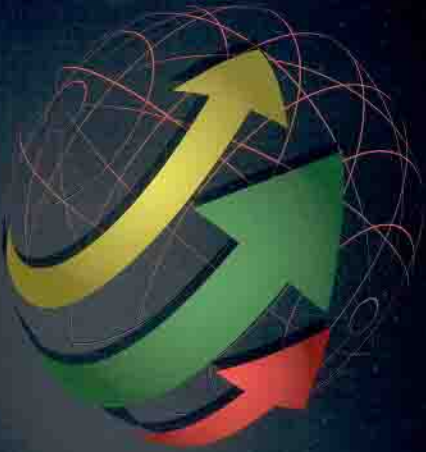
Annual Report
2010



SITARA
ENERGY
LIMITED

بسم الله الرحمن الرحيم

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SITARA ENERGY LIMITED

CONSOLIDATED ACCOUNTS
SITARA ENERGY LIMITED AND ITS SUBSIDIARY COMPANY

BOARD OF DIRECTORS

Mr. Javed Iqbal	Chief Executive
Mr. Muhammad Adrees	Director
Mr. Muhammad Anis	Director
Mr. Imran Ghafoor	Director
Mr. Sarosh Javed	Director
Mrs. Naureen Javed	Director
Miss Haniah Javed	Director

AUDIT COMMITTEE

Mr. Imran Ghafoor	Chairman
Mr. Javed Iqbal	Member
Mr. Muhammad Anis	Member

CHIEF FINANCIAL OFFICER

Mr. Maqbool Ahmed Chaudhary

SECRETARY

Mr. Mazhar Ali Khan

AUDITORS

M/s. Avais Hyder Liaquat Nauman
Chartered Accountants

BANKERS

Faysal Bank Limited	Askari Bank Limited
Allied Bank Limited	National Bank of Pakistan
The Bank of Punjab	MCB Bank (Islamic Banking)
United Bank Limited	First National Bank Modaraba
Bank Alfalah Limited	Albaraka Islamic Bank B.SC (E.C)
Meezan Bank Limited	Standard Chartered Bank (Pak.) Ltd

Share Registrar

Noble Computer Services (Pvt) Limited
Mezzanine Floor, House of Habib Building (Siddiqsons Tower)
3-Jinnah C.H.Society, Main Shahrah-e-Faisal, Karachi-75350
PABX: (92-21) 34325482-87, Fax: (92-21) 34325442
E-mail: ncsl@noble-computers.com
Website: www.noble-computers.com

LEGAL ADVISOR

Sahibzada Muhammad Arif

REGISTERED OFFICE

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

PLANT

33 K.M., Sheikhupura Road, Faisalabad

Vision

Sitara Energy Limited through its innovative technology and effective resource management has maintained high ethical and professional standards.

To create a work environment which fosters pride, job satisfaction and equal opportunity for career growth for the employees.

Mission

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twentieth Annual General Meeting of Sitara Energy Limited will be held at Dr. AbdulQadeerKhan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwan-e-Sadr Road, Karachi, on Saturday, October 30, 2010 at 12:30 p.m. to transact the following business:

1. To confirm the minutes of Extra Ordinary General Meeting held on April 13, 2010.

2. To receive, consider and adopt the annual audited accounts of the Company for the year ended June 30,2010 together with the Reports of the Auditors and Directors thereon.

3. To approve payment of cash dividend at the rate of 20% (Rs. 2.00 per share) as recommended by the Board of Directors.

4. To appoint auditors for the year ending June 30, 2011 and to fix their remuneration.

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

By order of the Board

Mazhar Ali Khan
Company Secretary

Karachi:
October 06, 2010

NOTES:

1. The share transfer books of the company will remain closed from October 21, 2010 to October 30, 2010 (both days inclusive).

2. A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote instead of him / her. Proxies in order to be effective must be received at Company's share Registrar's Office M/s Noble Computer Services (Pvt) Limited, Mezzanine Floor, House of Habib Building (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society, Main Sharae Faisal, Karachi not less than 48 hours before the time of meeting.

3. The member whose name appears on the register at the close of the business on October 20, 2010 will be entitled to cash dividend.

4. Share holders who have deposited their shares in to Central Depository Company are advised to bring their computerized National Identity Card along with their CDC account number at the meeting venue.

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

DIRECTOR'S REPORT TO THE SHAREHOLDERS

Your Directors are pleased to place before you the annual report of the Company for the year ended June 30, 2010 together the audited accounts and auditors report thereon.

FINANCIAL RESULTS

During the year under review, company's total sales increased by 28.75% to Rs.3875.481 million compared with Rs. 3009.928 million in 2008-09. Profit before taxation for the year under review was Rs. 106.926 million compared to Rs. 80.337 million during last year, which shows increase of 33.09% over last year's profit.

Financial results for the year ended 30th June 2010 as summarized below:

	30.06.2010 Rupees in thousands		30.06.2009 Rupees in thousands	
	Energy	Consolidated	Energy	Consolidated
Sales	3,875,482	3,896,185	3,009,929	3,026,399
Gross profit	478,456	482,143	458,770	461,107
Profit before taxation	106,926	142,233	80,338	68,213
Provision for taxation	(269)	(130)	(697)	(537)
Net Profit after taxation	107,195	142,363	81,035	68,750
Unappropriated profit brought forward	290,299	252,791	286,994	261,771
Profit available for appropriation	397,494	395,154	368,029	330,521
Appropriation				
Final dividend for the year ended June 30, 2009: Rs 2.00/- per share	38,184	38,184	47,730	47,730
Transferred to general reserve	50,000	50,000	30,000	30,000
	88,184	88,184	77,730	77,730
Profit available for appropriation	309,310	306,970	290,299	252,791
Earning per share - Basic Rupees	5.61	7.46	4.24	3.60

The Board of Directors of the company has recommended the following appropriations;

	Rupees
Cash dividend 20% for the year ended June 30, 2010	38,184,000
Transfer from unappropriated profit to General Reserve	50,000,000

GENERATION AND RAW MATERIAL CONSUMPTION

During year under review gas based generation plant remained closed for 2191 hours due to gas shutdown. Efforts have been made to achieve the high volume of generation of electricity from HFO based engines. Generation of electricity, raw material consumption and sales enumerated in the tables below:-

GENERATION

	30.06.2010 (Mwh)	%	30.06.2009 (Mwh)	%
Actual Capacity (including standby generators)	713,590		713,590	
Operating Capacity (excluding standby generators)	593,841		593,841	
Capacity Utilization	64.97%		62.61%	
Actual Generation	385,819	100.00	371,785	100.00
Units Sold	369,549	95.78	355,057	95.50
Auxiliary Consumption	12,699	3.29	12,527	3.37
Line Losses	3,570	0.93	4,202	1.13

RAW MATERIAL CONSUMPTION

	30.06.2010				30.06.2009			
	Quantity consumed	Units	Value (Rs. '000s)	Average rate	Quantity consumed	Units	Value (Rs. '000s)	Average rate
Furnace Oil	57,650	M. Ton	2,367,733	41,071	48,844	M. Ton	1,616,346	33,092
Lube Oil	735,650	Liter	128,501	175	484,046	Liter	83,271	172
H.S. Diesel Oil	391,712	Liter	22,232	57	525,600	Liter	25,074	48
Light Diesel Oil	657,000	Liter	33,336	51	561,326	Liter	24,171	43
Gas Consumption	1,441,117	MMBTU	509,615	354	1,712,459	MMBTU	573,005	335

SALES

	30.06.2010		30.06.2009	
	Rupees ('000s)	Per Mwh/Ton	Rupees ('000s)	Per Mwh/Ton
Sale of electricity	3,791,470	10,260	2,910,288	8,197
Electricity duty	6,878	19	7,974	22
Net selling rate - electricity	3,784,592	10,241	2,902,314	8,174
Sale of steam	90,889	1,034	107,614	954

CORPORATE AND FINANCIAL REPORTING FRAMEWORK.

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

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

b. Proper books of accounts have been maintained.

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

d. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements.

e. The internal control system is being 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. The key operating and financial data of the past eight years is annexed to this report.

i. Value of investments of Provident Fund Trust was Rs. 18.620 million and Rs. 13.750 million respectively as on June 30, 2010 and June 30, 2009.

j. During the year four meetings of the Board of Directors were held. Attendance by the Directors was as follow:-

Name of Director	No. of meetings attended
Mr. Javed Iqbal	4
Mr. Muhammad Adrees	2
Mr. Muhammad Anis	4
Mr. Imran Ghafoor	4
Mrs. Naureen Javed	4
Mrs. Sharmeen Imran	3
Miss Hania Javed	3
Mr. Sarosh Javed	1

Leave of absence was granted to directors who could not attend the Board meetings.

k. Pattern of Share holding as at June 30, 2010 is annexed to this report.

l. Statement of compliance with Code of Corporate Governance is annexed.

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

n. Except for Mr. Sarosh Javed who purchase 1,000 shares of the company no director, CEO, CFO, Company secretary and their spouse and minor children carried out any transaction regarding the shares of the company during the year.

ELECTION OF DIRECTORS

The election of Directors was held in extra ordinary general meeting held on April 13, 2010 in accordance with the provisions of Companies Ordinance, 1984 and the following Directors were elected for a period of three years with effect from 14th April 2010.

Mr. Javed Iqbal
Mr. Muhammad Adrees
Mr. Muhammad Anis
Mr. Imran Ghafoor
Mr. Sarosh Javed
Mrs. Naureen Javed
Miss Hania Javed

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 2010, the Company has donated Rs.3.853 million to welfare institutions operating in the fields of health and education.

FUTURE PROSPECTS

The major challenge for the company in coming year is unscheduled supply of Natural gas. The gas based generation plant remained closed from 1st July 2010 to date for 667 hours due to non availability of natural gas.

AUDITORS

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

APPRECIATION

I, on behalf of the Board of Directors wish to place on record my special thanks to all whose contribution helped as to achieve this performance.

On behalf of the Board of Directors

JAVED IQBAL
CHIEF EXECUTIVE OFFICER

October 06, 2010
Faisalabad

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2010

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS FROM	SHAREHOLDINGS TO	TOTAL NUMBER OF SHARES
110	1	100	3,539
457	101	500	219,843
136	501	1,000	133,250
216	1,001	5,000	621,726
58	5,001	10,000	455,495
20	10,001	15,000	250,491
6	15,001	20,000	108,151
7	20,001	25,000	168,756
6	25,001	30,000	167,059
3	30,001	35,000	94,251
3	35,001	40,000	116,000
4	40,001	45,000	167,866
2	45,001	50,000	100,000
3	50,001	55,000	160,804
2	55,001	60,000	115,699
1	80,001	85,000	83,000
1	85,001	90,000	86,247
1	90,001	95,000	91,447
1	95,001	100,000	100,000
1	145,001	150,000	145,500
1	150,001	155,000	154,898
1	155,001	160,000	156,000
1	165,001	170,000	167,500
1	170,001	175,000	174,000
2	195,001	200,000	400,000
1	210,001	215,000	213,500
1	215,001	220,000	218,500
3	245,001	250,000	741,098
1	255,001	260,000	256,117
1	315,001	320,000	319,416
1	320,001	325,000	323,000
1	370,001	375,000	371,286
1	385,001	390,000	385,500
1	495,001	500,000	500,000
1	595,001	600,000	600,000
1	830,001	835,000	832,360
1	930,001	935,000	933,661
1	1,070,001	1,075,000	1,073,237
1	1,625,001	1,630,000	1,628,500
1	6,250,001	6,255,000	6,254,303
1,061			19,092,000

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2010

Associated Companies, Undertaking and Related Parties	Number	Share Held	Percentage
Sitara Chemical Industries Limited	1	933,661	4.89
Sitara Fabrics Limited	2	656,000	3.44
NIT & ICP			
Investment Corporation of Pakistan	1	500	0.00
National Bank of Pakistan - Trustee Department	1	256,117	1.34
National Investment Trust Limited	1	6,594	0.03
Directors, CEO & their Spouse and Minor Children			
Mr. Javed Iqbal	1	6,254,303	32.76
Mr. Muhammad Adrees	1	10,000	0.05
Mr. Muhammad Anis	1	1,000	0.01
Mr. Imran Ghafoor	1	832,360	4.36
Mrs. Naureen Javed	1	1,073,237	5.62
Ms. Hania Javed	1	1,000	0.01
Mrs. Sharmeen Imran	1	600,000	3.14
Mr. Sarosh Javed	1	1,000	0.01
Executive	-	-	-
Public Sector Companies and Corporation	-	-	-
Bank, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds.	8	2,146,553	11.24
Foreign Investors	1	1,000	0.01
Charitable Trust	-	-	-
Investment Companies	1	1,500	0.01
Shareholders holding ten Percent or more voting interest in the Company	-	-	-
Individuals	1017	5,244,589	27.47
Others	1	2,500	0.01
Joint Stock Companies, others, etc.	19	1,069,786	5.60
	1,061	**19,092,000**	**100.00**

DATA FOR LAST EIGHT YEARS

PARTICULARS	2010	2009	2008	2007	2006	2005	2004	2003
				Rupees in thousand				
FINANCIAL POSITION								
Paid up capital	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
General reserve	540,000	490,000	460,000	460,000	460,000	460,000	460,000	430,000
Fixed assets at cost	2,238,143	2,226,647	2,119,520	1,746,110	1,220,807	1,168,553	1,149,569	1,107,841
Accumulated depreciation	934,741	853,915	783,377	724,815	686,817	646,259	599,992	549,746
Current assets	1,072,613	1,072,613	975,860	696,225	1,043,688	806,477	639,991	640,754
Current liabilities	1,496,000	1,377,056	1,084,109	1,009,867	1,007,194	741,091	276,847	317,286
INCOME								
Sales	3,875,481	3,009,929	2,286,357	1,461,240	1,346,031	1,154,753	1,110,958	1,129,804
Other income	4,794	7,168	14,032	7,422	28,364	1,889	1,713	2,773
Pre tax profit / (loss)	106,926	80,338	112,669	1,518	7,351	(40,118)	90,439	109,289
Taxation	(269)	(698)	358	339	398	276	201	332
STATISTICS AND RATIOS								
Per tax profit to sales %	2.76	2.67	4.93	0.10	0.55	(3.47)	8.14	9.67
Per tax profit to capital %	56.01	42.08	59.01	0.80	3.85	(21.01)	47.37	57.24
Current ratio	0.71	0.78	0.90	0.69	1.04	1.09	2.31	2.02
Paid up value if per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Earning after tax per share (Rs.)	5.61	4.24	5.88	0.06	0.36	(2.12)	4.73	5.71
Cash dividend %	20.00	20.00	25.00	-	-	-	25.00	30.00
Break up value per share (Rs.)	61.99	58.37	56.63	50.74	50.68	50.32	54.93	50.21

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange for the purpose of establishing a framework whereby a listed Company is managed in compliance with best practices for good Corporate Governance.

Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and director representing minority interests on its Board of Directors. However, at present the Board includes one executive and six non-executive directors and no director representing minority shareholder.

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

3. All the directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year, no causal vacancy occurred in the Board of Directors.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all directors and employees of the Company.

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

7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO has been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda were circulated at least seven days before the meetings. The working papers were circulated generally seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.

9. Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the Company and as such fully aware.

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

11. The director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

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

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

15. The Board has formed an Audit Committee. It comprises of three members of whom two are non-executive Directors including the Chairperson of the Committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been found and advised to the Committee for compliance.

17. The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

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

20. The related party transactions and pricing methods have been placed before the Audit Committee and approved by the Board of Directors. The transactions were made on terms equivalent to those that prevail in arm's length transactions.

21. We confirm that all other material principles contained in the Code have been complied with.

JAVED IQBAL
CHIEF EXECUTIVE OFFICER

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2010 prepared by the Board of Directors of Sitara Energy Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulations 35 of the Karachi Stock Exchange requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective for the year ended June 30, 2010.

October 06, 2010
Faisalabad

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Sitara Energy Limited as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

  i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policy as stated in note 2.1.1 to the annexed financial statements with which we concur;

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

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

(C) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2010 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

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

October 06, 2010

Faisalabad

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner:- Syed Ali Adnan Tirmizey

BALANCE SHEET

AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
30,000,000 ordinary shares of Rs. 10/- each.		300,000,000	300,000,000
Issued, subscribed and paid up capital	3	190,920,000	190,920,000
Capital reserve - share premium		143,190,000	143,190,000
General reserve		540,000,000	490,000,000
Unappropriated profit		309,310,255	290,298,904
		1,183,420,255	1,114,408,904
NON-CURRENT LIABILITIES			
Redeemable capital	4	567,500,000	782,500,000
Long term financing	5	300,000,000	160,000,000
Liabilities against assets subject to finance lease	6	226,922	7,004,846
		867,726,922	949,504,846
CURRENT LIABILITIES			
Trade and other payables	7	201,659,183	154,192,590
Interest / mark up payable	8	71,395,366	89,336,419
Short term bank borrowings	9	941,158,736	788,727,458
Current portion of			
redeemable capital	4	275,000,000	257,500,000
long term financing	5	-	67,158,261
liabilities against assets subject to finance lease	6	6,786,422	18,785,225
Provision for taxation income tax		-	1,355,999
		1,495,999,707	1,377,055,952
CONTINGENCIES AND COMMITMENTS	10	-	-
		3,547,146,884	3,440,969,702

	Note	2010 Rupees	2009 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	11	2,400,750,894	2,318,189,064
Investment in subsidiary	12	50,000,000	50,000,000
Long term deposits	13	631,200	168,000
		2,451,382,094	2,368,357,064
CURRENT ASSETS			
Stores, spares and loose tools	14	425,796,091	386,489,624
Stock of oil and lubricants	15	131,505,552	81,441,534
Trade debts	16	389,150,470	460,738,826
Loans and advances	17	82,321,228	96,945,246
Deposits and prepayments	18	1,645,376	13,171,536
Other receivables		22,378,162	14,762,287
Tax refunds due from Government	19	2,894,050	2,655,813
Cash and bank balances	20	9,326,364	10,947,846
		1,065,017,293	1,067,152,712
Non-current assets classified as held for sale	21	30,747,497	5,459,926
		1,095,764,790	1,072,612,638
		3,547,146,884	3,440,969,702

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	**2010 Rupees**	2009 Rupees
Sales - net	22	**3,875,481,450**	3,009,928,652
Cost of generation	23	**3,397,025,763**	2,551,158,460
Gross profit		**478,455,687**	458,770,192
Other operating income	24	**4,793,930**	7,167,940
		483,249,617	465,938,132
Operating expenses	25	**66,708,865**	57,186,989
Other operating expenses	26	**5,872,610**	4,233,118
Finance cost	27	**303,741,580**	324,180,422
		376,323,055	385,600,529
Profit for the year before taxation		**106,926,562**	80,337,603
Provision for taxation	28	**(268,789)**	(697,717)
Profit for the year		**107,195,351**	81,035,320
Earnings per share - Basic and diluted	29	**5.61**	4.24

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
Profit for the year	**107,195,351**	81,035,320
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**107,195,351**	81,035,320

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	106,926,562	80,337,603
Adjustments for:		
Depreciation of property, plant and equipment	80,826,024	73,634,027
Provision for staff retirement benefits	2,596,692	2,098,176
Gain on disposal of property, plant and equipment	(337,853)	(1,425,958)
Gain on disposal of non-current assets classified as held for sale	(1,243,126)	(536,772)
Finance cost	303,741,580	324,180,422
Operating cash flows before working capital changes	492,509,879	478,287,498
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(39,306,467)	(84,901,944)
Stock of oil and lubricants	(50,064,018)	49,321,601
Trade debts	71,588,356	(118,359,224)
Loans and advances	19,808,814	56,335,983
Deposits and prepayments	1,705,115	(1,385,438)
Other receivables	(7,615,875)	1,497,805
Tax refunds due from Government	(238,237)	5,067,326
Increase in current liabilities		
Trade and other payables	18,645,897	26,416,372
	14,523,585	(66,007,519)
Cash generated from operating activities	507,033,464	412,279,979
Income tax paid	(6,272,006)	(1,493,169)
Staff retirement benefits paid	(2,548,418)	(1,960,247)
Finance cost paid	(321,682,633)	(300,067,150)
Net cash generated from operating activities	176,530,407	108,759,413

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(174,192,100)	(198,197,593)
Proceeds from disposal of :		
Property, plant and equipment	2,875,000	12,532,000
Non-current assets classified as held for sale	12,762,654	2,070,000
Long term deposits	(463,200)	-
Net cash (used in) investing activities	(159,017,646)	(183,595,593)
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from redeemable capital	-	60,000,000
Proceeds from long term financing	140,000,000	-
Repayment of :		
Redeemable capital	(197,500,000)	(120,000,000)
Long term financing	(67,158,261)	(14,592,573)
Liabilities against assets subject to finance lease	(8,955,682)	(19,313,590)
Increase in short term bank borrowings - net	152,431,278	214,284,738
Dividend paid	(37,951,578)	(47,467,929)
Net cash (used in) / generated from financing activities	(19,134,243)	72,910,646
Net (decrease) in cash and cash equivalents (a+b+c)	(1,621,482)	(1,925,534)
Cash and cash equivalents at the beginning of the year	10,947,846	12,873,380
Cash and cash equivalents at the end of the year	9,326,364	10,947,846

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2010

	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, 2008	190,920,000	143,190,000	460,000,000	286,993,584	746,993,584	1,081,103,584
Final dividend for the year ended June 30, 2008: Rs.2.5/- per share	-	-	-	(47,730,000)	(47,730,000)	(47,730,000)
Transferred to general reserve	-	-	30,000,000	(30,000,000)	-	-
Total comprehensive income for the year	-	-	-	81,035,320	81,035,320	81,035,320
Balance as at June 30, 2009	190,920,000	143,190,000	490,000,000	290,298,904	780,298,904	1,114,408,904
Final dividend for the year ended June 30, 2009: Rs.2.0/- 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	-	-	-	107,195,351	107,195,351	107,195,351
Balance as at June 30, 2010	**190,920,000**	**143,190,000**	**540,000,000**	**309,310,255**	**849,310,255**	**1,183,420,255**

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

1. STATUS AND ACTIVITIES

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.1.1 Standards, amendments to standards and interpretations becoming effective in current period

The following revised standards are effective and mandatory for financial statements for the accounting periods of the Company beginning on or after July 1, 2009 and therefore, have been applied in preparing these financial statements.

IAS 1 (Revised), 'Presentation of financial statements' is effective for the accounting periods of the Company beginning on or after July 01, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or in an income statement and a separate statement of comprehensive income.

The Company has preferred to present two statements; a profit and loss account (income statement) and a statement of comprehensive income. Comparative information has also been represented in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

IAS 23 (Amendment), 'Borrowing costs' is effective for the accounting periods of the Company beginning on or after July 01, 2009. The amendment requires an entity to capitalise the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing these borrowing costs has been removed. The current policy of the Company is in line with the requirements of this amendment, therefore, there is no impact on profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

IAS 27 – "Consolidated and Separate Financial Statements" is effective for the accounting periods of the Company beginning on or after July 01, 2009. The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor and requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of subsidiary, any interest retained in the subsidiary will be measured at fair value with gain or loss recognised in the profit or loss. The amendment has no impact on profit for the year.

IFRS 5 (Amendment) – "Non-current assets held-for-sale and discontinued operations" is effective for the accounting periods of the Company beginning on or after July 1, 2009. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. The amendment has no impact on profit for the year.

IFRS 7, 'Financial instruments: Disclosures', is effective for the accounting periods of the Company beginning on or after July 1, 2009. IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and measurement of the Company's financial instruments. The application of IFRS 7 has resulted in additional disclosures in the Company's financial statements, and, there is no impact on profit for the year.

2.1.2 Standards, amendments to standards and interpretations becoming effective in current period but not relevant

There are certain new standards, amendments and interpretations that are mandatory for accounting periods of the Company beginning on or after July 1, 2009 but are considered not to be relevant to the Company's operations, therefore, not disclosed in the financial statements.

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

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

IAS 1 (Amendment), 'Presentation of Financial Statements' will be effective for the accounting periods beginning on or after January 1, 2010. The amendment provides clarification that the potential settlement of a liability by the issuer of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. It is not expected to have a material impact on Company's financial statements.

IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. This amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Company will apply IFRS 5 (amendment) from July 1, 2010. It is not expected to have a material impact on Company's financial statements.

There are a number of minor amendments in other IFRS's and IAS's which are part of annual improvement project published in April 2009 (not addressed above). These amendments are unlikely to have any impact on the Company's financial statements and therefore have not been analysed in detail.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

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

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

2.2 Basis of preparation

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

2.3 Leases

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

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (Refer Note 2.11). Contingent rentals are recognised as expenses in the periods in which they are incurred.

2.4 Staff retirement benefits

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

2.5 Trade and other payables

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

2.6 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.7 Provision for taxation

Current

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

Deferred

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

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

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

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

2.8 Dividend and other appropriations

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

2.9 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

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets. In view of certainty of ownership of the assets at the end of the lease period, assets subject to finance lease are stated at cost less accumulated depreciation. Depreciation is charged at the rates and basis applicable to Company 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

2.10 Impairment

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

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

2.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.12 Investment in subsidiary

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

2.13 Stores, spares and loose tools

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

2.14 Stock of oil and lubricants

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

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

2.15 Trade debts and other receivables

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

2.16 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

2.17 Non-current assets classified as held for sale

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

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

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

- Its carrying amount before the assets were classified as held for sale, adjusted for any depreciation, amortisation or revaluation that would have been recognised had the assets not been classified as held for sale, and
- Its recoverable amount at the date of the subsequent decision not to sell.

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

2.18 Foreign currency translation

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

2.19 Financial instruments

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

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

2.20 Offsetting of financial asset and financial liability

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

2.21 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.

Interest income is recognised on time proportionate basis.

2.22 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

2.23 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.

3. Issued, subscribed and paid up capital

2009	2010		2010	2009
Number of shares			**Rupees**	Rupees
19,092,000	**19,092,000**	Ordinary shares of Rs. 10/- each fully paid in cash.	**190,920,000**	190,920,000

3.1 Shares held by the associated undertakings;

	2010	2009
	Number of shares	
Sitara Chemical Industries Limited	**933,661**	933,661
Sitara Fabrics Limited	**656,000**	175,000
	1,589,661	1,108,661

4. Redeemable capital

	Note	2010 Rupees	2009 Rupees
Secured			
Sukuk certificates - I	4.1	**300,000,000**	420,000,000
Sukuk certificates - II	4.2	**542,500,000**	620,000,000
		842,500,000	1,040,000,000
Less: Current portion		**275,000,000**	257,500,000
		567,500,000	782,500,000

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

These are secured by way of first pari passu hypothecation charge over the musharika assets to the extent of beneficial rights of certificate holders.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

Sukuk certificates are redeemable in ten equal semi annual instalments of Rs. 60 million each commenced from January 16, 2008 and ending on July 16, 2012.

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

Base rate is defined as six months KIBOR and incremental rental is defined as margin of 1.95% per annum.

Effective yield rate of rental during the year ranges from 13.90% to 17.46% per annum (2009: 11.90% to 17.46% per annum).

4.2 These represents balance out of 124,000 sukuk certificates of Rs. 5,000/- each privately placed with an investment bank. The securities and terms of repayment of the Sukuk certificates have been revised during the year.

These are secured by way of first pari passu hypothecation charge over the musharika assets and mortgage of the immovable property located at 33 KM, Sheikhupura Road, Faisalabad to the extent of beneficial rights of certificate holders.

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

Sukuk certificates are redeemable in eight equal semi annual instalments of Rs. 77.5 million each commenced from May 16, 2010 and ending on November 16, 2013.

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

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

Effective yield rate of rental during the year ranges from 13.37% to 14.51% per annum (2009: 12.23% to 16.84% per annum).

	Note	**2010 Rupees**	2009 Rupees
5. Long term financing			
Secured			
From banking companies			
Term finance - II	5.1	**300,000,000**	160,000,000
Term finance - III		**-**	67,158,261
		300,000,000	227,158,261
Less: Current portion		**-**	67,158,261
		300,000,000	160,000,000

5.1 It is subject to mark up at three months KIBOR plus 2.75% per annum (2009: 2.00% per annum). The terms of repayment have been revised during the year. It is repayable in lump sum on March 31, 2012. It is secured against first charge over fixed assets of the Company ranking pari passu with the charge created in respect of morabaha finance (Refer Note 9.2) and running finance (Refer Note 9.4).

Effective rate of mark up charged during the year ranges from 15.10% to 15.54% per annum (2009: 15.54% to 18.50% per annum).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
6. Liabilities against assets subject to finance lease		
Opening balance	**25,790,071**	45,231,011
Paid during the year	**(18,776,727)**	(19,440,940)
	7,013,344	25,790,071
Shown under current liabilities		
Payable within one year	**6,786,422**	18,785,225
	226,922	7,004,846

These represents gas generator and vehicle acquired under lease agreement and ijarah finance.

The principal plus financial charges are payable over the lease period in 54 and 60 monthly instalments, including grace period of six months in respect of lease of gas generator.

The liability represents the total minimum lease payments discounted at 11.66% to 16.00% per annum being the interest rates implicit in leases.

The future minimum lease payments to which the Company is committed as at June 30, 2010 are as under:

Year ending June 30,	Rupees
2011	7,238,967
2012	235,190
	7,474,157
Financial charges allocated to future periods	(460,813)
	7,013,344

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

	2010		2009	
	Minimum lease payments	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
Due within one year	**7,238,967**	**6,786,422**	20,067,532	18,785,225
Due after one year but not later than five years	**235,190**	**226,922**	7,462,630	7,004,846
Rupees	**7,474,157**	**7,013,344**	27,530,162	25,790,071

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
7. Trade and other payables			
Creditors	7.1	**39,752,067**	24,635,217
Accrued liabilities	7.2	**75,999,001**	85,687,433
Import duty payable		**19,962,500**	19,962,500
Advance against non-current assets classified as held for sale		**28,540,000**	-
Provident fund		**433,486**	385,212
Unclaimed dividend		**3,364,103**	3,131,681
Workers' profit participation fund	7.3	**5,665,665**	4,324,751
Sales tax payable		**24,793,506**	6,393,321
Withholding tax payable		**1,714,903**	8,206,753
Other		**1,433,952**	1,465,722
		201,659,183	154,192,590

7.1 It includes Rs. 1,730,384 due to subsidiary company (2009: Rs. 546,102/- due to an associated undertaking of the Company).

7.2 It includes Rs. 253,281/- (2009: Nil) due to an associated undertaking of the Company.

	Note	2010 Rupees	2009 Rupees
7.3 Workers' profit participation fund			
Opening balance		**4,324,751**	5,933,319
Interest on funds utilised in the Company's business		**24,482**	91,633
		4,349,233	6,024,952
Paid to workers on behalf of the fund		**(4,324,751)**	(5,927,997)
Deposited in workers' welfare fund		**-**	(5,322)
		(4,324,751)	(5,933,319)
		24,482	91,633
Allocation for the year		**5,641,183**	4,233,118
		5,665,665	4,324,751
8. Interest / mark up payable			
Interest / mark up on secured:			
Redeemable capital		**28,728,032**	44,758,991
Long term financing		**6,023,452**	12,831,616
Liabilities against assets subject to finance lease		**288,442**	551,302
Short term bank borrowings		**36,355,440**	31,194,510
		71,395,366	89,336,419
9. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finance	9.2	**174,675,497**	175,000,000
Term finance	9.3	**239,999,880**	199,269,706
Running finances	9.4	**526,483,359**	414,457,752
		941,158,736	788,727,458

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

9.1 The aggregate unavailed short term financing facilities available to the Company are Rs. 218.84 million (2009: Rs. 311.27 million).

9.2 It is subject to mark up ranging from 14.10% to 18.61% per annum (2009: 12.04% to 19.68 % per annum). It is secured against first charge over fixed assets of the Company ranking pari passu with the charge created in respect of long term finance II (Refer Note 5.1) and running finance (Refer Note 9.4). It is further secured against first charge over current assets of the Company ranking pari passu with the charge created in respect of term finance (Refer Note 9.3) and running finances (Refer Note 9.4).

9.3 It is subject to mark up ranging from 14.03% to 15.77% per annum (2009: 14.77% to 17.50% per annum). It is secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance (Refer Not 9.2) and running finances (Refer Note 9.4).

9.4 These are subject to mark up ranging from 14.33% to 15.54% per annum (2009: 11.13% to 19.50% per annum). These are secured against first charge over current assets ranking pari passu with the charge created in respect of morabaha finance (Refer Note 9.2) and term finance (Refer Note 9.3), ranking charge over fixed assets and personal guarantees of directors of the company. Running finance of Rs. 193 million (2009: Rs. 223 million) is further secured against first charge over fixed assets of the company ranking pari passu with the charge created in respect of morabaha finance (Refer Note 9.2) and long term finance II (Refer Note 5.1) and personal guarantee of directors of the Company.

The Company has issued guarantees to secure the limit of short term borrowings available to the subsidiary company amounting to Rs. 125 million (2009: Rs. 125 million).

	2010 Rupees	2009 Rupees
10. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Bank guarantee issued in favour of Sui Northern Gas Pipelines Limited for supply of gas	**212,171,000**	212,171,000
Demand of income tax not acknowledged in view of pending appeals.	**3,648,594**	3,648,594
Commitments		
Under letters of credit for stores and spares	**20,830,204**	20,274,116
Under contracts for fixed capital expenditure	**72,611,810**	159,363,007

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

11. Property, plant and equipment

	Note	2010 Rupees	2009 Rupees
Operating assets	11.1	**1,303,402,001**	1,372,732,027
Capital work in progress	11.4	**141,647,467**	20,668,796
Non-operating land	11.5	**955,701,426**	924,788,241
		2,400,750,894	2,318,189,064

11.1 Operating assets

	Company owned										Assets subject to finance lease			
	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Electric Appliances	Furniture and fixtures	Office equipment	Vehicles	Sub total	Plant and machinery	Vehicles	Sub total	Total
	Rupees													
At July 01, 2008														
Cost	67,571,734	188,567,848	1,655,657,539	81,933,634	3,828,647	5,495,718	3,136,396	12,145,760	26,491,552	2,044,828,828	73,242,439	1,449,000	74,691,439	2,119,520,267
Accumulated depreciation	-	(94,472,648)	(620,449,443)	(37,316,010)	(2,422,701)	(2,216,516)	(1,635,591)	(6,884,677)	(13,428,577)	(778,826,163)	(4,100,044)	(450,696)	(4,550,740)	(783,376,903)
Net book value	67,571,734	94,095,200	1,035,208,096	44,617,624	1,405,946	3,279,202	1,500,805	5,261,083	13,062,975	1,266,002,665	69,142,395	998,304	70,140,699	1,336,143,364
Year ended June 30, 2009														
Opening net book value	67,571,734	94,095,200	1,035,208,096	44,617,624	1,405,946	3,279,202	1,500,805	5,261,083	13,062,975	1,266,002,665	69,142,395	998,304	70,140,699	1,336,143,364
Additions	-	296,241	24,356,325	74,965,002	-	681,373	1,039,040	1,357,166	2,360,600	105,055,747	-	-	-	105,055,747
Transfer from capital work in progress	-	6,031,695	-	-	-	-	-	-	-	6,031,695	-	-	-	6,031,695
Transfer from leased assets:														
Cost	-	-	-	-	-	-	-	-	849,000	849,000	-	(849,000)	(849,000)	-
Accumulated depreciation	-	-	-	-	-	-	-	-	(359,221)	(359,221)	-	359,221	359,221	-
	-	-	-	-	-	-	-	-	489,779	489,779	-	(489,779)	(489,779)	-
Disposals:														
Cost	-	-	-	-	-	-	-	-	(3,961,080)	(3,961,080)	-	-	-	(3,961,080)
Accumulated depreciation	-	-	-	-	-	-	-	-	3,096,328	3,096,328	-	-	-	3,096,328
	-	-	-	-	-	-	-	-	(864,752)	(864,752)	-	-	-	(864,752)
Depreciation charge	-	(9,914,630)	(49,608,794)	(7,728,612)	(140,595)	(375,966)	(168,185)	(587,345)	(2,969,590)	(71,493,717)	(1,940,649)	(199,661)	(2,140,310)	(73,634,027)
Closing net book value	67,571,734	90,508,506	1,009,955,627	111,854,014	1,265,351	3,584,609	2,371,660	6,030,904	12,079,012	1,305,221,417	67,201,746	308,864	67,510,610	1,372,732,027
At July 01, 2009														
Cost	67,571,734	194,895,784	1,680,013,864	156,898,636	3,828,647	6,177,091	4,175,436	13,502,926	25,740,072	2,152,804,190	73,242,439	600,000	73,842,439	2,226,646,629
Accumulated depreciation	-	(104,387,278)	(670,058,237)	(45,044,622)	(2,563,296)	(2,592,482)	(1,803,776)	(7,472,022)	(13,661,060)	(847,582,773)	(6,040,693)	(291,136)	(6,331,829)	(853,914,602)
Net book value	67,571,734	90,508,506	1,009,955,627	111,854,014	1,265,351	3,584,609	2,371,660	6,030,904	12,079,012	1,305,221,417	67,201,746	308,864	67,510,610	1,372,732,027
Year ended June 30, 2010														
Opening net book value	67,571,734	90,508,506	1,009,955,627	111,854,014	1,265,351	3,584,609	2,371,660	6,030,904	12,079,012	1,305,221,417	67,201,746	308,864	67,510,610	1,372,732,027
Additions	-	-	4,796,336	-	15,000	919,996	169,950	467,115	1,835,770	8,204,167	-	-	-	8,204,167
Transfer from capital work in progress	-	3,328,978	2,500,000	-	-	-	-	-	-	5,828,978	-	-	-	5,828,978
Transfer from leased assets:														
Cost	-	-	43,242,439	-	-	-	-	-	-	43,242,439	(43,242,439)	-	(43,242,439)	-
Accumulated depreciation	-	-	(3,284,418)	-	-	-	-	-	-	(3,284,418)	3,284,418	-	3,284,418	-
	-	-	39,958,021	-	-	-	-	-	-	39,958,021	(39,958,021)	-	(39,958,021)	-
Disposals:														
Cost	(2,180,327)	-	-	-	-	-	-	-	(563,400)	(2,743,727)	-	-	-	(2,743,727)
Accumulated depreciation	-	-	-	-	-	-	-	-	206,580	206,580	-	-	-	206,580
	(2,180,327)	-	-	-	-	-	-	-	(356,820)	(2,537,147)	-	-	-	(2,537,147)
Depreciation charge	-	(9,118,750)	(55,511,016)	(11,185,401)	(127,285)	(377,319)	(247,224)	(618,934)	(2,495,552)	(79,681,481)	(1,082,770)	(61,773)	(1,144,543)	(80,826,024)
Closing net book value	**65,391,407**	**84,718,734**	**1,001,698,968**	**100,668,613**	**1,153,066**	**4,127,286**	**2,294,386**	**5,879,085**	**11,062,410**	**1,276,993,955**	**26,160,955**	**247,091**	**26,408,046**	**1,303,402,001**
Annual rate of depreciation (%)	-	10	-	10	10	10	10	10	20		-	20		

11.2 Depreciation for the year has been allocated as under:

	Note	2010 Rupees	2009 Rupees
Cost of generation	23	**77,025,222**	69,333,280
Operating expenses	25	**3,800,802**	4,300,747
		80,826,024	73,634,027

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

11.3 Disposal of property, plant and equipment (By negotiation)

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Operating assets					
Freehold land	2,180,327	-	2,180,327	2,500,000	Khalid Mahmood Chak # 61 R.B Tehsil Jaranwala, Faisalabad.
Vehicle	563,400	206,580	356,820	375,000	Zulifiqar Ali Raza Town, Chak No. 204, R.B. Faisalabad
2010 Rupees	**2,743,727**	**206,580**	**2,537,147**	**2,875,000**	
2009 Rupees	14,202,370	3,096,328	11,106,042	12,532,000	

11.4 Capital work in progress

The following is a statement of capital work in progress:

	Freehold land	Plant and machinery	Civil Work	Total
	Rupees			
Balance as at July 1, 2008	-	1,000,000	5,088,644	6,088,644
Capital expenditure incurred during the year	-	2,532,332	1,829,515	4,361,847
Advances	15,000,000	1,250,000	-	16,250,000
Transferred to operating assets	-	-	(6,031,695)	(6,031,695)
Balance as at June 30, 2009	15,000,000	4,782,332	886,464	20,668,796
Capital expenditure incurred during the year	36,167,500	306,730	32,570,229	69,044,459
Advances	-	250,000	57,513,190	57,763,190
Transferred to operating assets	-	(4,339,062)	(1,489,916)	(5,828,978)
Balance as at June 30, 2010	**51,167,500**	**1,000,000**	**89,479,967**	**141,647,467**

	Note	2010 Rupees	2009 Rupees
11.5 Non-operating land			
Cost of land	11.5.1	**895,741,973**	822,914,814
Transferred to non-current assets classified as held for sale	21	**36,807,099**	-
		858,934,874	822,914,814
Advances for purchase of land		**96,766,552**	101,873,427
		955,701,426	924,788,241

11.5.1 This includes land worth Rs. 301.88 million (2009: Rs. 272.31 million) not in the name of the Company. The land is in the name of the subsidiary. As per agreement the Company is entitled to get the land transferred in its own name or in the name of any nominee.

11.5.2 Land has been acquired for future expansion.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
12. Investment in subsidiary			
Wholly owned - at cost			
Sitara International (Private) Limited			
5,000,000 ordinary shares of Rs. 10/- each fully paid in cash		**50,000,000**	50,000,000
13. Long term deposits			
Long term deposits		**631,200**	9,989,045
Less: Current portion		**-**	9,821,045
		631,200	168,000
14. Stores, spares and loose tools			
Stores			
In hand		**12,910,578**	19,635,926
In transit		**2,892,262**	-
		15,802,840	19,635,926
Spares	14.1	**408,345,417**	366,055,809
Loose tools		**1,647,834**	797,889
		425,796,091	386,489,624

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

	2010 Rupees	2009 Rupees
15. Stock of oil and lubricants		
Furnace oil		
In hand	**106,772,541**	65,936,321
In transit	**12,525,619**	5,224,631
	119,298,160	71,160,952
Diesel oil	**2,066,978**	3,941,105
Lube oil	**10,046,835**	6,262,321
Wastes	**93,579**	77,156
	131,505,552	81,441,534
16. Trade debts		
Considered good		
Related parties		
Sitara Chemical Industries Limited	**124,694,935**	225,118,144
Sitara Fabrics Limited	**-**	12,128,801
Sitara Spinning Mills Limited	**75,029,472**	47,170,140
Sitara Peroxide Limited	**55,442,312**	75,069,965
	255,166,719	359,487,050
Others	**133,983,751**	101,251,776
	389,150,470	460,738,826
17. Loans and advances		
Considered good		
Loans		
Executives	**1,342,140**	1,582,828
Staff	**1,792,094**	1,395,470
Advances		
Suppliers	**52,562,218**	69,217,883
Income tax	**7,632,350**	2,447,554
For purchases / expenses	**18,860,748**	22,217,748
Letters of credit fee and expenses	**131,678**	83,763
	82,321,228	96,945,246

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
18. Deposits and prepayments			
Deposits			
Short term		-	15,000
Current portion of long term deposits		-	9,821,045
		-	9,836,045
Prepayments		1,645,376	3,335,491
		1,645,376	13,171,536
19. Tax refunds due from Government			
Sales tax		2,655,813	2,655,813
Income tax		238,237	-
		2,894,050	2,655,813
20. Cash and bank balances			
Cash in hand		1,352,583	1,964,653
Cash at banks			
In current accounts		7,973,781	8,983,193
		9,326,364	10,947,846
21. Non-current assets classified as held for sale			
Land			
Opening balance		5,459,926	25,144,212
Transferred from Non-operating land	11.5	36,807,099	-
		42,267,025	25,144,212
Disposed off during the year		(11,519,528)	(19,684,286)
		30,747,497	5,459,926

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

	Note	2010 Rupees	2009 Rupees
22. Sales - net			
Electricity		4,419,707,732	3,373,083,529
Steam		105,431,833	124,833,419
		4,525,139,565	3,497,916,948
Less: Sales tax		642,780,511	480,014,059
		3,882,359,054	3,017,902,889
Less: Electricity duty		6,877,604	7,974,237
		3,875,481,450	3,009,928,652
23. Cost of generation			
Cost of fuel, oil, gas and lubricants		3,061,416,605	2,321,867,007
Salaries, wages and benefits		51,825,449	46,712,664
Staff retirement benefits		1,781,419	1,461,216
Stores, spares and loose tools		169,189,198	78,731,358
Insurance		5,788,554	5,211,312
Repairs and maintenance		18,419,062	17,308,010
Depreciation	11.2	77,025,222	69,333,280
Other		11,580,254	10,533,613
		3,397,025,763	2,551,158,460

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
24. Other operating income			
Sale of scrap and waste		**3,212,951**	1,330,927
Gain on disposal of property, plant and equipment		**337,853**	1,425,958
Gain on disposal of non-current assets classified as held for sale		**1,243,126**	536,772
Others		-	3,874,283
		4,793,930	7,167,940
25. Operating expenses			
Director's remuneration		**4,383,600**	4,514,510
Salaries and benefits		**22,218,253**	17,908,663
Staff retirement benefits		**815,273**	636,960
Postage and telephone		**1,939,381**	1,526,264
Vehicles running and maintenance		**5,518,347**	2,873,728
Traveling and conveyance		**3,813,069**	4,249,259
Printing and stationery		**1,349,972**	1,210,077
Entertainment		**2,166,064**	2,081,453
Legal and professional		**2,542,430**	3,640,872
Fee, subscription and periodicals		**1,321,048**	1,780,673
Rent, rates and taxes		**187,889**	110,081
Advertisement		**444,911**	444,120
Insurance		**794,010**	987,325
Auditors' remuneration	25.1	**587,500**	485,000
Repairs and maintenance		**2,741,603**	1,025,411
Donations	25.2	**3,853,400**	4,102,700
Depreciation	11.2	**3,800,802**	4,300,747
Employees benefits		**1,574,539**	1,727,430
Utilities		**4,239,037**	1,732,501
Other		**2,417,737**	1,849,215
		66,708,865	57,186,989
25.1 Auditors' remuneration			
Audit fee		**500,000**	375,000
Sundry services		**87,500**	110,000
		587,500	485,000

25.2 Donations

25.2.1 Four directors of the Company including Chief Executive Officer, Mr. Javed Iqbal, Mr. Muhammad Adrees, Mr. Imran Ghafoor and Mr. Muhammad Anis are the trustees of Aziz Fatima Trust, Gulistan Colony, Sheikhupura Road, Faisalabad, to whom Rs.3,457,500/- (2009: Rs. 3,506,000/-) have been donated during the year.

	2010 Rupees	2009 Rupees
26. Other operating expenses		
Workers' profit participation fund	**5,641,183**	4,233,118
Balances written off	**231,427**	-
	5,872,610	4,233,118

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
27. Finance cost			
Interest / mark-up on :			
Redeemable capital		**133,238,035**	166,456,022
Long term financing		**29,163,644**	31,223,718
Liabilities against assets subject to finance lease		**1,630,839**	4,308,152
Short term bank borrowings		**137,256,011**	118,072,872
Workers' profit participation fund		**24,482**	91,633
Bank charges and commission		**2,428,569**	4,028,025
		303,741,580	324,180,422
28. Provision for taxation			
Current			
for the year	28.1	**-**	1,355,999
for prior years		**(268,789)**	(2,053,716)
		(268,789)	(697,717)

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

	2010 Rupees	2009 Rupees
29. Earnings per share - Basic and diluted		
Profit for the year (Rupees)	**107,195,351**	81,035,320
Weighted average number of ordinary shares	**19,092,000**	19,092,000
Earnings per share - Basic and diluted (Rupees)	**5.61**	4.24

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

30. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

	2010		2009	
	Chief Executive Officer	**Executives**	Chief Executive Officer	Executives
Remuneration	**2,562,500**	**4,688,960**	2,562,500	3,232,160
House rent allowance	**1,153,000**	**2,110,032**	1,153,000	1,454,472
Utilities	**128,100**	**234,448**	128,100	161,368
Perquisites	**540,000**	**865,127**	670,910	607,947
Contribution to provident fund	**-**	**464,736**	-	302,392
Rupees	**4,383,600**	**8,363,303**	4,514,510	5,758,339
Number of persons	**1**	**7**	1	5

The Chief Executive Officer is entitled to free use of Company maintained car, telephone at residence and other perquisites. A Director and two Executives are entitled to conveyance facility. The monetary value of these benefits approximates Rs.4,331,360/- (2009: Rs. 4,588,299/-). The Directors have waived off their meeting fee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

31. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of subsidiary, associated undertakings, directors, key management personnel and post employment benefit plan. Amounts due from and to related parties are shown under receivables and payables and remuneration to Chief Executive Officer, Director and Executives is disclosed in Note 30. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2010 Rupees	2009 Rupees
Subsidiary	Other income - mark up	-	809,563
	Services charges	2,957,024	-
Associated undertakings	Sales	849,310,136	964,965,406
	Purchases	1,439,854	314,263
	Other income - mark up	-	3,064,720
	Organisational expenses recovered	355,877	199,200
	Organisational expenses paid	6,811,771	1,248,195

32. PLANT CAPACITY AND ACTUAL PRODUCTION

		2010	2009
Number of generators installed		26	26
Number of generators worked		24	24
Installed energy generation capacity	(Mega watt hours)	713,590	713,590
Actual energy generation	(Mega watt hours)	385,819	371,785

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

33.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2010 Rupees	2009 Rupees
Financial assets:		
Financial assets at amortised cost		
Deposits	631,200	10,004,045
Investment in subsidiary	50,000,000	50,000,000
Trade debts	389,150,470	460,738,826
Loans and advances	3,134,234	2,978,298
Other receivables	22,378,162	14,762,287
Cash and bank balances	9,326,364	10,947,846
Non-current assets classified as held for sale	30,747,497	5,459,926
	474,620,430	549,431,302
Financial liabilities:		
Financial liabilities at amortised cost		
Redeemable capital	842,500,000	1,040,000,000
Long term financing	300,000,000	227,158,261
Liabilities against assets subject to finance lease	7,013,344	25,790,071
Trade and other payables	155,188,274	123,512,018
Interest / markup payable	71,395,366	89,336,419
Short term borrowings	941,158,736	788,727,458
	2,317,255,720	2,294,524,227

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

33.2 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:

33.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Credit risk arises from the deposits, trade debts, loans and advances, other receivables and bank balances. The Company is exposed to concentration of credit risk towards its associated undertakings as disclosed in Note 16 to the financial statements and Faisalabad Electric Supply Company (FESCO). The maximum exposure to credit risk at the reporting date is as follows:

	2010 Rupees	2009 Rupees
Deposits	**631,200**	10,004,045
Trade debts	**389,150,470**	460,738,826
Other receivables	**22,378,162**	14,762,287
Bank balances	**7,973,781**	8,983,193
	420,133,613	494,488,351

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 customer is FESCO. The break-up of amount due from customers is as follows:

	2010 Rupees	2009 Rupees
Industrial users	**261,451,742**	364,283,808
FESCO	**127,698,728**	96,455,018
	389,150,470	460,738,826

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

Not past due	**299,612,723**	448,610,025
Past due	**89,537,747**	12,128,801
	389,150,470	460,738,826

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 these are placed with local banks having good credit rating.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

33.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity is to maintain sufficient level of liquidity of the Company on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of balance sheet liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2010 and 2009:

	2010				
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**Two to five years**
	Rupees in thousand				
Financial liabilities:					
Redeemable capital	842,500	1,011,696	164,485	182,635	664,576
Long term financing	300,000	378,990	22,745	22,375	333,870
Liabilities against assets subject to finance lease	7,013	7,474	3,724	3,515	235
Trade and other payables	126,648	126,648	126,648	-	-
Short term borrowings	941,159	1,119,898	1,119,898	-	-
	2,217,320	2,644,706	1,437,500	208,525	998,681

	2009				
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**Two to five years**
	Rupees in thousand				
Financial liabilities:					
Redeemable capital	1,040,000	1,300,106	122,182	166,228	1,011,696
Long term financing	227,158	121,195	97,168	5,962	18,065
Liabilities against assets subject to finance lease	25,790	27,733	16,354	4,036	7,343
Trade and other payables	123,512	123,512	123,512	-	-
Short term borrowings	788,727	920,822	920,822	-	-
	2,205,187	2,493,368	1,280,038	176,226	1,037,104

The contractual cash flows relating to mark up have been determined on the basis of mark up rates as applicable on June 30, 2010 on redeemable capital, long term and short term borrowings and leases. The Company will manage the liquidity risk from its own source through equity and working capital management. The Company has liquid assets of Rs. 536.82 million and unavailed short term borrowing facilities of Rs. 218.84 million as at June 30, 2010.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

33.2.3 Market risk management

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

i) Interest rate risk

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

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

Sensitivity analysis

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If the interest rate had increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year and equity would have been lower / higher by Rs. 20.70 million (2009: Rs. 19.14 million).

ii) Currency risk

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

iii) Equity price risk

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

33.3 Fair value of financial instruments

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

33.4 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

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

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

	Note	**2010 Rupees**	2009 Rupees
Total Debt	4, 5, 6 & 9	**2,090,672,080**	2,081,675,790
Less: Cash and cash equivalents	20	**9,326,364**	10,947,846
Net Debt		**2,081,345,716**	2,070,727,944
Total equity		**1,183,420,255**	1,114,408,904
Total capital		**3,264,765,971**	3,185,136,848
Gearing ratio		**63.75%**	65.01%

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on October 06, 2010.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

REPORT OF THE DIRECTORS
ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors have pleasure in presenting the Audited Financial Statement of the Sitara Energy Limited (the Company) and its Subsidiary Sitara International (Pvt) Limited (the Subsidiary) for the year ended June 30, 2010.

The Company holds 100% shares in the Subsidiary which is trading in different commodities.

The consolidated financials are as follows:

	30.06.2010 (Rs. '000s)	30.06.2009 (Rs. '000s)
Sales - net	**3,896,185**	3,026,398
Gross Profit	**482,143**	461,107
Profit before taxation	**142,233**	68,212
Profit after taxation	**142,363**	68,750
Earning per share	**7.46**	3.60

On behalf of the Board of Directors

JAVED IQBAL
CHIEF EXECUTIVE OFFICER

October 06, 2010
Faisalabad

AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of Sitara Energy Limited (the company) and its subsidiary company as at June 30, 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Sitara Energy Limited and its subsidiary company. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these statements based on our audit.

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

In our opinion the consolidated financial statements present fairly the financial position of Sitara Energy Limited and its subsidiary company as at June 30, 2010 and the results of their operations, their comprehensive income, cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

October 06, 2010
Faisalabad

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner:- Syed Ali Adnan Tirmizey

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital 30,000,000 ordinary shares of Rs. 10/- each.		300,000,000	300,000,000
Issued, subscribed and paid up capital	4	190,920,000	190,920,000
Capital reserve			
Share premium		143,190,000	143,190,000
Fair value reserve		(1,409,580)	(1,544,180)
Revenue reserve			
General reserve		540,000,000	490,000,000
Unappropriated profit		306,970,520	252,791,422
		1,179,670,940	1,075,357,242
NON-CURRENT LIABILITIES			
Redeemable capital	5	567,500,000	782,500,000
Long term financing	6	300,000,000	160,000,000
Liabilities against assets subject to finance lease	7	226,922	7,004,846
		867,726,922	949,504,846
CURRENT LIABILITIES			
Trade and other payables	8	200,042,647	160,028,926
Interest / mark up payable	9	74,618,282	93,008,123
Short term bank borrowings	10	1,015,158,736	862,727,458
Current portion of			
redeemable capital	5	275,000,000	257,500,000
long term financing	6	-	67,158,261
liabilities against assets subject to finance lease	7	6,786,422	18,785,225
Provision for taxation income tax		207,031	1,438,350
		1,571,813,118	1,460,646,343
CONTINGENCIES AND COMMITMENTS	11	-	-
		3,619,210,980	3,485,508,431

	Note	2010 Rupees	2009 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	12	2,397,256,611	2,317,658,030
Long term deposits	13	631,200	168,000
Investment property	14	63,403,000	-
		2,461,290,811	2,317,826,030
CURRENT ASSETS			
Land held for development and resale	15	-	25,144,683
Stores, spares and loose tools	16	425,796,091	386,489,624
Stocks	17	156,418,760	123,265,528
Trade debts	18	405,120,434	473,570,421
Loans and advances	19	97,591,554	97,028,027
Deposits and prepayments	20	1,645,376	13,172,436
Short-term investments	21	1,714,600	1,380,000
Other receivables		22,378,162	14,762,287
Rent receivable		75,000	-
Tax refunds due from Government	22	3,045,749	2,782,731
Cash and bank balances	23	13,386,946	24,626,738
		1,127,172,672	1,162,222,475
Non-current assets classified as held for sale	24	30,747,497	5,459,926
		1,157,920,169	1,167,682,401
		3,619,210,980	3,485,508,431

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	**2010 Rupees**	2009 Rupees
Sales - net	25	**3,896,184,569**	3,026,398,914
Cost of generation and sales	26	**3,414,041,842**	2,565,291,844
Gross profit		**482,142,727**	461,107,070
Other operating income	27	**48,842,485**	6,358,377
		530,985,212	467,465,447
Operating expenses	28	**67,424,725**	58,185,895
Other operating expenses	29	**5,872,610**	4,233,118
Finance cost	30	**315,454,888**	336,833,763
		388,752,223	399,252,776
Profit for the year before taxation		**142,232,989**	68,212,671
Provision for taxation	31	**(130,109)**	(537,380)
Profit for the year		**142,363,098**	68,750,051
Earnings per share - Basic and diluted	32	**7.46**	3.60

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
Profit for the year	**142,363,098**	68,750,051
Other comprehensive income for the year	-	-
Increase / (decrease) in fair value of short-term investment	**134,600**	(1,544,180)
Total comprehensive income for the year	**142,497,698**	67,205,871

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	142,232,989	68,212,671
Adjustments for:		
Depreciation of property, plant and equipment	80,832,250	73,640,945
Provision for staff retirement benefits	2,596,692	2,098,176
Gain on disposal of property, plant and equipment	(337,853)	(1,425,958)
Gain on disposal of non-current assets classified as held for sale	(1,243,126)	(536,772)
Gain arising from change in fair value of investment property	(38,258,317)	-
Finance cost	315,454,888	336,833,763
Operating cash flows before working capital changes	501,277,523	478,822,825
Changes in working capital		
(Increase) / decrease in current assets		
Land held for development and resale	-	7,855,227
Stores, spares and loose tools	(39,306,467)	(84,901,944)
Stocks	(33,153,232)	45,986,939
Trade debts	68,449,987	(113,590,974)
Loans and advances	4,682,246	63,136,797
Deposits and prepayments	1,706,015	(1,380,938)
Other receivables	(7,615,875)	1,497,805
Rent receivable	(75,000)	-
Tax refunds due from Government	(238,237)	5,067,326
Increase in current liabilities		
Trade and other payables	11,193,025	26,385,210
	5,642,462	(49,944,552)
Cash generated from operating activities	506,919,985	428,878,273
Income tax paid	(6,371,764)	(1,610,445)
Staff retirement benefits paid	(2,548,418)	(1,960,247)
Finance cost paid	(333,844,730)	(313,288,532)
Net cash generated from operating activities	164,155,073	112,019,049

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(171,235,076)	(198,197,593)
Purchase of short term investment	(200,000)	(2,924,180)
Proceeds from disposal of :		
Property, plant and equipment	2,875,000	12,532,000
Non-current assets classified as held for sale	12,762,654	2,070,000
Long term deposits	(463,200)	-
Net cash (used in) investing activities	(156,260,622)	(186,519,773)
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from redeemable capital	-	60,000,000
Proceeds from long term financing	140,000,000	-
Repayment of :		
Redeemable capital	(197,500,000)	(120,000,000)
Long term financing	(67,158,261)	(14,592,573)
Liabilities against assets subject to finance lease	(8,955,682)	(19,313,590)
Increase / (decrease) in short term bank borrowings - net	152,431,278	214,284,738
Dividend paid	(37,951,578)	(47,467,929)
Net cash (used in) / generated from financing activities	(19,134,243)	72,910,646
Net (decrease) in cash and cash equivalents (a+b+c)	(11,239,792)	(1,590,078)
Cash and cash equivalents at the beginning of the year	24,626,738	26,216,816
Cash and cash equivalents at the end of the year	13,386,946	24,626,738

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Issued, subscribed and paid up capital	Capital reserve			Revenue reserves			Total
		Share premium	Fair value reserve	Sub total	General reserve	Unappropriated profit	Sub total	
	Rupees							
Balance as at July 01, 2008	190,920,000	143,190,000	-	143,190,000	460,000,000	261,771,371	721,771,371	1,055,881,371
Final dividend for the year ended June 30, 2008: Rs.2.5/- per share	-	-	-	-	-	(47,730,000)	(47,730,000)	(47,730,000)
Transferred to general reserve	-	-	-	-	30,000,000	(30,000,000)	-	-
Total comprehensive income for the year	-	-	(1,544,180)	(1,544,180)	-	68,750,051	68,750,051	67,205,871
Balance as at June 30, 2009	190,920,000	143,190,000	(1,544,180)	141,645,820	490,000,000	252,791,422	742,791,422	1,075,357,242
Final dividend for the year ended June 30, 2009: Rs.2.0/- 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	-	-	134,600	134,600	-	142,363,098	142,363,098	142,497,698
Balance as at June 30, 2010	**190,920,000**	**143,190,000**	**(1,409,580)**	**141,780,420**	**540,000,000**	**306,970,520**	**846,970,520**	**1,179,670,940**

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

1. GROUP STATUS AND ACTIVITIES

1.1 The group consists of Sitara Energy Limited and Sitara International (Private) Limited.

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

Sitara International (Private) Limited (the subsidiary) is incorporated in Pakistan as a private limited Company under the Companies Ordinance, 1984. The principal activities of the subsidiary are trading in chemicals, textile goods / machinery, real estate and to act as commission agents. The registered office of the subsidiary is situated at 601 - 602 Business Centre, Mumtaz Hasan Road, Karachi.

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

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Sitara Energy Limited and its subsidiary Sitara International (Private) Limited. The financial statements of the parent and subsidiary company is combined on a line by line basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.1.1 Standards, amendments to standards and interpretations becoming effective in current period

The following revised standards are effective and mandatory for financial statements for the accounting periods of the Company beginning on or after July 1, 2009 and therefore, have been applied in preparing these financial statements.

IAS 1 (Revised), 'Presentation of financial statements' is effective for the accounting periods of the Company beginning on or after July 01, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or in an income statement and a separate statement of comprehensive income.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

The Company has preferred to present two statements; a profit and loss account (income statement) and a statement of comprehensive income. Comparative information has also been represented in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

IAS 23 (Amendment), 'Borrowing costs' is effective for the accounting periods of the Company beginning on or after July 01, 2009. The amendment requires an entity to capitalise the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing these borrowing costs has been removed. The current policy of the Company is in line with the requirements of this amendment, therefore, there is no impact on profit for the year.

IAS 27 – "Consolidated and Separate Financial Statements" is effective for the accounting periods of the Company beginning on or after July 01, 2009. The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor and requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of subsidiary, any interest retained in the subsidiary will be measured at fair value with gain or loss recognised in the profit or loss. The amendment has no impact on profit for the year.

IFRS 5 (Amendment) – "Non-current assets held-for-sale and discontinued operations" (effective from July 1, 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. The amendment has no impact on profit for the year.

IFRS 7 (Amendment), 'Financial instruments: Disclosures', is effective for the accounting periods of the Company beginning on or after July 1, 2009. IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and measurement of the Company's financial instruments. The application of IFRS 7 has resulted in additional disclosures in the Company's financial statements, and, therefore the amendment has no impact on profit for the year.

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

There are certain new standards, amendments and interpretations that are mandatory for accounting periods of the Company beginning on or after July 1, 2009 but are considered not to be relevant to the Company's operations, therefore, not disclosed in the financial statements.

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

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

IAS 1 (Amendment), 'Presentation of Financial Statements' will be effective for the accounting periods beginning on or after January 1, 2010. The amendment provides clarification that the potential settlement of a liability by the issuer of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. It is not expected to have a material impact on the Company's financial statements.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. This amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The company will apply IFRS 5 (amendment) from July 1, 2010. It is not expected to have a material impact on the Company's financial statements.

IFRIC 15 – "Agreements for the Construction of Real Estate" (effective for annual periods beginning on or after October 1, 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. It is not expected to have a material impact on the Company's financial statements.

There are a number of minor amendments in other IFRS's and IAS's which are part of annual improvement project published in April 2009 (not addressed above). These amendments are unlikely to have any impact on the Company's financial statements and therefore have not been analysed in detail.

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

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

3.2 Basis of preparation

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

3.3 Leases

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

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

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

3.4 Staff retirement benefits

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

3.5 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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

3.6 Provisions

Provisions are recognised when the group has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.7 Provision for taxation

Current

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

Deferred

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

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

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

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

3.8 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.

3.9 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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

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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

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets. In view of certainty of ownership of the assets at the end of the lease period, assets subject to finance lease are stated at cost less accumulated depreciation. Depreciation is charged at the rates and basis applicable to Company 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.

3.10 Impairment

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

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

3.11 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.

3.12 Investment property

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

3.13 Stores, spares and loose tools

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

3.14 Stock of oil and lubricants

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

Yarn and cloth are valued using average cost method and machinery is valued at its specific cost.

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

3.15 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.

3.16 Investments

Available for sale investments

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

Derecognition

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

3.17 Cash and cash equivalents

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

3.18 Non-current assets classified as held for sale

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

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

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

- Its carrying amount before the assets were classified as held for sale, adjusted for any depreciation, amortisation or revaluation that would have been recognised had the assets not been classified as held for sale, and
- Its recoverable amount at the date of the subsequent decision not to sell.

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

income.

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 balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

3.20 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.

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

3.22 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.

Sales of goods are recorded on dispatch of goods.

Revenue from sale of land is recognised when legal title passes.

Interest income is recognised on time proportionate basis.

3.23 Transactions with related parties

Transactions with related parties are carried out at arm's length. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller. The power is sold to related parties at the rates determined by National Electric Power Regulatory Authority.

3.24 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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

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4. Issued, subscribed and paid up capital

2009	2010		2009	2010
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 Shares held by the associated undertakings;

	2010	2009
	Number of shares	
Sitara Chemical Industries Limited	**933,661**	933,661
Sitara Fabrics Limited	**656,000**	175,000
	1,589,661	1,108,661

5. Redeemable capital

	Note	2010 Rupees	2009 Rupees
Secured			
Sukuk certificates - I	5.1	**300,000,000**	420,000,000
Sukuk certificates - II	5.2	**542,500,000**	620,000,000
		842,500,000	1,040,000,000
Less: Current portion		**275,000,000**	257,500,000
		567,500,000	782,500,000

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

These are secured by way of first pari passu hypothecation charge over the musharika assets to the extent of beneficial rights of certificate holders.

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

Sukuk certificates are redeemable in ten equal semi annual instalments of Rs. 60 million each commenced from January 16, 2008 and ending on July 16, 2012.

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

Base rate is defined as six months KIBOR and incremental rental is defined as margin of 1.95% per annum.

Effective yield rate of rental during the year ranges from 13.90% to 17.46% per annum (2009: 11.90% to 17.46% per annum).

5.2 These represents balance out of 124,000 sukuk certificates of Rs. 5,000/- each privately placed with an investment bank. The securities and terms of repayment of the Sukuk certificates have been revised during the year.

These are secured by way of first pari passu hypothecation charge over the musharika assets and mortgage of the immovable property located at 33 KM, Sheikhupura Road, Faisalabad to the extent of beneficial rights of certificate holders.

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

Sukuk certificates are redeemable in eight equal semi annual instalments of Rs. 77.5 million each commenced from May 16, 2010 and ending on November 16, 2013.

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

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

Effective yield rate of rental during the year ranges from 13.37% to 14.51% per annum (2009: 12.23% to 16·84% per annum)·

	Note	2010 Rupees	2009 Rupees
6. Long term financing			
Secured			
From banking companies			
Term finance - II	6.1	**300,000,000**	160,000,000
Term finance - III		**-**	67,158,261
		300,000,000	227,158,261
Less: Current portion		**-**	67,158,261
		300,000,000	160,000,000

6.1 It is subject to mark up at three months KIBOR plus 2.75% per annum (2009: 2.00% per annum). The terms of repayment have been revised during the year. It is repayable in lump sum on March 31, 2012. It is secured against first charge over fixed assets of the Company ranking pari passu with the charge created in respect of morabaha finance (Refer Note 10.2) and running finance (Refer Note 10.5).

Effective rate of mark up ranges from 15.10% to 15.54% per annum (2009: 15.54% to 18.50% per annum).

	2010 Rupees	2009 Rupees
7. Liabilities against assets subject to finance lease		
Opening balance	**25,790,071**	45,231,011
Paid during the year	**(18,776,727)**	(19,440,940)
	7,013,344	25,790,071
Shown under current liabilities		
Payable within one year	**6,786,422**	18,785,225
	226,922	7,004,846

These represents gas generator and vehicle acquired under lease agreement and ijarah finance .

The principal plus financial charges are payable over the lease period in 54 and 60 monthly instalments, including grace period of six months in respect of lease of gas generator.

The liability represents the total minimum lease payments discounted at 11.66% to 16.00% per annum being the interest rates implicit in leases.

The future minimum lease payments to which the Company is committed as at June 30, 2010 are as under:

Year ending June 30,	Rupees
2011	7,238,967
2012	235,190
	7,474,157
Financial charges allocated to future periods	(460,813)
	7,013,344

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

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

	2010		2009	
	Minimum lease payments	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
Due within one year	**7,238,967**	**6,786,422**	20,067,532	18,785,225
Due after one year but not later than five years	**235,190**	**226,922**	7,462,630	7,004,846
Rupees	**7,474,157**	**7,013,344**	27,530,162	25,790,071

	Note	**2010 Rupees**	2009 Rupees
8. Trade and other payables			
Creditors	8.1	**38,021,683**	24,635,217
Accrued liabilities	8.2	**76,112,849**	85,850,269
Advance from customers		**-**	5,673,500
Import duty payable		**19,962,500**	19,962,500
Advance against non-current assets classified as held for sale		**28,540,000**	-
Provident fund		**433,486**	385,212
Unclaimed dividend		**3,364,103**	3,131,681
Workers' profit participation fund	8.3	**5,665,665**	4,324,751
Sales tax payable		**24,793,506**	6,393,321
Withholding tax payable		**1,714,903**	8,206,753
Other		**1,433,952**	1,465,722
		200,042,647	160,028,926

8.1 It includes Nil (2009: Rs. 546,102/-) due to an associated undertaking of the Company.

8.2 It includes Rs. 253,281/- (2009: Nil) due to an associated undertaking of the Company.

	2010 Rupees	2009 Rupees
8.3 Workers' profit participation fund		
Opening balance	**4,324,751**	5,933,319
Interest on funds utilised in the Company's business	**24,482**	91,633
	4,349,233	6,024,952
Paid to workers on behalf of the fund	**(4,324,751)**	(5,927,997)
Deposited in workers' welfare fund	**-**	(5,322)
	(4,324,751)	(5,933,319)
	24,482	91,633
Allocation for the year	**5,641,183**	4,233,118
	5,665,665	4,324,751

	2010 Rupees	2009 Rupees
9. Interest / mark up payable		
Interest / mark up on secured:		
Redeemable capital	**28,728,032**	44,758,991
Long term financing	**6,023,452**	12,831,616
Liabilities against assets subject to finance lease	**288,442**	551,302
Short term bank borrowings	**39,578,356**	34,866,214
	74,618,282	93,008,123

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
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	Note	2010 Rupees	2009 Rupees
10. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finances I	10.2	**213,675,497**	214,000,000
Morabaha finance II	10.3	**35,000,000**	35,000,000
Term finance	10.4	**239,999,880**	199,269,706
Running finances	10.5	**526,483,359**	414,457,752
		1,015,158,736	862,727,458

10.1 The aggregate unavailed short term financing facilities available to the group are Rs. 219.84 million (2009: Rs. 312.27 million).

10.2 It is subject to mark up ranging from 14.10% to 18.61% per annum (2009: 12.04% to 19.68% per annum). Morabaha finances I of Rs. 174.675 million (2009: Rs.175 million) is secured against first charge over fixed assets of the Company ranking pari passu with the charge created in respect of long term finance II (Refer Note 6.1) and running finances (Refer Note 10.5) and ranking charge over fixed assets of the Company. It is further secured against first charge over current assets of the Company ranking pari passu with the charge created in respect of term finance (Refer Note 10.4) and running finances (Refer Note 10.5) and first charge over current assets of the subsidiary of the Company. Morabaha finances I of Rs. 39 million (2009: Rs. 39 million) is secured against first pari passu charge over current assets of the subsidiary. It is further secured against corporate guarantee issued by the Company and personal guarantee of a director of the subsidiary.

10.3 It is subject to mark up ranging from 15.86% to 17.25% per annum (2009: 16.36% to 19.36% per annum). It is secured against registered mortgage of Rs. 0.35 million and equitable mortgage of land measuring 89 Kanals, 5 Marlas and 9 Sarsai situated at Chak No.198 R.B. It is further secured by personal guarantee of a director of the Company.

10.4 It is subject to mark up ranging from 14.03% to 15.77% per annum (2009: 14.77% to 17.50% per annum). It is secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finances (Refer Not 10.2) and running finances (Refer Note 10.5).

10.5 These are subject to mark up ranging from 14.33% to 15.54% per annum (2009: 11.13% to 19.50% per annum). These are secured against first charge over current assets ranking pari passu with the charge created in respect of morabaha finances (Refer Note 10.2) and term finance (Refer Note 10.4), ranking charge over fixed assets and personal guarantees of directors of the company. Running finance of Rs. 193 million (2009: Rs. 223 million) is further secured against first charge over fixed assets of the company ranking pari passu with the charge created in respect of morabaha finances (Refer Note 10.2) and long term finance II (Refer Note 6.1) and personal guarantee of directors of the Company.

	2010 Rupees	2009 Rupees
11. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Bank guarantee issued in favour of Sui Northern Gas Pipelines Limited for supply of gas	**212,171,000**	212,171,000
Demand of income tax not acknowledged in view of pending appeals.	**3,648,594**	3,648,594
Commitments		
Under letters of credit for stores and spares	**20,830,204**	20,274,116
Under contracts for fixed capital expenditure	**72,611,810**	159,363,007

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12. Property, plant and equipment

	Note	2010 Rupees	2009 Rupees
Operating assets	12.1	**1,303,458,031**	1,372,794,283
Capital work in progress	12.4	**141,647,467**	20,668,796
Non-operating land	12.5	**952,151,113**	924,194,951
		2,397,256,611	2,317,658,030

12.1 Operating assets

	Company owned											Assets subject to finance lease			
	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Electric Appliances	Furniture and fixtures	Office equipment	Arms and ammunitions	Vehicles	Sub total	Plant and machinery	Vehicles	Sub total	Total
	Rupees														
At July 01, 2008															
Cost	67,571,734	188,567,848	1,655,657,539	81,933,634	3,828,647	5,495,718	3,136,396	12,218,588	29,625	26,491,552	2,044,931,281	73,242,439	1,449,000	74,691,439	2,119,622,720
Accumulated depreciation	-	(94,472,648)	(620,449,443)	(37,316,010)	(2,422,701)	(2,216,516)	(1,635,591)	(6,911,527)	(6,429)	(13,428,577)	(778,859,442)	(4,100,044)	(450,696)	(4,550,740)	(783,410,182)
Net book value	67,571,734	94,095,200	1,035,208,096	44,617,624	1,405,946	3,279,202	1,500,805	5,307,061	23,196	13,062,975	1,266,071,839	69,142,395	998,304	70,140,699	1,336,212,538
Year ended June 30, 2009															
Opening net book value	67,571,734	94,095,200	1,035,208,096	44,617,624	1,405,946	3,279,202	1,500,805	5,307,061	23,196	13,062,975	1,266,071,839	69,142,395	998,304	70,140,699	1,336,212,538
Additions	-	296,241	24,356,325	74,965,002	-	681,373	1,039,040	1,357,166	-	2,360,600	105,055,747	-	-	-	105,055,747
Transfer from capital work in progress	-	6,031,695	-	-	-	-	-	-	-	-	6,031,695	-	-	-	6,031,695
Transfer from leased assets:															
Cost	-	-	-	-	-	-	-	-	-	849,000	849,000	-	(849,000)	(849,000)	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	(359,221)	(359,221)	-	359,221	359,221	-
	-	-	-	-	-	-	-	-	-	489,779	489,779	-	(489,779)	(489,779)	-
Transfer to leased assets:															
Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals:															
Cost	-	-	-	-	-	-	-	-	-	(3,961,080)	(3,961,080)	-	-	-	(3,961,080)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	3,096,328	3,096,328	-	-	-	3,096,328
	-	-	-	-	-	-	-	-	-	(864,752)	(864,752)	-	-	-	(864,752)
Depreciation charge	-	(9,914,630)	(49,608,794)	(7,728,612)	(140,595)	(375,966)	(168,185)	(591,943)	(2,320)	(2,969,590)	(71,500,635)	(1,940,649)	(199,661)	(2,140,310)	(73,640,945)
Closing net book value	67,571,734	90,508,506	1,009,955,627	111,854,014	1,265,351	3,584,609	2,371,660	6,072,284	20,876	12,079,012	1,305,283,673	67,201,746	308,864	67,510,610	1,372,794,283
At July 01, 2009															
Cost	67,571,734	194,895,784	1,680,013,864	156,898,636	3,828,647	6,177,091	4,175,436	13,575,754	29,625	25,740,072	2,152,906,643	73,242,439	600,000	73,842,439	2,226,749,082
Accumulated depreciation	-	(104,387,278)	(670,058,237)	(45,044,622)	(2,563,296)	(2,592,482)	(1,803,776)	(7,503,470)	(8,749)	(13,661,060)	(847,622,970)	(6,040,693)	(291,136)	(6,331,829)	(853,954,799)
Net book value	67,571,734	90,508,506	1,009,955,627	111,854,014	1,265,351	3,584,609	2,371,660	6,072,284	20,876	12,079,012	1,305,283,673	67,201,746	308,864	67,510,610	1,372,794,283
Year ended June 30, 2010															
Opening net book value	67,571,734	90,508,506	1,009,955,627	111,854,014	1,265,351	3,584,609	2,371,660	6,072,284	20,876	12,079,012	1,305,283,673	67,201,746	308,864	67,510,610	1,372,794,283
Additions	-	-	4,796,336	-	15,000	919,996	169,950	467,115	-	1,835,770	8,204,167	-	-	-	8,204,167
Transfer from capital work in progress	-	3,328,978	2,500,000	-	-	-	-	-	-	-	5,828,978	-	-	-	5,828,978
Transfer from leased assets:															
Cost	-	-	43,242,439	-	-	-	-	-	-	-	43,242,439	(43,242,439)	-	(43,242,439)	-
Accumulated depreciation	-	-	(3,284,418)	-	-	-	-	-	-	-	(3,284,418)	3,284,418	-	3,284,418	-
	-	-	39,958,021	-	-	-	-	-	-	-	39,958,021	(39,958,021)	-	(39,958,021)	-
Disposals:															
Cost	(2,180,327)	-	-	-	-	-	-	-	-	(563,400)	(2,743,727)	-	-	-	(2,743,727)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	206,580	206,580	-	-	-	206,580
	(2,180,327)	-	-	-	-	-	-	-	-	(356,820)	(2,537,147)	-	-	-	(2,537,147)
Depreciation charge	-	(9,118,750)	(55,511,016)	(11,185,401)	(127,285)	(377,319)	(247,224)	(623,072)	(2,088)	(2,495,552)	(79,687,707)	(1,082,770)	(61,773)	(1,144,543)	(80,832,250)
Closing net book value	**65,391,407**	**84,718,734**	**1,001,698,968**	**100,668,613**	**1,153,066**	**4,127,286**	**2,294,386**	**5,916,327**	**18,788**	**11,062,410**	**1,276,993,955**	**26,160,955**	**247,091**	**26,408,046**	**1,303,458,031**
Annual rate of depreciation (%)	-	10	-	10	10	10	10	10	10	20		-	20		

12.2 Depreciation for the year has been allocated as under:

	Note	2010 Rupees	2009 Rupees
Cost of generation	26.1	**77,025,222**	69,333,280
Operating expenses	28	**3,807,028**	4,307,665
		80,832,250	73,640,945

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

12.3 Disposal of property, plant and equipment (By negotiation)

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Operating assets					
Freehold land	2,180,327	-	2,180,327	2,500,000	Khalid Mahmood Chak # 61 R.B Tehsil Jaranwala, Faisalabad.
Vehicle	563,400	206,580	356,820	375,000	Zulifiqar Ali Raza Town, Chak No. 204, R.B. Faisalabad
2010 Rupees	**2,743,727**	**206,580**	**2,537,147**	**2,875,000**	
2009 Rupees	14,202,370	3,096,328	11,106,042	12,532,000	

12.4 Capital work in progress

The following is a statement of capital work in progress:

	Freehold Land	Plant and machinery	Civil Work	Total
	Rupees			
Balance as at July 1, 2008	-	1,000,000	5,088,644	6,088,644
Capital expenditure incurred during the year	-	2,532,332	1,829,515	4,361,847
Advances	15,000,000	1,250,000	-	16,250,000
Transferred to operating asset	-	-	(6,031,695)	(6,031,695)
Balance as at June 30, 2009	15,000,000	4,782,332	886,464	20,668,796
Capital expenditure incurred during the year	36,167,500	306,730	32,570,229	69,044,459
Advances	-	250,000	57,513,190	57,763,190
Transferred to operating asset	-	(4,339,062)	(1,489,916)	(5,828,978)
Balance as at June 30, 2010	**51,167,500**	**1,000,000**	**89,479,967**	**141,647,467**

12.5 Non-operating land

	Note	2010 Rupees	2009 Rupees
Cost of land		**892,191,660**	822,321,524
Transferred to non-current assets classified as held for sale	24	**36,807,099**	-
		855,384,561	822,321,524
Advances for purchase of land		**96,766,552**	101,873,427
		952,151,113	924,194,951

12.5.1 Land has been acquired for future expansion.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
13. Long term deposits			
Long term deposits		**631,200**	9,989,045
Less: Current portion		**-**	9,821,045
		631,200	168,000
14. Investment property			
Transferred from Land held for development and resale	15	**25,144,683**	-
Increase in fair value during the year		**38,258,317**	-
		63,403,000	-

14.1 The fair value of the investment property has been determined on the basis of market value by an independent valuer as at June 30, 2010.

	Note	2010 Rupees	2009 Rupees
15. Land held for development and resale			
Land		**21,492,001**	21,492,001
Borrowing cost		**3,652,682**	3,652,682
		25,144,683	25,144,683
Less: transferred to Investment Property	15.1	**(25,144,683)**	-
		-	25,144,683

15.1 The land has been transferred to Investment Property in view of discontinuation of development plan and management intentions to hold the land to earn rentals and capital appreciation.

	Note	2010 Rupees	2009 Rupees
16. Stores, spares and loose tools			
Stores			
In hand		**12,910,578**	19,635,926
In transit		**2,892,262**	-
		15,802,840	19,635,926
Spares	16.1	**408,345,417**	366,055,809
Loose tools		**1,647,834**	797,889
		425,796,091	386,489,624

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

	2010 Rupees	2009 Rupees
17. Stocks		
Furnace oil		
In hand	**106,772,541**	65,936,321
In transit	**12,525,619**	5,224,631
	119,298,160	71,160,952
Diesel oil	**2,066,978**	3,941,105
Lube oil	**10,046,835**	6,262,321
Yarn	**4,712,400**	16,140,600
Cloth	**18,702,588**	18,702,588
Textile machinery	**1,498,220**	6,980,806
Waste	**93,579**	77,156
	156,418,760	123,265,528

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
18. Trade debts			
Considered good			
Related parties			
Sitara Chemical Industries Limited		124,694,935	225,118,144
Sitara Fabrics Limited		9,776,362	24,905,163
Sitara Textile Industries Limited		6,136,509	-
Sitara Spinning Mills Limited		75,029,472	47,170,140
Sitara Peroxide Limited		55,442,312	75,069,965
		271,079,590	372,263,412
Others		134,040,844	101,307,009
		405,120,434	473,570,421
19. Loans and advances			
Considered good			
Loans			
Executives		1,342,140	1,582,828
Staff		1,800,094	1,439,470
Advances			
Suppliers		52,562,218	69,217,883
Income tax		7,732,108	2,486,335
For purchases / expenses		34,023,316	22,217,748
Letters of credit fee and expenses		131,678	83,763
		97,591,554	97,028,027
20. Deposits and prepayments			
Deposits			
Short term		-	15,000
Current portion of long term deposits	13	-	9,821,045
		-	9,836,045
Prepayments		1,645,376	3,336,391
		1,645,376	13,172,436
21. Short-term investments			
Available for sale			
Nimir Chemical Industries Limited			
1,000,000 ordinary shares of Rs. 5/- each		2,924,180	2,924,180
Wateen Telecom Limited			
20,000 ordinary shares of Rs. 10/- each		200,000	-
		3,124,180	2,924,180
Less: fair value reserve		(1,409,580)	(1,544,180)
		1,714,600	1,380,000
22. Tax refunds due from Government			
Sales tax		2,655,813	2,655,813
Income tax		389,936	126,918
		3,045,749	2,782,731
23. Cash and bank balances			
Cash in hand		4,407,594	3,096,658
Cash at banks			
In current accounts		8,979,352	21,530,080
		13,386,946	24,626,738

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
24. Non-current assets classified as held for sale			
Land			
Opening balance		**5,459,926**	25,144,212
Transferred from Non-operating land	12.5	**36,807,099**	-
		42,267,025	25,144,212
Disposed off during the year		**(11,519,528)**	(19,684,286)
		30,747,497	5,459,926

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

	Note	2010 Rupees	2009 Rupees
25. Sales - net			
Electricity		**4,419,707,732**	3,373,083,529
Steam		**105,431,833**	124,833,419
		4,525,139,565	3,497,916,948
Less: Sales tax		**642,780,511**	480,014,059
		3,882,359,054	3,017,902,889
Less: Electricity duty		**6,877,604**	7,974,237
		3,875,481,450	3,009,928,652
Textile			
Local			
Yarn		**14,566,610**	7,059,450
Textile machinery		**6,136,509**	9,410,812
		20,703,119	16,470,262
		3,896,184,569	3,026,398,914
26. Cost of generation and sales			
Cost of generation	26.1	**3,397,025,763**	2,551,158,460
Cost of sales	26.2	**17,016,079**	14,133,384
		3,414,041,842	2,565,291,844
26.1 Cost of generation			
Cost of fuel, oil, gas and lubricants		**3,061,416,605**	2,321,867,007
Salaries, wages and benefits		**51,825,449**	46,712,664
Staff retirement benefits		**1,781,419**	1,461,216
Stores, spares and loose tools		**169,189,198**	78,731,358
Insurance		**5,788,554**	5,211,312
Repairs and maintenance		**18,419,062**	17,308,010
Depreciation	12.2	**77,025,222**	69,333,280
Other		**11,580,254**	10,533,613
		3,397,025,763	2,551,158,460
26.2 Cost of sales			
Opening stock		**41,823,994**	38,489,332
Purchases including purchase expenses		**-**	17,378,142
		41,823,994	55,867,474
Closing stock		**24,913,208**	41,823,994
		16,910,786	14,043,480
Insurance		**105,293**	89,904
		17,016,079	14,133,384

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
27. Other operating income			
Sale of scrap and waste		**3,212,951**	1,330,927
Gain on disposal of property, plant and equipment		**337,853**	1,425,958
Gain on disposal of non current assets classified as held for sale		**1,243,126**	536,772
Commission		**41,738**	-
Balances written back		**5,673,500**	-
Gain arising from change in fair value of investment property		**38,258,317**	-
Ground rent		**75,000**	-
Others		**-**	3,064,720
		48,842,485	6,358,377
28. Operating expenses			
Director's remuneration		**4,383,600**	4,514,510
Salaries and benefits		**22,745,450**	18,449,483
Staff retirement benefits		**815,273**	636,960
Postage and telephone		**1,939,381**	1,526,264
Vehicles running and maintenance		**5,518,347**	2,873,728
Travelling and conveyance		**3,815,479**	4,257,359
Printing and stationery		**1,356,079**	1,219,945
Entertainment		**2,166,064**	2,081,453
Legal and professional		**2,597,430**	3,952,372
Fee, subscription and periodicals		**1,349,968**	1,826,373
Rent, rates and taxes		**187,889**	110,081
Advertisement		**444,911**	444,120
Insurance		**794,010**	987,325
Auditors' remuneration	28.1	**677,500**	561,000
Repairs and maintenance		**2,741,603**	1,025,411
Donations	28.2	**3,853,400**	4,102,700
Depreciation	12.2	**3,807,028**	4,307,665
Employees benefits		**1,574,539**	1,727,430
Utilities		**4,239,037**	1,732,501
Other		**2,417,737**	1,849,215
		67,424,725	58,185,895

28.1 Auditors' remuneration

	2010 Rupees	2009 Rupees
Audit fee	**575,000**	485,000
Sundry services	**102,500**	76,000
	677,500	561,000

28.2 Donations

28.2.1 Four directors of the Company including Chief Executive Officer, Mr. Javed Iqbal, Mr. Muhammad Adrees, Mr. Imran Ghafoor and Mr. Muhammad Anis are the trustees of Aziz Fatima Trust, Gulistan Colony, Sheikhupura Road, Faisalabad, to whom Rs.3,457,500/- (2009: Rs. 3,506,000/-) have been donated during the year.

	2010 Rupees	2009 Rupees
29. Other operating expenses		
Workers' profit participation fund	**5,641,183**	4,233,118
Balances written off	**231,427**	-
	5,872,610	4,233,118

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
30. Finance cost			
Interest / mark-up on :			
Redeemable capital		**133,238,035**	166,456,022
Long term financing		**29,163,644**	31,223,718
Liabilities against assets subject to finance lease		**1,630,839**	4,308,152
Short term bank borrowings		**148,949,056**	130,720,769
Workers' profit participation fund		**24,482**	91,633
Bank charges and commission		**2,448,832**	4,033,469
		315,454,888	336,833,763
31. Provision for taxation			
Current			
for the year	31.1	**207,031**	1,438,350
for prior years	31.1	**(337,140)**	(1,975,730)
Deferred	31.2	**-**	-
		(130,109)	(537,380)

31.1 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. Provision for taxation for the year of the Company has been provided in respect of income of the subsidiary is subject to minimum tax under section 113 of Income Tax Ordinance, 2001.

31.2 Deferred tax asset after considering tax losses available for adjustment works out to Rs. 13,869,526/- (2009 : Rs. 13,974,217/-). This is not recognised in these financial statements due to uncertain future results.

31.3 The relationship between tax expense and accounting profit has not been presented in these financial statements as the income of the Company is exempt and income of the subsidiary is subject to minimum tax under section 113 of the Income Tax Ordinance, 2001.

	2010	2009
32. Earnings per share - Basic and diluted		
Profit for the year (Rupees)	**142,363,098**	68,750,051
Weighted average number of ordinary shares	**19,092,000**	19,092,000
Earnings per share - Basic and diluted (Rupees)	**7.46**	3.60

32.1 There is no dilutive effect on the basic earnings per share of the group.

33. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

	2010		2009	
	Chief Executive Officer	**Executives**	Chief Executive Officer	Executives
Remuneration	**2,562,500**	**4,688,960**	2,562,500	3,232,160
House rent allowance	**1,153,000**	**2,110,032**	1,153,000	1,454,472
Utilities	**128,100**	**234,448**	128,100	161,368
Perquisites	**540,000**	**865,127**	670,910	607,947
Contribution to provident fund	**-**	**464,736**	-	302,392
	4,383,600	**8,363,303**	4,514,510	5,758,339
Number of persons	**1**	**7**	1	5

The Chief Executive Officer is entitled to free use of Company maintained car, telephone at residence and other perquisites. A Director and two Executives are entitled to conveyance facility. The monetary value of these benefits approximates Rs.4,331,360/- (2009: Rs. 4,588,299/-). The Directors have waived off their meeting fee.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

34. 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 to related parties are shown under receivables and payables and remuneration of Chief Executive Officer, Director and Executives is disclosed in Note 33. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2010 Rupees	2009 Rupees
Associated Undertakings	Sales	**855,446,645**	964,965,406
	Purchases	**1,439,854**	314,263
	Other Income - mark up	-	3,064,720
	Organisational expenses recovered	**355,877**	199,200
	Organisational expenses paid	**6,811,771**	1,248,195

35. PLANT CAPACITY AND ACTUAL PRODUCTION

	2010	2009
Number of generators installed	**26**	26
Number of generators worked	**24**	24
Installed energy generation capacity (Mega watt hours)	**713,590**	713,590
Actual energy generation (Mega watt hours)	**385,819**	371,785

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

36.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2010 Rupees	2009 Rupees
Financial assets:		
Financial assets at amortised cost		
Deposits	**631,200**	10,004,045
Trade debts	**405,120,434**	473,570,421
Loans and advances	**3,142,234**	3,022,298
Short term Investments	**1,714,600**	1,380,000
Other receivables	**22,378,162**	14,762,287
Rent receivable	**75,000**	-
Cash and bank balances	**13,386,946**	24,626,737
Non-current assets classified as held for sale	**30,747,497**	5,459,926
	477,196,073	532,825,714
Financial liabilities:		
Financial liabilities at amortised cost		
Redeemable capital	**842,500,000**	1,040,000,000
Long term financing	**300,000,000**	227,158,261
Liabilities against assets subject to finance lease	**7,013,344**	25,790,071
Trade and other payables	**153,571,738**	123,674,854
Interest / markup payable	**74,618,282**	93,008,123
Short term borrowings	**1,015,158,736**	862,727,458
	2,392,862,100	2,372,358,767

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

36.2 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:

36.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Credit risk arises from the deposits, trade debts, loans and advances, other receivable, rent receivable and bank balances. The group is exposed to concentration of credit risk towards its associated undertakings as disclosed in Note 18 to the financial statements and Faisalabad Electric Supply Company (FESCO). The maximum exposure to credit risk at the reporting date is as follows:

	2010 Rupees	2009 Rupees
Deposits	**631,200**	10,004,045
Trade debts	**405,120,434**	473,570,421
Other receivables	**22,378,162**	14,762,287
Rent receivable	**75,000**	-
Bank balances	**8,979,352**	21,530,080
	437,184,148	519,866,833

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 customer is FESCO. The break-up of amount due from customers is as follows:

	2010 Rupees	2009 Rupees
Industrial users	**277,421,706**	377,115,403
FESCO	**127,698,728**	96,455,018
	405,120,434	473,570,421

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

Not past due	**305,749,232**	448,610,025
Past due	**99,371,202**	24,960,396
	405,120,434	473,570,421

Based on the past experience and taking into consideration, the financial position, and previous record of recoveries, the group 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 these are placed with local banks having good credit rating.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

36.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's approach to manage liquidity is to maintain sufficient level of liquidity of the Group on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of balance sheet liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2010 and 2009:

	2010				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	---Rupees in thousand---				
Financial liabilities:					
Redeemable capital	842,500	1,011,696	164,485	182,635	664,576
Long term financing	300,000	378,990	22,745	22,375	333,870
Liabilities against assets subject to finance lease	7,013	7,474	3,724	3,515	235
Trade and other payables	126,762	126,762	126,762	-	-
Short term borrowings	1,015,159	1,196,049	1,196,049	-	-
	2,291,434	2,720,971	1,513,765	208,525	998,681

	2009				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	---Rupees in thousand---				
Financial liabilities:					
Redeemable capital	1,040,000	1,300,106	122,182	166,228	1,011,696
Long term financing	227,158	121,195	97,168	5,962	18,065
Liabilities against assets subject to finance lease	25,790	27,733	16,354	4,036	7,343
Trade and other payables	123,675	123,675	123,675	-	-
Short term borrowings	862,727	996,107	996,107	-	-
	2,279,350	2,568,816	1,355,486	176,226	1,037,104

The contractual cash flows relating to mark up have been determined on the basis of mark up rates as applicable on June 30, 2010 on redeemable capital, long term and short term borrowings and leases. The Group will manage the liquidity risk from its own source through equity and working capital management. The Group has liquid assets of Rs. 574.06 million and unavailed short term borrowing facilities of Rs. 219.84 million as at June 30, 2010.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

36.2.3 Market risk management

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

i) Interest rate risk

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

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

Sensitivity analysis

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If the increase rate had increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year and equity would have been lower / higher by Rs. 21.44 million (2009: Rs. 19.90 million).

ii) Currency risk

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

iii) Equity price risk

Trading and investing in quoted equity securities give rise to equity price risk. At the balance sheet date, The Company is not exposed to equity price risk and the subsidiary is exposed to equity price risk in respect of its short term investment. The change in equity price at the reporting date would not effect the profit for the year. If the market value of short term investment had increased / decreased by 5% at the reporting date with all other variables held constant, equity would have been higher / lower by Rs. 0.086 million (2009: Rs. 0.069 million). The change have no effect on the profit and loss account.

36.3 Fair value of financial instruments

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

36.4 Capital management

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

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

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

	Note	**2010 Rupees**	2009 Rupees
Total borrowings	5, 6, 7 & 10	**2,164,672,080**	2,155,675,790
Less: Cash and cash equivalents	23	**13,386,946**	24,626,738
Net Debt		**2,151,285,134**	2,131,049,052
Total equity		**1,179,670,940**	1,075,357,242
Total capital		**3,330,956,074**	3,206,406,294
Gearing ratio		**64.58%**	66.46%

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on October 06,2010.

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**