 3 months KIBOR plus 2.00% to 2.65% per annum) with a prompt payment rebate of 0.25% 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. 4,300,000/- and equitable mortgage of personal properties of directors and land owned by the company. These are also secured by personal guarantee of three directors of the Company.

Effective mark up rate charged during the year ranges from 8.14% to 9.18% per annum (2017: 8.04% to 8.77% per annum).

8.5 It is subject to mark up at the rate of 3 month KIBOR plus 2.00% per annum (2017: 3 month KIBOR plus 2.00% per annum) payable quarterly. It is secured against pledge of oil stocks.It is also secured against exclusive charge of Rs.375 million inclusive of 20% margin against pledge facility of the company registered with SECP and by personal guarantee of two directors of the company.

Effective mark up rate charged during the year ranges from 8.14% to 8.50% per annum (2017: 8.01% to 8.12% per annum).

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 Bank guarantees issued in favour of Sui Northern Gas Pipelines Limited for supply of gas aggregate Rs. 188,169,000/- (2017 : Rs. 188,169,000/-)

9.1.2 The order of Commissioner Appeals in favour of the company regarding disputed demand of Income tax for the tax years 2004 to 2006 amounting Rs.1,313,929/- (2017 : Rs.1,313,929/-) was vacated by the Appellate Tribunal. The company has filed an appeal on April 14, 2010 before Sindh High Court against the Appellate Tribunal Order. Pending the outcome of the matter, no provision has been made in these financial statements.

9.1.3 Demand of gas Infrastructure development cess amounting Rs. 137,952,501 (2017 : Rs. 137,952,501/-) not acknowledged. The Company has challenged the levy on June 22, 2015 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.

9.1.4 Demand of late payment surcharge charged by SNGPL on non payment of gas Infrastructure development cess amounting Rs.105,261,143/- has not been acknowledged. The charge is challenged before The Sindh High Court on October 13, 2015. The management is of the view that surcharge can only be levied on wilful default, non payment of princiapal amount of GIDC is due to stay order granted by court of competent jurisdiction therefore LPS could not be charged. No provision of late payment surcharge has been made as the appeals against levy of GIDC are pending before the court of law.

9.2 Commitments

9.2.1 Commitments in respect of store and spare items amounted to Rs. 8,254,918/- (2017 : Rs. 3,549,514/-)

	Note	2018 Rupees	2017 Rupees
10. Property, plant and equipment			
Operating assets	10.1	906,297,692	943,879,362
Capital work in progress	10.5	141,606,688	140,601,688
Non-operating land	10.6	488,345,647	513,424,713
		1,536,250,027	1,597,705,763

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	Furniture and fixtures	Office equipment	Vehicles	Sub total	Vehicles	Sub total	Total
		Rupees												
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
At July 01, 2017														
Cost		56,388,299	223,546,285	1,845,145,555	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
Year ended June 30, 2018														
Opening 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
Additions		-	4,085,038	-	2,206,838	-	325,715	-	428,858	17,579,258	24,625,707	-	-	24,625,707
Transferred from leasehold to owned assets														
Cost		-	-	-	-	-	-	-	-	6,140,000	6,140,000	(6,140,000)	(6,140,000)	-
Accumulated depreciation		-	-	-	-	-	-	-	-	(3,202,406)	(3,202,406)	3,202,406	3,202,406	-
		-	-	-	-	-	-	-	-	2,937,594	2,937,594	(2,937,594)	(2,937,594)	-
Disposals														
Cost		(15,615,900)	-	-	-	-	-	-	-	(17,615,300)	(33,231,200)	-	-	(33,231,200)
Accumulated depreciation		-	-	-	-	-	-	-	-	7,214,705	7,214,705	-	-	7,214,705
		(15,615,900)	-	-	-	-	-	-	-	(10,400,595)	(26,016,495)	-	-	(26,016,495)
Depreciation charge		-	(6,495,764)	(15,503,241)	(5,630,980)	(82,853)	(435,028)	(267,995)	(480,639)	(5,574,839)	(34,471,339)	(1,519,543)	(1,519,543)	(35,990,882)
Closing net book value		40,772,399	61,188,294	711,513,461	51,369,765	745,672	3,942,395	2,411,952	4,450,707	24,314,475	900,709,120	5,588,572	5,588,572	906,297,692
At June 30, 2018														
Cost		40,772,399	227,631,323	1,845,145,555	169,920,812	4,297,647	10,575,556	6,802,670	15,689,755	48,122,879	2,368,958,597	9,688,145	9,688,145	2,378,646,742
Accumulated depreciation		-	(166,443,029)	(1,133,632,095)	(118,551,047)	(3,551,975)	(6,633,161)	(4,390,718)	(11,239,048)	(23,808,404)	(1,468,249,477)	(4,099,573)	(4,099,573)	(1,472,349,050)
Net book value		40,772,399	61,188,294	711,513,461	51,369,765	745,672	3,942,395	2,411,952	4,450,707	24,314,475	900,709,120	5,588,572	5,588,572	906,297,692
Annual rate of depreciation (%)		-	10	-	10	10	10	10	10	20		20		

10.2 Depreciation for the year has been allocated as under:

	2018 Rupees	2017 Rupees
Cost of generation	27,712,838	27,799,399
Operating expenses	8,278,044	7,995,812
	35,990,882	35,795,211

10.3 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

	Location	Usage of immovable property	Total Area (in marlas)	Covered Area (in square foot)
a)	33-K.M.Sheikhupura Road, Chak # 61 R.B / 53 G.B, Tehsil Jaranwala, District Faisalabad.	Generation Plant	7,821	151,337
b)	3rd Floor, Sitara Tower, Bilal Square, New Civil Lines, Faisalabad	Head Office	33.83	9210
c)	Office # 606 and 608, Sixth Floor Business Centre, Mumtaz Hasan Road, Karachi, 74000	Office	2.24	610.95
d)	318, 3rd Floor Siddique Trade Centre, Main Boulevard, Gulberg, Lahore	Office	3	818

10.4 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Operating assets					
Freehold Land (Sold by negotiation)	15,615,900	-	15,615,900	30,850,000	Ibrahim Fibers Limited 15-Club Road, Civil Lines Faisalabad.
Vehicles (Sold by negotiation)	16,103,300	5,797,188	10,306,112	12,700,000	Bacha Nazir Piyochar,Tehsil Matta District Swat
	563,065	552,076	10,989	200,000	Muhammad Naeem Mohala Sardar Colony, Malikpur, Tehsil and District Faisalabad
	948,935	865,441	83,494	415,000	Muhammad Nadeem Chak # 75 R.B Lokka Khurd Tehsil Jaranwala. District Faisalabad
2018	**33,231,200**	**7,214,705**	**26,016,495**	**44,165,000**	
Operating assets					
Freehold Land (Sold by negotiation)	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	

10.5 Capital work in progress

	Freehold land	Civil work	Total
	------Rupees------		
Balance as at July 1, 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
Capital expenditure incurred during the year	-	1,005,000	1,005,000
Balance as at June 30, 2018	51,167,500	90,439,188	141,606,688

10.5.1 Particulars of immovable property in the name of the Company are as follows:

Location	Usage of immovable property	Total Area (in marlas)	Covered Area (in square foot)
a) Chak # 77 R.B , Tehsil Jaranwala, District Faisalabad.	Construction of generation plant	1,239.56	36,600

	Note	2018 Rupees	2017 Rupees
10.6 Non-operating land			
Cost of land	10.6.2	479,511,059	471,537,059
Land Purchased		-	7,974,000
		479,511,059	479,511,059
Disposed off during the year		(16,137,400)	-
		463,373,659	479,511,059
Advances for purchase of land		24,971,988	33,913,654
		488,345,647	513,424,713

10.6.1 The land is held for future expansion.

10.6.2 This includes land worth Rs. 177.739 million (2017: 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.

10.6.3 Particulars of immovable property in the name of the Company are as follows:

	Location	Usage of immovable property	Total Area (in marlas)	Covered Area (in square foot)
a)	Chak # 125 G.B, Tehsil Jaranwala, District Faisalabad.	Plots	332	N/A
b)	Chak # 165 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	1379	N/A
c)	Chak # 193 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	829	N/A
d)	Chak # 197 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	2607	N/A
e)	Chak # 198 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	2156.5	N/A
f)	Chak # 200 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	6125	N/A
g)	Chak # 204 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	9	N/A
h)	Chak # 206 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	40	N/A
i)	Chak # 60 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	59.5	N/A
j)	Chak # 61 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	1378	N/A

11. Investment property

	2018 Rupees	2017 Rupees
Cost	42,400,000	42,400,000
Accumulated depreciation	(13,293,460)	(10,059,400)
Net book value	29,106,540	32,340,600

11.1 Reconciliation of written down value for the year

	2018 Rupees	2017 Rupees
Opening net book value as at July 01,2017	32,340,600	-
Transferred from		
Operating assets	-	33,238,950
Depreciation charge	(3,234,060)	(898,350)
Closing net book value as at June 30,	29,106,540	32,340,600
Annual rate of depreciation (%)	10	10

11.2 The fair value of investment property is approximately Rs. 133.338 million as at June 30, 2018.

11.3 The forced sale value of investment property is approximately Rs. 120.000 million as at June 30, 2018.

11.4 The investment property comprises of 5031-61 Square Feet (covered area) of Ground floor, Sitara Tower situated at Bilal Square, New Civil Lines, Faisalabad and is held for earning rental income.

	2018 Rupees	2017 Rupees
12. Investment in subsidiary		
Sitara International (Private) Limited 4,999,500 (2017: 4,999,500) ordinary shares of Rs. 10/- each fully paid in cash. Ownership interest 99.99% (2017: 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 repealed Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act 2017 on May 30, 2017). The registered office of the Subsidiary is situated at 601-602 Business centre, Mumtaz Hasan Road, Karachi.

12.2 No provision for impairment has ben made against investment in subsidiary as diminution in value is assessed to be temporary.

12.3 Investment in subsidiary company has been made in accordance with the requirements under the Companies Act, 2017.

	2018 Rupees	2017 Rupees
13. Long term deposits		
Security deposits	511,200	511,200
Lease deposit	835,950	835,950
Less: Current portion	(835,950)	-
	-	835,950
	511,200	1,347,150
14. Stores, spares and loose tools		
Stores	17,156,084	16,285,290
Spares	277,372,371	275,973,672
Loose tools	1,689,313	1,768,699
	296,217,768	294,027,661
Less: Provision for slow moving and obsolete items	(15,958,617)	(16,111,815)
	280,259,151	277,915,846

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

	2018 Rupees	2017 Rupees
15. Stock of oil and lubricants		
Furnace oil	36,232,438	255,620,753
Diesel oil	2,676,010	2,848,470
Lube oil	4,163,642	4,774,472
Wastes	67,581	57,981
	43,139,671	263,301,676

15.1 Stock in trade amounting to Rs.16.084 million (2017: Rs.254.167 million) was pledged as security with the bank.

	Note	2018 Rupees	2017 Rupees
16. Trade debts			
Unsecured			
Considered good			
Related parties			
Sitara Chemtek (Private) Limited	16.1	293,879	489,723
Sitara Fabrics Limited	16.2	122,453,393	77,692,632
Sitara Spinning Mills Limited	16.3	143,532,643	52,013,210
		266,279,915	130,195,565
Others		489,278,041	619,434,836
		755,557,956	749,630,401

16.1 The maximum aggregate amount due from Sitara Chemtek (Private) Limited at the end of any month during the year was Rs. 589,743/- (2017: Rs. 4,331,665/-)

16.2 The maximum aggregate amount due from Sitara Fabrics Limited at the end of any month during the year was Rs. 171,593,988/- (2017: Rs. 77,692,632/-)

16.3 The maximum aggregate amount due from Sitara Spinning Mills Limited at the end of any month during the year was Rs. 143,532,643/- (2017: Rs. 312,262,619/-)

	Note	2018 Rupees	2017 Rupees
17. Loans and advances			
Considered good			
Loans to staff		2,805,013	3,510,323
Loan to subsidiary	17.1	625,304,750	567,844,750
Advances			
Suppliers		44,270,016	13,658,938
Income tax		2,968,833	4,483,110
For purchases / expenses		313,711	1,978,975
Letters of credit fee and expenses		731,228	44,633
		676,393,551	591,520,729

17.1 It is unsecured and interest free.

	Note	2018 Rupees	2017 Rupees
18. Deposits and prepayments			
Deposits			
Security deposit		150,000	150,000
Current portion of long term deposits		835,950	-
Guarantee margin		31,375,800	31,375,800
		32,361,750	31,525,800
Prepayments		3,706,278	2,147,972
		36,068,028	33,673,772
19. Other receivables			
Receivable against:			
Sale of non operating land		51,883,825	41,679,060
Rent		719,717	436,770
Gas consumption rebate		45,246,923	-
		97,850,465	42,115,830
20. Tax refunds due from government			
Sales tax		106,306,710	26,346,512
Income tax		49,717,850	45,234,740
		156,024,560	71,581,252
21. Cash and bank balances			
Cash in hand		14,409,852	4,873,570
Cash at banks			
In current accounts		6,184,627	57,606,983
		20,594,479	62,480,553

		Note	2018 Rupees	2017 Rupees
22.	**Sales - net**			
	Electricity		2,701,048,702	2,422,202,296
	Steam		34,422,570	36,136,353
			2,735,471,272	2,458,338,649
	Less: Sales tax		308,576,531	330,876,025
			2,426,894,741	2,127,462,624
	Less: Electricity duty		14,721,954	11,000,796
			2,412,172,787	2,116,461,828
23.	**Cost of generation**			
	Cost of gas, oil and lubricants	23.1	2,160,664,514	1,782,742,464
	Salaries, wages and benefits		72,964,107	72,499,616
	Staff retirement benefits		1,939,136	1,884,756
	Stores, spares and loose tools		65,541,912	69,354,562
	Travelling and conveyance		6,633,851	6,480,435
	Vehicles running and maintenance		3,547,378	2,866,294
	Insurance		6,177,871	6,274,472
	Repairs and maintenance		8,542,320	10,954,301
	Entertainment		3,738,696	3,366,408
	Depreciation	10.2	27,712,838	27,799,399
	Other		2,001,790	1,901,327
			2,359,464,413	1,986,124,034
23.1	**Cost of gas, oil and lubricants**			
	Gas		528,090,153	497,642,896
	Oil and lubricants		1,632,574,361	1,285,099,568
			2,160,664,514	1,782,742,464
24.	**Other income**			
	Income from assets other than financial assets:			
	Sale of scrap and waste		2,134,613	2,523,038
	Rental Income		4,803,515	1,519,200
	Gain on disposal of			
	Operating assets		18,148,505	2,347,599
	Non-operating land		13,458,100	-
	Balances written back		71,374,914	5,544,289
			109,919,647	11,934,126

	Note	2018 Rupees	2017 Rupees
25. Operating expenses			
Director's remuneration		23,425,000	25,950,000
Salaries and benefits		32,875,613	38,109,379
Staff retirement benefits		867,104	1,123,622
Postage and telephone		2,391,170	2,071,589
Vehicles running and maintenance		6,615,901	5,338,485
Travelling and conveyance		5,007,741	6,637,759
Printing and stationery		1,728,179	1,874,761
Entertainment		4,588,724	4,767,099
Legal and professional		15,720,539	9,547,571
Fee, subscription and periodicals		2,846,493	5,627,311
Rent, rates and taxes		288,257	209,292
Advertisement		123,178	376,421
Insurance		1,635,583	1,788,339
Auditors' remuneration	25.1	1,264,000	1,264,000
Repairs and maintenance		2,031,810	2,215,251
Donations		100,000	78,100
Depreciation on property, plant and equipment	10.2	8,278,044	7,995,812
Depreciation on investment property	11.1	3,234,060	898,350
Utilities		4,140,028	3,824,401
Other		1,913,687	2,587,578
		119,075,111	122,285,120
25.1 Auditors' remuneration			
Audit fee		1,050,000	1,050,000
Fee for the review of half yearly financial information		66,500	66,500
Other Certifications		30,000	30,000
Out of pocket expenses		117,500	117,500
		1,264,000	1,264,000
26. Finance cost			
Interest / mark-up on :			
Liabilities against assets subject to finance lease		259,022	571,921
Short term bank borrowings		119,477,182	111,219,621
Workers' profit participation fund		-	351,802
Bank charges and commission		4,449,058	4,404,704
		124,185,262	116,548,048

	Note	2018 Rupees	2017 Rupees
27. Provision for taxation			
Current			
For the year	27.1	-	-
For prior years'		-	-
		-	-

27.1 The profits and gains derived by the Company from electric power generation project are exempt from levy of income tax under clause (132) of Part-I and clause 11A (v) of Part-IV of the Second Schedule to the Income Tax Ordinance, 2001. Therefore no provision for taxation has been made. Moreover the Company has incurred loss during the year.

	2018	2017
28. Earnings per share - Basic and diluted		
(Loss) for the year (Rupees)	(81,857,418)	(96,561,248)
Weighted average number of ordinary shares	19,092,000	19,092,000
(Loss) per share - Basic and diluted (Rupees)	(4.29)	(5.06)

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

29. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2018			2017		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
	Rupees					
Remuneration	13,254,545	4,254,545	3,978,615	13,254,545	6,381,818	18,036,228
Medical allowance	1,325,455	425,455	5,139,045	1,325,455	638,182	1,803,623
Perquisites	3,350,000	815,000	160,214	2,900,000	1,450,000	263,090
Contribution to provident fund	-	-	248,050	-	-	783,432
	17,930,000	5,495,000	9,525,924	17,480,000	8,470,000	20,886,373
Number of persons	1	1	3	1	1	12

29.1 The Chief Executive Officer and director are entitled to free use of Company maintained car and other perquisites. One executive is entitled to conveyance facility. The monetary value of these benefits approximates Rs. 3,197,412/- (2017: Rs. 2,699,696/-). The Directors have waived off their meeting fee.

30. TRANSACTIONS WITH RELATED PARTIES

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

Name of the related party	Relationship and Percentage	Transactions during the year	2018 Rupees	2017 Rupees
Sitara International (Private) Limited	Subsidiary Company by holding 99.99% shares (2017 : 99.99%)	Loan Given	57,460,000	349,435,500
Sitara Chemtek (Private) Limited	Associated company by virtue of common directorship	Sale of electricity	459,170	3,487,584
Sitara Fabrics Limited	Associated company by virtue of common directorship	Sale of electricity and steam	170,116,336	140,926,608
Sitara Spinning Mills Limited	Related party by virtue of section 208 - c (v)	Sale of electricity	215,324,346	203,618,804
Sitara Energy Limited Staff Provident Fund Trust	Other related party	Contribution for the year	2,806,240	3,008,378

31. PLANT CAPACITY AND ACTUAL PRODUCTION

	2018	2017
Number of generators installed	25	25
Number of generators worked	18	20
Installed energy generation capacity (Mega watt hours)	769,303	769,303
Actual energy generation (Mega watt hours)	212,259	197,842
Actual average load (Mega watt)	24.23	22.58

Reasons for low generation:

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

32. DISCLOSURE WITH REGARDS TO PROVIDENT FUND

		2018	2017
Size of the fund	(Rupees)	34,908,494	34,767,327
Cost of investments made	(Rupees)	14,120,000	15,120,000
Percentage of investments made	(% age)	40.45%	43.49%
Fair value of investments	(Rupees)	28,491,031	33,521,395

32.1 The figures for 2018 are based on the un-audited financial statements of the provident fund. Investment has been made in Defense Saving Certificates and mutual fund in accordance with the provisions of section 218 of the Companies Act 2017 and conditions specified thereunder.

33. NUMBER OF EMPLOYEES

	2018	2017
Total number of employees as at June 30,	205	284
Total number of factory employees as at June 30,	150	228
Average number of employees during the year	262	299
Average number of factory employees during the year	200	241

34. 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.

34.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2018 Rupees	2017 Rupees
Financial assets at amortised cost:		
Deposits	32,361,750	32,361,750
Investment in subsidiary	49,995,000	49,995,000
Trade debts	755,557,956	749,630,401
Loans and advances	628,109,763	571,355,073
Other receivables	97,850,465	42,115,830
Cash and bank balances	20,594,479	62,480,553
	1,584,469,413	1,507,501,837
Financial liabilities at amortised cost:		
Liabilities against assets subject to finance lease	2,460,908	5,055,012
Trade and other payables	707,841,564	738,092,803
Interest / markup payable	29,640,690	29,367,198
Short term bank borrowings	1,058,327,348	1,036,616,864
	1,798,270,510	1,809,131,877

34.2 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:

34.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company is exposed to concentration of credit risk towards the major customers M/S Sitara Chemical Industries Limited, M/S Sitara Peroxide Limited and M/S Sitara Spinning Mills Limited. The trade debts receivable from these customers constitute 69% (2017: 78%) of total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2018 Rupees	2017 Rupees
Deposits	32,361,750	32,361,750
Trade debts	755,557,956	749,630,401
Other receivables	97,850,465	42,115,830
Bank balances	6,184,627	57,606,983
	891,954,798	881,278,194

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

	2018 Rupees	2017 Rupees
Sitara Chemical Industries Limited	180,180,147	341,191,946
Sitara Peroxide Limited	198,117,010	193,562,959
Sitara Spinning Mills Limited	143,532,643	52,013,210
Other industrial users	233,728,156	162,862,286
	755,557,956	749,630,401

The aging of trade debts as at statement of financial position date is as under:

Not past due	501,216,074	535,746,376
Past due		
4 to 6 months	86,528,528	12,067,867
7 to 12 months	69,097,568	27,764,968
More than 1 year	98,715,786	174,051,190
	254,341,882	213,884,025
	755,557,956	749,630,401
Not past due		
Related parties	157,092,569	130,195,565
Others	344,123,505	405,550,811
	501,216,074	535,746,376
Past due		
Related parties	109,187,346	-
Others	145,154,536	213,884,025
	254,341,882	213,884,025
	755,557,956	749,630,401

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

34.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The 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 statement of financial position liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2018 and 2017:

	2018				
	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	2,461	2,525	1,324	1,201	-
Trade and other payables	707,842	707,842	707,842	-	-
Short term bank borrowings	1,058,327	1,173,096	187,307	985,789	-
	1,768,630	1,883,463	896,473	986,990	-

	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

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. 932.177 million (2017: 883.692 million) and unavailed short term borrowing facilities of Rs. 565.673 million (2017: Rs. 587.383 million) as at the year end.

34.2.3 Market risk management

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the 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 or loss, therefore a change in interest rates at the reporting date would not effect statement of profit or loss.

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.10.51 million (2017: Rs. 10.16 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 statement of financial position date, the Company is not exposed to equity price risk.

34.3 Fair value of financial instruments

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

Fair value is the 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.

34.4 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 ('liabilities against assets subject to finance lease' and 'short term bank borrowings' as shown in the statement of financial position). Total capital comprises shareholders' equity as shown in the statement of financial position 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	**2018 Rupees**	2017 Rupees
Total Debt	5 & 8	1,060,788,256	1,041,671,876
Less: Cash and cash equivalents	21	20,594,479	62,480,553
Net Debt		1,040,193,777	979,191,323
Total equity		1,873,052,932	1,954,910,350
Total capital		2,913,246,709	2,934,101,673
Gearing ratio		35.71%	33.37%

35. 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 26, 2018.

36. GENERAL

36.1 RE-ARRANGEMENTS

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There were no significant reclassifications / restatements to these financial statements during the year except as mentioned below:

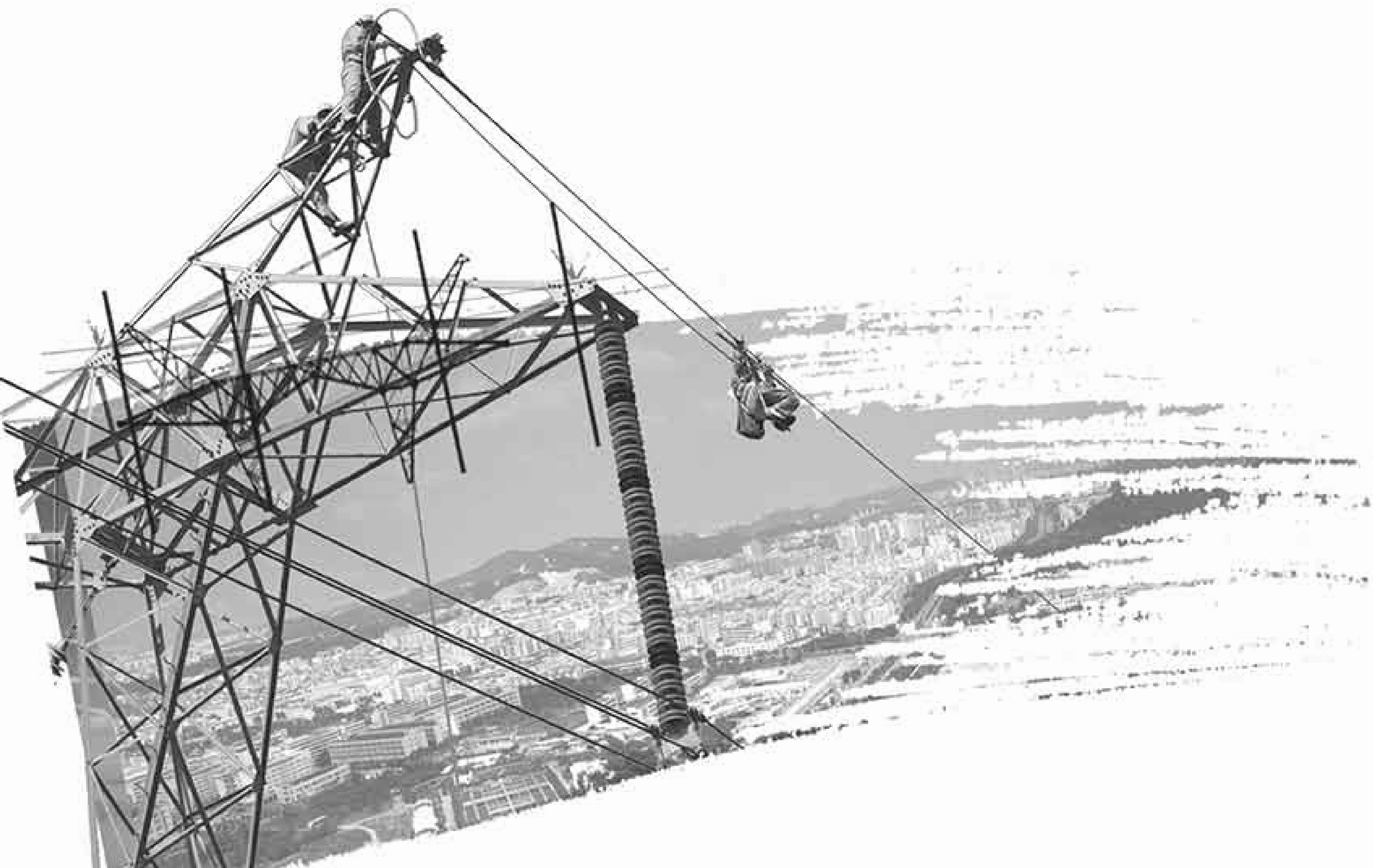
Unclaimed dividend" amounting to Rs.3,767,632/- was shown as a separate line item under the head "Trade and other payables". This has been disclosed as a separate line item at the face of "Statement of Financial Position".

"Rent Receivable" amounting to Rs.436,770/- was grouped in "Advances to suppliers" under the head "Loans and advances". This has been disclosed as a separate line item under the head "Other Receivables".

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

CHIEF EXECUTIVE OFFICER | DIRECTOR | CHIEF FINANCIAL OFFICER

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, 2018.

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

	30.06.2018	30.06.2017
	Rupees in thousands	
Sales - net	2,412,173	2,116,462
Gross Profit	52,708	130,338
(Loss) before taxation	(83,454)	(96,465)
(Loss) after taxation	(83,454)	(96,465)
(Loss) per share	(4.36)	(5.05)

by order of the Board

September 26, 2018
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 2018 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 2018ء اور 30 جون 2017ء کی تفصیلات درج ذیل ہیں۔

تفصیل	30 جون 2018ء	30 جون 2017ء
	پاکستانی روپے ہزاروں میں	
فروخت - نیٹ	2,412,173	2,116,462
مجموعی منافع	52,708	130,338
ٹیکسیشن سے قبل (نقصان)	(83,454)	(96,465)
سال کا (نقصان)	(83,454)	(96,465)
فی شیئر (نقصان) Parent میں قابل وصف حصہ (روپے)	(4.36)	(5.05)

بحکم بورڈ

جاوید اقبال
چیف ایگزیکٹو آفیسر

26 ستمبر، 2018ء
فیصل آباد

INDEPENDENT AUDITOR'S REPORT

To the members of Sitara Energy Limited

Opinion

We have audited the annexed consolidated financial statements of Sitara Energy Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

Key Audit Matters	How our audit addressed the key audit matter
Gas Infrastructure Development Cess (GIDC)	
The Parent company is engaged in litigation with its supplier of gas M/S Sui Northern Gas Pipelines Limited (SNGPL) defending demands of Gas Infrastructure Development Cess (GIDC) and late payment Surcharge, Thereon' this area involves the significant and complex judgments by the management. The liability of Rs. 137.952 million up to 2014 before promulgation of new GIDC Act 2015 has not been recognized on the ground that the cess is not validly levied as held by the superior courts. From September 2014 onwards the liability on account of GIDC amounting to Rs.340.559 million has been recognized, however charging of late payment surcharge (LPS) of Rs. 105.261 million till June 30, 2018 has not been recognized. The Parent company has challenged both levy of GIDC and charging of LPS before the court which is pending. Non-Recognition of liability of LPS is highly judgmental and is based on assumption that the LPS cannot be charged by the supplier during the pendency of the petition in which stay against recovery is granted because there is no willful default. Given the nature and amounts involved in cases pending in the appellate forums. The accounting is subject to significant judgments which can be changed as the new facts emerge. Therefore we consider this as a key audit matter.	Our audit procedures include the following: Obtaining understanding of the Parent company's procedures and controls over contingent liabilities. Examining the case files particularly the correspondence with the legal counsels hired by the Parent company to represent the cases before the courts. Perusal of the expert opinions obtained by the Parent company and assessing the legal counsels who have issued the opinions. Circulating the external confirmations to the legal advisors. Assessing the adequacy and appropriateness of the disclosures made in the consolidated financial statements.

Key Audit Matters	How our audit addressed the key audit matter
Non-Operating Land	
As stated in the note 11.6 to the consolidated financial statements the Parent company has made investment of Rs.488.346 million in acquisition of Land for the expansion projects. The investment was made in 2008 but the management has so far not been able to implement its expansion plans due to economic conditions. Judgment is applied by the management in selecting the accounting basis. Due to amounts involved i.e.13.26% of the total assets, we have identified this as a key audit matter.	Our audit procedures with respect to non operating land and advance for purchase of land include examination of relevant documents and correspondences, reading minutes of board meetings and obtaining specific representations from the management regarding Parent company's intentions to implement the expansion projects.
Preparation of financial statements under Companies Act, 2017	
The provisions of the fourth schedule to the Companies Act, 2017 (the Act) became applicable to the group for the first time in the preparation of these annual consolidated financial statements. The Act has also brought certain changes with regards to preparation and presentation of the annual financial statements of the Group. As part of this transition to the requirements, the management performed a gap analysis to identify differences, between the previous and the current financial reporting framework and as a result certain changes were made in the Group's annual consolidated financial statements. In view of the extensive impacts in the annexed consolidated financial statements due to first time application of the fourth schedule to the Act, we considered it as a key audit matter.	We reviewed and understood the requirements of the Fourth schedule to the Act. Our audit procedures included the following: - Considered the management's process to identify the additional disclosures required in the Group's annual consolidated financial statements. - Obtained relevant underlying supports for the additional disclosures and assessed their appropriateness for the sufficient audit evidence. - Verified on test basis the supporting evidence for the additional disclosure and ensured appropriateness of the disclosures made.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for other information. The other information comprises information in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in

Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Syed Ali Adnan Tirmizey.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Lahore
September 26, 2018

Consolidated Statement of Financial Position

	Note	2018 Rupees	(Re-stated) 2017 Rupees	(Re-stated) 2016 Rupees
SHARE CAPITAL AND RESERVES				
Authorised capital				
30,000,000 ordinary shares				
of Rs. 10/- each.		300,000,000	300,000,000	300,000,000
Issued, subscribed				
and paid up capital	5	190,920,000	190,920,000	190,920,000
Capital reserve				
Share premium		143,190,000	143,190,000	143,190,000
Revenue reserves				
General reserve		970,000,000	970,000,000	920,000,000
Unappropriated profit		567,998,036	651,451,776	836,100,521
		1,872,108,036	1,955,561,776	2,090,210,521
Non-controlling interest		7,131	7,291	7,281
		1,872,115,167	1,955,569,067	2,090,217,802
NON-CURRENT LIABILITIES				
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	715,641,509	744,802,416	459,527,503
Unclaimed dividend		3,707,941	3,767,632	3,247,203
Interest / mark up payable	8	29,640,690	29,367,198	26,127,010
Short term bank borrowings	9	1,058,327,348	1,036,616,864	771,873,926
Current portion of:				
Long term financing		-	-	200,000,000
Liabilities against assets		-	-	4,304,139
subject to finance lease	6	2,460,908	2,594,756	-
Provision for taxation - income tax		-	-	-
		1,809,778,396	1,817,148,866	1,465,079,781
CONTINGENCIES AND COMMITMENTS	10	-	-	-
		3,681,893,563	3,775,178,189	3,560,970,128

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

CHIEF EXECUTIVE OFFICER

As at June 30, 2018

	Note	2018 Rupees	(Re-stated) 2017 Rupees	(Re-stated) 2016 Rupees
NON-CURRENT ASSETS				
Property, plant and equipment	11	1,536,277,509	1,597,736,299	1,657,434,533
Investment Property	12	29,106,540	32,340,600	-
Long term deposits	13	511,200	1,347,150	1,347,150
		1,565,895,249	1,631,424,049	1,658,781,683
CURRENT ASSETS				
Stores, spares and loose tools	14	280,259,151	277,915,846	252,832,432
Stocks	15	443,116,231	663,278,236	110,925,539
Investment property	16	63,403,000	63,403,000	63,403,000
Trade debts	17	755,557,956	749,630,401	862,430,381
Loans and advances	18	226,248,761	173,275,979	148,219,568
Deposits and prepayments	19	36,068,028	33,673,772	36,138,314
Other receivables	20	97,850,465	43,615,830	39,679,060
Tax refunds due from Government	21	157,076,444	72,633,136	40,462,499
Cash and bank balances	22	56,418,278	66,327,940	348,097,652
		2,115,998,314	2,143,754,140	1,902,188,445
		3,681,893,563	3,775,178,189	3,560,970,128

DIRECTOR

CHIEF FINANCIAL OFFICER

Consolidated Profit and Loss Account for the Year Ended June 30, 2018

	Note	**2018 Rupees**	2017 Rupees
Sales - net	23	2,412,172,787	2,116,461,828
Cost of generation	24	2,359,464,413	1,986,124,034
Gross profit		52,708,374	130,337,794
Other income	25	109,919,647	13,434,126
		162,628,021	143,771,920
Operating expenses	26	120,489,635	123,688,443
Other operating expenses - Balances written off		1,225,066	-
Finance cost	27	124,187,220	116,548,212
		245,901,921	240,236,655
(Loss) for the year before taxation		(83,273,900)	(96,464,735)
Provision for taxation	28	180,000	-
(Loss) for the year		(83,453,900)	(96,464,735)
Attributable to:			
Shareholders of the Parent		(83,453,740)	(96,464,745)
Non-controlling interest		(160)	10
		(83,453,900)	(96,464,735)
(Loss) per share - Basic and diluted			
Attributable to the shareholders of the Parent	29	(4.36)	(5.05)

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

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

Consolidated Statement of other Comprehensive Income for the Year Ended June 30, 2018

	2018 **Rupees**	2017 Rupees
(Loss) for the year	(83,453,900)	(96,464,735)
Other comprehensive income for the year	-	-
Total comprehensive (Loss) for the year	(83,453,900)	(96,464,735)
Attributable to:		
Shareholders of the Parent	(83,453,740)	(96,464,745)
Non-controlling interest	(160)	10
	(83,453,900)	(96,464,735)

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

CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

Consolidated Statement of Cash Flows for the Year Ended June 30, 2018

	2018 Rupees	2017 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) for the year before taxation	(83,273,900)	(96,464,735)
Adjustments for:		
Depreciation of property, plant and equipment	35,993,936	35,798,603
Depreciation of investment property	3,234,060	898,350
Provision for staff retirement benefits	2,806,240	3,008,378
Gain on disposal of:		
Operating assets	(18,148,505)	(2,347,599)
Non-operating land	(13,458,100)	-
Balances written (back) / off - net	(70,149,848)	(5,544,289)
Finance cost	124,187,220	116,548,212
Operating cash flows before working capital changes	(18,808,897)	51,896,920
Changes in working capital		
Decrease / (Increase) in current assets		
Stores, spares and loose tools	(2,343,305)	(25,083,414)
Stocks	220,162,005	(552,352,697)
Trade debts	(5,927,555)	112,799,980
Loans and advances	(54,112,165)	(26,834,197)
Deposits and prepayments	(1,558,306)	2,464,542
Other receivables	(49,140,635)	(3,500,000)
Tax refunds due from government	(79,960,198)	(26,346,512)
Increase in current liabilities		
Trade and other payables	42,293,435	291,110,517
	69,413,276	(227,741,781)
Cash generated from / (used in) operating activities	50,604,379	(175,844,861)
Income tax paid	(3,248,793)	(4,483,110)
Staff retirement benefits paid	(2,885,668)	(3,299,692)
Finance cost paid	(123,913,728)	(113,308,024)
Net cash (used in) operating activities	(79,443,810)	(296,935,687)

CHIEF EXECUTIVE OFFICER   DIRECTOR   CHIEF FINANCIAL OFFICER

Consolidated Statement of Cash Flows for the Year Ended June 30, 2018

	2018 Rupees	2017 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(16,689,041)	(11,191,720)
Proceeds from disposal of :		
Operating assets	44,165,000	4,200,000
Non operating land	23,001,500	-
Net cash generated from / (used in) investing activities	50,477,459	(6,991,720)
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of :		
Long term financing	-	(200,000,000)
Liabilities against assets subject to finance lease	(2,594,104)	(4,921,672)
Increase in short term bank borrowings - net	21,710,484	264,742,938
Dividend paid	(59,691)	(37,663,571)
Net cash generated from financing activities	19,056,689	22,157,695
Net (decrease) in cash and cash equivalents (a+b+c)	(9,909,662)	(281,769,712)
Cash and cash equivalents at the beginning of the year	66,327,940	348,097,652
Cash and cash equivalents at the end of the year	56,418,278	66,327,940

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

CHIEF EXECUTIVE OFFICER　　DIRECTOR　　CHIEF FINANCIAL OFFICER

Consolidated Statement of Changes In Equity for the Year Ended June 30, 2018

	Capital and reserves						
	Issued, subscribed and paid up capital	Capital Reserve	Revenue Reserves			Total	Non-Controlling Interest
		Share Premium	General Reserve	Unapropriated profit	Sub total		
	---------------------------- Rupees ----------------------------						
Balance as at July 01, 2016	190,920,000	143,190,000	920,000,000	832,205,208	1,752,205,208	2,086,315,208	7,281
Rectification of intra group adjustment (Note 4.25)	-	-	-	3,895,313	3,895,313	3,895,313	-
Balance as at July 01, 2016 - Restated	190,920,000	143,190,000	920,000,000	836,100,521	1,756,100,521	2,090,210,521	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 income 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 - Restated	190,920,000	143,190,000	970,000,000	651,451,776	1,621,451,776	1,955,561,776	7,291
Total comprehensive (loss) for the year							
(Loss) for the year	-	-	-	(83,453,740)	(83,453,740)	(83,453,740)	(160)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	(83,453,740)	(83,453,740)	(83,453,740)	(160)
Balance as at June 30, 2018	190,920,000	143,190,000	970,000,000	567,998,036	1,537,998,036	1,872,108,036	7,131

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

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2018

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 repealed Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act 2017 on May 30, 2017) 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 generation plant is located at 33-K.M. Sheikhupura Road, Tehsil Jaranwala, District Faisalabad in the province of Punjab.

The Subsidiary is incorporated in Pakistan as a private limited company under the repealed Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act 2017 on May 30, 2017). The principal activities of the Subsidiary are 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. SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING PERIOD

a) Due to the applicability of Companies Act, 2017 certain disclosures of the financial statements have been presented in accordance with the fourth schedule notified by the Securities and Exchange Commission of Pakistan vide S.R.O 1169 dated 7 November 2017.

b) The average price of furnace oil (main fuel in power generation) has increased from Rs.37,290/- per metric ton during 2017 to Rs.46,256/- per metric ton in 2018.

c) For a detailed discussion about the Group's performance please refer to the Directors' report on consolidated financial statements.

3. 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.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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

4.2.1 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, 2017 and therefore, have been applied in preparing these 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 application of these amendments has no 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 application of these amendments has no impact on the Group's financial statements.

4.2.2 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, 2017 but are considered not to be relevant to the group's operations and are, therefore, not disclosed in these financial statements.

4.2.3 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.

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.

IFRIC 23 Uncertainty over Income Tax Treatments:

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The Group is yet to assess the full impact of the IFRIC. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

This IFRIC is effective for accounting period beginning on or after January 01, 2019. 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 1: First-time Adoption of International Financial Reporting Standards.

IAS 28: Investments in Associates and Joint Ventures.

The amendments are effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019. The application of amendments is not expected to have any material impact on the Group's financial statements.

- **Annual improvements 2015-2017 Cycle**

  Annual Improvements of IFRSs through 2015-2017 cycle have been issued by IASB on December, 2017, amending the following standards;

  IFRS 3: Business Combinations - Re-measurement of previously held interest.

  IFRS 11: Joint Venture - Re-measurement of previously held interest.

  IAS 12: Income Taxes – Income Tax consequences of dividends.

  IAS 23: Borrowing Costs – Borrowing costs eligible for capitalization.

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

4.2.4 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 Group's operations, therefore, not disclosed in these financial statements.

4.3 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.

4.4 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 statement of financial position 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 statement of profit or loss, 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 4.12). Contingent rentals are recognised as expenses in the periods in which they are incurred.

4.5 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.

4.6 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.

4.7 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 statement of financial position date and adjusted to reflect the current best estimate.

4.8 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 statement of financial position 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 statement of financial position date.

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

4.9 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.

4.10 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.

4.11 Impairment

The Group assesses at each statement of financial position 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 statement of profit or loss, 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.

4.12 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.

4.13 Investment property

Long term investment property 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.

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

4.14 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.

4.15 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.

4.16 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.

4.17 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position 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.

4.18 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 statement of profit or loss.

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.

4.19 Foreign currency translation

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position 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.

4.20 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.

4.21 Offsetting of financial asset and financial liability

A financial asset and a financial liability is offset and the net amount reported in the statement of financial position, 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.

4.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Revenue is recognised as the power and steam are supplied.

Sale of land is recognised when legal title passes.

4.23 Transactions with related parties

Transactions with related parties are carried out at arm's length. The prices are determined in accordance with comparable uncontrolled price method, 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.

4.24 Critical accounting estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, 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.

4.25 Correction of prior period error

In prior year's consolidated financial statements, intragroup transaction of Rs.3,895,313/- was incorrectly adjusted in Trade and other payables, Non operating land and Unappropriated profit. Now the consolidated financial statements of prior year have been restated to correct this error. The effect of restatement in consolidated statement of financial position is increase in Property, plant and equipment amounting Rs.3,550,313/-. Reduction in Trade and other payables of Rs.345,000/- and increase in un-appropriated profit of Rs.3,895,313/-.

5. Issued, subscribed and paid up capital

2017	**2018**		**2018**	2017
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

5.1 656,000 (2017: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

6. Liabilities against assets subject to finance lease

	2018 Rupees	2017 Rupees
Opening balance	5,055,012	9,976,684
Obtained during the year	-	-
	5,055,012	9,976,684
Paid / adjusted during the year	(2,594,104)	(4,921,672)
	2,460,908	5,055,012
Less: Current portion	2,460,908	2,594,756
	-	2,460,256

6.1 These represents vehicles acquired under lease agreements. The purchase option is available to the Group 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 8.70% to 9.06% (2017: 8.62% to 8.64%) 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,	2018 Rupees	2017 Rupees
2018	-	2,857,704
2019	2,525,022	2,521,630
	2,525,022	5,379,334
Financial charges:		
Payable	(20,816)	(26,681)
Allocated to future periods	(43,298)	(297,641)
	2,460,908	5,055,012

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

	2018		2017	
	Minimum lease payments	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
	----------Rupees----------			
Due within one year	2,525,022	2,460,908	2,857,704	2,728,554
Due after one year but not later than five years	-	-	2,521,630	2,326,458
	2,525,022	2,460,908	5,379,334	5,055,012

	Note	**2018 Rupees**	2017 Rupees (Restated)
7. Trade and other payables			
Creditors		642,879,636	666,225,047
Accrued liabilities		64,201,383	67,169,779
Provident fund - related party		410,734	490,162
Security deposit		1,310,310	1,310,310
Workers' profit participation fund	7.1	-	-
Withholding taxes		6,308,511	9,076,183
Other		530,935	530,935
		715,641,509	744,802,416

7.1 Workers' profit participation fund

	2018	2017
Opening balance	-	8,569,883
Interest on funds utilised in the Group's business	-	351,802
	-	8,921,685
Paid to workers on behalf of the fund	-	(8,921,685)
	-	-
Allocation for the year	-	-
	-	-

	Note	2018 Rupees	2017 Rupees (Restated)
8. Interest / mark up payable			
Interest / mark up on secured:			
Liabilities against assets subject to finance lease		20,816	26,681
Short term bank borrowings		29,619,874	29,340,517
		29,640,690	29,367,198
9. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finance I	9.2	114,000,000	114,000,000
Term finance	9.3	199,970,594	113,863,336
Running finances	9.4	731,712,097	605,674,533
Cash finance	9.5	12,644,657	203,078,995
		1,058,327,348	1,036,616,864

9.1 The aggregate unavailed short term financing facilities available to the Parent are Rs. 565.673 million (2017: Rs. 587.383 million).

9.2 It is subject to mark up at the rate of 6 months KIBOR plus 2.25% per annum (2017: 3 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 8.38% to 10.31% per annum (2017: 8.28% to 10.38% per annum).

9.3 It is subject to mark up at the rate of 1 month KIBOR plus 2% per annum (2017: 1 month KIBOR plus 2% per annum). It is secured against first joint pari passu charge over current assets of the Parent ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 9.2) and running finances (Refer Note 9.4) and by personal guarantee of directors of the Parent.

Effective mark up rate charged during the year ranges from 8.26% to 8.92% per annum (2017: 8.20% to 8.28% per annum).

9.4 These are subject to mark up at the rate of 3 months KIBOR plus 2.00% to 2.75% per annum (2017: 3 months KIBOR plus 2.00% to 2.65% per annum) with a prompt payment rebate of 0.25% per annum. Running finances are secured against first charge over current assets of the Parent ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 9.2) and short term term finance (Refer Note 9.3), first charge over fixed assets of the Parent ranking pari passu with the charges created in respect of morabaha finance - I (Refer Note 9.2). These are further secured against ranking charge over fixed assets, token registered mortgage of Rs. 4,300,000/- and equitable mortgage of personal properties of directors and land owned by the Parent. These are also secured by personal guarantee of three directors of the Parent.

Effective mark up rate charged during the year ranges from 8.14% to 9.18% per annum (2017: 8.04% to 8.77% per annum).

9.5 It is subject to mark up at the rate of 3 month KIBOR plus 2.00% per annum (2017: 3 month KIBOR plus 2.00% per annum) payable quarterly. It is secured against pledge of oil stocks.It is also secured against exclusive charge of Rs.375 million inclusive of 20% margin against pledge facility of the Parent registered with SECP and by personal guarantee of two directors of the Parent.

Effective mark up rate charged during the year ranges from 8.14% to 8.50% per annum (2017: 8.01% to 8.12% per annum).

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Bank guarantees issued in favour of Sui Northern Gas Pipelines Limited for supply of gas aggregate Rs. 188,169,000/- (2017 : Rs. 188,169,000/-)

10.1.2 The order of Commissioner Appeals in favour of the Parent company regarding disputed demand of Income tax for the tax years 2004 to 2006 amounting Rs.1,313,929/- (2017 : Rs.1,313,929/-) was vacated by the Appellate Tribunal. The Parent company has filed an appeal on April 14, 2010 before Sindh High Court against the Appellate Tribunal Order. Pending the outcome of the matter, no provision has been made in these consolidated financial statements.

10.1.3 Demand of gas Infrastructure development cess amounting Rs. 137,952,501 (2017 : Rs.137,952,501/-) not acknowledged. The Parent company has challenged the levy on June 22, 2015 from year 2011 to 2014 before the Honourable Lahore High Court Lahore claiming that the Parent 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.

10.1.4 Demand of late payment surcharge charged by SNGPL on non payment of gas Infrastructure development cess amounting Rs.105,261,143/- has not been acknowledged. The charge is challenged before The Sindh High Court on October 13, 2015 . The management is of the view that surcharge can only be levied on wilful default, non payment of princiapal amount of GIDC is due to stay order granted by court of competent jurisdiction therefore LPS could not be charged. No provision of late payment surcharge has been made as the appeals against levy of GIDC are pending before the court of law.

10.2 Commitments

10.2.1 Commitments in respect of store and spare items amounted to Rs.8,254,918/- (2017:Rs.3,549,514/-)

10.2.2 Commitments in respect of agreement for purchase of land amounted to Rs.7,209,375/- (2017:Rs.7,209,375/-)

	Note	2018 Rupees	2017 Rupees
11. Property, plant and equipment			
Operating assets	11.1	906,325,174	943,709,898
Capital work in progress	11.5	141,606,688	140,601,688
Non-operating land	11.6	488,345,647	513,424,713
		1,536,277,509	1,597,736,299

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, 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
At July 01, 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
Year ended June 30, 2018															
Opening 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
Additions		-	4,085,038	-	2,206,838	-	325,715	-	428,858	-	17,578,258	24,625,707	-	-	24,625,707
Transferred from leasehold to owned assets															
Cost		-	-	-	-	-	-	-	-	-	6,140,000	6,140,000	(6,140,000)	(6,140,000)	-
Accumulated depreciation		-	-	-	-	-	-	-	-	-	(3,202,406)	(3,202,406)	3,202,406	3,202,406	-
		-	-	-	-	-	-	-	-	-	2,937,594	2,937,594	(2,937,594)	(2,937,594)	-
Disposals:															
Cost		(15,615,900)	-	-	-	-	-	-	-	-	(17,615,300)	(33,231,200)	-	-	(33,231,200)
Accumulated depreciation		-	-	-	-	-	-	-	-	-	7,214,705	7,214,705	-	-	7,214,705
		(15,615,900)	-	-	-	-	-	-	-	-	(10,400,595)	(26,016,495)	-	-	(26,016,495)
Depreciation charge		-	(6,495,764)	(15,503,241)	(5,630,980)	(82,853)	(435,028)	(267,995)	(482,794)	(899)	(5,574,639)	(34,474,393)	(1,519,543)	(1,519,543)	(35,993,936)
Closing net book value		40,772,399	61,188,294	711,513,461	51,369,765	745,672	3,942,395	2,411,952	4,470,102	8,087	24,314,475	900,736,602	5,588,572	5,588,572	906,325,174
At June 30, 2018															
Cost		40,772,399	227,631,323	1,845,145,556	169,920,812	4,297,647	10,575,556	6,802,670	15,770,183	29,625	48,122,879	2,369,068,650	9,688,145	9,688,145	2,378,756,795
Accumulated depreciation		-	(166,443,029)	(1,133,632,095)	(118,551,047)	(3,551,975)	(6,633,161)	(4,390,718)	(11,300,081)	(21,538)	(23,808,404)	(1,468,332,048)	(4,099,573)	(4,099,573)	(1,472,431,621)
Net book value		40,772,399	61,188,294	711,513,461	51,369,765	745,672	3,942,395	2,411,952	4,470,102	8,087	24,314,475	900,736,602	5,588,572	5,588,572	906,325,174
Annual rate of depreciation (%)		-	10	-	10	10	10	10	10		20		20		

	2018 Rupees	2017 Rupees
11.2 Depreciation for the year has been allocated as under:		
Cost of generation	27,712,838	27,799,399
Operating expenses	8,281,098	7,999,204
	35,993,936	35,798,603

11.3 Particulars of immovable property (i.e. land and building) in the name of the Parent Company are as follows:

	Location	Usage of immovable property	Total Area (in marlas)	Covered Area (in square foot)
a)	33-K.M.Sheikhupura Road, Chak # 61 R.B / 53 G.B, Tehsil Jaranwala, District Faisalabad.	Generation Plant	7,821	151,337
b)	3rd Floor, Sitara Tower, Bilal Square, New Civil Lines, Faisalabad	Head Office	33.83	9210
c)	Office # 606 and 608, Sixth Floor Business Centre, Mumtaz Hasan Road, Karachi, 74000	Office	2.24	610.95
d)	318, 3rd Floor Siddique Trade Centre, Main Boulevard, Gulberg, Lahore	Office	3	818

11.4 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Operating assets					
Freehold Land (Sold by negotiation)	15,615,900	-	15,615,900	30,850,000	Ibrahim Fibers Limited 15-Club Road, Civil Lines Faisalabad.
Vehicles (Sold by negotiation)	16,103,300	5,797,188	10,306,112	12,700,000	Bacha Nazir Piyochar,Tehsil Matta District Swat
	563,065	552,076	10,989	200,000	Muhammad Naeem Mohala Sardar Colony, Malikpur, Tehsil and District Faisalabad
	948,935	865,441	83,494	415,000	Muhammad Nadeem Chak # 75 R.B Lokka Khurd Tehsil Jaranwala. District Faisalabad
2018	**33,231,200**	**7,214,705**	**26,016,495**	**44,165,000**	
Operating assets					
Freehold Land (Sold by negotiation)	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**	

11.5 Capital work in progress

	Freehold land	Civil work	Total
	------------------------------Rupees-----------------------------------		
Balance as at July 1, 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
Capital expenditure incurred during the year	-	1,005,000	1,005,000
Balance as at June 30, 2018	51,167,500	90,439,188	141,606,688

11.5.1 Particulars of immovable property in the name of the Parent Company are as follows:

Location	Usage of immovable property	Total Area (in marlas)	Covered Area (in square foot)
a) Chak # 77 R.B , Tehsil Jaranwala, District Faisalabad.	Construction of generation plant	1,239.56	36,600

	2018 Rupees	2017 Rupees (Restated)
11.6 Non-operating land		
Cost of land	479,511,059	471,537,059
Land Purchased	-	7,974,000
	479,511,059	479,511,059
Disposed off during the year	(16,137,400)	-
	463,373,659	479,511,059
Advances for purchase of land	24,971,988	33,913,654
	488,345,647	513,424,713

11.6.1 The land is held for future expansion.

11.6.2 This includes land worth Rs. 177.739 million (2017: Rs. 250.1 million) not in the name of the Parent company. The land is in the name of the subsidiary. As per agreement the Parent 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 Parent company are pending.

11.6.3 Particulars of immovable property in the name of the Parent Company are as follows:

	Location	Usage of immovable property	Total Area (in marlas)	Covered Area (in square foot)
a)	Chak # 125 G.B, Tehsil Jaranwala, District Faisalabad.	Plots	332	N/A
b)	Chak # 165 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	1379	N/A
c)	Chak # 193 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	829	N/A
d)	Chak # 197 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	2607	N/A
e)	Chak # 198 R.B, Tehsil Saddar, District Faisalabad.	Plots	2156.5	N/A
f)	Chak # 200 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	6125	N/A
g)	Chak # 204 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	9	N/A
h)	Chak # 206 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	40	N/A
i)	Chak # 60 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	59.5	N/A
j)	Chak # 61 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	1378	N/A

	2018 Rupees	2017 Rupees
12. Investment property		
Cost	42,400,000	42,400,000
Accumulated depreciation	(13,293,460)	(10,059,400)
Net book value	29,106,540	32,340,600
12.1 Reconciliation of written down value for the year		
Opening net book value as at July 01,2017	32,340,600	-
Transferred from		
Operating assets	-	33,238,950
Additions		
Depreciation charge	(3,234,060)	(898,350)
Closing net book value as at June 30,	29,106,540	32,340,600
Annual rate of depreciation (%)	10	10

12.2 The fair value of investment property is approximately Rs. 133.338 million as at June 30, 2018.

12.3 The forced sale value of investment property is approximately Rs. 120.000 million as at June 30, 2018.

12.4 The investment property comprises of 5031-61 Square Feet (covered area) of Ground floor, Sitara Tower situated at Bilal Square, New Civil Lines, Faisalabad and is held for earning rental income.

	Note	2018 Rupees	2017 Rupees
13. Long term deposits			
Security deposits		511,200	511,200
Lease deposit		835,950	835,950
Less: Current portion		(835,950)	-
		-	835,950
		511,200	1,347,150
14. Stores, spares and loose tools			
Stores		17,156,084	16,285,290
Spares		277,372,371	275,973,672
Loose tools		1,689,313	1,768,699
		296,217,768	294,027,661
Less: Provision for slow moving and obsolete items		(15,958,617)	(16,111,815)
		280,259,151	277,915,846

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

	2018 Rupees	2017 Rupees
15. Stocks		
Furnace oil	36,232,438	255,620,753
Diesel oil	2,676,010	2,848,470
Lube oil	4,163,642	4,774,472
Waste	67,581	57,981
Land	399,976,560	399,976,560
	443,116,231	663,278,236

15.1 Stock in trade amounting to Rs.16.084 million (2017 : Rs.254.167 million) was pledged as security with the bank.

	2018 Rupees	2016 Rupees
16. Investment property		
Cost	25,144,683	25,144,683
Gain on fair value measurement	38,258,317	38,258,317
	63,403,000	63,403,000

16.1 The investment property comprises of 89 Kanals and 6 Marlas of land situated at Chak # 198 R.B, Tehsil Saddar, District Faisalabad and is held for capital appreciation.

16.2 The fair value of the investment property has been determined on the basis of market value by an independent valuer as at June 30, 2018.

16.3 The forced sale value of investment property is approximately Rs. 55.41 million as at June 30,2018.

17. Trade debts

	2018 Rupees	2017 Rupees
Unsecured		
Considered good		
Related parties		
Sitara Chemtek (Private) Limited	293,879	489,723
Sitara Fabrics Limited	122,453,393	77,692,632
Sitara Spinning Mills Limited	143,532,643	52,013,210
	266,279,915	130,195,565
Others	489,278,041	619,434,836
	755,557,956	749,630,401

17.1 The maximum aggregate amount due from Sitara Chemtek (Private) Limited at the end of any month during the year was Rs. 589,743/- (2017: Rs. 4,331,665/-)

17.2 The maximum aggregate amount due from Sitara Fabrics Limited at the end of any month during the year was Rs. 171,593,988/- (2017: Rs. 77,692,632/-)

17.3 The maximum aggregate amount due from Sitara Spinning Mills Limited at the end of any month during the year was Rs. 143,532,643/- (2017: Rs. 312,262,619/-)

18. Loans and advances

	Note	**2018 Rupees**	2017 Rupees
Considered good			
Loans to staff		2,805,013	3,510,323
Advances			
Suppliers	18.1	71,630,016	15,558,938
Income tax		3,068,793	4,483,110
For purchases / expenses		313,711	1,978,975
Letters of credit fee and expenses		731,228	44,633
Advances for purchase of land	18.2	147,700,000	147,700,000
		226,248,761	173,275,979

18.1 This includes Advance of Rs. 15.46 M given to associated undertaking - Sitara Chemtek private Limited.

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

	Note	2018 Rupees	2017 Rupees
19. Deposits and prepayments			
Deposits			
Security deposit		150,000	150,000
Current portion of long term deposits		835,950	-
Guarantee margin		31,375,800	31,375,800
		32,361,750	31,525,800
Prepayments		3,706,278	2,147,972
		36,068,028	33,673,772
20. Other receivables			
Receivable against:			
Sale of non operating land		51,883,825	41,679,060
Rent		719,717	436,770
Gas consumption rebate		45,246,923	-
Commission		-	1,500,000
		97,850,465	43,615,830
21. Tax refunds due from government			
Sales tax		106,306,710	26,346,512
Income tax		50,769,734	46,286,624
		157,076,444	72,633,136
22. Cash and bank balances			
Cash in hand		49,098,434	7,584,220
Cash at banks			
In current accounts		7,319,844	58,743,720
		56,418,278	66,327,940
23. Sales - net			
Electricity		2,701,048,702	2,422,202,296
Steam		34,422,570	36,136,353
		2,735,471,272	2,458,338,649
Less: Sales tax		308,576,531	330,876,025
		2,426,894,741	2,127,462,624
Less: Electricity duty		14,721,954	11,000,796
		2,412,172,787	2,116,461,828

	Note	**2018 Rupees**	2017 Rupees
24. Cost of generation			
Cost of gas, oil and lubricants	24.1	2,160,664,514	1,782,742,464
Salaries, wages and benefits		72,964,107	72,499,616
Staff retirement benefits		1,939,136	1,884,756
Stores, spares and loose tools		65,541,912	69,354,562
Travelling and conveyance		6,633,851	6,480,435
Vehicles running and maintenance		3,547,378	2,866,294
Insurance		6,177,871	6,274,472
Repairs and maintenance		8,542,320	10,954,301
Entertainment		3,738,696	3,366,408
Depreciation	11.2	27,712,838	27,799,399
Other		2,001,790	1,901,327
		2,359,464,413	1,986,124,034
24.1 Cost of gas, oil and lubricants			
Gas		528,090,153	497,642,896
Oil and lubricants		1,632,574,361	1,285,099,568
		2,160,664,514	1,782,742,464
25. Other income			
Income from assets other than financial assets:			
Sale of scrap and waste		2,134,613	2,523,038
Rental Income		4,803,515	1,519,200
Gain on disposal of:			
Operating assets		18,148,505	2,347,599
Non-operating land		13,458,100	-
Commission		-	1,500,000
Balances written back		71,374,914	5,544,289
		109,919,647	13,434,126

	Note	2018 Rupees	2017 Rupees
26. Operating expenses			
Directors' remuneration		23,425,000	25,950,000
Salaries and benefits		34,040,983	39,291,835
Staff retirement benefits		867,104	1,123,622
Postage and telephone		2,391,170	2,071,589
Vehicles running and maintenance		6,615,901	5,338,485
Travelling and conveyance		5,007,741	6,637,759
Printing and stationery		1,728,179	1,874,761
Entertainment		4,588,724	4,767,099
Legal and professional		15,788,339	9,641,571
Fee, subscription and periodicals		2,919,793	5,635,786
Rent, rates and taxes		288,257	209,292
Advertisement		123,178	376,421
Insurance		1,635,583	1,788,339
Auditors' remuneration	26.1	1,369,000	1,369,000
Repairs and maintenance		2,031,810	2,215,251
Donations		100,000	78,100
Depreciation on property, plant and equipment	11.2	8,281,098	7,999,204
Depreciation on investment property	12	3,234,060	898,350
Utilities		4,140,028	3,824,401
Other		1,913,687	2,597,578
		120,489,635	123,688,443
26.1 Auditors' remuneration			
Audit fee		1,125,000	1,125,000
Fee for the review of half yearly financial information		96,500	96,500
Other Certifications		30,000	30,000
Out of pocket expenses		117,500	117,500
		1,369,000	1,369,000
27. Finance cost			
Interest / mark-up on:			
Liabilities against assets subject to finance lease		259,022	571,921
Short term bank borrowings		119,477,182	111,219,621
Workers' profit participation fund		-	351,802
Bank charges and commission		4,451,016	4,404,868
		124,187,220	116,548,212
28. Provision for taxation			
Current			
For the year	28.1	-	-
For prior years		180,000	-
Deferred		-	-
		180,000	-

28.1 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.

28.2 Deferred tax asset after considering tax losses available for adjustment works out to Rs. 2,624,223/- (2017 : Rs.2,272,373/-). This is not recognized in these financial statements due to uncertain future results.

	2018 Rupees	2017 Rupees
29. Earnings per share - Basic and diluted		
(Loss) for the year attributable to shareholders of the Parent (Rupees)	(83,273,900)	(96,464,735)
Weighted average number of ordinary shares	19,092,000	19,092,000
(Loss) per share - Basic and diluted (Rupees)	(4.36)	(5.05)

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

30. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2018			2017		
	Chief Executive Officer	**Director**	**Executives**	Chief Executive Officer	Director	Executives
	---Rupees---					
Remuneration	13,254,545	4,254,545	3,978,615	13,254,545	6,381,818	18,036,228
Medical allowance	1,325,455	425,455	5,139,045	1,325,455	638,182	1,803,623
Perquisites	3,350,000	815,000	160,214	2,900,000	1,450,000	263,090
Contribution to provident fund	-	-	248,050	-	-	783,432
	17,930,000	5,495,000	9,525,924	17,480,000	8,470,000	20,886,373
Number of persons	1	1	3	1	1	12

30.1 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. 3,197,412/- (2017: Rs. 2,699,696/-). The Directors have waived off their meeting fee.

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

Name of the related party	**Relationship and Percentage**	**Transactions during the year**	**2018 Rupees**	2017 Rupees
Sitara Chemtek (Private) Limited	Associated company by virtue of common directorship	Sale of electricity	459,170	3,487,584
Sitara Fabrics Limited	Associated company by virtue of common directorship	Sale of electricity and steam	170,116,336	140,926,608
Sitara Spinning Mills Limited	Related party by virtue of section 208 - c (v)	Sale of electricity	215,324,346	203,618,804
Sitara Energy Limited Staff Provident Fund Trust	Other related party	Contribution for the year	2,806,240	3,008,378

32. PLANT CAPACITY AND ACTUAL PRODUCTION

	2018	2017
Number of generators installed	25	25
Number of generators worked	18	20
Installed energy generation capacity (Mega watt hours)	769,303	769,303
Actual energy generation (Mega watt hours)	212,259	197,842
Actual average load (Mega watt)	24.23	22.58

Reasons for low generation:

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

33. DISCLOSURE WITH REGARDS TO PROVIDENT FUND

		2018	2017
Size of the fund	(Rupees)	34,908,494	34,767,327
Cost of investments made	(Rupees)	14,120,000	15,120,000
Percentage of investments made	(% age)	40.45%	43.49%
Fair value of investments	(Rupees)	28,491,031	33,521,395

33.1 The figures for 2018 are based on the un-audited financial statements of the provident fund. Investment has been made in Defense Saving Certificates and mutual fund in accordance with the provisions of section 218 of the Companies Act 2017 and conditions specified thereunder.

34. NUMBER OF EMPLOYEES

	2018	2017
Total number of employees as at June 30,	205	287
Total number of factory employees as at June 30,	150	228
Average number of employees during the year	264	302
Average number of factory employees during the year	200	241

35. 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.

35.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2018 Rupees	2017 Rupees
Financial assets at amortised cost:		
Deposits	32,361,750	32,361,750
Trade debts	755,557,956	749,630,401
Loans and advances	2,805,013	3,510,323
Other receivables	97,850,465	42,115,830
Cash and bank balances	56,418,278	66,327,940
	944,993,462	893,946,244
Financial liabilities at amortised cost:		
Liabilities against assets subject to finance lease	2,460,908	5,055,012
Trade and other payables	708,922,264	739,348,703
Interest / markup payable	29,640,690	29,367,198
Short term bank borrowings	1,058,327,348	1,036,616,864
	1,799,351,210	1,810,387,777

35.2 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:

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 Group is exposed to concentration of credit risk towards the major customers M/S Sitara Chemical Industries Limited, M/S Sitara Peroxide Limited and M/S Sitara Spinning Mills Limited. The trade debts receivable from these customers constitute 69% (2017: 78%) of total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2018 Rupees	2017 Rupees
Deposits	32,361,750	32,361,750
Trade debts	755,557,956	749,630,401
Other receivables	97,850,465	42,115,830
Bank balances	7,319,844	58,743,720
	893,090,015	882,414,931

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

	2018 Rupees	2017 Rupees
Sitara Chemical Industries Limited	180,180,147	341,191,946
Sitara Peroxide Limited	198,117,010	193,562,959
Sitara Spinning Mills Limited	143,532,643	52,013,210
Other industrial users	233,728,156	162,862,286
	755,557,956	749,630,401

The aging of trade debts as at statement of financial position date is as under:

Not past due	501,216,074	535,746,376
Past due		
4 to 6 months	86,528,528	12,067,867
7 to 12 months	69,097,568	27,764,968
More than 1 year	98,715,786	174,051,190
	254,341,882	213,884,025
	755,557,956	749,630,401
Not past due		
Related parties	157,092,569	130,195,565
Others	344,123,505	405,550,811
	501,216,074	535,746,376
Past due		
Related parties	109,187,346	-
Others	145,154,536	213,884,025
	254,341,882	213,884,025
	755,557,956	749,630,401

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 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 statement of financial position liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2018 and 2017:

	2018				
	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	2,461	2,525	1,324	1,201	-
Trade and other payables	715,642	715,642	715,642	-	-
Short term bank borrowings	1,058,327	1,173,096	187,307	985,789	-
	1,776,430	1,891,263	904,273	986,990	-

	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

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. 969.053 million (2017: 888.591 million) and unavailed short term borrowing facilities of Rs. 565.673 million (2017: Rs. 587.383 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 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.10.51 million (2017: Rs. 10.16 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 statement of financial position, the Group 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 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 ('liabilities against assets subject to finance lease' and 'short term bank borrowings' as shown in the statement of financial position). Total capital comprises shareholders' equity as shown in the statement of financial position 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	**2018 Rupees**	2017 Rupees
Total Debt	6 & 9	1,060,788,256	1,041,671,876
Less: Cash and cash equivalents	22	56,418,278	66,327,940
Net Debt		1,004,369,978	975,343,936
Total equity		1,872,108,036	1,951,666,463
Total capital		2,876,478,014	2,927,010,399
Gearing ratio		34.92%	33.32%

36. 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 26, 2018.

37. GENERAL

37.1 RE-ARRANGEMENTS

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There were no significant reclassifications / restatements to these financial statements during the year except as mentioned below:

"Unclaimed dividend" amounting to Rs.3,767,632/- was shown as a separate line item under the head "Trade and other payables". This has been disclosed as a separate line item at the face of "Statement of Financial Position"

"Rent Receivable" amounting to Rs.436,770/- was grouped in "Advances to suppliers" under the head "Loans and advances". This has been disclosed as a separate line item under the head "Other Receivables".

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

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

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 24, 2018 at 2:00 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 __________ 2018

Witness:	**Witness:**
1. Signature ______________	2. Signature ______________
Name ______________	Name ______________
Address ______________	Address ______________
______________	______________
CNIC or ______________	CNIC or ______________
Passport No. ______________	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 24 اکتوبر 2018 بوقت 02:00 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 ______________ ۲۰۱۸ء	

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

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