

# Sitara Energy Limited

## Annual Report 2000

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### COMPANY INFORMATION

#### BOARD OF DIRECTORS

Haji Bashir Ahmed  
Chairman  
Mr. Javed Iqbal  
Chief Executive  
Mr. Muhammad Adrees  
Mr. Tariq Mahmood  
Mr. Muhammad Anis  
Mr. Imran Ghafoor  
Mrs. Safia Begum

#### SECRETARY

Mr. Mazhar Ali Khan

#### AUDITORS

M/s. M. Yousuf Adil Saleem & Co.  
Chartered Accountants

#### BANKERS

AI-Baraka Islamic Bank B.S.C. (E.C)  
Emirates Bank International PJSC  
Bank Al-Falah Limited  
National Bank of Pakistan  
Faysal Bank Limited  
Union Bank Limited

#### REGISTERED OFFICE

601-602 Business Centre,  
Mumtaz Hasan Road,  
Karachi - 74000

#### PLANT

33 K.M., Sheikhpura Road, Faisalabad.

## **NOTICE OF MEETING**

Notice is hereby given that the Tenth Annual General Meeting of Sitara Energy Limited will be held at Raffia Chaudhri Memorial Centre, Sidco Avenue Centre, 264, R.A. lines, Karachi on Saturday, December 30, 2000 at 2:30 p.m. to transact the following business:

### **ORDINARY BUSINESS**

1. To confirm the minutes of Ninth Annual General Meeting held on December 30, 1999.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2000 together with the Reports of the Auditors and Directors.
3. To approve the payment of cash dividend at the rate of 37.50% (Rs. 3.75 per share) as recommended by the Directors.
4. To appoint auditors for the year ending June 30, 2001 and to fix their remuneration.
5. To transact any other ordinary business of the Company with the permission of the Chair.

### **SPECIAL BUSINESS**

6. To approve the remuneration of the Working Director.
7. To approve the change in Memorandum of Association of the Company.

By Order of the Board

Karachi:  
November 08, 2000

**MAZHAR Ali KHAN**  
Company Secretary

### **NOTES:**

- i. The share transfer books of the company will remain closed from December 20, 2000 to December 30, 2000 (both days inclusive).
- ii. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at the Registered Office of the company not less than 48 hours before the time of meeting.
- iii. The member whose name appears on the register at the close of business on December 19, 2000 will be entitled to cash dividend.
- iv. Shareholders who have deposited their shares into Central Depository Company are advised to bring their National Identity Card alongwith their CDC account number at the meeting venue.
- v. Shareholders are advised to notify any change in their addresses.

### **STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE 1984**

This statement sets out the material facts concerning the special business to be transacted at the Tenth Annual General Meeting of the Company to be held on December 30, 2000.

#### **Agenda Item No. 6**

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

"RESOLVED THAT the company hereby authorizes the holding of office of profit and payment as tax free monthly remuneration to Mr. Imran Ghafoor, Working Director, not exceeding Rs. 185,000/- (Rupees one

hundred eighty five thousand only) for' the year ending June 30, 2001 and for subsequent years a sum with an annual increase of upto 25% of the remuneration being paid from time to time, as determined by the Board of Directors. The working director will also be provided company maintained car, leave fare assistance, free medical cover for self and family and other perquisites as per company rules and regulations in force from time to time."

#### **Agenda Item No. 7**

It is proposed to sought approval of the shareholders of the company to change the Memorandum of Association and to include the following clause enabling the company to donate its funds to charitable, benevolent, and other institutions, societies or clubs.

**"RESOLVED** that after sub-clause (h) of clause 2 of the object clause of the Memorandum of Association of the Company, the following sub-clause (i) be and is hereby inserted:

To support and subscribe to any charitable or public object including donations to charitable and benevolent funds and any institutions, societies or clubs or for any purpose which may be for the benefit of the company or its employees, or may be connected with or for the benefit and welfare of any town or place where the company carries on business and to give pensions, gratuities or charitable aid to any persons who may have been directors of or may have served the company, or the wives, children, or other relatives or dependents of such persons, to make payments towards insurance and to form and contribute to Provident and benevolent funds for the benefit of any such persons, or their wives, children, or other relatives or dependents.

**FURTHER RESOLVED** that the new sub-clauses (i) of clause 2 of object clause as added to the Memorandum of Association shall be deemed to be incorporated on the day the company was registered.

**FURTHER RESOLVED** that the act of the company in the payment of donation and addition of sub clause (i) of clause 2 of object clause shall be deemed to have been made with lawful authority, with the consent of the members and shall be deemed to be done by the members of the company.

**FURTHER RESOLVED** that the present sub-clause (i) and (J) of clause 2 of the object clause of the Memorandum of Association be and are hereby renumbered as sub-clause (J) and (k) respectively."

## **CHAIRMAN'S REVIEW**

As Salam Alaykom Wa Rahmotouh Allah Wa Barakatouh

It gives me great pleasure to welcome you all on behalf of the Board of Directors to the Annual General Meeting of the Company for the year ending June 30, 2000.

Before I discuss the financial results and achievements of the company, I would like to inform you that your company has been included in the list of top 25 companies for the year 1999.

During the year ended June 30, 2000 the company earned Net profit of Rs. 174.101 Million as compared to last year Net profit of Rs. 272.502 Million, which has decreased by 36.11%. Mainly due to increase in Furnace oil price and decrease in electricity tariffs. The price of Furnace oil increased from Rs. 6,070.50 per ton in July 1999 to Rs. 9,680.00 per ton in June 2000 i.e. an increase of 59.46%.

Capacity utilization of engines during the year has improved over last year. The salient figures of power generation, oil consumption and sale and discount are given below:-

### **GENERATION**

	2000		1999	
	<i>Mwh</i>	%	<i>Mwh</i>	%
Actual capacity (including standby generator)	417,677		417,677	
Operating capacity (excluding standby generator)	365,467		365,467	

Capacity utilization (on the basis of 7 engines)	85.88%		82.48%	
Actual generation	313,869	100.00	301,445	100.00
Units sold	297,974	94.94.	286,407	95.01
Self consumption	10,492	3.34.	9,499	3.15
Line losses	5,403	1.72	5,538	1.84

## CONSUMPTION

	2000		1999	
	<i>Quantity consumed</i>	<i>Per Mwh</i>	<i>Quantity consumed</i>	<i>Per Mwh</i>
Furnace Oil (M. Tons)	68,188	0.2172	66,003	0.2190
Lube Oil (Liters)	565,942	1.8031	452,050	1.5000
H.S.Diesel Oil (Liters)	406,000	1.2935	413,565	1.3700
L.Diesel Oil (Liters)	328,051		--	

Light diesel oil was consumed for heating of steam supply lines during winter.

## SALE

	2000		1999	
	<i>Rupees '000</i>	<i>Per Mwh/Ton</i>	<i>Rupees '000</i>	<i>Per Mwh/Ton</i>
Sale of Electricity	1,012,589	3,390	1,071,249	3,740
Sale of Steam	19,001	240	--	
Discount	23,375	78	36,189	126
Electricity duty	5,685	19	5,466	19
Net selling rate	983,529	3,301	1,029,594	3,595

As reported in our last annual report installation of Waste heat economizer system is completed with cost of Rs. 76.923 Million, which has started supply of steam to Sitara Chemicals Industries Limited from September 1999.

Provision for current taxation is based on turnover tax on sales of steam during the year. All though profits and gains derived from an electric power generation project are exempt from tax.

## FUTURE OUT LOOK

Factor which severely effected the profitability of the company is the continuous increase in the price of Furnace oil which started in December, 1999 from Rs. 6,070.50 to Rs. 7,285.00. The price was raised to Rs. 9,680.00 in May 2000 to Rs. 11,136.35 in July 2000 and to Rs. 12,781.78 in November, 2000 i.e. 110.56 % increase from December 1999 to November 2000.

In spite of our professional commitment towards excellence and strive to produce best results this massive hike in the price of Furnace oil has badly effected the profitability of the company. Full impact of the same will show itself in the results of coming years. On the other hand there is a slight increase of Rs. 130 per kwh in the electricity tariffs. Which is still 4.73% less than the electricity net selling rates for the year ended June 30, 1 999.

I wish to place on record my deep appreciation for the devoted hard work of the officers, staff and workers of the company. We are also thankful to our valued customers and shareholders for their cooperation and the trust reposed in our company.

Faisalabad:  
November 08, 2000

**HAJI BASHIR AHMED**  
Chairman

## DIRECTORS' REPORT

Gentlemen,

The Directors have pleasure in submitting their report and audited accounts of the Company for the year ended June 30, 2000.

Your Company operations for the year resulted in a net of Rupees 174.101 Million. Earning per share is Rupees 9.12

Your Directors recommended appropriation of Profit as under:-

	<b><i>Rupees</i></b>
During the year the company made a profit of	174,100,965
Adding there to the unappropriated profit brought forward from the previous year	44,457,247
	=====
Making available for Appropriation a sum of	218,558,212
directors recommended cash dividend at Rs. 3.75 per share	71,595,000
	=====
Proposed to carry forward to next year the balance of	146,963,212
	=====

#### **AUDITORS**

The present auditors M/s M. Yousaf Adil Saleem & Company Chartered Accountants retire and being eligible, offer themselves for reappointment.

#### **PATTERN OF SHARE HOLDING**

The Pattern of Share holding as required by section 236 of the Companies Ordinance 1984 is attached to this report.

For and on behalf of  
Board of Director

Faisalabad:  
November 08,2000

**JAVED IQBAL**  
Chief Executive

#### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Sitara Energy Limited as at June 30, 2000 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1084, 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, 2000 and of the profit, changes in equity and its cash flows for the year then ended; and

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

Faisalabad  
November 08, 2000

**M. YOUSUF ADIL SALEEM & CO.,**  
Chartered Accountants

## BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>Share Capital and Reserves</b>			
Authorised capital 30,000,000 ordinary shares of Rs. 10/= each		300,000,000	300,000,000
=====			
Issued, subscribed and paid up capital 19,092,000 Ordinary Shares of Rs. 10/= each fully paid in cash		190,920,000	190,920,000
Capital reserve - Share premium		143,190,000	143,190,000
General reserve	3	350,000,000	350,000,000
Unappropriated profit		146,963,212	44,457,247
		-----	-----
		831,073,212	728,567,247
Long Term Loans	4	166,239,382	225,872,856
Liabilities Against Assets Subject to Finance Lease	5	--	19,817,819
<b>Current Liabilities</b>			
Current portion of long term liabilities	6	79,451,293	91,122,252
Creditors, accrued and other liabilities	7	41,693,629	58,284,743
Taxation		95,002	--
Dividends	8	73,662,374	116,078,044
		-----	-----
		194,902,298	265,485,039
Contingencies and Commitments	9	--	--

		-----	-----
		1,192,214,892	2,239,742,961
		=====	=====
<b>Fixed Capital Expenditure</b>			
Operating assets	10	675,776,035	653,866,955
Capital work in progress		--	66,803,848
		-----	-----
		675,776,035	720,670,803
Long Term Deposits		4,050,000	5,800,000
Current Assets			
Stores, spares and loose tools	11	37,724,242	12,563,449
Stock of oil and lubricants	12	52,526,058	38,790,399
Debtors	13	397,536,487	441,151,202
Advances, deposits, prepayments and Other receivables	14	11,449,648	18,838,086
Cash and bank balances	15	13,152,422	1,929,022
		-----	-----
		512,388,857	513,272,158
		-----	-----
		1,192,214,892	2,239,742,961
		=====	=====

The annexed notes from 1 to 29 form an integral part of these accounts.

**Chief Executive**

**Director**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Sales	16	1,002,529,560	1,029,593,566
Cost of generation	17	739,619,869	605,478,486
		-----	-----
Gross Profit		262,909,691	424,115,080
Operating expenses	18	23,160,081	56,449,331
		-----	-----
Operating Profit		239,749,610	367,665,749
Other income	19	809,284	813,368
		-----	-----
		240,558,894	368,479,117
Other charges			
Financial	20	57,131,169	81,574,904
Workers' profit participation fund		9,231,758	14,402,368
		-----	-----
		66,362,927	95,977,272
		-----	-----
Net profit for the year before Taxation		174,195,967	272,501,845
Taxation			
Current	21	95,002	--
		-----	-----
Net profit for the year after taxation		174,100,965	272,501,845
Unappropriated profit brought forward		44,457,247	26,507,402
		-----	-----

Profit available for appropriation		218,558,212	299,009,247
Appropriations			
Proposed cash dividend @ 37.5% (1999 @ 60%)		71,595,000	114,552,000
Transferred to general reserve		--	140,000,000
		-----	-----
		71,595,000	254,552,000
		-----	-----
Unappropriated profit carried forward		146,963,212	44,457,247
		-----	-----
Earnings per share	22	9.12	14.27
		=====	=====

The annexed notes from 1 to 29 form an integral part of these accounts.

**Chief Executive**

**Director**

### STATEMENT OF CHANGES IN EQUITY for the year Ended June 30, 2000

	Share Capital	Capital Reserve	Revenue Reserves	Total	
	<i>Share</i>	<i>Share</i>	<i>General</i>	<i>Unappropriated</i>	
	<i>premium</i>	<i>Reserve</i>	<i>Profit</i>		
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	
Balance as at June 30, 1998	190,920,000	143,190,000	210,000,000	26,507,402	570,617,402
Profit for the year ended					
June 30, 1999	--	--	--	272,501,845	272,501,845
Transferred to general reserve	--	--	140,000,000	(140,000,000)	--
Dividend	--	--	--	(114,552,000)	(114,552,000)
	-----	-----	-----	-----	-----
Balance as at June 30, 1999	190,920,000	143,190,000	350,000,000	44,457,247	728,567,247
Profit for the year ended					
June 30, 2000	--	--	--	174,100,965	174,100,965
Dividend	--	--	--	(71,595,000)	(71,595,000)
	-----	-----	-----	-----	-----
<b>Balance as at June 30, 2000</b>	<b>190,920,000</b>	<b>143,190,000</b>	<b>350,000,000</b>	<b>146,963,212</b>	<b>831,073,212</b>
	=====	=====	=====	=====	=====

The annexed notes from 1 to 29 form an integral part of these accounts.

**Chief Executive**

**Director**

### STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>a) CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	23	296,304,498	276,785,839
Financial charges paid		(57,445,423)	(83,321,087)
		-----	-----
Net cash generated from operating activities		238,859,075	193,464,752



**b) CASH FLOW FROM INVESTING ACTIVITIES**

Fixed capital expenditure	(24,608,685)	(81,104,284)
Proceeds from disposal of fixed assets	355,932	194,500
Long term deposit	1,750,000	(300,000)
	-----	-----
Net cash used in investing activities	(22,502,753)	(81,209,784)
	-----	-----

**c) CASH FLOW FROM FINANCING ACTIVITIES**

Repayment of Long term loans	(59,633,474)	(59,633,474)
Lease liabilities	(31,488,778)	(27,327,208)
Payment of dividends	(114,010,670)	(66,506,878)
	-----	-----

Net cash used in financing activities	(205,132,922)	(153,467,560)
	-----	-----

Net increase / (decrease) in cash and bank balances (a + b + c)	11,223,400	(41,212,592)
	-----	-----

Cash and bank balances at the beginning of the year	1,929,022	43,141,614
	-----	-----

Cash and bank balances at the end of the year	13,152,422	1,929,022
	=====	=====

Chief Executive

Director

**NOTES TO THE ACCOUNTS****JUNE 30, 2000****1. STATUS AND ACTIVITIES**

The Company was incorporated on November 07, 1991 under the Companies Ordinance, 1984 and quoted on stock exchanges in Pakistan. The main object of the Company is generation and distribution of electricity. The project is located at Tehsil Jaranwala, District Faisalabad in the province of Punjab.

**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 Accounting convention and basis of preparation**

These accounts have been prepared under "historical cost convention" and in accordance with International Accounting Standards as applicable in Pakistan.

**2.2 Staff retirement benefits**

The Company operates an approved Provident Fund Scheme covering all its employees on the basis of equal contribution by the employer and employees.

**2.3 Taxation**

The profits and gains derived by the company are exempt from income tax.

**2.4 Operating assets**

Operating assets except freehold land are stated at cost less accumulated depreciation. Freehold land is stated at cost.

Depreciation is charged applying the reducing balance method at the rates specified in the operating assets note.

Depreciation on additions is charged on the basis of whole year. No depreciation is charged on deletions during the year.

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

Gains and losses on disposal of assets are included in current income.

### 2.5 Accounting for leases

The Company accounts for the assets acquired under finance lease by recording the assets and related liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged at the rates specified in the related note to amortise the asset over its estimated useful life in view of the certainty of ownership of the asset at the end of lease period.

### 2.6 Stores, spares and loose tools

These are valued at moving average cost except items in transit which are valued at cost comprising invoice value and other charges incurred thereon.

### 2.7 Stock of oil and lubricants

This is valued at lower of cost and net realisable value using the moving average method except items in transit which are valued at cost comprising invoice value and other charges incurred thereon.

### 2.8 Debtors

Known bad debts are written off and specific provisions are made for debts considered doubtful.

### 2.9 Rates of exchange

Assets and liabilities in foreign currencies are translated into pak Rupees at the rates of exchange prevailing at the balance sheet date except those covered against exchange risk cover scheme which are stated at cover rates.

### 2.10 Revenue recognition

Revenue is recognised as the services are rendered.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>3. General Reserve</b>		
Opening balance	350,000,000	210,000,000
Transferred from profit and loss appropriation account		-- 140,000,000
	-----	-----
	350,000,000	350,000,000
	=====	=====

### 4. Long term loans - Secured

Description	FOREIGN CURRENCY			
	Suppliers'		<i>2000</i>	<i>1999</i>
	Credit			
	<i>I</i>	<i>II</i>	<i>Rupees</i>	<i>Rupees</i>
Opening balance	113,949,316	171,557,014	285,506,330	345,139,804
Paid during the year	(25,322,070)	(34,311,404)	(59,633,474)	(59,633,474)
	-----	-----	-----	-----
	88,627,246	137,245,610	225,872,856	285,506,330
Payable within one year shown under current liabilities	(25,322,070)	(34,311,404)	(59,633,474)	(59,633,474)

-----	-----	-----	-----
63,305,176	102,934,206	166,239,382	225,872,856
=====	=====	=====	=====

Foreign currency	<i>Japanese Yen</i>	<i>Japanese Yen</i>
Foreign currency amount	636,444,000	848,592,000
Exchange rate fixed for Pak. Rs. 100/--	335.12	329.76
Rate of exchange risk cover fee per annum	9.70%	9.70%
No. of half yearly equal instalments	15	15
Date of first instalment	<i>November 13, 1996</i>	<i>January 31, 1997</i>
Interest rate per annum	6.20%	6.20%

Repayment of loans is guaranteed by banks. The guarantees are counter secured against first equitable mortgage on present anti future fixed assets of the Company ranking pari passu with each other. These are further secured against personal guarantee of directors of the Company.

	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>5. Liabilities against assets subject to finance lease</b>		
Opening balance	51,306,597	78,633,805
Instalments paid	(31,488,778)	(27,327,208)
	-----	-----
	19,817,819	51,306,597
Instalments due within one year shown under current liabilities	(19,817,819)	(31,488,778)
	-----	-----
	--	19,817,819
	=====	=====

This represent finance obtained against plant and machinery.

The purchase option is available to the Company on payment of residual value alongwith the last instalment.

The cost plus financial charges are payable in 17 equal quarterly instalments of Rs. 6,932,308/=.

The liabilities represent total minimum lease payments discounted @ 20% per annum being the Company's effective rate of borrowings. In case of default the Company is liable to pay additional rental @ 3% per month.

The future minimum lease payments to which the company is committed as at June 30, 2000 are Rs. 21,364,616/=.

	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>6. Current portion of long term liabilities</b>		
Long term loans (Note 4)	59,633,474	59,633,474
Liabilities against assets subject to finance lease (Note 5)	19,817,819	31,488,778
	-----	-----
	79,451,293	91,122,252
	=====	=====

## 7. Creditors, accrued and other liabilities

Creditors (7.1)	3,395,229	3,006,061
Foreign bills payable	--	10,042,491
Advance against sale of land	2,500,000	2,500,000
Accrued charges	8,259,654	10,038,316
Interest/mark up on secured		
Long term loans	9,419,139	10,564,829
Lease finances	661,386	1,560,481
Exchange risk cover fee	6,575,887	4,845,356
Withholding taxes	387,664	12,128
Workers' profit participation fund- (7.2)	10,439,189	15,545,519
Other	55,481	169,562
	-----	-----
	41,693,629	58,284,743

7.1 It includes Rs. 5,462/= (1999 Rs. 1,440,782/=) payable to an associated undertaking.

### 7.2 Workers' profit participation fund

Opening balance	15,545,519	15,734,429
Interest on fund utilised in the company's business	1,207,431	1,143,151
	-----	-----
	16,752,950	16,877,580
Payments to workers on behalf of the fund	(1,713,151)	(864,822)
Amount deposited in worker's welfare fund	(13,832,368)	(14,869,607)
	-----	-----
	1,207,431	1,143,151
Allocation for the year	9,231,758	14,402,368
	-----	-----
	10,439,189	15,545,519
	=====	=====

## 8. Dividends

Proposed	71,595,000	114,552,000
Unclaimed	2,067,374	1,526,044
	-----	-----
	73,662,374	116,078,044
	=====	=====

## 9. Contingencies and commitments

### Contingencies

Bank guarantees issued to State Bank of Pakistan to cover the payment of exchange risk cover fee	31,895,444	63,295,923
Commitments		
Contracts for purchase of plant and machinery	--	4,000,000
Under letters of credit	47,738,539	9,123,666

## 10. Operating Assets

Particulars	Cost at July 01, 1999	Additions/ (Disposals)	Cost at June 30, 2000	Accumulated Depreciation at June 30,	Written Down Value at	Depreciation for the year	Rate
-------------	-----------------------	------------------------	-----------------------	--------------------------------------	-----------------------	---------------------------	------

				<b>2000</b>	<b>June 30, 2000</b>		<b>%</b>
Freehold land	49,051,850	10,536,238	59,588,088	--	59,588,088	--	
Building on freehold land	110,217,923	150,230	110,368,153	42,361,332	68,006,821	7,556,314	10
Plant and machinery	642,091,886	76,922,676	719,014,562	270,143,491	448,871,071	49,874,564	10
Electric installations	24,117,385	149,400	24,266,785	7,598,929	16,667,856	1,851,984	10
Factory equipment	2,139,466	--	2,139,466	609,219	1,530,247	170,027	10
Electric appliances	2,156,210	250,334	2,406,544	573,108	1,833,436	203,715	10
Furniture and fixture	1,865,233	73,511	1,938,744	562,916	1,375,828	152,870	10
Office equipment	5,816,261	1,617,279	7,433,540	1,920,783	5,512,757	612,529	10
Vehicles	10,163,768	1,712,865	10,987,274	5,355,518	5,631,756	1,407,939	20
		(889,359)					
	847,619,982	91,412,533	938,143,156	329,125,296	609,017,860	61,829,942	
		(889,359)					
Under lease							
Plant and machinery	90,000,000	--	90,000,000	35,379,675	54,620,325	6,068,925	10
Electric installations	20,000,000	--	20,000,000	7,862,150	12,137,850	1,348,650	10
	110,000,000	--	110,000,000	43,241,825	66,758,175	7,417,575	
Rupees	957,619,982	91,412,533	1,048,143,156	372,367,121	675,776,035	69,247,517	
		(889,359)					
1999 Rupees	932,218,443	25,988,259	957,619,982	303,753,027	653,866,955	67,977,062	
		(586,720)					

10.1 Depreciation for the year has been allocated as under:

	<b>2000</b>	<b>1999</b>
	<b>Rupees</b>	<b>Rupees</b>
Cost of generation	66,870,464	65,720,259
Operating expenses	2,377,053	2,256,803
	69,247,517	67,977,062

10.2 Disposal of fixed assets (by negotiation)

<b>Particulars</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Written down value</b>	<b>Sale proceeds</b>	<b>Purchaser</b>
	376,472	237,690	138,782	127,119	Mr. Javed Ahmed Chak No. 73 R.B., Faisalabad
Vehicle	402,887	342,053	60,834	135,593	Rana Shujaat All Khan 85/A Press Street, Peoples Colony, Faisalabad
Vehicle	110,000	53,680	56,320	93,220	Mr. Aftab Alam Chak No. 264 R.B., Faisalabad
2000 Rupees	889,359	633,423	255,936	355,932	

1999 Rupees	586,720	417,284	169,436	194,500	
	-----	-----	-----	-----	-----

**2000**  
**Rupees**

**1999**  
**Rupees**

**11. Stores, spares and loose tools**

Stores	24,675,860	5,258,030
Spares	12,407,493	7,177,434
Loose tools	640,889	127,985
	-----	-----
	37,724,242	12,563,449
	=====	=====

**12. Stock of oil and lubricants**

Furnace oil	46,569,994	34,588,663
Diesel oil	2,077,967	1,001,722
Lube oil	3,339,127	2,661,044
Waste oil	538,970	538,970
	-----	-----
	52,526,058	38,790,399
	=====	=====

**13. Debtors**

Unsecured		
Considered good (13 .1)	397,536,487	441,151,202
	=====	=====

13.1 This include Rs.377,724,833/= (1999 - Rs.439,882,983/=) due from associated undertakings.

Maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 502,189,793/= (1999 - Rs. 561,612,826/=).

**2000**  
**Rupees**

**1999**  
**Rupees**

**14. Advances, deposits, prepayments and other receivables**

Considered good		
Advances		
Suppliers	3,643,053	8,695,485
Employees	316,109	485,233
Income tax	47,900	22,900
Expenses	459,144	754,674
Letters of credit fee, margin and expenses	3,161,191	7,200,345
Security deposit	1,450	1,450
Prepayments	351,093	877,437
Sales tax	3,404,045	800,562
Other	65,663	--
	-----	-----
	11,449,648	18,838,086
	=====	=====

**15. Cash and bank balances**

Cash in hand	3,323,877	341,090
Cash at bank		
In current accounts	9,828,545	1,587,932
	-----	-----
	13,152,422	1,929,022
	=====	=====

**16. Sales**

Electricity	1,012,589,080	1,071,249,041
Steam	19,000,540	--
	-----	-----
	1,031,589,620	1,071,249,041
Less:		
Discount	23,374,997	36,188,986
Electricity duty	5,685,063	5,466,489
	-----	-----
	29,060,060	41,655,475
	-----	-----
	1,002,529,560	1,029,593,566
	=====	=====

**17. Cost of generation**

Cost of fuel, oil and lubricants	547,769,190	417,057,314
Salaries, wages and benefits (17.1)	17,046,567	16,037,534
Stores and spares	95,560,256	95,576,951
Insurance	6,945,249	5,850,096
Repairs and maintenance	1,977,488	1,759,493
Depreciation	66,870,464	65,720,259
Other	3,450,655	3,476,839
	-----	-----
	739,619,869	605,478,486
	=====	=====

17.1 Salaries, wages and benefits include Rs. 519,343/= (1999-Rs 462,007/=) in respect of retirement benefits.

**18. Operating expenses**

Director's remuneration		2,220,000	720,000
Salaries and benefits (18.1)	(18.1)	4,838,476	4,214,469
Postage and telephone		842,178	793,257
Vehicles running and maintenance		1,483,698	1,406,308
Travelling and conveyance		486,039	850,926
Printing and stationery		833,049	798,601
Entertainment		796,853	481,954
Legal and professional		324,034	234,756
Fees, subscription and periodicals		4,138,544	286,920
Advertisement		130,170	508,572
Insurance		719,654	545,104
Auditors' remuneration (18.2)	(18.2)	138,719	115,000
Repairs and maintenance		602,826	2,030,205
Donations (18.3)	(18.3)	582,838	38,487,202
Depreciation		2,377,053	2,256,803
Other		2,645,950	2,719,254
		-----	-----
		23,160,081	56,449,331
		=====	=====

18.1 Salaries and benefits include Rs.122,892/= (1999 Rs.133,232/=) in respect of retirement benefits.

**18.2 Auditors' remuneration**

Audit fee		66,000	60,000
Tax services		66,719	15,000
Consultancy		6,000	40,000
		-----	-----

138,719      115,000

=====

18.3 Six directors of the company including Chief Executive are the trustees of the Aziz Fatima Trust to whom Rs. 360,000/= (1999 - Rs. 37,023,000/=) have been donated.

### 19. Other Income

Scrap Sale	709,288	784,138
Gain on disposal of fixed assets	99,996	25,064
Other	--	4,166
	-----	-----
	809,284	813,368
	=====	=====

### 20. Financial charges

Interest / mark up on		
Long term loans	15,694,815	24,250,591
Lease finances	6,295,359	11,904,456
Short term borrowings	2,183,526	1,743,030
Workers' profit participation fund	1,207,431	1,143,151
Exchange risk cover fee	24,753,801	32,494,080
Bank guarantee commission	5,905,325	8,366,210
Bank charges, excise duty and other	1,090,912	1,673,386
	-----	-----
	57,131,169	81,574,904
	=====	=====

### 21. Taxation

The profits and gains derived by the company are exempt from levy of income tax under clause 176 Part I of the Second Schedule to the Income Tax Ordinance, 1979.

Provision for minimum tax under Section 80-D of the Income Tax Ordinance, 1979 has been made on sale of steam. Receipts from sale of electricity are exempt from levy of turnover tax under clause 20 part IV of the Second Schedule to the Income Tax Ordinance, 1979.

### 22. Earnings per share

There is no dilutive effect on the basic earnings per share of the company which is as under:

		<b>2000</b>	<b>1999</b>
Net profit for the year	Rs.	174,195,967	272,501,845
Weighted average number of Ordinary shares		19,092,000	19,092,000
Earnings per share	Rs.	9.12	14.27

### 23. Cash generated from operations

	<b>2000</b>	<b>1999</b>
	<b>Rupees</b>	<b>Rupees</b>
Profit for the year	174,195,967	272,501,845
Depreciation	69,247,517	67,977,062
Financial charges	57,131,169	81,574,904
Gain on disposal of fixed assets	(99,996)	(25,064)
Operating profit before	-----	-----
working capital changes	300,474,657	422,028,747
	=====	=====
Changes in working capital		
(Increase)/Decrease in current assets		
Stores, spares and loose tools	(25,160,793)	17,159,221



Stock of oil and lubricants	(13,735,659)	(16,687,974)
Debtors	43,614,715	(73,155,795)
Advances, deposits, prepayments and other receivables	7,388,438	(7,471,631)
Decrease in current liabilities		
Creditors, accrued and other liabilities	(16,276,860)	(65,086,729)
	-----	-----
	(4,170,159)	(145,242,908)
Cash generated from operations	-----	-----
	296,304,498	276,785,839
	=====	=====

## 24. Remuneration to Directors and Executives

	2000 Rupees		1999 Rupees	
	<i>Chief Executive</i>	<i>Executives</i>	<i>Chief Executive</i>	<i>Executives</i>
Remuneration	1,483,000	3,292,400	480,000	2,668,000
House rent allowance	589,600	1,481,580	216,000	1,200,600
Utilities	147,400	164,620	24,000	133,400
Bonus	--	611,967	--	515,109
	-----	-----	-----	-----
	2,220,000	5,550,567	720,000	4,517,109
	=====	=====	=====	=====
Number of persons	1	22	1	15
	-----	-----	-----	-----

24.1 The Chief Executive is entitled to free use of Company maintained car, telephones at residence and other perquisites. Two executives are entitled to free use of Company maintained car. The monetary values are approximately Rs.1,935,731/= (1999 - Rs. 2,087,114/=). The Directors have waived their meeting fee.

	2000 Rupees	1999 Rupees
<b>25. Aggregate transactions with associated undertakings</b>		
Sale of electric energy	779,421,233	834,970,123
Sale of stream	19,000,540	--

## 26. Plant capacity and actual production

Number of generators installed	8	8
Number of generators worked	7	7
Installed energy generation capacity (Mega watt hours)	417,677	417,677
Actual energy generation (Mega watt hours)	313,869	301,445

Reasons for low generation: -- Installed generators include one standby generator  
-- Extra capacity for future growth.

## 27. Financial Instruments and related Disclosures

### 27.1 Risk management

#### a) 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. All financial assets except cash & bank balances are subject to credit risk. Major customers of the Company are the industrial units of the associated undertakings.

#### b) Interest rate risk

Interest rate risk arise from the possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to any significant interest rate risk.

#### c) Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist due to transaction in foreign currencies. Long term loans exposed to foreign currency risks are covered through foreign exchange risk cover as stated in note 4.

### 27.2 Fair values of financial assets and liabilities

The carrying value of all the financial assets and liabilities reported in the financial statements approximate their fair value.

### 28. No of employees

Number of employees at year end was 233 (1999: 213)

### 29. Figures

- have been rounded off to the nearest rupee.
- of prior year have been rearranged and regrouped wherever necessary to facilitate comparison.

**Chief Executive**

**Director**

## PATTERN OF SHAREHOLDINGS AS AT JUNE 30, 2000

<i>Number of Shareholders</i>	<i>Shareholding</i>		<i>Total Shares Held</i>	
46	1	--	100	4,600
896	101	--	500	442,600
184	501	--	1,000	183,300
218	1,001	--	5,000	664,600
63	5,001	--	10,000	519,300
24	10,001	--	15,000	314,600
14	15,001	--	20,000	260,500
14	20,001	--	25,000	340,500
8	25,001	--	30,000	226,500
2	30,001	--	35,000	70,000
2	35,001	--	40,000	71,000
6	40,001	--	45,000	256,900
2	45,001	--	50,000	95,500
2	65,001	--	70,000	138,750
2	75,001	--	80,000	151,500
1	85,001	--	90,000	90,000
1	90,001	--	95,000	93,000
2	95,001	--	100,000	200,000
1	100,001	--	105,000	102,500
2	105,001	--	110,000	216,500
2	115,001	--	120,000	232,500
1	120,001	--	125,000	123,000
1	125,001	--	130,000	128,000

1	145,001	--	150,000	147,500
3	160,001	--	165,000	491,000
1	165,001	--	170,000	170,000
8	195,001	--	200,000	1,600,000
1	220,001	--	225,000	225,000
1	230,001	--	235,000	233,500
1	250,001	--	255,000	253,500
1	285,001	--	290,000	287,000
1	375,001	--	380,000	379,161
1	395,001	--	400,000	400,000
1	460,001	--	465,500	460,937
1	495,001	--	500,000	500,000
1	515,001	--	520,000	519,939
1	520,001	--	525,000	525,000
1	645,001	--	650,000	650,000
1	735,001	--	740,000	737,500
1	1,000,001	--	1,005,000	1,004,000
1	1,025,001	--	1,030,000	1,025,500
1	1,040,001	--	1,045,000	1,041,500
2	1,135,001	--	1,140,000	2,274,313
1	1,240,001	--	1,245,000	1,241,000
-----			-----	-----
1525				19,092,000
=====			=====	=====

#### CATEGORIES OF SHAREHOLDERS

<b>CATEGORIES OF SHAREHOLDERS</b>	<b>NUMBER OF SHAREHOLDERS</b>	<b>SHARES HELD</b>	<b>PERCENTAGE</b>
Individual	1474	14,011,600	73.39
Investment Company	4	209,400	1.10
Insurance Company	5	415,500	2.18
Joint Stock Company	16	712,561	3.73
Financial Institution	15	3,643,439	19.08
Modaraba Company	8	95,000	0.50
Foreign Company	3	4,500	0.02
-----			-----
	1525	19,092,000	100.00
=====			=====