

ANNUAL REPORT 2022

SITARA ENERGY LIMITED

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COMPANY INFORMATION

BOARD OF DIRECTORS

Ms. Noureen Javed (Chairperson)
Mr. Javed Iqbal (Chief Executive Officer)
Mr. Shahid Hameed Sheikh
Mst. Naseem Akhter
Ms. Haniah Javed
Mr. Mubashir Ahmed Zareen
Mr. Sheikh Javaid Islam

CHIEF FINANCIAL OFFICER

Mr. Ijaz A. Babar - FCA

COMPANY SECRETARY

Mr. Mazhar Ali Khan

LEGAL ADVISOR

Sahibzada Muhammad Arif

SHARE REGISTRAR

THK Associates (Private) Limited
Plot No. 32-C, Jami Commercial Street 2,
D.H.A. Phase VII, Karachi
UAN : +92 (21) 111-000-322
E-mail: aa@thk.com.pk

REGISTERED OFFICE

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

PLANT

33 K.M., Sheikhupura Road, Faisalabad

AUDIT COMMITTEE

Mr. Shahid Hameed Sheikh (Chairman)
Mr. Sheikh Javaid Islam
Mr. Mubashir Ahmed Zareen

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Mubashir Ahmed Zareen (Chairman)
Mr. Javed Iqbal
Mr. Sheikh Javaid Islam

AUDITORS

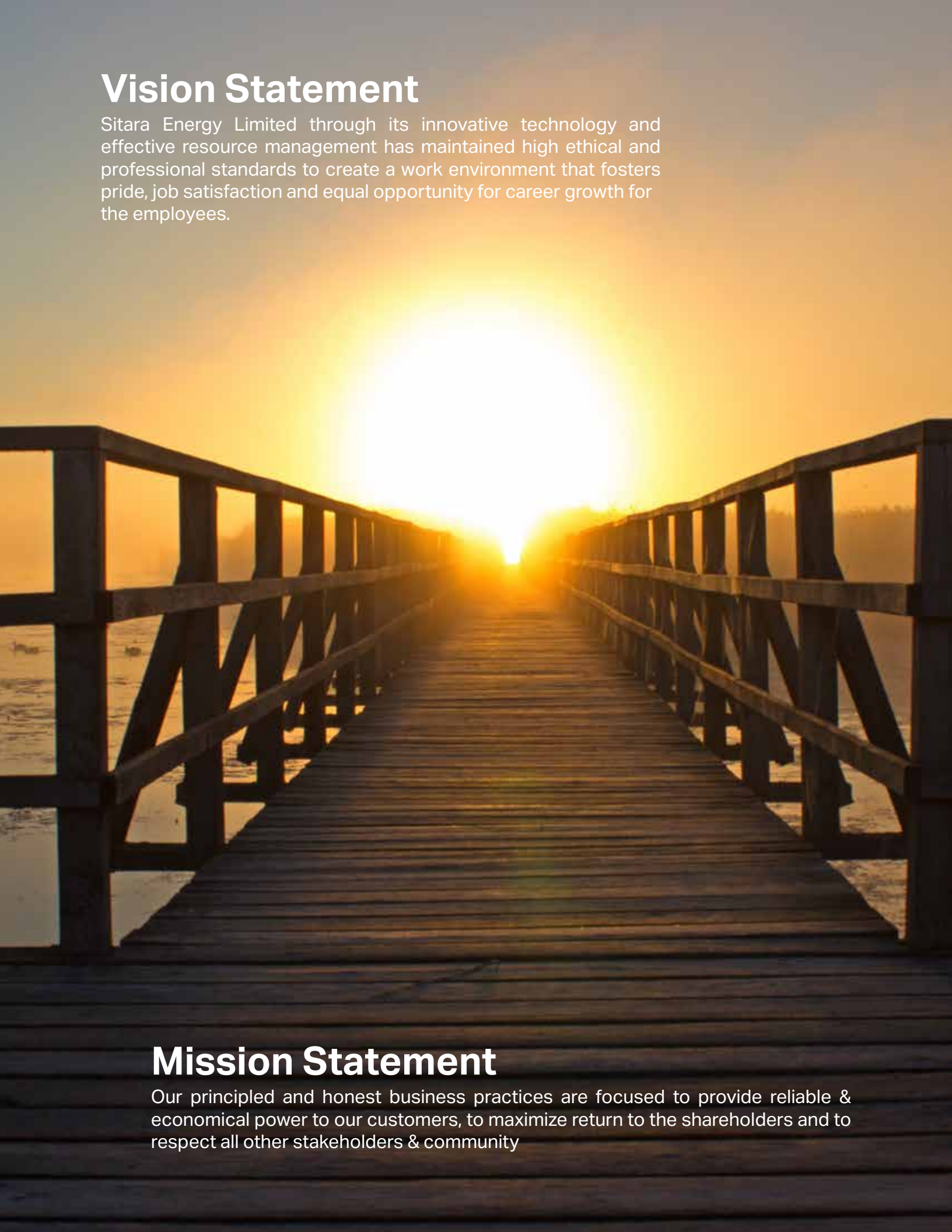
RSM Avais Hyder Liaquat Nauman
(Chartered Accountants)

BANKERS

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

WEBSITE

http://www.sitara.pk



Vision Statement

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

Mission Statement

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

Notice is hereby given that the Annual General Meeting ("AGM") of Sitara Energy Limited (the "Company") will be held on Friday, October 28, 2022 at 4:00 pm at the Auditorium of Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Block 8 Clifton, Karachi in person and via video link to transact the following business:

ORDINARY BUSINESS:

i. To confirm the minutes of the Extra Ordinary General Meeting held on April 15, 2022.

ii. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2022 together with the Reports of Directors and Auditors thereon.

iii. To appoint Auditors and to fix their remuneration for the year ending June 30, 2023. The present auditors, M/s. RSM Avais Hyder Liaquat Nauman, Chartered Accountants, have retired and being eligible, have offered themselves for re-appointment. The Board of Directors recommends, based on the recommendation of Board Audit Committee, appointment of M/s. RSM Avais Hyder Liaquat Nauman, as auditors for the ensuing year.

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

BY ORDER OF THE BOARD



Karachi,
October 3, 2022

Mazhar Ali Khan
Company Secretary

NOTES:

CORONA VIRUS CONTINGENCY PLANNING FOR ANNUAL GENERAL MEETING OF SHAREHOLDERS

Due to current COVID-19 situation, as per the advice of the Government and directives of the Securities and Exchange Commission of Pakistan ("SECP") in terms of its Circular No.4 of 2021 dated February 15, 2021 and subsequent Circular No.6 of 2021 dated March 3, 2021, the Annual General Meeting of the Company will be convened in person as well as virtually via video conference facility while ensuring compliance with the quorum requirements and request to the Members to consolidate their attendance and voting at the AGM through proxies.

Accordingly, the Company has made arrangements to ensure that all participants, including shareholders, can now participate in the AGM proceedings via video link. Those members who are willing to attend and participate in the AGM via video link are requested to register themselves by sending an email along with following particulars and valid copy of both sides of Computerized National Identity Card (CNIC) at reg.agm2022@sitara.pk with subject of 'Registration for AGM' not less than 48 hours before the time of the meeting:

Name of Shareholder	CNIC Number	CDC Account No./ Folio No.	Cell Number	Email Address

Members who will be registered, after necessary verification as per the above requirement, will be provided a password protected video link by the Company via email. The said link will remain open from 3:30 p.m. on the date of AGM till the end of the meeting.

Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address comments.agm2022@sitara.pk.

Members are therefore, encouraged to attend the AGM through video link or by consolidating their attendance through proxies.

CLOSURE OF SHARE TRANSFER BOOKS

The Share Transfer Books of the Company will remain closed from October 22, 2022 to October 28, 2022 (both days inclusive). Transfers received in order at the office of Share Registrar M/s. THK Associates (Pvt.) Limited, Plot no. 32-C, Jami Commercial Street 2, D.H.A Phase VII, Karachi before the close of business on October 21, 2022 will be treated in time for the purpose to attend and vote at the Annual General Meeting of the Company.

PARTICIPATION IN THE ANNUAL GENERAL MEETING.

A member entitled to attend and vote at this meeting is entitled to appoint another person as his/her proxy to attend and vote. Proxies in order to be effective must be received at Company's Share Registrar's Office M/s. THK Associates (Pvt.) Limited, Plot no. 32-C, Jami Commercial Street 2, D.H.A Phase VII, Karachi duly stamped and signed not less than 48 hours before the time of meeting.

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

a) For attending the meeting:

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

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

b) For appointing proxies:

i) In case of individuals, the account holders or sub account holders and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. Attested copies of CNIC

or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

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

iii) Form of proxy is attached to the notice of meeting being sent to the members. Proxy Form may also be downloaded from the Company's website i.e. www.sitara.pk

CONVERSION OF PHYSICAL SHARES INTO BOOK ENTRY FORM

The Securities and Exchange Commission of Pakistan (SECP) through its letter No.CSD/ED/ Misc/2016-639-640 dated March 26, 2021 has advised the Listed Companies to adhere with the provision of the Section 72 of the Companies Act, 2017 (the Act) by replacing shares issued by them in Physical Form with the shares to be issued in the Book-Entry Form. **Sitara Energy Limited (the "Company")**, being a listed company is also required to comply with aforesaid provision of Act.

The shareholders of Sitara Energy Limited having physical folios/share certificates are requested to convert their shares from Physical Form into Book Entry Form as soon as possible. The shareholders may contact their Broker, a PSX Member, CDC Participant or CDC Investor Account Service provider for assistance in opening CDS Account and subsequent induction of the physical shares into Book Entry Form.

It would facilitate the shareholders in many ways including safe custody of shares, no loss of shares, avoidance of formalities required for the issuance of duplicate shares and readily available for sale and purchase in open market at better rates. The shareholders of Company may contact the Share Registrar and Transfer Agent of the Company, namely M/s. THK Associates (Pvt.) Limited, Plot no. 32-C, Jami Commercial Street 2, D.H.A Phase VII, Karachi for the conversion of Physical Shares into Book-Entry Form.

ELECTRONIC CIRCULATION OF ANNUAL REPORTS VIA EMAIL OR CD/DVD:

Pursuant to the provision of Companies Act, 2017, annual reports are being sent to the shareholders electronically (Email or CD/DVD).

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

PLACEMENT OF FINANCIAL STATEMENTS:

The audited financial statements of the Company for the year ended June 30, 2022 have been placed at the Company's website: www.sitara.pk.

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

CODE OF CONDUCT

It is a fundamental policy of Sitara Energy Limited to conduct its business with honesty, integrity and in accordance with the highest professional, ethical and legal standards. The Company has adopted comprehensive Code of Conduct (Code) for members of the Board of Directors and Employees. The Code defines acceptable and unacceptable behaviors, provides guidance to directors / employees in specific situations that may arise and foster a culture of honesty, accountability and high standards of personal and professional integrity.

Salient Features of the Code for the Directors

1. **Conflict of Interest**

   Each director must avoid any conflict of interest between the director and the Company, its associated or subsidiary undertaking. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company, should be disclosed promptly.

2. **Corporate Opportunities**

   Directors are prohibited from taking for themselves personally, opportunities related to the Company's business; using the Company's property, information or position for personal gain or competing with the Company for business opportunities.

3. **Confidentiality**

   Directors must maintain the confidentiality of information entrusted to them by the Company and any other confidential information about the Company and its associated or subsidiary undertaking that comes to them, except when disclosure is authorized by the Chairman of the Board or legally mandated.

4. **Honesty, Integrity and Fair Dealing**

   Directors must act honestly and fairly and exhibit high ethical standards in dealing with all stakeholders of the Company.

5. **Compliance with Laws, Rules and Regulations**

   Directors shall comply with laws, rules and regulations applicable to the Company including but not limited to the Companies Ordinance 1984, Listing Regulations of the Stock Exchanges and insider trading laws.

6. **Encouraging the Reporting of Any Possible Illegal or Unethical Behavio**r

   Directors should take steps to ensure that the Company promotes ethical behavior; encourages employees to talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation; encourages employees to report violations of laws, rules, regulations, Company policies and procedures or the Company's Code of Conduct to appropriate personnel; and informs employees that the Company will not allow retaliation for reports made in good faith.

7. **Trading in Company Shares**

   Certain restrictions / reporting requirements apply to trading by the Directors in Company shares. Directors shall make sure that they remain compliant with these statutory requirements.

8. **Compliance Procedures**

   Directors should disclose any suspected violations of this Code promptly in the immediately subsequent meeting of the board of Directors.

Salient Features of the Code for Employees

1. **Conflict of Interests**

   Employees / trainees must not engage in activities or transactions which may give rise, or which may be seen to have given rise, to conflict between their personal interests and the interest of the Company.

2. Confidentiality and Disclosure of Information

Employees / trainees are expected to safeguard confidential information and must not, without authority, disclose such information about Company activities to the press, to any outside source, or to employees/ trainees who are not entitled to such information.

3. Political Contribution

No funds or assets of the Company maybe contributed to any political party or organization or to any individual who either holds public office or is a candidate for public office except where such a contribution is permitted by law.

4. Bribes and Commercial Payments

An employee / trainee must not give or receive bribes or other payments, which are intended to influence a business decision or compromise independent judgment; nor must any employee / trainee give money in order to obtain business for the Company, nor receive money for having given Company business to an outside agency.

5. Proper Recording of Funds, Assets, Receipts and Disbursements

All funds, assets, receipts and disbursements must be properly recorded in the books of the Company.

6. Agreements with Agents, Sales Representatives or Consultant

Agreements with agents, sales representatives or consultants should state clearly the services to be performed for the Company, the amount to be paid and all other relevant terms and conditions.

7. Relations and Dealings with Suppliers, Consultants, Agents, Intermediaries and Other Third Parties

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

8. Health, Safety & Environment (HSE) Policy

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

9. Smoking Policy

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

10. Seat Belt Policy

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

11. Other Employment, Outside Interests, Civic Activities

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

12. Unsolicited Gifts

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

13. Family Connections and Employment of Relatives

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

14. Company and Personal Property

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

15. Alcohol and Drugs

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

16. Gambling

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

17. Rumor Mongering & Gossiping

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

18. Harassment

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

19. Grievance Handling

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

20. Whistle Blowing

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

21. General Discipline

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

22. Reporting Violations / Disciplinary Actions

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

By the Order of the Board



JAVED IQBAL

Chief Executive Officer

CHAIRPERSON'S REVIEW

I am pleased to welcome you on the 32nd Annual General Meeting of your company and present on behalf of the Board of Directors, the Audited Statement of Accounts for the year ended 30th June 2022 along with my review on the performance of your company.

The company declared net loss of Rs 154.896 million during year 2021-22 as compared with net loss of Rs. 149.484 million during year 2020-21. Accordingly, loss per share is Rs. 8.11 in financial year 2021-22 in comparison with loss per share of Rs 7.83 in year 2020-21 mainly due to increase in the loss for the year as a result of lower load demand by Bulk Power Consumers (BPCs) and fall in sales revenue.

Further, the government continued supply of subsidized gas and electricity tariffs to export oriented sectors. Our mostly customers, being categorized in export oriented textile sector, hardly demand supply from our company in the presence of concessional tariff.

Increasing trend of RFO and RLNG prices in the international market, coupled with depreciation of Pak Rupee, is another adverse factor against our company leading to higher cost of production and tariff. However, the management of the company rationalized all sorts of expenses to keep the loss at sustainable level.

The profitable operation of the company is dependent upon viable fuel costs, increase in tariff and conducive government policies for power producers.

Sitara Energy Limited complies with all the requirements as set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 with respect to the composition, procedures and meetings of the Board of Directors and its committees. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of (the "Board") of Sitara Energy Limited (the "Company") is carried out.

The overall performance of the Board remained satisfactory under the given circumstances. The Board is endeavoring hard for the achievement of company's objectives, including its Vision and Mission Statements. The Board also meets frequently to discharge its responsibilities in a timely manner.

On my behalf and on behalf of the Board of Directors of the company, I take this opportunity to acknowledge the dedicated and sincere services of employees of the company. I am also grateful to our financial institutions, shareholders, vendors and valued customers who are reposing confidence even in such difficult circumstances.



Faisalabad

October 3, 2022

Ms. Noureen Javed

Chairperson

The Board of Directors of Sitara Energy Limited feel pleasure in submitting Annual Report along with audited Financial Statements together with Auditors' Report thereon for the financial year ended June 30, 2022.

Financial Results

The net sales revenue for the year decreased to Rs. 482.312 million in year 2022 as compared with Rs 512.635 million in 2021 due to lower load demand by Bulk Power Consumers (BPCs). Accordingly, gross profit for the year decreased to Rs 5.479 million in 2022 as compared with Rs 23.153 million in 2021 due to decrease in sales volume and increase in cost of generation.

The key factors for such decline in sales is the unviable tariff as a result of extra-ordinary increase of 78% in average price of RFO and increase of 110% in average price of RLNG during the current financial year in comparison with the last year ended 2021. Another factor is the package announced by the Government of Pakistan for export oriented textile sector to supply subsidized gas @ $ 6.5/MMBTU for industries by SNGPL and subsidized electricity @ 7.5 Cents/Kwh by the competitor DISCO.

The net loss slightly increased to Rs 154.896 million in 2022 as compared with Rs. 149.484 million in 2021. The management of the company further curtailed operating expenses in comparison with the last year ended 2021. However, finance cost increased due to increase in SBP policy rate from 7% to 13.75% during the year in spite of partial repayment of a loan facility.

Financial results for the year ended June 30, 2022 are summarized below

Description	2022		2021	
	SEL	Consolidated	SEL	Consolidated
	Rupees in thousands			
Sales	482,312	482,312	512,635	763,555
Gross profit	5,479	5,479	23,153	32,089
(Loss) before taxation	(153,529)	(153,764)	(147,495)	(135,452)
Provision for taxation	1,367	1,841	1,988	4,035
(Loss) after taxation	(154,896)	(155,606)	(149,484)	(139,488)
Unapproriated profit brought forward	83,834	97,907	233,318	237,391
Unapproriated profit due to further acquisition	-	-	-	4
(Loss)/profit available for appropriation	(71,062)	(57,699)	83,834	97,907
(Loss) per share - Basic	(8.11)	(8.15)	(7.83)	(7.31)

Corporate and Financial Reporting Framework

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

a) The financial statements have been drawn up in conformity with the requirements of the Companies Act, 2017 and present fairly its state of affairs, operating results, cash flow statement and statement of changes in equity.

b) Proper books of accounts have been maintained.

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

d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained.

e) The internal control system is sound in design and has been effectively implemented and monitored.

f) There has been no material departure from the best practices of Code of Corporate Governance, as detailed in listing regulations.

g) Summary of key operating and financial data for the last ten years is annexed.

h) Cost of investments of Staff Provident Fund Trust as at June 30, 2022 was Rs. 8.103 million.

i) During the year four meetings of the Board of Directors were held. Attendance by each director was as follow: -

Name	Designation	Meetings Attended
Mrs. Noureen Javed	Chairperson	4
Mr. Javed Iqbal	Chief Executive Officer	4
Mr. Shahid Hameed Sheikh	Director	4
Mr. Mubashir Ahmed Zareen	Director	4
Ms. Haniah Javed	Director	4
Mst. Naseem Akhtar	Director	4
Mr. Abdullah Javed	Director	3
Mr. Sheikh Javaid Islam	Director	1
Mr. Ijaz A Babar	Chief Financial Officer	4
Mr. Mazhar Ali Khan	Company Secretary	4

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

Name	Status	Meetings Attended
Mr. Shahid Hameed Sheikh	Chairman	4
Mr. Mubashir Ahmed Zareen	Member	4
Mr. Abdullah Javed	Member	3
Mr. Sheikh Javaid Islam	Member	1

k) During the year, two meetings of the Human Resource and Remuneration Committee were held. Attendance by each member was as follow: -

Name	Status	Meetings Attended
Mr. Mubashir Ahmed Zareen	Chairman	2
Mr. Javed Iqbal	Member	2
Mr. Abdullah Javed	Member	1
Mr. Sheikh Javaid Islam	Member	1

l) Pattern of Shareholding as at June 30, 2022 is annexed.

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

Name of person	Shareholding
Mr. Javed Iqbal, CEO	6,677,303
Ms Nazia Aamir	1,895,500
State Life Insurance Corporation of Pakistan	1,628,500
National Bank of Pakistan	1,550,144
Mr. Naureen Javed, Chairperson	1,073,237

No trade in the shares of the company was carried out by its directors, CEO, CFO, Company Secretary and their spouses and minor children during the year 2021-22.

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

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

Directors'/Chief Executive Officer Remuneration

The remuneration of Chief Executive Officer has been voluntarily revised downward due to financial constrains being faced by the Company. The complete information on remuneration and perquisites is given in Note No. 31 to Financial Statements.

Web Reference

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

Related Parties

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

Human Resources Management

Our commitment to excellence plays a significant role in our ability to be successful. This commitment enables us to continue investing behind talent development of our people across all functional departments. They are provided with a learning environment that encourages and fosters new ideas, initiatives and teamwork.

Corporate Social Responsibility

It is Company's policy to contribute to the uplift and welfare of the community in order to fulfill its social responsibility. During the year 2022, the Company has donated Rs. 340,000/- (2021: Rs 300,000) to the welfare institution operating in the fields of education.

Future Prospects and Outlook

The profitability of the company during the financial year 2022-23 will again largely depends upon viable prices of fuels (RFO & RLNG) making acceptability of our tariff by BPCs. Moreover, the company is planning to add solar power plant in its generation facilities subject to requisite approvals by NEPRA etc.

The management is in negotiation with all the lenders for restructuring/rescheduling of credit facilities at concessional markup which will be helpful for reduction of finance cost and repayment of the credit facilities over the next few years if our requests are reasonably accepted by the lenders.

NEPRA rendered its decision on December 19, 2019 in respect of Review Petition filed by SEL in May 2017 against Power Acquisition Determination of April 14, 2017 by NEPRA (Review Petition Determination). Being aggrieved with Review Petition Determination, SEL filed a Writ Petition in Islamabad High Court, Islamabad and a stay has been granted by Islamabad High Court Islamabad in March 2020 and is still continuing. The company has a good prima facie case and hope for a favorable eventual outcome.

Auditors

The auditors of the company M/S RSM Avais Hyder Liaquat Nauman, Chartered Accountants, retire and being eligible has offered themselves for re-appointment. The Audit Committee has recommended re-appointment of the retiring auditors.

Appreciation

The Board of Directors appreciates all its stakeholders for their trust and continued support to the Company. The Board also recognizes the contribution made by its dedicated team of professionals and all employees who served the company with great passion and zeal in difficult times.

JAVED IQBAL
Chief Executive Officer

SHEIKH JAVAID ISLAM
Director

October 03, 2022
Faisalabad

ویب ریفرنس

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

ریلیٹیڈ پارٹیز:

ریلیٹیڈ پارٹیز کے درمیان لین دین آرم لینتھ پرائس پر کی گئی ہے۔ جو کہ کمپیئرایبل ان کنٹرولڈ پرائسز میتھڈ (Comparable uncontrolled price method) کے تحت ہیں۔ کمپنی نے ٹرانسفر پرائسنگ کے بیسٹ پریکٹس پر مکمل عمل درآمد کیا گیا ہے۔ جو کہ پاکستان اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز میں درج ہیں۔

ہیومن ریسورسز کے انتظامات

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

کارپوریٹ سماجی ذمہ داری

کمپنی نے ہمیشہ اپنی سماجی ذمہ داری کو محسوس کیا ہے۔ تا کہ معاشرے کو بہتر بنانے اور فلاح و بہبود میں اپنا حصہ ڈالے۔ مالی سال 2022ء میں کمپنی نے -/340,000 روپے (2021ء -/300,000 روپے) فلاحی اداروں کو بطور عطیہ دیے جو تعلیم کے میدان میں خدمات سرانجام دے رہے ہیں۔

مستقبل پر نظر

مالی سال 23-2022ء کے دوران کمپنی کا منافع ایک بار پھر بڑی حد تک فرنس آئل/مائع گیس (RLNG) کی مناسب قیمتوں کے ساتھ ساتھ بلک پاور کنزمر (BPCs) کی طرف سے ٹیرف کا قابلِ قبول ہونا ہے۔ مزید برآں، کمپنی نیپرا وغیرہ کی جانب سے مطلوبہ منظوریوں سے مشروط اپنی پیداواری سہولیات میں سولر پاور پلانٹ شامل کرنے کا منصوبہ بنا رہی ہے۔

انتظامیہ تمام قرض دہندگان کے ساتھ رعائتی مارک اپ پر کریڈٹ سہولیات کی تنظیم نو اری شیڈولنگ کے لئے بات چیت کر رہی ہے جو کہ مالیاتی لاگت میں کمی اور قرض دہندگان کی طرف سے ہماری درخواستوں کو معقول طور پر قبول کرنے کی صورت میں اگلے چند سالوں میں کریڈٹ سہولیات کی ادائیگی میں مدد ملے گی۔

نیپرا کے 14 اپریل 2017ء کے فیصلے کے خلاف کمپنی نے مئی 2017ء کو نیپرا (NEPRA) میں ایک عملداری کی درخواست دائر کی جس پر نیپرا نے 19 دسمبر 2019ء کو اپنے فیصلے کو برقرار رکھا۔ Review Petition Determination کا متاثر ہونے پر ستارہ انرجی لمیٹڈ نے اسلام آباد ہائی کورٹ میں عملداری کی درخواست جمع کروائی جس کے نتیجے میں اسلام آباد ہائی کورٹ نے مارچ 2020ء میں سٹے گرانٹ کیا۔ جو کہ ابھی جاری ہے۔ کمپنی ایک اچھا بادی النظر نظریہ اور امید رکھتی ہے کہ کمپنی کے حق میں فیصلہ آئے گا۔

آڈیٹرز

کمپنی کے موجودہ آڈیٹرز آر ایس ایم او ایس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹنٹس جو کہ ریٹائرڈ ہو جائیں گے اور اہل ہونے کے ساتھ انہوں نے اپنے آپ کو بطور آڈیٹر دوبارہ مقرر کرنے کے لئے پیش کیا ہے۔ جس کی آڈٹ کمیٹی نے دوبارہ تقرری کے لئے سفارش کی ہے۔

اعترافات

بورڈ آف ڈائریکٹرز نے اپنے تمام سٹیک ہولڈرز کے قدردان ہیں کہ انھوں نے مکمل بھروسہ کرتے ہوئے اس کی حمائت کی۔ بورڈ اس بات کو تسلیم کرتا ہے۔ کہ جس طرح پیشہ ورانہ ماہرین نے اپنی مکمل تندہی اور جوش و جذبہ کے ساتھ کمپنی کی ترقی میں اپنا کردار ادا کیا وہ قابلِ تحسین ہے۔

شیخ جاوید اسلام
ڈائریکٹر

جاوید اقبال
چیف ایگزیکٹو آفیسر

3 اکتوبر 2022ء
فیصل آباد

محترمہ حنیہ جاوید	ڈائریکٹر	4
محترمہ نسیم اختر	ڈائریکٹر	4
جناب عبداللہ جاوید	ڈائریکٹر	3
جناب شیخ جاوید اسلام	ڈائریکٹر	1
جناب اعجاز احمد بابر	چیف فنانشل آفیسر	4
جناب مظہر علی خان	کمپنی سیکرٹری	4

j اس سال میں آڈٹ کمیٹی کی کل چار میٹنگز منعقد ہوئیں ہر فرد کی حاضری کی تفصیل مندرجہ ذیل ہے۔

ممبر کا نام	میٹنگ حاضری/اسٹیٹس
جناب شاہد حمید شیخ	4 / چیئرمین
جناب مبشر احمد زرین	4 / ممبر
جناب عبداللہ جاوید	3 / ممبر
جناب شیخ جاوید اسلام	1 / ممبر

k اس سال میں انسانی مسائل اور معاوضہ کمیٹی کی کل دو میٹنگز منعقد ہوئیں جس کی تفصیل مندرجہ ذیل ہے۔

ممبر کا نام	میٹنگ حاضری/اسٹیٹس
جناب مبشر احمد زرین	2 / چیئرمین
جناب جاوید اقبال	2 / ممبر
جناب عبداللہ جاوید	1 / ممبر
جناب شیخ جاوید اسلام	1 / ممبر

l 30 جون 2022ء کا شیئر ہولڈنگ پیٹرن منسلک ہے۔

m مندرجہ ذیل افراد کی کمپنی میں شیئر ہولڈنگ 5% اور اس سے زیادہ ہے۔

افراد کا نام	شیئر ہولڈنگ
جناب جاوید اقبال - سی۔ای۔او	6,677,303
محترمہ نازیہ عامر	1,895,500
اسٹیٹ لائف انشورنس کارپوریشن آف پاکستان	1,628,500
نیشنل بنک آف پاکستان	1,550,144
محترمہ نورین جاوید - چیئرپرسن	1,073,237

سال 22-2021ء کے دوران کمپنی کے شیئرز میں ڈائریکٹرز سی۔ای۔او، سی ایف او، کمپنی سیکرٹری اور ان کی بیگمات اور چھوٹے بچوں کی طرف سے کاروبار نہیں ہوا۔

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

o تمام ریلیٹیڈ پارٹیز اور ایسوسی ایشن اینڈ کمپنیز کے ساتھ لین دین آرم لینگتھ پرائس (Arms Length Price) کے مطابق طے کیا جاتا ہے۔

ڈائریکٹر/چیف ایگزیکٹو آفیسر کا معاوضہ

کمپنی کو درپیش مالی رکاوٹوں کی وجہ سے چیف ایگزیکٹو آفیسر نے معاوضے میں رضا کارانہ طور پر کمی کی ہے۔ معاوضے اور مراعات کے بارے میں مکمل معلومات فنانشل سٹیٹمنٹ کے نوٹ نمبر 31 میں دے دی گئی ہے۔

ڈائریکٹرز رپورٹ

ستارہ انرجی لمیٹڈ کے بورڈ آف ڈائریکٹرز کمپنی، کی سالانہ رپورٹ بمع آڈٹ شدہ مالیاتی گوشوارے اور آڈیٹرز کی رپورٹ مالی سال 30 جون 2022ء کو پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالی نتائج:

سال 2022ء میں فروخت آمدنی کم ہوکر 482.312 ملین روپے ہوگئی ہے۔ جبکہ یہ فروخت آمدنی سال 2021ء میں 512.635 ملین روپے تھی۔ جس کی وجہ بلک پاور کنزیومر (BPCs) کی طرف سے ڈیمانڈ کا کم ہونا ہے۔ اسی طرح سال 2022ء میں مجموعی منافع کم ہوکر 5.479 ملین روپے ہوگیا ہے۔ جبکہ یہ مجموعی منافع سال 2021ء میں 23.153 ملین روپے تھے۔ جس کی بڑی وجہ فروخت کی مقدار میں کمی اور پیداواری لاگت میں اضافہ ہے۔

موجودہ مالی سال میں فروخت آمدنی میں کمی کا بنیادی عنصر سال 2021ء کے مقابلے میں اوسطاً 78% فرنس آئل کی قیمت میں اضافہ اور اوسطاً 110% مائع گیس کی قیمت میں اضافے سے غیر مناسب ٹیرف ہے۔ دوسری وجہ گورنمنٹ آف پاکستان کی طرف سے اعلان کردہ ٹیکسٹائل/ایکسپورٹ انڈسٹری کے لئے رعائتی نرخ پر (6.5/MMBTU $@) گیس کی فراہمی اور متعلقہ DISCO کی طرف سے 7.5cent/KWh $@ کا رعائتی پیکج ہے۔

سال 2022ء میں صافی نقصان معمولی سے اضافے کے ساتھ 154.896 ملین روپے ہے جبکہ سال 2021ء میں 149.484 ملین روپے تھے۔ کمپنی کی انتظامیہ پچھلے سال 2021ء کے مقابلے میں موجودہ مالی سال 2022ء میں آپریشنل لاگت کو مزید کم کرنے کے اقدامات کئے ہیں۔ تاہم قرض کی جزوی ادائیگی کے باوجود فنانس لاگت میں اضافہ کی بڑی وجہ موجودہ مالی سال 2022ء میں سٹیٹ بنک آف پاکستان کی طرف سے پالیسی ریٹ میں 7% سے 13.75% اضافہ ہے۔

30 جون 2022ء کے مختصراً مالیاتی نتائج مندرجہ ذیل ہیں۔

تفصیل	مالی سال 2022ء		مالی سال 2021ء	
	ستارہ انرجی	مشترکہ	ستارہ انرجی	مشترکہ
	پاکستانی روپے ہزاروں میں			
فروخت آمدنی	482,312	482,312	512,635	763,555
مجموعی آمدنی	5,479	5,479	23,153	32,089
ٹیکسیشن سے قبل (نقصان)	(153,529)	(153,764)	(147,495)	(135,452)
ٹیکسیشن	1,367	1,841	1,988	4,035
ٹیکسیشن کے بعد (نقصان)	(154,896)	(155,606)	(149,484)	(139,488)
غیر مختص منافع	83,834	97,907	233,318	237,391
مزید حصول کی وجہ سے غیر مختص منافع	-	-	-	4
تقسیم کے لئے دستیاب رقم	(71,062)	(57,699)	83,834	(97,907)
فی شئر نقصان (Basic and Diluted)	(8.11)	(8.15)	(7.83)	(7.31)

کارپوریٹ اور مالیاتی رپورٹنگ کا ڈھانچہ

کوڈ آف کارپوریٹ گورننس کی تعمیل کرتے ہوئے کارپوریٹ اور مالیاتی رپورٹنگ کی تفصیل درج ذیل ہے:

a. مالیاتی گوشوارے کمپنیز ایکٹ 2017ء کی ضروریات کے مطابق تیار کئے گئے ہیں۔ جو کہ منصفانہ مالی حالت، آپریٹنگ نتائج، کیش فلو اور ایکوئٹی میں تبدیل کو پیش کرتے ہیں۔

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

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

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

e. اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اس کو مئوثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

f. ضابطہ کارپوریٹ گورننس، بمطابق لسٹنگ ریگولیشن میں سے کسی کی خاطر خواہ شق سے انحراف نہیں ہورہا ہے۔

g. کمپنی کا گذشتہ دس سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔

h. اسٹاف پروویڈنٹ فنڈ کی سرمایہ کاری مالی سال 30 جون سال 2022ء میں 8.103 ملین روپے ہے۔

i. اس سال میں بورڈ آف ڈائریکٹرز کی چار میٹنگز ہوئی۔ ڈائریکٹرز کی حاضری کی تفصیل مندرجہ ذیل ہے:

نام	عہدہ	حاضری میٹنگ
محترمہ نورین جاوید	چیئرپرسن	4
جناب جاوید اقبال	چیف ایگزیکٹو آفیسر	4
جناب شاہد حمید شیخ	ڈائریکٹر	4
جناب مبشر احمد زرین	ڈائریکٹر	4

PATTERN OF SHAREHOLDINGS

As at June 30, 2022

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARE
	FROM	TO	
500	1	100	7,481
371	101	500	175,068
113	501	1000	108,414
132	1001	5000	389,486
29	5001	10000	221,411
8	10001	15000	101,000
7	15001	20000	136,995
6	20001	25000	139,916
1	25001	30000	25,400
1	30001	35000	34,000
3	35001	40000	116,000
1	45001	50000	47,000
2	55001	60000	111,500
1	65001	70000	66,500
1	80001	85000	83,000
1	85001	90000	90,000
1	140001	145000	142,500
1	145001	150000	145,500
1	150001	155000	154,000
1	195001	200000	200,000
1	200001	205000	203,500
1	230001	235000	232,117
1	260001	265000	263,151
1	410001	415000	414,500
1	595001	600000	600,000
1	655001	660000	656,000
1	670001	675000	670,661
1	730001	735000	732,360
1	1070001	1075000	1,073,237
1	1545001	1550000	1,550,000
1	1625001	1630000	1,628,500
1	1895001	1900000	1,895,500
1	6675001	6680000	6,677,303
1194			**19,092,000**

PATTERN OF SHAREHOLDINGS

As at June 30, 2022

	Number	Share Held	Percentage
Associated Companies, Undertaking and Related Parties			
Sitara Fabrics Limited	1	656,000	3.43
Directors, CEO & their Spouse and Minor Children			
Mr. Javed Iqbal	1	6,677,303	34.97
Mrs. Naureen Javed	1	1,073,237	5.62
Ms. Haniah Javed	1	1,000	0.01
Mst. Naseem Akhtar	1	1,000	0.01
Mr. Mubashir Ahmad Zareen	1	5,000	0.03
Mr. Shahid Hameed Sheikh	1	500	0.00
Mr. Sheikh Javaid Islam	1	100	0.00
NIT AND ICP			
Investment Corporation of Pakistan	1	500	0.00
Banks, Development Finance Institutions, Non Banking Finance Institutions.	4	1,571,644	8.23
Insurance Companies	1	1,628,500	8.53
Mutual Funds	2	495,268	2.59
Foreign Companies	1	1,000	0.01
Joint Stock Companies	5	1,086,662	5.69
General Public (Local)	1144	5,794,087	30.35
General Public (Foreign)	26	75,962	0.40
Others	2	24,237	0.13
	1,194	19,092,000	100.00

NO trade in the shares of the company was carried out by its directors, CEO, CFO, Company Secretary and their spouses and minor children during the year 2021-2022.

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

1	Mr. Javed Iqbal, CEO	6,677,303
2	Nazia Aamir	1,895,500
3	State Life Insurance Corp. of Pakistan	1,628,500
4	National Bank of Pakistan	1,550,144
5	Mrs. Naureen Javed, Chairperson	1,073,237

KEY OPERATING AND FINANCIAL DATA FOR THE LAST TEN YEARS

PARTICULARS	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	----------Rupees in thousand----------										
FINANCIAL POSITION											
Paid up capital	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920
Share premium	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190
General reserve	970,000	970,000	970,000	970,000	970,000	970,000	920,000	920,000	820,000	720,000	620,000
Fixed assets at cost	2,176,601	2,177,437	2,252,688	2,377,007	2,378,647	2,387,252	2,427,988	2,360,966	2,270,025	2,280,107	2,244,936
Accumulated depreciation	1,523,247	1,496,964	1,497,806	1,499,634	1,472,349	1,443,573	1,416,939	1,326,594	1,232,748	1,161,137	1,074,287
Current assets	2,154,386	2,184,938	2,113,831	2,024,518	2,065,888	2,092,220	1,850,913	1,461,309	1,337,901	1,484,527	1,003,629
Current liabilities	2,052,511	1,949,297	1,814,410	1,715,607	1,808,698	1,816,238	1,464,328	1,143,122	1,219,313	1,283,248	1,509,799
INCOME											
Sales	482,312	512,635	958,056	1,036,691	2,412,173	2,116,462	3,074,266	3,658,739	5,035,627	5,183,842	4,866,139
Other income	12,722	6,091	18,385	77,896	109,920	11,934	15,875	120,831	73,659	1,805	96,523
Pre tax profit /(loss)	(153,529)	(147,495)	(142,357)	(189,473)	(81,858)	(96,561)	162,421	104,975	203,674	249,313	251,916
Taxation	1,367	1,988	1,457	2,338	-	-	-	-	(853)	-	448
STATISTICS AND RATIOS											
Pre tax profit / (loss) to sales %	(31.83)	(28.77)	(14.86)	(18.28)	(3.39)	(4.56)	5.28	2.87	4.04	4.81	5.18
Pre tax profit / (loss) to capital %	(45.95)	(44.15)	(42.61)	(56.71)	(24.50)	(28.90)	48.61	31.42	60.96	74.62	75.40
Current ratio	1.05	1.12	1.17	1.18	1.14	1.15	1.26	1.28	1.10	1.16	0.66
Paid up value if per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
(Loss) / earing after tax per share (Rs.)	(8.11)	(7.83)	(7.53)	(10.05)	(4.29)	(5.06)	8.51	5.50	10.71	13.06	13.17
Cash dividend %	-	-	-	-	-	-	20.00	12.50	20.00	10.00	10.00
Break up value per share (Rs.)	64.58	72.70	80.53	88.06	98.11	102.39	109.45	102.19	98.70	88.98	76.93

STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company: **SITARA ENERGY LIMITED**

Year Ended: **June 30, 2022**

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

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

Gender	Numbers
Male	4
Female	3

2. The composition of the Board of Directors is as follows:

Category	Names
Independent Director	Mr. Shahid Hameed Sheikh
	Mr. Mubashir Ahmed Zareen
	Mr. Sheikh Javaid Islam
Executive Director	Mr. Javed Iqbal
Female Director	Mrs. Naureen Javed
	Ms. Haniah Javed
	Mst. Naseem Akhtar

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

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

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the company;

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

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

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

9. Five (05) directors have already completed directors' training program. The remaining two (02) directors shall obtain certification under the DTP in due course of time;

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

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board;

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

a. Audit Committee

• Mr. Shahid Hameed Sheikh	Independent Director (Chairman)
• Mr. Sheikh Javaid Islam	Independent Director (Member)
• Mr. Mubashir Ahmed Zareen	Independent Director (Member)

- Mr. Abdullah Javed, Ex-Director of the Company attended three (03) Audit Committee meetings, while Sheikh Javed Islam after elected as independent director of the Company on April 15, 2022, attended One (01) Audit Committee meeting.

b. Human Resource & Remuneration Committee

• Mr. Mubashir Ahmed Zareen	Independent Director (Chairman)
• Mr. Javed Iqbal	Chief Executive (Member)
• Mr. Sheikh Javaid Islam	Independent Director (Member)

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

14. The frequency of meetings (quarterly/half yearly/yearly) of the committee were as per following:

a. Audit Committee: Four meetings during the financial year ended June 30, 2022

b. HR and Remuneration Committee: Two meetings during the financial year ended June 30, 2022

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

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

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

18. We confirm that all requirements of the regulations 3, 6, 7, 8, 27, 32 and 36 of the Regulations have been complied with.

Naureen Javed

Faisalabad
Dated : 03.10.2022

Mrs. Naureen Javed
Chairperson

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Sitara Energy Limited (the Company), which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Material Uncertainty relating to Going Concern

The Company suffered financial and operational difficulties. These conditions as set forth in Note 1.3, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to matter described in Material uncertainty relating to Going Concern section, we have determined the matters described below as the Key audit matters:

Key Audit Matter	How our audit addressed the key audit matter
Contingencies	
Refer to note 9 to the financial statements. The Company has litigation cases in respect of Gas Infrastructure Development Cess, power purchase agreement with Faisalabad Electric Supply Company and income tax matters, which are pending at various forums including Honorable Lahore High Court Lahore and High Court of Sindh and Islamabad High court and Appellate Tribunal Inland Revenue (ATIR). Matters under litigation require management to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, the probability of outcome and financial impact, if any, on the Company for disclosure and recognition and measurement of any provisions that may be required against such litigation matters. Further, management also has a practice of consulting its legal and tax experts on the matters before deciding on the significant litigation matters. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgement and estimates to assess the same including related financial impacts, we considered litigation matters relating to contingencies as a key audit matter.	In this respect, we performed following audit procedures: • Obtained and reviewed details of the pending litigations and discussed the same with the Company's management; • Reviewed judgments of the courts and assessment orders passed by the tax authorities in relation to the issues involved; • Obtained confirmations from the Company's external legal and tax counsels for their views on legal cases; • Assessed management's conclusions on contingent liabilities to evaluate the consistency of such conclusions with the views of the management and external legal advisors engaged by the Company; and • Reviewed disclosures made in respect of these litigations in the financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Loan to subsidiary	
Refer Note 18 to the financial statements The Company has made investment in subsidiary in shape of interest free loan of Rs. 611.169 million. The subsidiary was formed with the object to carryout textile and real estate business. The company has made investment to diversify. The company carried out impairment assessment of the carrying value and assessed the recoverable amount equal to carrying value based on the valuation analysis of assets of the subsidiary. Given the significance of the amount of loan in the overall context of the financial statements and judgments made by the management. We considered this as a key audit matter.	Our audit procedures include the following Obtained understanding of Company's plan and business rationale for loan to subsidiary and review of minutes of Board of Directors' meetings. Evaluated appropriateness of company's methodology for assessing recoverability of loan. Assessed whether carrying amount of loan to subsidiary may be impaired by reviewing market value of subsidiary's assets. Inspected and verified amount of loan given through supporting documents comprising banking instruments. Circulated external confirmation and assessed the reply received. Reviewed Disclosures made related to loan in the financial statements.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as

management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hamid Masood.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Faisalabad
Date: 03.10.2022

UDIN: AR202210194P6ksMTlq9

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SITARA ENERGY LIMITED

Review Report on the statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the listed companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Sitara Energy Limited (the Company) for the year ended June 30, 2022 in accordance with the requirements of regulations 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon the recommendations of the Audit Committee.

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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2022.

Further, we highlight below instance of non compliance with the requirement of Regulations as reflected in the paragraph referred below where it is stated in the Statement of compliance:

Paragraph 9	Section 19 of Regulation state that it is encourged that by June 30, 2022 all the directors on the Board have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the commision and approved by it. However, during the course of review it was observed that two directors have not attended the training program.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Faisalabad
Date: 03-10-2022

UDIN: CR202210194j3M5dvcB8

STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

	Note	2022 Rupees	2021 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
30,000,000 ordinary shares			
of Rs. 10/- each.		300,000,000	300,000,000
Issued, subscribed			
and paid up capital	3	190,920,000	190,920,000
Capital reserve - share premium		143,190,000	143,190,000
Revenue reserves	4	898,938,711	1,053,834,854
		1,233,048,711	1,387,944,854
NON-CURRENT LIABILITIES			
Long term financing	5	-	8,333,346
CURRENT LIABILITIES			
Trade and other payables	6	605,334,026	578,638,352
Unclaimed dividend		3,702,824	3,702,824
Interest / mark up payable	7	439,722,115	321,904,300
Short term bank borrowings	8	993,950,807	1,026,950,807
Current portion of:			
Long term financing	5	8,333,346	16,666,652
Provision for taxation - income tax	29	1,467,657	1,434,380
		2,052,510,775	1,949,297,315
CONTINGENCIES AND COMMITMENTS	9	-	-
		3,285,559,486	3,345,575,515

	Note	2022 Rupees	2021 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	10	669,853,348	696,973,049
Investment property	11	408,809,253	411,153,591
Investment in subsidiary	12	50,000,000	50,000,000
Long term loan	13	1,000,000	1,000,000
Long term deposits	14	1,511,200	1,511,200
		1,131,173,801	1,160,637,840
CURRENT ASSETS			
Stores, spares and loose tools	15	273,367,862	273,898,201
Stock of oil and lubricants	16	107,774,225	31,348,530
Trade debts	17	481,792,119	539,777,922
Loans and advances	18	625,843,537	618,962,193
Deposits and prepayments	19	27,882,236	32,834,263
Other receivables	20	219,840,893	339,146,767
Tax refunds due from			
Government	21	118,722,364	114,794,565
Cash and bank balances	22	299,162,449	234,175,234
		2,154,385,685	2,184,937,675
		3,285,559,486	3,345,575,515

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

STATEMENT OF PROFIT OR LOSS
For the Year Ended June 30, 2022

	Note	2022 Rupees	2021 Rupees
Sales - net	23	482,311,847	512,634,512
Cost of generation	24	476,833,064	489,481,792
Gross profit		5,478,783	23,152,720
Other income	25	12,722,011	6,090,558
		18,200,794	29,243,278
Operating expenses	26	48,919,684	58,312,506
Other operating expenses	27	-	11,921,121
Finance cost	28	122,810,092	106,504,962
		171,729,776	176,738,589
(Loss) for the year before taxation		(153,528,982)	(147,495,311)
Provision for taxation	29	1,367,161	1,988,386
(Loss) for the year		(154,896,143)	(149,483,697)
(Loss) per share - Basic and diluted	30	(8.11)	(7.83)

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Officer | Director | Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended June 30, 2022

	2022	2021
	Rupees	Rupees
(Loss) for the year	(154,896,143)	(149,483,697)
Other comprehensive income for the year	-	-
Total comprehensive (Loss) for the year	(154,896,143)	(149,483,697)

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Officer | Director | Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

For the Year Ended June 30, 2022

	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, 2020 (Restated)	190,920,000	143,190,000	970,000,000	233,318,551	1,203,318,551	1,537,428,551
Total comprehensive (loss) for the year						
(Loss) for the year	-	-	-	(149,483,697)	(149,483,697)	(149,483,697)
Other Comprehensive income	-	-	-	-	-	-
	-	-	-	(149,483,697)	(149,483,697)	(149,483,697)
Balance as at June 30, 2021	190,920,000	143,190,000	970,000,000	83,834,854	1,053,834,854	1,387,944,854
Total comprehensive (loss) for the year						
(Loss) for the year	-	-	-	(154,896,143)	(154,896,143)	(154,896,143)
Other Comprehensive income	-	-	-	-	-	-
	-	-	-	(154,896,143)	(154,896,143)	(154,896,143)
Balance as at June 30, 2022	**190,920,000**	**143,190,000**	**970,000,000**	**(71,061,289)**	**898,938,711**	**1,233,048,711**

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Officer | Director | Chief Financial Officer

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

	2022 Rupees	2021 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) for the year before taxation	(153,528,982)	(147,495,311)
Adjustments for:		
Depreciation of property, plant and equipment	27,599,153	25,228,428
Depreciation of investment property	2,344,338	2,604,820
Provision for staff retirement benefits	843,398	931,095
(Gain) / Loss on disposal of :		
Property, plant and equipment - net	(482,387)	11,921,121
Finance cost	122,810,092	106,504,962
Operating cash flows before working capital changes	(414,388)	(304,885)
Changes in working capital		
Decrease / (Increase) in current assets		
Stores, spares and loose tools	530,339	(769,305)
Stock of oil and lubricants	(76,425,695)	(11,963,545)
Trade debts	57,985,803	(23,028,252)
Loans and advances	(6,476,375)	12,121,828
Deposits and prepayments	4,952,027	2,387,332
Other receivables	119,305,874	(75,733,153)
Sales tax refunds due from government	(3,851,402)	16,549,150
Increase in current liabilities		
Trade and other payables	26,709,462	29,685,465
	122,730,033	(50,750,480)
Cash generated from / (used in) operating activities	122,315,645	(51,055,365)
Income tax paid	(1,815,250)	(1,410,280)
Staff retirement benefits paid	(857,186)	(939,103)
Finance cost paid	(4,992,277)	(5,982,820)
Net cash generated from / (used in) operating activities	114,650,932	(59,387,568)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

	2022 Rupees	2021 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(747,065)	(24,212,929)
Proceeds from disposal of		
Property, plant and equipment	750,000	23,570,000
Investment property	-	1,000,000
Increase in Investment in subsidiary	-	(5,000)
Net cash generated from investing activities	2,935	352,071
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing obtained / (Paid) - net	(16,666,652)	(4,166,667)
(Decrease) / Increase in short term bank borrowings - net	(33,000,000)	13,199,931
Loan to subsidiary recovered	-	9,535,000
Net cash (used in) / generated from financing activities	(49,666,652)	18,568,264
Net increase / (decrease) in cash and cash equivalents (a+b+c)	64,987,215	(40,467,233)
Cash and cash equivalents at the beginning of the year	234,175,234	274,642,467
Cash and cash equivalents at the end of the year	299,162,449	234,175,234

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Officer | Director | Chief Financial Officer

1. STATUS AND ACTIVITIES

1.1 Sitara Energy Limited (the Company) is incorporated in Pakistan as a public limited Company under the repealed Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act 2017 on May 30, 2017) and is listed on Pakistan Stock Exchange Limited. The main object of the Company is generation and distribution of electricity. The registered office of the Company is situated at 601-602 Business Centre, Mumtaz Hasan Road, Karachi in the province of Sindh. The generation plant is located at 33-K.M. Sheikhupura Road, Tehsil Jaranwala, District Faisalabad in the province of Punjab.

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

1.3 The Company suffered financial and operational difficulties due to non availability of system gas along with substantial increase in gas tariff and abnormal increase in rate of furnace oil. The Company has suffered loss of Rs. 154.896 million during the year, energy generation decreased upto 51% as compared to last year due to adverse market conditions compared to energy cost.

There has been material uncertainty related to events and conditions which may cast significant doubt about the Company's ability to continue as a going concern and, therefore the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

The Company is suffering losses due to unviable fuels prices in comparison with prevailing tariff being offered by our competitor DISCO. The government has allowed subsidized electricity tariff to export oriented sector all over Pakistan which is another set-back for our company.

The action steps and their impact is as under:

- In order to reduce burden of finance cost the company is pursuing the banks for restructuring/rescheduling of the credit facilities at concessional markup rate, the company has also submitted proposals to offer property swap to liquidate the loan and is hopeful for favourable consideration, which will improve the operating results.
- The management is making all out efforts to dispose off the non core assets such as investment property. The company is planning to add solar power plant in the coming years through disposal of investment properties to make the company's project viable. The management has initiated the process of collecting comparative prices for purchase of plant. The government policies are also very favourable for the installation of solar power plants.

All these factors indicate that the company will continue as going concern

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

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

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

2.2.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2021 and therefore, have been applied in preparing these financial statements.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly risk-free interest rate.

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognized. If they are not substantial, the updated effective interest rate is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognized in profit or loss.

The amendments have no material impact on company's financial statements.

- **Amendments to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021**

The relief of covid related rent concessions was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022 in another amendment to IFRS 16 (the 2021 amendment). If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply

the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment.

The amendments have no any material impact on the company's financial statements.

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

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2021 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

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

There are certain standards, amendments to the IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- **Amendments to IAS 16 - Property, Plant and Equipment**

  The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendments are effective for the annual periods beginning on or after January 01, 2022.

- **Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract**

  The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities - General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.

  The amendments are effective for the annual periods beginning on or after January 01, 2022.

The application of amendments is not expected to have any material impact on the company's financial statements.

- **Annual improvements to IFRS – 2018 – 2020**

  IFRS 1 First-time Adoption of International Financial Reporting Standards

  The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

  IFRS 9 Financial Instruments

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  The amendments are effective for the annual periods beginning on or after January 01, 2022.

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

- **IFRS 17 Insurance Contracts**

  IFRS 17 Insurance Contracts is a new accounting standard for insurance contracts. The standard covers recognition, measurement, presentation and disclosure of insurance contracts, Once effective, the standard will replace IFRS 4 Insurance Contracts.

  The standard applies to all types of insurance contracts. Overall objective of the standard is to provide an accounting model for insurance contracts covering all relevant accounting aspects.

  The standard is effective for reporting periods starting on or after January 01, 2023.

  The application of the standard is not expected to have any material impact on the company's financial statements.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments deal with situation where there is a sale or contribution of assets between investor and its associate or joint venture.

The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

Amendments to IAS 1 - Classification of Liabilities as Current or Noncurrent

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for the annual periods beginning on or after January 01, 2023.

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

Amendments to IAS 1 - Disclosure of Accounting Policies

In February 2021, the Board issued amendments to IAS 1 the amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for the annual periods beginning on or after January 01, 2023.

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

Amendments to IAS 8 - Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for the annual periods beginning on or after January 01, 2023.

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

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgment is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

The amendments are effective for the annual periods beginning on or after January 01, 2023.

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

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

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

2.3 Basis of preparation

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

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 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 statement of financial position 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 statement of financial position date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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.

2.10 Investment property

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

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

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

2.11 Impairment

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

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

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

2.17 Foreign currency translation

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

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

2.18 Financial instruments

2.18.1 Financial assets

The Company classifies its financial assets at amortised cost, fair value through comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

a) Financial assets at amortised cost

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows

and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

b) Financial assets at fair value through comprehensive income

Financial assets at fair value through comprehensive income are held within a business model whose objective is both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through comprehensive income. The impairment methodology

applied depends on whether there has been a significant increase in credit risk. The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

2.18.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

2.19 Offsetting of financial asset and financial liability

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

2.20 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.

The company recognize revenue when it transfer control of product to a customer.

2.21 Transactions with related parties

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

2.22 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, contingencies, investment property valuation, useful life of depreciable assets, provision for taxation, NRV testing, 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

2021	2022		**2022**	2021
Number of shares			**Rupees**	Rupees
		Ordinary shares of Rs. 10/-		
19,092,000	19,092,000	each fully paid in cash.	190,920,000	190,920,000

3.1 656,000 (2021: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

	Note	**2022** Rupees	2021 Rupees
4. Revenue reserves			
General reserve	4.1	970,000,000	970,000,000
(Accumulated loss) / Unappropriated profit			
Opening balance		83,834,854	233,318,551
Total comprehensive loss for the year		(154,896,143)	(149,483,697)
		(71,061,289)	83,834,854
		898,938,711	1,053,834,854

4.1 The general reserve is an appropriation from accumulated profits and transferred to unappropriated profit for distribution as and when required.

		Note	2022 Rupees	2021 Rupees
5.	**Long term financing**			
	Secured			
	From banking company			
	Under mark up arrangements			
	Demand finance I	5.1	8,333,346	24,999,998
	Less: Current portion			
	Instalments due		-	-
	Payable within one year		(8,333,346)	(16,666,652)
			(8,333,346)	(16,666,652)
			-	8,333,346

5.1 It is secured against registered token mortgage of Rs. 4.3 million, equitable mortgage charge on property owned by a director of the company and first exclusive charge by way of equitable mortgage,10% token registered mortgage against property owned by the company . It is further secured by personal guarantee of directors of the Company. It is repayable in 12 equal quarterly instalments commenced from December 31, 2018 and ending on October 01, 2022. It is subject to mark up at the rate of 3 months KIBOR plus 4.20% per annum.

Effective mark up rate charged during the year ranges from 11.65% to 16.15% per annum. (2021: 11.45% to 11.79% per annum)

		Note	2022 Rupees	2021 Rupees
6.	**Trade and other payables**			
	Creditors		469,426,622	449,851,758
	Accrued liabilities		84,023,260	92,954,101
	Provident fund - related party		130,494	144,282
	Withholding taxes		44,116,045	28,050,606
	Other		7,637,605	7,637,605
			605,334,026	578,638,352
7.	**Interest / mark up payable**			
	Interest / mark up on secured:			
	Long term financing		334,290	734,856
	Short term bank borrowings		439,387,825	321,169,444
			439,722,115	321,904,300
8.	**Short term bank borrowings**			
	Secured - under mark up arrangements			
	Morabaha finance I	8.2	114,000,000	114,000,000
	Term finance	8.3	100,000,000	100,000,000
	Running finances	8.4	779,950,807	812,950,807
			993,950,807	1,026,950,807

8.1 The aggregate unavailed short term financing facilities available to the Company are Rs. 180.049 million (2021: Rs. 147.049 million). Total available limits are Rs. 1,174 million which are expired and renewable.

8.2 It is subject to mark up at the rate of 6 months KIBOR plus 2.75% per annum (2021: 6 months KIBOR plus 2.75% per annum) payable quarterly in arrears. It is secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of running finances (Refer Note 8.4). It is further secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of term finance (Refer Note 8.3) and running finances (Refer Note 8.4) and personal guarantees of directors of the Company.

Effective mark up rate charged during the year ranges from 10.84% to 13.60% per annum (2021: 10.84% to 13.60% per annum).

8.3 It is subject to mark up at the rate of 1 month KIBOR plus 2.5% per annum (2021: 1 month KIBOR plus 2.5% per annum). It is secured against first joint pari passu charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 8.2) and running finances (Refer Note 8.4) and by personal guarantee of directors of the Company.

Effective mark up rate charged during the year ranges from 10.01% to 16.81% per annum (2021: 9.81% to 10.03% per annum).

8.4 These are subject to mark up at the rate of 3 months KIBOR plus 2.00% to 2.75% per annum (2021: 3 months KIBOR plus 2.00% to 2.75% per annum) with a prompt payment rebate of 0.25% per annum. Running finances are secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 8.2) and term finance (Refer Note 8.3), first charge over fixed assets of the Company ranking pari passu with the charges created in respect of morabaha finance - I (Refer Note 8.2). These are further secured against ranking charge over fixed assets, token registered mortgage of Rs. 4.3 million and equitable mortgage of personal properties of directors and land owned by the company. These are also secured by personal guarantee of three directors of the Company.

Effective mark up rate charged during the year ranges from 9.45% to 14.64% per annum (2021: 9.59% to 11.20% per annum).

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 Bank guarantees issued in favour of Sui Northern Gas Pipelines Limited for supply of gas aggregate Rs. 132,609,000/- (2021 : Rs. 132,609,000/-).

9.1.2 The order of Commissioner Appeals in favour of the company regarding disputed demand of Income tax for the tax years 2004 to 2006 amounting Rs.1,313,929/- (2021 : Rs.1,313,929/-) was vacated by the Appellate Tribunal.

The company has filed an appeal on April 14, 2010 before Sindh High Court against the Appellate Tribunal Order. Pending the outcome of the matter, no provision has been made in these financial statements.

9.1.3 Demand of gas Infrastructure development cess amounting Rs.128,150,602/- (2021: Rs.128,150,602/-) not acknowledged. The Honourable Supreme Court of Pakistan has passed a judgement on August 13, 2020 holding that GIDC is payable in 24 instalments without late payment surcharge. The Company has challenged the levy from year 2011 to 2015 before the Honourable Lahore High Court Lahore on the ground that GIDC cannot be recovered on the basis of section 8 of GIDC Act, 2015. Company has paid instalments of Rs. 42,716,867/- as per court order. Based on the opinion of the legal advisor there is every possibility that the petition may be decided in favour of the company to the extent of total amount of arrears.

In view of the above pending appeal no provision has been made in the financial statement.

9.1.4 The Company had executed Power Purchase Agreement (PPA) with Faisalabad Electric Supply Company (FESCO) which was expired in 2011, and was due for regularisation as per NEPRA rules. FESCO filed Power Acquisition Request (PAR) in 2011. NEPRA approved reduced fuel cost in 2017 and ordered to recover excess amount. Being aggrieved by the orders Company filed review petition before NEPRA which was dismissed by the Authority. The Company filed appeal before Islamabad High Court against which stay is granted. The quantum of liability cannot be determined at this stage. The management believes that there is reasonable probability that the matter will be decided in favour of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.

9.1.5 The assessing officer of Inland Revenue passed order in respect of tax periods from 2004 to 2008 and created demand of Rs. 5,505,105/- (2021: Rs. 5,505,105/-). Being aggrieved by the order the company filed appeal before the CIR(A). The CIR(A) has passed an order against the company. The company has filed the second appeal before ATIR. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favour of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.

9.1.6 Late payment surcharges on short term borrowings are not accounted for in the financial statement. At this stage it is difficult to ascertain the outcome of the matter till further proceeding as the matter is under negotiaion with the banks.

10. Property, plant and equipment

	Note	2022 Rupees	2021 Rupees
Operating assets	10.1	653,353,348	680,473,049
Advance for purchase of land		16,500,000	16,500,000
		669,853,348	696,973,049

10.1 Operating assets

	Note	Company owned									
		Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Electric Appliances	Furniture and fixtures	Office equipment	Vehicles	Total
		Rupees									
At July 01, 2020 (Restated)											
Cost		40,772,399	227,631,323	1,723,489,156	169,920,812	4,297,647	10,575,556	6,802,670	15,797,755	53,400,276	2,252,687,594
Accumulated depreciation		-	(178,068,805)	(1,127,697,097)	(128,311,303)	(3,693,653)	(7,382,217)	(4,848,989)	(12,087,383)	(35,716,578)	(1,497,806,025)
Net book value		40,772,399	49,562,518	595,792,059	41,609,509	603,994	3,193,339	1,953,681	3,710,372	17,683,698	754,881,569
Year ended June 30, 2021											
Opening net book value		40,772,399	49,562,518	595,792,059	41,609,509	603,994	3,193,339	1,953,681	3,710,372	17,683,698	754,881,569
Additions		-	-	-	-	-	-	-	-	31,212,929	31,212,929
Transferred to											
Investment Property	11										
Cost		-	(3,804,099)	-	-	-	-	-	-	-	(3,804,099)
Accumulated depreciation		-	1,332,199	-	-	-	-	-	-	-	1,332,199
		-	(2,471,900)	-	-	-	-	-	-	-	(2,471,900)
Disposals:											
Cost		-	-	(102,659,025)	-	-	-	-	-	-	(102,659,025)
Accumulated depreciation		-	-	24,737,904	-	-	-	-	-	-	24,737,904
		-	-	(77,921,121)	-	-	-	-	-	-	(77,921,121)
Depreciation charge		-	(4,956,252)	(10,000,000)	(4,160,951)	(60,399)	(319,334)	(195,368)	(371,037)	(5,165,087)	(25,228,428)
Closing net book value		40,772,399	42,134,366	507,870,938	37,448,558	543,595	2,874,005	1,758,313	3,339,335	43,731,540	680,473,049
At June 30, 2021											
Cost		40,772,399	223,827,224	1,620,830,131	169,920,812	4,297,647	10,575,556	6,802,670	15,797,755	84,613,205	2,177,437,399
Accumulated depreciation		-	(181,692,858)	(1,112,959,193)	(132,472,254)	(3,754,052)	(7,701,551)	(5,044,357)	(12,458,420)	(40,881,665)	(1,496,964,350)
Net book value		40,772,399	42,134,366	507,870,938	37,448,558	543,595	2,874,005	1,758,313	3,339,335	43,731,540	680,473,049
At July 01, 2021											
Cost		40,772,399	223,827,224	1,620,830,131	169,920,812	4,297,647	10,575,556	6,802,670	15,797,755	84,613,205	2,177,437,399
Accumulated depreciation		-	(181,692,858)	(1,112,959,193)	(132,472,254)	(3,754,052)	(7,701,551)	(5,044,357)	(12,458,420)	(40,881,665)	(1,496,964,350)
Net book value		40,772,399	42,134,366	507,870,938	37,448,558	543,595	2,874,005	1,758,313	3,339,335	43,731,540	680,473,049
Year ended June 30, 2022											
Opening net book value		40,772,399	42,134,366	507,870,938	37,448,558	543,595	2,874,005	1,758,313	3,339,335	43,731,540	680,473,049
Additions		-	-	-	-	-	113,674	-	-	633,391	747,065
Disposals:											
Cost		-	-	-	-	-	-	-	-	(1,584,100)	(1,584,100)
Accumulated depreciation		-	-	-	-	-	-	-	-	1,316,487	1,316,487
		-	-	-	-	-	-	-	-	(267,613)	(267,613)
Depreciation charge	10.2.1	-	(4,213,437)	(10,000,000)	(3,744,856)	(54,360)	(288,348)	(175,831)	(333,934)	(8,788,387)	(27,599,153)
Closing net book value		40,772,399	37,920,929	497,870,938	33,703,702	489,235	2,699,331	1,582,482	3,005,401	35,308,931	653,353,348
At June 30, 2022											
Cost		40,772,399	223,827,224	1,620,830,131	169,920,812	4,297,647	10,689,230	6,802,670	15,797,755	83,662,496	2,176,600,364
Accumulated depreciation		-	(185,906,295)	(1,122,959,193)	(136,217,110)	(3,808,412)	(7,989,899)	(5,220,188)	(12,792,354)	(48,353,565)	(1,523,247,016)
Net book value		40,772,399	37,920,929	497,870,938	33,703,702	489,235	2,699,331	1,582,482	3,005,401	35,308,931	653,353,348
Annual rate of depreciation (%)		-	10	-	10	10	10	10	10	20	

	Note	2022 Rupees	2021 Rupees
10.2 Depreciation for the year has been allocated as under:			
Cost of generation	24	18,012,653	19,177,602
Operating expenses	26	9,586,500	6,050,826
		27,599,153	25,228,428

10.2.1 Actual Depreciation on Plant and Machinery based on unit of production method amounts to Rs 1.76 million (2021:Rs. 5.67 million). The excess amount is charged to cover obsolescence.

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

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

10.4 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Particulars of buyers	Relationship of buyers
Operating assets							
Vehicles (Sold by negotiation)	1,584,100	1,316,487	267,613	750,000	482,387	Mohsan Shahzad House # P- 197, Ismail City, Faisalabad.	None
2022	**1,584,100**	**1,316,487**	**267,613**	**750,000**	**482,387**		

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	(Loss) / Gain	Particulars of buyers	Relationship of buyers
Operating assets							
Plant and machinery (Sold by negotiation)	54,283,079	14,794,880	39,488,199	33,000,000	(6,488,199)	Sitara Spinning Mills Limited 601-602 Business Centre, Mumtaz Hasan Road, Karachi	None
	48,375,946	9,943,024	38,432,922	33,000,000	(5,432,922)	Sitara Spinning Mills Limited 601-602, Business Centre, Mumtaz Hasan Road, Karachi	None
2021	**102,659,025**	**24,737,904**	**77,921,121**	**66,000,000**	**(11,921,121)**		

11. Investment property

		Freehold land	Building on freehold land	Total
		---------- Rupees ----------		
At July 01, 2020				
Cost		387,710,214	42,400,000	430,110,214
Accumulated depreciation		-	(18,823,703)	(18,823,703)
Net book value		387,710,214	23,576,297	411,286,511
Year ended June 30, 2021				
Opening net book value		387,710,214	23,576,297	411,286,511
Transferred from Building on freehold Land				
Cost		-	3,804,099	3,804,099
Accumulated depreciation		-	(1,332,199)	(1,332,199)
		-	2,471,900	2,471,900
Depreciation charge		-	(2,604,820)	(2,604,820)
Closing net book value		387,710,214	23,443,377	411,153,591
At June 30, 2021				
Cost		387,710,214	46,204,099	433,914,313
Accumulated depreciation		-	(22,760,722)	(22,760,722)
Net book value		387,710,214	23,443,377	411,153,591
At July 01, 2021				
Cost		387,710,214	46,204,099	433,914,313
Accumulated depreciation		-	(22,760,722)	(22,760,722)
Net book value		387,710,214	23,443,377	411,153,591
Year ended June 30, 2022				
Opening net book value		387,710,214	23,443,377	411,153,591
Transferred from Building on freehold Land	10.1	-	-	-
Depreciation charge		-	(2,344,338)	(2,344,338)
Closing net book value		387,710,214	21,099,039	408,809,253
At June 30, 2022				
Cost		387,710,214	46,204,099	433,914,313
Accumulated depreciation		-	(25,105,060)	(25,105,060)
		387,710,214	21,099,039	408,809,253
Annual rate of depreciation (%)		-	10	

11.1 This includes land worth Rs. 140.655 million (2021: Rs. 140.655 million) not in the name of the Company. The land is in the name of the subsidiary. As per agreement the Company is entitled to get the land transferred in its own name or in the name of any nominee. Legal formalities for transfer of land in the name of the Company are pending.

11.2 The fair value of investment property is approximately Rs. 831.246 million as at June 30, 2022 (2021: Rs. 769.848 million), valuation has been carried out by independent valuers Anderson consulting private limited. The valuation is based on the unobservable inputs - level 3 classification.

11.3 The forced sale value of investment property is approximately Rs. 706.559 million as at June 30, 2022 (2021: Rs. 654.371 million).

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

Location	Usage of immovable property	Total Area (in marlas)	Covered Area (in square feet)
a) Chak # 125 G.B, Tehsil Jaranwala, District Faisalabad.	Plots	332	N/A
b) Chak # 165 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	1,379	N/A
c) Chak # 193 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	829	N/A
d) Chak # 197 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	2,607	N/A
e) Chak # 198 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	639	N/A
f) Chak # 200 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	6,125	N/A
g) Chak # 204 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	9	N/A
h) Chak # 206 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	40	N/A
i) Chak # 60 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	59.5	N/A
j) Chak # 61 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	1,378	N/A
k) Ground floor, Sitara Tower situated at Bilal Square, New Civil Lines, Faisalabad.	held for earning rentals	18	5,031.61
l) 318, 3rd Floor Siddique Trade Centre, Main Boulevard, Gulberg, Lahore.	held for earning rentals	3	818

		2022 Rupees	2021 Rupees
12.	**Investment in subsidiary**		
	Sitara International (Private) Limited 5,000,000 (2021: 5,000,000) ordinary shares of Rs. 10/- each fully paid in cash. Ownership interest 100% (2021: 100%)	50,000,000	50,000,000

12.1 M/S Sitara International (Private) Limited is incorporated in Pakistan as a private limited company under the repealed Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act 2017 on May 30, 2017). The registered office of the Subsidiary is situated at 601-602 Business center, Mumtaz Hasan Road, Karachi.

		2022 Rupees	2021 Rupees
13.	**Long term loan**		
	Considered good Due from executive	1,000,000	1,000,000

13.1 The interest free loan is given to executive of the Company for personal use in accordance with his terms of employment.

13.2 Long term loan has been carried at cost as the effect of carrying this balance at amortised cost would not be material in the overall context of these financial statements.

		2022 Rupees	2021 Rupees
14.	**Long term deposits**		
	Security deposits	1,511,200	1,511,200
15.	**Stores, spares and loose tools**		
	Stores	15,750,323	15,943,828
	Spares	271,492,033	271,359,603
	Loose tools	1,600,159	2,070,344
		288,842,515	289,373,775
	Less: Provision for slow moving and obsolete items	(15,474,653)	(15,475,574)
		273,367,862	273,898,201

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

		Note	2022 Rupees	2021 Rupees
16.	**Stock of oil and lubricants**			
	Furnace oil		100,262,905	26,131,771
	Diesel oil		3,816,675	1,813,681
	Lube oil		3,636,557	3,332,694
	Wastes		58,088	70,384
			107,774,225	31,348,530
17.	**Trade debts**			
	Unsecured			
	Considered good			
	Related parties			
	Sitara Fabrics Limited	17.1	70,568,429	67,757,675
	Others		411,223,690	472,020,247
			481,792,119	539,777,922

17.1 The maximum aggregate amount due from Sitara Fabrics Limited at the end of any month during the year was Rs. 88,852,197/- (2021: Rs. 68,840,106/-)

		Note	2022 Rupees	2021 Rupees
18.	**Loans and advances**			
	Considered good			
	Loans to staff		12,757	333,260
	Loan to subsidiary	18.1	611,168,590	611,168,590
	Advances			
	Income tax		1,815,250	1,410,281
	Suppliers		10,922,468	4,031,717
	For purchases / expenses		1,924,472	2,018,345
			14,662,190	7,460,343
			625,843,537	618,962,193

18.1 It is unsecured, repayable on demand, interest free and given to meet the working capital requirements. The objective of formation of subsidiary was to diversify. The subsidiary is engaged in real state business. Maximum aggregated amount outstanding at the end of any month during the year is Rs.611,168,590/- (2021: Rs.620,703,590/-)

		Note	2022 Rupees	2021 Rupees
19.	**Deposits and prepayments**			
	Considered good			
	Deposits			
	Guarantee margin		26,521,800	31,375,800
	Prepayments		1,360,436	1,458,463
			27,882,236	32,834,263
20.	**Other receivables**			
	Considered good			
	Receivable against:			
	Sale of investment property		86,478,525	179,423,825
	Rent		5,273,519	5,273,519
	Gas Infrastructure Development Cess		53,562,194	53,562,194
	Others	20.1	74,526,655	100,887,229
			219,840,893	339,146,767

20.1 It includes an amount of Rs. 10,300,000/- receivable against sale of generators to associate undertaking Sitara Fabrics Limited . The maximum aggregate amount due from Sitara Fabrics Limited at the end of any month during the year was Rs. 35,000,000. (2021: Rs. 35,000,000/-).

		2022 Rupees	2021 Rupees
21.	**Tax refunds due from government**		
	Sales tax	78,292,067	74,440,665
	Income tax	40,430,297	40,353,900
		118,722,364	114,794,565
22.	**Cash and bank balances**		
	Cash in hand	1,108,958	878,353
	Cash at banks		
	In current accounts	298,053,491	233,296,881
		299,162,449	234,175,234
23.	**Sales - net**		
	Electricity	566,219,136	594,477,196
	Steam	5,751,252	9,007,362
		571,970,388	603,484,558
	Less: Sales tax	84,884,576	85,907,736
		487,085,812	517,576,822
	Less: Electricity duty	4,773,965	4,942,310
		482,311,847	512,634,512

		Note	2022 Rupees	2021 Rupees
24.	**Cost of generation**			
	Cost of gas, oil and lubricants	24.1	435,988,609	421,356,000
	Salaries, wages and benefits		14,412,393	23,394,891
	Staff retirement benefits		561,349	619,018
	Stores, spares and loose tools		1,675,488	15,017,470
	Travelling and conveyance		110,978	325,283
	Vehicles running and maintenance		979,540	1,836,959
	Insurance		2,406,313	3,292,694
	Repairs and maintenance		1,482,572	2,960,798
	Entertainment		153,060	617,822
	Depreciation	10.2	18,012,653	19,177,602
	Other		1,050,109	883,255
			476,833,064	489,481,792
	24.1 Cost of gas, oil and lubricants			
	Gas		-	198,152,677
	Oil and lubricants		435,988,609	223,203,323
			435,988,609	421,356,000
25.	**Other income**			
	Income from assets other than financial assets:			
	Sale of scrap and waste		546,869	341,058
	Rental Income		6,349,255	5,749,500
	Gain on disposal of			
	Property, plant and equipment - net		482,387	-
	Balances written back		5,343,500	-
			12,722,011	6,090,558
26.	**Operating expenses**			
	Directors' remuneration		13,000,000	18,580,000
	Salaries and benefits		7,139,964	10,393,282
	Staff retirement benefits		282,049	312,077
	Postage and telephone		1,124,717	1,190,255
	Vehicles running and maintenance		519,355	1,591,459
	Travelling and conveyance		1,144,744	611,995
	Printing and stationery		868,301	937,183
	Entertainment		421,201	839,031
	Legal and professional		2,651,150	3,565,150
	Fee, subscription and periodicals		4,252,896	3,014,705
	Rent, rates and taxes		316,022	351,323
	Advertisement		299,530	192,296
	Insurance		254,649	524,584
	Auditors' remuneration	26.1	1,299,875	1,299,875
	Repairs and maintenance		647,448	1,031,097
	Donations	26.2	340,000	300,000
	Depreciation on property, plant and equipment	10.2	9,586,500	6,050,826
	Depreciation on investment property	11	2,344,338	2,604,820
	Utilities		1,944,824	4,058,796
	Other		482,121	863,752
			48,919,684	58,312,506

		2022 Rupees	2021 Rupees
26.1	**Auditors' remuneration**		
	Audit fee	1,050,000	1,050,000
	Fee for the review of half yearly financial information	105,000	105,000
	Other Certifications	60,875	60,875
	Out of pocket expenses	84,000	84,000
		1,299,875	1,299,875

26.2 The directors or their spouses had no interest in the institutions/funds to whom donations were made.

		Note	2022 Rupees	2021 Rupees
27.	**Other operating expenses**			
	Loss on disposal of Property, plant and equipment - net		-	11,921,121
			-	11,921,121
28.	**Finance cost**			
	Interest / mark-up on :			
	Long term financing		1,920,960	3,240,834
	Short term bank borrowings		118,218,381	100,874,745
	Bank charges and commission		2,670,751	2,389,383
			122,810,092	106,504,962
29.	**Provision for taxation**			
	Current			
	For the year	29.1	1,467,657	1,434,380
	For prior years'		(100,496)	554,006
			1,367,161	1,988,386

29.1 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 except rental income which is subject to tax under normal tax regime.

		2022 Rupees	2021 Rupees
30.	**Earnings per share - Basic and diluted**		
	(Loss) for the year (Rupees)	(154,896,143)	(149,483,697)
	Weighted average number of ordinary shares	19,092,000	19,092,000
	(Loss) per share - Basic and diluted (Rupees)	(8.11)	(7.83)

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

31. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2022		2021	
	Chief Executive Officer	Executives	Chief Executive Officer	Executives
	----------Rupees----------			
Remuneration	10,909,091	5,922,982	13,254,545	5,890,718
Medical allowance	1,090,909	592,298	1,325,455	589,072
Perquisites	1,000,000	-	4,000,000	-
Contribution to provident fund	-	122,652	-	122,652
	13,000,000	6,637,932	18,580,000	6,602,442
Number of persons	1	2	1	2

31.1 The Chief Executive Officer and Director are entitled to free use of Company maintained car. One executive is entitled to conveyance facility. The monetary value of these benefits approximates Rs. 233,571/- (2021: Rs.813,303/-). The Directors have waived off their meeting fee.

32. TRANSACTIONS WITH RELATED PARTIES

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

Name of the related party	Relationship and Percentage	Transactions during the year	2022 Rupees	2021 Rupees
Sitara International (Private) Limited	Subsidiary Company by holding 100% shares	Loan Repaid	-	9,535,000
Sitara Fabrics Limited	Associated company by virtue of common directorship	Sale of electricity and steam	22,320,680	72,118,760
		Organisational expenses recovered	8,000,000	3,200,000
Mr. Abdullah Javed	Director	Shares of subsidiary purchased	-	5,000
Sitara Energy Limited Staff Provident Fund Trust	Other related party	Company's Contribution for the year	843,398	931,095

		2022	2021
33.	**PLANT CAPACITY AND ACTUAL PRODUCTION**		
	Number of generators installed	20	20
	Number of generators worked	14	14
	Installed energy generation capacity (Mega watt hours)	683,893	683,893
	Actual energy generation (Mega watt hours)	15,375	30,917
	Actual average load (Mega watt)	1.76	3.53

Reasons for low generation:
- Installed generators include four standby generators and closure of two (2021: two) generators due to major overhauling.
- Planned utilisation as per demand.

			2022	2021
34.	**DISCLOSURE WITH REGARDS TO PROVIDENT FUND**			
	Size of the fund	(Rupees)	13,052,961	18,955,431
	Cost of investments made	(Rupees)	8,103,435	5,803,435
	Percentage of investments made	(% age)	62.08%	30.62%
	Fair value of investments	(Rupees)	8,908,057	6,015,589

34.1 The figures for 2022 are based on the un-audited financial statements of the provident fund. Investment has been made in Defence Saving Certificates and mutual fund in accordance with the provisions of section 218 of the Companies Act 2017 and conditions specified thereunder.

		2022	2021
35.	**NUMBER OF EMPLOYEES**		
	Total number of employees as at June 30,	66	74
	Average number of employees during the year	72	98

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

36.1 FINANCIAL INSTRUMENTS BY CATEGORY	2022 Rupees	2021 Rupees
Financial assets at amortised cost:		
Long term loan	1,000,000	1,000,000
Long term deposits	1,511,200	1,511,200
Trade debts	481,792,119	539,777,922
Loans and advances	611,181,347	611,501,850
Deposits and prepayments	26,521,800	31,375,800
Other receivables	166,278,699	285,584,573
Cash and bank balances	299,162,449	234,175,234
	1,587,447,614	1,704,926,579
Financial liabilities at amortised cost:		
Long term financing	8,333,346	24,999,998
Trade and other payables	561,217,981	550,587,746
Interest / markup payable	439,722,115	321,904,300
Short term bank borrowings	993,950,807	1,026,950,807
	2,003,224,249	1,924,442,851

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. The Company is exposed to concentration of credit risk towards the major customers M/S Sitara Chemical Industries Limited, M/S Sitara Peroxide Limited and M/S Sitara Spinning Mills Limited. The trade debts receivable from these customers constitute 81.10% (2021: 82.63%) of total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2022 Rupees	2021 Rupees
Long term loan	1,000,000	1,000,000
Long term deposits	1,511,200	1,511,200
Trade debts	481,792,119	539,777,922
Loans and advances	611,181,347	611,501,850
Deposits and prepayments	26,521,800	31,375,800
Other receivables	166,278,699	285,584,573
Bank balances	298,053,491	233,296,881
	1,586,338,656	1,704,048,226

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

36.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity is to maintain sufficient level of liquidity of the Company on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of statement of financial position liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2022 and 2021:

	2022				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	----------Rupees in thousand----------				
Financial liabilities:					
Long term financing	8,333	8,768	8,768	-	-
Trade and other payables	561,218	561,218	561,218	-	-
Short term bank borrowings	993,951	1,106,413	174,952	931,461	-
Interest / mark up payable	439,722	439,722	439,722	-	-
	2,003,224	2,116,121	1,184,659	931,461	-

	2021				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	----------Rupees in thousand----------				
Financial liabilities:					
Long term financing	25,000	29,350	14,681	9,779	4,890
Trade and other payables	550,588	550,588	550,588	-	-
Short term bank borrowings	1,026,951	1,123,859	165,607	958,252	-
Interest / mark up payable	321,904	321,904	321,904	-	-
	1,924,443	2,025,701	1,052,780	968,031	4,890

The contractual cash flows relating to mark up on short term bank borrowings have been determined on the basis of mark up rates as applicable at the year end. The Company will manage the liquidity risk from its own source through equity and working capital management. The Company has liquid assets of Rs.1,638 million (2021: 1,756 million) and unavailed short term borrowing facilities of Rs. 180.05 million (2021: Rs. 147.05 million) as at the year end.

36.2.3 Market risk management

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

i) Interest rate risk

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

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

Sensitivity analysis

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

Had the interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, loss for the year and equity would have been lower / higher by 10.27 million (2021: Rs. 10.47 million).

ii) Currency risk

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

iii) Equity price risk

Trading and investing in quoted equity securities give rise to equity price risk. At the statement of financial position date, the Company is not exposed to equity price risk.

36.3 Fair value of financial instruments

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

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

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

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

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

	2022 Rupees	2021 Rupees
Sitara Chemical Industries Limited	22,073,758	110,730,610
Sitara Peroxide Limited	132,107,472	122,933,120
Sitara Spinning Mills Limited	236,530,097	212,332,023
Other industrial users	91,080,792	93,782,169
	481,792,119	539,777,922

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

	2022 Rupees	2021 Rupees
Not past due	123,512,811	13,963,094
Past due		
4 to 6 months	58,314,496	118,337,482
7 to 12 months	21,278,635	303,374,261
More than 1 year	278,686,177	104,103,085
	358,279,308	525,814,828
	481,792,119	539,777,922
Not past due		
Related parties	8,488,636	2,642,785
Others	115,024,175	11,320,309
	123,512,811	13,963,094
Past due		
Related parties	62,079,793	65,114,890
Others	296,199,515	460,699,938
	358,279,308	525,814,828
	481,792,119	539,777,922

The credit risk exposure is limited in respect of bank balances as these are placed with local banks having good credit rating from international and local credit rating agencies.

The bank balances along with credit rating is as follows.	**2022 Rupees**	2021 Rupees
Credit Rating		
AAA	81,571,762	125,677,307
AA+	58,146,786	4,040,281
A	-	25,702,461
Others	158,334,943	77,876,832
	298,053,491	233,296,881

36.4 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 and short term financing from / to financial institutions.

The Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('long term financing' and 'short term bank borrowings' as shown in the statement of financial position). Total capital comprises shareholders' equity as shown in the statement of financial position under 'share capital and reserves' and net debt (Debt less cash and cash equivalents).

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

	Note	2022 Rupees	2021 Rupees
Total Debt	5 & 8	1,002,284,153	1,051,950,805
Less: Cash and cash equivalents	22	299,162,449	234,175,234
Net Debt		703,121,704	817,775,571
Total equity		1,233,048,711	1,387,944,854
Total capital		1,936,170,415	2,205,720,425
Gearing ratio		36.32%	37.08%

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 3, 2022.

38. GENERAL

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

38.2 Re-Arrangements / Re-classification

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

The net book value value of addition in investment property in 2021 has been segregated to cost and accumulated depriciation for better understanding.

In the statement of cash flows for the year ended June 30,2021 "Increase in bank borrowings" amounting to Rs 9,033,264/- is segregated in long term financing and short term bank borrowings for better presentation of financial statements.

Chief Executive Officer | Director | Chief Financial Officer



CONSOLIDATED FINANCIAL STATEMENTS

Director Report on Consolidated Financial Statements

The Board of Directors have pleasure in presenting the Audited Financial Statement of the Sitara Energy Limited (the parent) and Sitara International (Pvt.) Limited (the Subsidiary) for the year ended June 30, 2022.

The Company holds 100% shares in the Subsidiary which is trading in real estate business.

The consolidated financial are as follows:

	30.06.2022	30.06.2021
	(Rupees in thousands)	
Sales - net	**482,312**	763,555
Gross Profit	**5,479**	32,089
(Loss) before taxation	**(153,764)**	(135,452)
(Loss) after taxation	**(155,606)**	(139,487)
(Loss) per share - Basic and diluted	**(8.15)**	(7.31)

JAVED IQBAL
Chief Executive Officer

SHEIKH JAVAID ISLAM
Director

October 03, 2022
Faisalabad

ڈائریکٹرز رپورٹ مجموعی مالیاتی گوشوارے

بورڈ آف ڈائریکٹرز ستارہ انرجی لمیٹڈ (پیرنٹ) اور ستارہ انٹرنیشنل پرائیویٹ لمیٹڈ (سبسڈیری) ختم ہونے والے مالی سال 30 جون 2022ء کے مالیاتی گوشوارے پیش کرتے ہوئے انتہائی مسرت محسوس کرتا ہے۔ آپ کی کمپنی سبسڈیری کے 100% شیئرز کی ملکیت رکھتی ہے جو کہ رئیل اسٹیٹ کے کاروبار سے منسلک ہے۔

مجموعی مالیاتی گوشواروں کی تفصیلات درج ذیل ہے

ڈائریکٹرز رپورٹ مجموعی مالیاتی گوشوارے

تفصیل	30 جون 2022ء	30 جون 2021ء
	پاکستانی روپے ہزاروں میں	
فروخت۔نٹ	**482,312**	763,555
مجموعی منافع	**5,479**	32,089
ٹیکسیشن سے قبل (نقصان)	**(153,764)**	(135,452)
ٹیکسیشن کے بعد (نقصان)	**(155,066)**	(139,487)
فی شیئر نقصان (Basic and Diluted)	**(8.15)**	(7.31)

جاوید اقبال
چیف ایگزیکٹو آفیسر

شیخ جاوید اسلام
ڈائریکٹر

3 اکتوبر 2022ء
فیصل آباد

Report on the audit of consolidated financial statements

Opinion

We have audited the annexed consolidated financial statements of Sitara Energy Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flowsfor the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Material Uncertainty relating to Going Concern

The Parent Company suffered financial and operational difficulties. These conditions as set forth in Note 1.3 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubtabout the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to matter described in Material uncertainty relating to Going Concern section,we have determined the matters described below as the Key audit matters:

Key Audit Matter	How our audit addressed the key audit matter
Contingencies	
Refer to note 10 to the financial statements. The Parent has litigation cases in respect of Gas Infrastructure Development Cess, power purchase agreement with Faisalabad Electric Supply Company and income tax matters, which are pending at various forums including Honorable Lahore High Court Lahore and High Court of Sindh and Islamabad High court and Appellate Tribunal Inland Revenue (ATIR). Matters under litigation require management to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, the probability of outcome and financial impact, if any, on the Company for disclosure and recognition and measurement of any provisions that may be required against such litigation matters. Further, management also has a practice of consulting its legal and tax experts on the matters before deciding on the significant litigation matters. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgement and estimates to assess the same including related financial impacts, we considered litigation matters relating to contingencies as a key audit matter.	In this respect, we performed following audit procedures: • Obtained and reviewed details of the pending litigations and discussed the same with the Company's management; • Reviewed judgments of the courts and assessment orders passed by the tax authorities in relation to the issues involved; • Obtained confirmations from the Company's external legal and tax counsels for their views on legal cases; • Assessed management's conclusions on contingent liabilities to evaluate the consistency of such conclusions with the views of the management and external legal advisors engaged by the Parent; and • Reviewed disclosures made in respect of these litigations in the financial statements.

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

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

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

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

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we

conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hamid Masood.

RSM AVAIS HYDER LIAQUAT NAUMAN

CHARTERED ACCOUNTANTS

Place: Faisalabad

Date: 03.10.2022

UDIN: AR202210194hLVtxlH6R

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

	Note	2022 Rupees	2021 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
30,000,000 ordinary shares			
of Rs. 10/- each.		300,000,000	300,000,000
Issued, subscribed			
and paid up capital	4	190,920,000	190,920,000
Capital reserve			
Share premium		143,190,000	143,190,000
Revenue reserves	5	912,301,070	1,067,906,685
		1,246,411,070	1,402,016,685
Non-controlling interest		-	-
		1,246,411,070	1,402,016,685
NON-CURRENT LIABILITIES			
Long term financing	6	-	8,333,346
CURRENT LIABILITIES			
Trade and other payables	7	699,765,826	692,970,852
Unclaimed dividend		3,702,824	3,702,824
Interest / mark up payable	8	439,722,115	321,904,300
Short term bank borrowings	9	993,950,807	1,026,950,807
Current portion of:			
Long term financing		8,333,346	16,666,652
Provision for taxation - income tax	29	1,467,657	3,481,808
		2,146,942,575	2,065,677,243
CONTINGENCIES AND COMMITMENTS	10	-	-
		3,393,353,645	3,476,027,274

	Note	2022 Rupees	2021 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	11	669,871,377	696,993,082
Investment Property	12	408,809,253	411,153,591
Long term loan	13	1,000,000	1,000,000
Long term deposits	14	1,511,200	1,511,200
		1,081,191,830	1,110,657,873
CURRENT ASSETS			
Stores, spares and loose tools	15	273,367,862	273,898,201
Stocks	16	736,927,575	660,501,880
Trade debts	17	523,174,623	595,660,426
Loans and advances	18	39,444,322	38,362,978
Deposits and prepayments	19	27,882,236	32,834,263
Other receivables	20	286,514,643	409,470,517
Tax refunds due from			
Government	21	120,596,722	116,668,923
Cash and bank balances	22	304,253,832	237,972,213
		2,312,161,815	2,365,369,401
		3,393,353,645	3,476,027,274

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Officer | Director | Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year Ended June 30, 2022

	Note	2022 Rupees	2021 Rupees
Sales - net	23	482,311,847	763,554,512
Cost of generation	24	476,833,064	731,465,842
Gross profit		5,478,783	32,088,670
Other income	25	12,722,011	9,439,308
		18,200,794	41,527,978
Operating expenses	26	49,155,050	58,553,512
Other operating expenses	27	-	11,921,121
Finance cost	28	122,810,092	106,504,962
		171,965,142	176,979,595
(Loss) for the year before taxation		(153,764,348)	(135,451,617)
Provision for taxation	29	1,841,267	4,035,814
(Loss) for the year		(155,605,615)	(139,487,431)
Attributable to:			
Shareholders of the Parent		(155,605,615)	(139,488,431)
Non-controlling interest		-	1,000
		(155,605,615)	(139,487,431)
(Loss) per share - Basic and diluted			
Attributable to the shareholders of the Parent	30	(8.15)	(7.31)

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Officer | Director | Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended June 30, 2022

	2022 Rupees	2021 Rupees
(Loss) for the year	(155,605,615)	(139,487,431)
Other Comprehensive income for the year	-	-
Total comprehensive (Loss) for the year	(155,605,615)	(139,487,431)
Attributable to:		
Shareholders of the Parent	(155,605,615)	(139,488,431)
Non-controlling interest	-	1,000
	(155,605,615)	(139,487,431)

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Officer | Director | Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended June 30, 2022

	Capital and reserves						Non-Controlling interest
	Issued, subscribed and paid up capital	Capital reserve	Revenue reserves				
		Share premium	General reserve	Unappropriated profit	Sub total	Total	
	---------- Rupees ----------						
Balance as at July 01, 2020 (Restated)	190,920,000	143,190,000	970,000,000	237,391,483	1,207,391,483	1,541,501,483	7,633
Total comprehensive (loss) for the year							
(Loss) for the year	-	-	-	(139,488,431)	(139,488,431)	(139,488,431)	1,000
Other Comprehensive income	-	-	-	-	-	-	-
	-	-	-	(139,488,431)	(139,488,431)	(139,488,431)	1,000
Transferred to unappropriated profit due to further acquisition	-	-	-	3,633	3,633	3,633	(8,633)
Balance as at June 30, 2021	190,920,000	143,190,000	970,000,000	97,906,685	1,067,906,685	1,402,016,685	-
(Loss) for the year	-	-	-	(155,605,615)	(155,605,615)	(155,605,615)	-
Other Comprehensive income	-	-	-	-	-	-	-
	-	-	-	(155,605,615)	(155,605,615)	(155,605,615)	-
Balance as at June 30, 2022	190,920,000	143,190,000	970,000,000	(57,698,930)	912,301,070	1,246,411,070	-

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Officer | Director | Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2022

	2022 Rupees	2021 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) for the year before taxation	(153,764,348)	(135,451,617)
Adjustments for:		
Depreciation of property, plant and equipment	27,601,157	25,230,654
Depreciation of investment property	2,344,338	2,604,820
Provision for staff retirement benefits	843,398	931,095
Loss / (Gain) on disposal of:		
Property, plant and equipment - net	(482,387)	11,921,121
Investment property	-	(3,348,750)
Balances written off	-	-
Finance cost	122,810,092	106,504,962
Operating cash flows before working capital changes	(647,750)	8,392,285
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	530,339	(769,305)
Stocks	(76,425,695)	(230,979,495)
Trade debts	72,485,803	(78,910,756)
Loans and advances	2,973,625	170,821,828
Deposits and prepayments	4,952,027	2,387,332
Other receivables	119,305,874	(75,733,153)
Tax refunds due from government	(3,851,402)	16,549,150
Increase / (Decrease) in current liabilities		
Trade and other payables	6,808,762	142,850,165
	126,779,333	(53,784,234)
Cash (used in) operating activities	126,131,583	(45,391,949)
Income tax refund (paid) / received -net	(4,336,784)	(1,410,280)
Staff retirement benefits paid	(857,186)	(939,103)
Finance cost paid	(4,992,277)	(5,982,820)
Net cash generated from / (used in) operating activities	115,945,336	(53,724,152)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

	2022 Rupees	2021 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(747,065)	(24,212,929)
Proceeds from disposal of :		
Property, plant and equipment	750,000	23,570,000
Investment property	-	1,000,000
Increase in Investment in subsidiary	-	(5,000)
Net cash generated from investing activities	2,935	352,071
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing obtained / (Paid) - net	(16,666,652)	(4,166,667)
(Decrease) / Increase in short term bank borrowings - net	(33,000,000)	13,199,931
Net cash generated from financing activities	(49,666,652)	9,033,264
Net increase / (decrease) in cash and cash equivalents (a+b+c)	66,281,619	(44,338,817)
Cash and cash equivalents at the beginning of the year	237,972,213	282,311,030
Cash and cash equivalents at the end of the year	304,253,832	237,972,213

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Officer | Director | Chief Financial Officer

1. GROUP STATUS AND ACTIVITIES

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

1.2 The Parent is incorporated in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act 2017 on May 30, 2017) and is listed on Pakistan Stock Exchange Limited. The main object of the Parent is generation and distribution of electricity. The registered office of the Parent is situated at 601-602 Business centre, Mumtaz Hasan Road, Karachi in the province of Sindh. The generation plant is located at 33-K.M. Sheikhupura Road, Tehsil Jaranwala, District Faisalabad in the province of Punjab.

The Subsidiary is incorporated in Pakistan as a private limited company under the repealed Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act 2017 on May 30, 2017). The principal activities of the Subsidiary are trading in real estate business. The registered office of the Subsidiary is situated at 601-602 Business centre, Mumtaz Hasan Road, Karachi in the province of Sindh.

1.3 The Parent suffered financial and operational difficulties due to non availability of system gas along with substantial increase in gas tariff and abnormal increase in rate of furnace oil. The Group has suffered loss of Rs. 155.61 million during the year, energy generation decreased upto 51% as compared to last year due to adverse market conditions compared to energy cost.

There has been material uncertainty related to events and conditions which may cast significant doubt about the Company's ability to continue as a going concern and, therefore the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

The Company is suffering losses due to unviable fuels prices in comparison with prevailing tariff being offered by our competitor DISCO. The government has allowed subsidized electricity tariff to export oriented sector all over Pakistan which is another set-back for our company.

The action steps and their impact is as under:

In order to reduce burden of finance cost the company is pursuing the banks for restructuring/ rescheduling of the credit facilities at concessional markup rate, the company has also submitted proposals to offer property swap to liquidate the loan and is hopeful for favourable consideration, which will improve the operating results.

The management is making all out efforts to dispose off the non core assets such as investment property. The company is planning to add solar power plant in the coming years through disposal of investment properties to make the company's project viable. The management has initiated the process of collecting comparative prices for purchase of plant. The government policies are also very favourable for the installation of solar power plants.

All these factors indicate that the company will continue as going concern

1.4 The financial statements are presented in Pak Rupee, which is the Group's functional and presentation.

2. BASIS OF CONSOLIDATION

The financial statements of the Parent and Subsidiary are combined on a line by line basis. The financial statements of the Subsidiary are consolidated from the date on which more than 50% voting rights are transferred to or power to control the Subsidiary is established and are excluded from consolidation from the date of disposal or reduction of control.

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

Non-controlling interest is that part of the net results of the operations and net assets of the Subsidiary attributable to interest which are not owned by the Parent.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

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

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

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

3.2.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2021 and therefore, have been applied in preparing these financial statements.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly risk-free interest rate.

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognized. If they are not substantial, the updated effective interest rate is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognized in profit or loss.

The amendments have no material impact on company's financial statements.

Amendments to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021

The relief of covid related rent concessions was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022 in another amendment to IFRS 16 (the 2021 amendment). If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment.

The amendments have no any material impact on the company's financial statements.

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

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2021 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

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

There are certain standards, amendments to the IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- **Amendments to IAS 16 - Property, Plant and Equipment**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for the annual periods beginning on or after January 01, 2022.

Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities - General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.

The amendments are effective for the annual periods beginning on or after January 01, 2022.

The application of amendments is not expected to have any material impact on the company's financial statements.

Annual improvements to IFRS – 2018 – 2020

- IFRS 1 First-time Adoption of International Financial Reporting Standards

  The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

- IFRS 9 Financial Instruments

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the

terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The amendments are effective for the annual periods beginning on or after January 01, 2022.

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

- **IFRS 17 Insurance Contracts**

IFRS 17 Insurance Contracts is a new accounting standard for insurance contracts. The standard covers recognition, measurement, presentation and disclosure of insurance contracts, Once effective, the standard will replace IFRS 4 Insurance Contracts.

The standard applies to all types of insurance contracts. Overall objective of the standard is to provide an accounting model for insurance contracts covering all relevant accounting aspects.

The standard is effective for reporting periods starting on or after January 01, 2023.

The application of the standard is not expected to have any material impact on the company's financial statements.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments deal with situation where there is a sale or contribution of assets between investor and its associate or joint venture.

The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

Amendments to IAS 1 - Classification of Liabilities as Current or Noncurrent

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for the annual periods beginning on or after January 01, 2023.

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

Amendments to IAS 1 - Disclosure of Accounting Policies

In February 2021, the Board issued amendments to IAS 1 the amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for the annual periods beginning on or after January 01, 2023.

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

Amendments to IAS 8 - Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for the annual periods beginning on or after January 01, 2023.

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

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgment is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

The amendments are effective for the annual periods beginning on or after January 01, 2023.

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

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

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

3.3 Basis of preparation

These financial statements have been prepared under the "historical cost convention" except short term investment property which is stated at fair value.

3.4 Staff retirement benefits

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

3.5 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.

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 statement of financial position 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 statement of financial position date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

3.8 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.

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.

3.10 Impairment

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

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

3.11 Investment property

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

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

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

3.12 Stores, spares and loose tools

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

3.13 Stocks

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

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

3.14 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.

3.15 Cash and cash equivalents

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

3.16 Foreign currency translation

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

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

3.17 Financial instruments

3.17.1 Financial assets

The Group classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

a) Financial assets at amortised cost

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Equity instrument financial assets / mutual funds are measured at fair value at and subsequent to initial recognition changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred



substantially all risks and rewards of ownership. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Group.

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

3.17.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

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

3.18 Offsetting of financial asset and financial liability

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

3.19 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.

The Group recognize revenue when it transfer control of product to a customer.

Revenue from sale of land is recognised when the full payment is received or possession is handed over to the buyer whichever is earlier.

3.20 Transactions with related parties

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

3.21 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 contingencies, useful life of depreciable assets, provision for taxation, doubtful receivables and slow moving inventory. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

4. Issued, subscribed and paid up capital

2021	2022		**2022**	2021
Number of shares			**Rupees**	Rupees
		Ordinary shares of Rs. 10/-		
19,092,000	19,092,000	each fully paid in cash.	190,920,000	190,920,000

4.1 656,000 (2021: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

	Note	**2022** **Rupees**	2021 Rupees
5. Revenue reserves			
General reserve	5.1	970,000,000	970,000,000
(Accumulated loss) / Unappropriated profit			
Opening balance		97,906,685	237,391,483
Total comprehensive loss for the year		(155,605,615)	(139,484,798)
		(57,698,930)	97,906,685
		912,301,070	1,067,906,685

5.1 The general reserve is an appropriation from accumulated profits and transferred to unappropriated profit for distribution as and when required.

		Note	2022 Rupees	2021 Rupees
6.	**Long term financing**			
	Secured			
	From banking company			
	Under mark up arrangements			
	Demand finance I	6.1	8,333,346	24,999,998
	Less: Current portion			
	Installments due		-	-
	Payable within one year		(8,333,346)	(16,666,652)
			(8,333,346)	(16,666,652)
			-	8,333,346

6.1 It is secured against registered token mortgage of Rs. 4.3 million, equitable mortgage charge on property owned by a director of the company and first exclusive charge by way of equitable mortgage,10% token registered mortgage against property owned by the company . It is further secured by personal guarantee of directors of the Company. It is repayable in 12 equal quarterly instalments commenced from December 31, 2018 and ending on October 01, 2022. It is subject to mark up at the rate of 3 months KIBOR plus 4.20% per annum.

Effective mark up rate charged during the year ranges from 11.65% to 16.15% per annum. (2021: 11.45% to 11.79% per annum)

		Note	2022 Rupees	2021 Rupees
7.	**Trade and other payables**			
	Creditors		563,753,422	564,070,558
	Accrued liabilities		84,128,260	93,059,101
	Provident fund - related party		130,494	144,282
	Withholding taxes		44,116,045	28,059,306
	Other		7,637,605	7,637,605
			699,765,826	692,970,852
8.	**Interest / mark up payable**			
	Interest / mark up on secured:			
	Long term financing		334,290	734,856
	Short term bank borrowings		439,387,825	321,169,444
			439,722,115	321,904,300
9.	**Short term bank borrowings**			
	Secured - under mark up arrangements			
	Morabaha finance I	9.2	114,000,000	114,000,000
	Term finance	9.3	100,000,000	100,000,000
	Running finances	9.4	779,950,807	812,950,807
			993,950,807	1,026,950,807

9.1 The aggregate unavailed short term financing facilities available to the Parent are Rs. 180.049 million (2021: Rs. 147.049 million). Total available limits are Rs. 1,174 million which are expired and renewable.

9.2 It is subject to mark up at the rate of 6 months KIBOR plus 2.75% per annum (2021: 6 months KIBOR plus 2.75% per annum) payable quarterly in arrears. It is secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of running finances (Refer Note 9.4). It is further secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of term finance (Refer Note 9.3) and running finances (Refer Note 9.4) and personal guarantees of directors of the Company.

Effective mark up rate charged during the year ranges from 10.84% to 13.60% per annum (2021: 10.84% to 13.60% per annum).

9.3 It is subject to mark up at the rate of 1 month KIBOR plus 2.5% per annum (2021: 1 month KIBOR plus 2.5% per annum). It is secured against first joint pari passu charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 9.2) and running finances (Refer Note 9.4) and by personal guarantee of directors of the Company.

Effective mark up rate charged during the year ranges from 10.01% to 16.81% per annum (2021: 9.81% to 10.03% per annum).

9.4 These are subject to mark up at the rate of 3 months KIBOR plus 2.00% to 2.75% per annum (2021: 3 months KIBOR plus 2.00% to 2.75% per annum) with a prompt payment rebate of 0.25% per annum. Running finances are secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 9.2) and term finance (Refer Note 9.3), first charge over fixed assets of the Company ranking pari passu with the charges created in respect of morabaha finance - I (Refer Note 9.2). These are further secured against ranking charge over fixed assets, token registered mortgage of Rs. 4.3 million and equitable mortgage of personal properties of directors and land owned by the company. These are also secured by personal guarantee of three directors of the Company.

Effective mark up rate charged during the year ranges from 9.45% to 14.64% per annum (2021: 9.59% to 11.20% per annum).

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Bank guarantees issued in favour of Sui Northern Gas Pipelines Limited for supply of gas aggregate Rs. 132,609,000/- (2021 : Rs. 132,609,000/-).

10.1.2 The order of Commissioner Appeals in favour of the Parent company regarding disputed demand of Income tax for the tax years 2004 to 2006 amounting Rs.1,313,929/- (2021 : Rs.1,313,929/-) was vacated by the Appellate Tribunal. The Parent has filed an appeal on April 14, 2010 before Sindh High Court against the

Appellate Tribunal Order. Pending the outcome of the matter, no provision has been made in these financial statements.

10.1.3 Demand of gas Infrastructure development cess amounting Rs.128,150,602/- (2021: Rs.128,150,602/-) not acknowledged. The Honourable Supreme Court of Pakistan has passed a judgement on August 13, 2020 holding that GIDC is payable in 24 instalments without late payment surcharge. The Company has challenged the levy from year 2011 to 2015 before the Honourable Lahore High Court Lahore on the ground that GIDC cannot be recovered on the basis of section 8 of GIDC Act, 2015. Company has paid instalments of Rs. 42,716,867/- as per court order. Based on the opinion of the legal advisor there is every possibility that the petition may be decided in favour of the company to the extent of total amount of arrears.

In view of the above pending appeal no provision has been made in the financial statement.

10.1.4 The Parent had executed Power Purchase Agreement (PPA) with Faisalabad Electric Supply Company (FESCO) which was expired in 2011, and was due for regularisation as per NEPRA rules. FESCO filed Power Acquisition Request (PAR) in 2011. NEPRA approved reduced fuel cost in 2017 and ordered to recover excess amount. Being aggrieved by the orders Parent filed review petition before NEPRA which was dismissed by the Authority. The Parent filed appeal before Islamabad High Court against which stay is granted. The quantum of liability cannot be determined at this stage. The management believes that there is reasonable probability that the matter will be decided in favor of the Parent. Pending the outcome of the matter, no provision has been made in these financial statements.

10.1.5 The assessing officer of Inland Revenue passed order in respect of tax periods from 2004 to 2008 and created demand of Rs. 5,505,105/- (2021: Rs. 5,505,105/-). Being aggrieved by the order the Parent company filed appeal before the CIR(A). The CIR(A) has passed an order against the Parent. The Parent has filed the second appeal before ATIR. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favor of the Parent. Pending the outcome of the matter, no provision has been made in these financial statements.

10.1.6 Late payment surcharges on short term borrowings are not accounted for in the financial statement. At this stage it is difficult to ascertain the outcome of the matter till further proceeding as the matter is under negotiaion with the banks.

		Note	**2022** **Rupees**	2021 Rupees
11.	**Property, plant and equipment**			
	Operating assets	11.1	653,371,377	680,493,082
	Advance for purchase of property		16,500,000	16,500,000
			669,871,377	696,993,082

11.1 Operating assets

	Note	Company owned										Total
		Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Electric Appliances	Furniture and fixtures	Office equipment	Arms and ammunitions	Vehicles	
		Rupees in '000										
At July 01, 2020 (Restated)												
Cost		40,772,399	227,631,323	1,723,489,156	169,920,812	4,297,647	10,575,556	6,802,670	15,878,183	29,625	53,400,276	2,252,797,647
Accumulated depreciation		-	(178,068,805)	(1,127,697,097)	(128,311,303)	(3,693,653)	(7,382,217)	(4,848,989)	(12,152,102)	(23,075)	(35,716,578)	(1,497,893,819)
Net book value		40,772,399	49,562,518	595,792,059	41,609,509	603,994	3,193,339	1,953,681	3,726,081	6,550	17,683,698	754,903,828
Year ended June 30, 2021												
Opening net book value		40,772,399	49,562,518	595,792,059	41,609,509	603,994	3,193,339	1,953,681	3,726,081	6,550	17,683,698	754,903,828
Addition		-	-	-	-	-	-	-	-	-	31,212,929	31,212,929
Transferred to												
Investment Property	12											
Cost		-	(3,804,099)	-	-	-	-	-	-	-	-	(3,804,099)
Accumulated depreciation		-	1,332,199	-	-	-	-	-	-	-	-	1,332,199
			(2,471,900)									(2,471,900)
Disposals:												
Cost		-	-	(102,659,025)	-	-	-	-	-	-	-	(102,659,025)
Accumulated depreciation		-	-	24,737,904	-	-	-	-	-	-	-	24,737,904
		-	-	(77,921,121)	-	-	-	-	-	-	-	(77,921,121)
Depreciation charge		-	(4,956,252)	(10,000,000)	(4,160,951)	(60,399)	(319,334)	(195,368)	(372,608)	(655)	(5,165,087)	(25,230,654)
Closing net book value		40,772,399	42,134,366	507,870,938	37,448,558	543,595	2,874,005	1,758,313	3,353,473	5,895	43,731,540	680,493,082
At June 30, 2021												
Cost		40,772,399	223,827,224	1,620,830,131	169,920,812	4,297,647	10,575,556	6,802,670	15,878,183	29,625	84,613,205	2,177,547,452
Accumulated depreciation		-	(181,692,858)	(1,112,959,193)	(132,472,254)	(3,754,052)	(7,701,551)	(5,044,357)	(12,524,710)	(23,730)	(40,881,665)	(1,497,054,370)
Net book value		40,772,399	42,134,366	507,870,938	37,448,558	543,595	2,874,005	1,758,313	3,353,473	5,895	43,731,540	680,493,082
At July 01, 2021												
Cost		40,772,399	223,827,224	1,620,830,131	169,920,812	4,297,647	10,575,556	6,802,670	15,878,183	29,625	84,613,205	2,177,547,452
Accumulated depreciation		-	(181,692,858)	(1,112,959,193)	(132,472,254)	(3,754,052)	(7,701,551)	(5,044,357)	(12,524,710)	(23,730)	(40,881,665)	(1,497,054,370)
Net book value		40,772,399	42,134,366	507,870,938	37,448,558	543,595	2,874,005	1,758,313	3,353,473	5,895	43,731,540	680,493,082
Year ended June 30, 2022												
Opening net book value		40,772,399	42,134,366	507,870,938	37,448,558	543,595	2,874,005	1,758,313	3,353,473	5,895	43,731,540	680,493,082
Addition		-	-	-	-	-	113,674	-	-	-	633,391	747,065
Disposals:												
Cost		-	-	-	-	-	-	-	-	-	(1,584,100)	(1,584,100)
Accumulated depreciation		-	-	-	-	-	-	-	-	-	1,316,487	1,316,487
		-	-	-	-	-	-	-	-	-	(267,613)	(267,613)
Depreciation charge	11.2.1	-	(4,213,437)	(10,000,000)	(3,744,856)	(54,360)	(288,348)	(175,831)	(335,348)	(590)	(8,788,387)	(27,601,157)
Closing net book value		40,772,399	37,920,929	497,870,938	33,703,702	489,235	2,699,331	1,582,482	3,018,125	5,305	35,308,931	653,371,377
At June 30, 2022												
Cost		40,772,399	223,827,224	1,620,830,131	169,920,812	4,297,647	10,689,230	6,802,670	15,878,183	29,625	83,662,496	2,176,710,417
Accumulated depreciation		-	(185,906,295)	(1,122,959,193)	(136,217,110)	(3,808,412)	(7,989,899)	(5,220,188)	(12,860,058)	(24,320)	(48,353,565)	(1,523,339,040)
Net book value		40,772,399	37,920,929	497,870,938	33,703,702	489,235	2,699,331	1,582,482	3,018,125	5,305	35,308,931	653,371,377
Annual rate of depreciation (%)		-	10	-	10	10	10	10	10	10	20	

	Note	2022 Rupees	2021 Rupees
11.2 Depreciation for the year has been allocated as under:			
Cost of generation	24.1	18,012,653	19,177,602
Operating expenses	26	9,588,504	6,053,052
		27,601,157	25,230,654

11.2.1 Actual Depreciation on Plant and Machinery based on unit of production method amounts to Rs 1.76 million (2021:Rs. 5.67 million). The excess amount is charged to cover obsolescence.

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

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

11.4 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Particulars of buyers	Relationship of buyers
Operating assets							
Plant and machinery	1,584,100	1,316,487	267,613	750,000	482,387	Mohsan Shahzad House # P- 197, Ismail City, Faisalabad.	None
2022	**1,584,100**	**1,316,487**	**267,613**	**750,000**	**482,387**		

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	(Loss) / Gain	Particulars of buyers	Relationship of buyers
Operating assets							
Plant and machinery	54,283,079	14,794,880	39,488,199	33,000,000	(6,488,199)	Sitara Spinning Mills Limited 601-602 Business Centre, Mumtaz Hasan Road, Karachi	None
(Sold by negotiation)	48,375,946	9,943,024	38,432,922	33,000,000	(5,432,922)	Sitara Spinning Mills Limited 601-602, Business Centre, Mumtaz Hasan Road, Karachi	None
2021	**102,659,025**	**24,737,904**	**77,921,121**	**66,000,000**	**(11,921,121)**		

12. Investment property

	Freehold land	Building on freehold land	Total
	---------- Rupees ----------		
At July 01, 2020			
Cost	387,710,214	42,400,000	430,110,214
Accumulated depreciation	-	(18,823,703)	(18,823,703)
Net book value	387,710,214	23,576,297	411,286,511
Year ended June 30, 2021			
Opening net book value	387,710,214	23,576,297	411,286,511
Transferred from Building on freehold Land			
Cost	-	3,804,099	3,804,099
Accumulated depreciation	-	(1,332,199)	(1,332,199)
	-	2,471,900	2,471,900
Depreciation charge	-	(2,604,820)	(2,604,820)
Closing net book value	387,710,214	23,443,377	411,153,591
At June 30, 2021			
Cost	387,710,214	46,204,099	433,914,313
Accumulated depreciation	-	(22,760,722)	(22,760,722)
Net book value	387,710,214	23,443,377	411,153,591
At July 01, 2021			
Cost	387,710,214	46,204,099	433,914,313
Accumulated depreciation	-	(22,760,722)	(22,760,722)
Net book value	387,710,214	23,443,377	411,153,591
Year ended June 30, 2022			
Opening net book value	387,710,214	23,443,377	411,153,591
Depreciation charge	-	(2,344,338)	(2,344,338)
Closing net book value	387,710,214	21,099,039	408,809,253
At June 30, 2022			
Cost	387,710,214	46,204,099	433,914,313
Accumulated depreciation	-	(25,105,060)	(25,105,060)
	387,710,214	21,099,039	408,809,253
Annual rate of depreciation (%)	-	10	

12.1 This includes land worth Rs. 140.655 million (2021: Rs. 140.655 million) not in the name of the Parent. The land is in the name of the subsidiary. As per agreement the Parent is entitled to get the land transferred in its own name or in the name of any nominee. Legal formalities for transfer of land in the name of the Parent are pending.

12.2 The fair value of investment property is approximately Rs. 831.246 million as at June 30, 2022 (2021: Rs. 769.848 million), valuation has been carried out by independent valuers Anderson consulting private limited. The valuation is based on the unobservable inputs - level 3 classification.

12.3 The forced sale value of investment property is approximately Rs. 706.559 million as at June 30, 2022 (2021: Rs. 654.371 million).

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

Location	Usage of immovable property	Total Area (in marlas)	Covered Area (in square feet)
a) Chak # 125 G.B, Tehsil Jaranwala, District Faisalabad.	Plots	332	N/A
b) Chak # 165 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	1379	N/A
c) Chak # 193 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	829	N/A
d) Chak # 197 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	2607	N/A
e) Chak # 198 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	639	N/A
f) Chak # 200 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	6125	N/A
g) Chak # 204 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	9	N/A
h) Chak # 206 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	40	N/A
i) Chak # 60 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	59.5	N/A
j) Chak # 61 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	1378	N/A
k) Ground floor, Sitara Tower situated at Bilal Square, New Civil Lines, Faisalabad	held for earning rentals	18	5031.61
l) 318, 3rd Floor Siddique Trade Centre, Main Boulevard, Gulberg, Lahore	held for earning rentals	3	818

		2022 Rupees	2021 Rupees
13.	**Long term loan**		
	Considered good		
	Due from executive	1,000,000	1,000,000

13.1 The interest free loan is given to executive of the Group for personal use in accordance with his terms of employment.

13.2 Long term loan has been carried at cost as the effect of carrying this balance at amortised cost would not be material in the overall context of these financial statements.

		2022 Rupees	2021 Rupees
14.	**Long term deposits**		
	Security deposits	1,511,200	1,511,200
15.	**Stores, spares and loose tools**		
	Stores	15,750,323	15,943,828
	Spares	271,492,033	271,359,603
	Loose tools	1,600,159	2,070,344
		288,842,515	289,373,775
	Less: Provision for slow moving and obsolete items	(15,474,653)	(15,475,574)
		273,367,862	273,898,201

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

		Note	2022 Rupees	2021 Rupees
16.	**Stock**			
	Furnace oil		100,262,905	26,131,771
	Diesel oil		3,816,675	1,813,681
	Lube oil		3,636,557	3,332,694
	Waste		58,088	70,384
	Land		629,153,350	629,153,350
			736,927,575	660,501,880
17.	**Trade debts**			
	Unsecured			
	Considered good			
	Related parties			
	Sitara Fabrics Limited	17.1	70,568,429	67,757,675
	Others		452,606,194	527,902,751
			523,174,623	595,660,426

17.1 The maximum aggregate amount due from Sitara Fabrics Limited at the end of any month during the year was Rs. 88,852,197/- (2021: Rs. 68,840,106/-)

		Note	2022 Rupees	2021 Rupees
18.	**Loans and advances**			
	Considered good			
	Loans to staff		12,757	333,260
	Advances			
	Income tax		1,815,250	1,410,281
	Suppliers	18.1	35,691,843	34,601,092
	For purchases / expenses		1,924,472	2,018,345
	Letters of credit fee and expenses		-	-
			39,431,565	38,029,718
			39,444,322	38,362,978

18.1 This includes advance of Rs.10,460,000/- (2021: 15,460,000/-) given to associated undertaking - Sitara Chemtek private Limited.

		Note	2022 Rupees	2021 Rupees
19.	**Deposits and prepayments**			
	Deposits			
	Guarantee margin		26,521,800	31,375,800
	Prepayments		1,360,436	1,458,463
			27,882,236	32,834,263
20.	**Other receivables**			
	Considered good			
	Receivable against:			
	Sale of investment property		86,478,525	179,423,825
	Rent		5,273,519	5,273,519
	Gas Infrastructure Development Cess		53,562,194	53,562,194
	Others	20.1	141,200,405	171,210,979
			286,514,643	409,470,517

20.1 It includes an amount of Rs. 10,300,000/- receivable against sale of generators to associate undertaking Sitara Fabrics Limited . The maximum aggregate amount due from Sitara Fabrics Limited at the end of any month during the year was Rs. 35,000,000. (2021: Rs. 35,000,000/-

		2022 Rupees	2021 Rupees
21.	**Tax refunds due from government**		
	Sales tax	78,292,067	74,440,665
	Income tax	42,304,655	42,228,258
		120,596,722	116,668,923
22.	**Cash and bank balances**		
	Cash in hand	1,948,404	3,565,075
	Cash at banks		
	In current accounts	302,305,428	234,407,138
		304,253,832	237,972,213
23.	**Sales - net**		
	Electricity	566,219,136	594,477,196
	Steam	5,751,252	9,007,362
		571,970,388	603,484,558
	Less: Sales tax	84,884,576	85,907,736
		487,085,812	517,576,822
	Less: Electricity duty	4,773,965	4,942,310
	Land		
		-	250,920,000
		482,311,847	763,554,512

		Note	2022 Rupees	2021 Rupees
24.	**Cost of generation and sales**			
	Cost of generation	24.1	476,833,064	489,481,792
	Cost of sales - land		-	241,984,050
			476,833,064	731,465,842
24.1	**Cost of generation**			
	Cost of gas, oil and lubricants	24.1.1	435,988,609	421,356,000
	Salaries, wages and benefits		14,412,393	23,394,891
	Staff retirement benefits		561,349	619,018
	Stores, spares and loose tools		1,675,488	15,017,470
	Travelling and conveyance		110,978	325,283
	Vehicles running and maintenance		979,540	1,836,959
	Insurance		2,406,313	3,292,694
	Repairs and maintenance		1,482,572	2,960,798
	Entertainment		153,060	617,822
	Depreciation	11.2	18,012,653	19,177,602
	Other		1,050,109	883,255
			476,833,064	489,481,792
24.1.1	**Cost of gas, oil and lubricants**			
	Gas		-	198,152,677
	Oil and lubricants		435,988,609	223,203,323
			435,988,609	421,356,000
25.	**Other income**			
	Income from assets other than financial assets:			
	Sale of scrap and waste		546,869	341,058
	Rental Income		6,349,255	5,749,500
	Gain on disposal of			
	Property, plant and equipment - net		482,387	-
	Investment property		-	3,348,750
	Balances written back		5,343,500	-
			12,722,011	9,439,308
26.	**Operating expenses**			
	Directors' remuneration		13,000,000	18,580,000
	Salaries and benefits		7,139,964	10,393,282
	Staff retirement benefits		282,049	312,077
	Postage and telephone		1,125,317	1,190,255
	Vehicles running and maintenance		519,355	1,591,459
	Travelling and conveyance		1,179,416	611,995
	Printing and stationery		868,301	937,183
	Entertainment		421,201	839,031
	Legal and professional		2,651,150	3,565,150
	Fee, subscription and periodicals		4,345,986	3,148,485
	Rent, rates and taxes		316,022	351,323
	Advertisement		299,530	192,296
	Insurance		254,649	524,584
	Auditors' remuneration	26.1	1,404,875	1,404,875
	Repairs and maintenance		647,448	1,031,097
	Donations	26.2	340,000	300,000
	Depreciation on property, plant and equipment	11.2	9,588,504	6,053,052
	Depreciation on investment property	12	2,344,338	2,604,820
	Utilities		1,944,824	4,058,796
	Other		482,121	863,752
			49,155,050	58,553,512

		2022 Rupees	2021 Rupees
26.1	**Auditors' remuneration**		
	Audit fee	1,125,000	1,125,000
	Fee for the review of half yearly financial information	135,000	135,000
	Other Certifications	60,875	60,875
	Out of pocket expenses	84,000	84,000
		1,404,875	1,404,875

26.2 The directors or their spouses had no interest in the institutions/funds to whom donations were made.

		Note	2022 Rupees	2021 Rupees
27.	**Other operating expenses**			
	Loss on disposal of Property, plant and equipment - net		-	11,921,121
			-	11,921,121
28.	**Finance cost**			
	Interest / mark-up on :			
	Long term financing		1,920,960	3,240,834
	Short term bank borrowings		118,218,381	100,874,745
	Bank charges and commission		2,670,751	2,389,383
			122,810,092	106,504,962
29.	**Provision for taxation**			
	Current			
	For the year	29.1	1,467,657	3,481,808
	For prior years'		373,610	554,006
	Deferred	29.2	-	-
			1,841,267	4,035,814

29.1 The profits and gains derived by the Parent from electric power generation project are exempt from levy of income tax under clause (132) of Part-I and clause 11A (v) of Part-IV of the Second Schedule to the Income Tax Ordinance, 2001 except rental income which is subject to tax under normal tax regime. Profit of subsidiary is subject to tax under normal tax regime.

29.2 Deferred tax asset after considering tax losses available for adjustment works out to Rs. 1,322,769/- (2021 : Rs.1,497,910/-). This is not recognized in these financial statements due to uncertain future results.

		2022 Rupees	2021 Rupees
30.	**Earnings per share - Basic and diluted**		
	(Loss) for the year attributable to shareholders of the Parent (Rupees)	(155,605,615)	(139,488,431)
	Weighted average number of ordinary shares	19,092,000	19,092,000
	(Loss) per share - Basic and diluted (Rupees)	(8.15)	(7.31)

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

31. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2022		2021	
	Chief Executive Officer	Executives	Chief Executive Officer	Executives
	----------Rupees----------			
Remuneration	10,909,091	5,922,982	13,254,545	5,890,718
Medical allowance	1,090,909	592,298	1,325,455	589,072
Perquisites	1,000,000	-	4,000,000	-
Contribution to provident fund	-	122,652	-	122,652
	13,000,000	6,637,932	18,580,000	6,602,442
Number of persons	1	2	1	2

31.1 The Chief Executive Officer and Director are entitled to free use of Company maintained car. One executive is entitled to conveyance facility. The monetary value of these benefits approximates Rs. 233,571/- (2021: Rs.813,303/-). The Directors have waived off their meeting fee.

32. TRANSACTIONS WITH RELATED PARTIES

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

Name of the related party	Relationship and Percentage	Transactions during the year	2022 Rupees	2021 Rupees
Sitara Fabrics Limited	Associated company by virtue of common directorship	Sale of electricity and steam	22,320,680	72,118,760
		Organisational expenses recovered	8,000,000	3,200,000
Mr. Abdullah Javed	Director	Shares of subsidiary purchased	-	5,000
Sitara Energy Limited Staff Provident Fund Trust	Other related party	Company's Contribution for the year	843,398	931,095

33. PLANT CAPACITY AND ACTUAL PRODUCTION

	2022	2021
Number of generators installed	20	20
Number of generators worked	14	14
Installed energy generation capacity (Mega watt hours)	683,893	683,893
Actual energy generation (Mega watt hours)	15,375	30,917
Actual average load (Mega watt)	1.76	3.53

Reasons for low generation:
- Installed generators include four standby generators and closure of two (2021: two) generators due to major overhauling.
- Planned utilisation as per demand.
- Extra capacity for future growth.

34. DISCLOSURE WITH REGARDS TO PROVIDENT FUND

		2022	2021
Size of the fund	(Rupees)	13,052,961	18,934,958
Cost of investments made	(Rupees)	8,103,435	5,803,435
Percentage of investments made	(% age)	62.08%	30.65%
Fair value of investments	(Rupees)	8,908,057	6,041,912

34.1 The figures for 2022 are based on the un-audited financial statements of the provident fund. Investment has been made in Defence Saving Certificates and mutual fund in accordance with the provisions of section 218 of the Companies Act 2017 and conditions specified thereunder.

35. NUMBER OF EMPLOYEES

	2022	2021
Total number of employees as at June 30,	66	74
Average number of factory employees during the year	72	98

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

36.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2022 Rupees	2021 Rupees
Financial assets at amortised cost:		
Long term loan	1,000,000	1,000,000
Long term Deposits	1,511,200	1,511,200
Trade debts	523,174,623	595,660,426
Loans and advances	12,757	333,260
Deposits and prepayments	26,521,800	31,375,800
Other receivables	232,952,449	355,908,323
Cash and bank balances	304,253,832	237,972,213
	1,089,426,661	1,223,761,222
Financial liabilities at amortised cost:		
Long term financing	8,333,346	24,999,998
Trade and other payables	655,649,781	664,911,546
Interest / markup payable	439,722,115	321,904,300
Short term bank borrowings	993,950,807	1,026,950,807
	2,097,656,049	2,038,766,651

36.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Group's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). Risks measured and managed by the Group are explained below:

36.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Parent is exposed to concentration of credit risk towards the major customers M/S Sitara Chemical Industries Limited, M/S Sitara Peroxide Limited and M/S Sitara Spinning Mills Limited. The trade debts receivable from these customers constitute 74.68% (2021: 82.63%) of total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2022 Rupees	2021 Rupees
Long term loan	1,000,000	1,000,000
Long term Deposits	1,511,200	1,511,200
Trade debts	523,174,623	595,660,426
Loans and advances	12,757	333,260
Deposits and prepayments	26,521,800	31,375,800
Other receivables	232,952,449	355,908,323
Bank balances	302,305,428	234,407,138
	1,087,478,257	1,220,196,147

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

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

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

	2022 Rupees	2021 Rupees
Sitara Chemical Industries Limited	22,073,758	110,730,610
Sitara Peroxide Limited	132,107,472	122,933,120
Sitara Spinning Mills Limited	236,530,097	212,332,023
Other industrial users	132,463,296	149,664,673
	523,174,623	595,660,426

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

	2022 Rupees	2021 Rupees
Not past due	123,512,811	13,963,094
Past due		
4 to 6 months	58,314,496	174,219,986
7 to 12 months	21,278,635	303,374,261
More than 1 year	320,068,681	104,103,085
	399,661,812	581,697,332
	523,174,623	595,660,426
Not past due		
Related parties	8,488,636	2,642,785
Others	115,024,175	11,320,309
	123,512,811	13,963,094
Past due		
Related parties	62,079,793	65,114,890
Others	337,582,019	516,582,442
	399,661,812	581,697,332
	523,174,623	595,660,426

The credit risk exposure is limited in respect of bank balances as these are placed with local banks having good credit rating from international and local credit rating agencies.

The bank balances along with credit rating is as follows.

	2022 Rupees	2021 Rupees
Credit Rating		
AAA	82,524,036	126,629,581
AA+	58,155,356	4,048,851
A	-	25,702,461
Others	161,626,036	78,026,245
	302,305,428	234,407,138

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

36.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's approach to manage liquidity is to maintain sufficient level of liquidity of the Group on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of statement of financial position liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2022 and 2021:

	2022				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	----------Rupees in thousand----------				
Financial liabilities:					
Long term financing	8,333	8,768	8,768	-	-
Trade and other payables	699,766	699,766	699,766	-	-
Short term bank borrowings	993,951	1,106,413	174,952	931,461	-
Interest / mark up payable	439,722	439,722	439,722		
	2,141,772	2,254,668	1,323,207	931,461	-

	2021				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	----------Rupees in thousand----------				
Financial liabilities:					
Long term financing	25,000	29,350	14,681	9,779	4,890
Trade and other payables	692,971	692,971	692,971	-	-
Short term bank borrowings	1,026,951	1,123,859	165,607	958,252	-
Interest / mark up payable	321,904	321,904	321,904		
	2,066,826	2,168,084	1,195,163	968,031	4,890

The contractual cash flows relating to mark up on short term bank borrowings have been determined on the basis of mark up rates as applicable at the year end. The Group will manage the liquidity risk from its own source through equity and working capital management. The Group has liquid assets of Rs. 1,140million (2021: Rs. 1,219 million) and unavailed short term borrowing facilities of Rs.180 million (2021: Rs.147.05 million) as at the year end.

36.2.3 Market risk management

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

i) Interest rate risk

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

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

Sensitivity analysis

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

Had the interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, loss for the year and equity would have been lower / higher by 10.27 million (2021: Rs. 10.47 million).

ii) Currency risk

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

iii) Equity price risk

Trading and investing in quoted equity securities give rise to equity price risk. At the date of statement of financial position, the Group is not exposed to equity price risk.

36.3 Fair value of financial instruments

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

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

36.4 Capital management

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

The Group manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('long term financing' and 'short term bank borrowings' as shown in the statement of financial position). Total capital comprises shareholders' equity as shown in the statement of financial position under 'share capital and reserves' and net debt (Debt less cash and cash equivalents).

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

	Note	2022 Rupees	2021 Rupees
Total Debt	6 & 9	1,002,284,153	1,051,950,805
Less: Cash and cash equivalents	22	304,253,832	237,972,213
Net Debt		698,030,321	813,978,592
Total equity		1,246,411,070	1,402,016,685
Total capital		1,944,441,391	2,215,995,277
Gearing ratio		35.90%	36.73%

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Group and authorised for issue on October 03, 2022.

38. GENERAL

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

The net book value value of addition in investment property in 2021 has been segregated to cost and accumulated depriciation for better understanding.

In the statement of cash flows for the year ended June 30,2021 "Increase in bank borrowings" amounting to Rs 9,033,264/- is segregated in long term financing and short term bank borrowings for better presentation of financial statements.

Chief Executive Officer | Director | Chief Financial Officer

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SECP

FORM OF PROXY
ANNUAL GENERAL MEETING

I/We _____S/o/D/o/W/o _____

of_____ being a member of **SITARA ENERGY LIMITED** and holder of _____ Ordinary Shares as per Share Register Folio No._____and/or CDC Participant ID No. _____and Account / Sub–account No._____ do hereby appoint Mr./Mrs./Miss _____

_____of_____failing him/her, Mr/Mrs./Miss_____

_____ of _____as my/our proxy to attend, act and vote for me/us on my/our behalf at Annual General Meeting of the Company to be held on Friday October 28, 2022 at 4:00 pm at ICAP Auditorium, Institute of Chartered Accountant of Pakistan, Chartered Accountants Avenue, Block 8 Clifton, Karachi in person and via Zoom video link and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.

_____ _____
Signature of Shareholder Signature of Proxy
Folio / CDC A/C No.

Five Rupees
Revenue Stamp

Dated this _____day of _____2022

Witness: Witness:

1. Signature _____
   Name _____
   Address_____
   _____
   CNIC or_____
   Passport No._____

2. Signature_____
   Name_____
   Address_____
   _____
   CNIC or_____
   Passport No._____

Notes:

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

2. If a member is unable to attend the meeting. He/She may complete and sign this form and send it to the Company's Share Registrar M/s. THK Associates (Pvt) Limited, Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase VII, Karachi so as to reach not less than 48 hours before the time appointed for holding the Meeting.

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

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


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ستارہ انرجی لمیٹڈ

پراکسی فارم

اجلاسِ عام

میں/ہم _____ ستارہ انرجی لمیٹڈ کے ممبر/ممبران رجسٹرڈ فولیو نمبر/شرکاء کی آئی ڈی/سی ڈی سی اکاؤنٹ نمبر _____ کے مطابق _____ عمومی شیئرز رکھتے ہیں۔

بذریعہ ہذا _____ یا ان کی عدم موجودگی کی صورت میں _____

پراکسی 28 اکتوبر 2022 بروز جمعہ کو سہ پہر 4:00 بجے ICAP آڈیٹوریم، انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹ آف پاکستان، چارٹرڈ کاؤنٹنٹس ایونیو، بلاک 8، کراچی ذاتی طور پر اور زوم ویڈیو لنک کے ذریعے منعقد ہونے والے اجلاس عام اور اُس کے کسی التواء تک میری/ہماری جانب سے ووٹ دینا اور اجلاس میں شرکت کرنے کا حق دیتا ہوں/دیتے ہیں۔

ریونیو اسٹامپ

دستخط پراکسی _____ دستخط شیئر ہولڈر _____

بتاریخ _____ سنہ 2022

گواہان:

دستخط _____	دستخط _____
نام _____	نام _____
ایڈریس _____	ایڈریس _____
_____	_____
شناختی کارڈ ☐☐☐☐☐■☐☐☐☐☐☐☐	شناختی کارڈ ☐☐☐☐☐■☐☐☐☐☐☐☐
پاسپورٹ _____	پاسپورٹ _____

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

۲۔ اگر کوئی رکن اجلاس میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مکمل اور تصدیق شدہ کمپنی کے شیئر رجسٹرار میسرز THK ایسوسی ایٹس پلاٹ نمبر: C-32 جمی کمرشل سٹریٹ 2، ڈی۔ایچ۔اے۔فیز 7 کراچی-75500 کو اجلاس کے منعقد ہونے سے 48 گھنٹے قبل بھجوائیں۔

۳۔ CDC اکاؤنٹ ہولڈرز/Corporate Entity مندرجہ بالا کے علاوہ مندرجہ ذیل شقوں پر عمل کریں:

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

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

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


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Sitara Energy Limited

CIRCULATION OF ANNUAL AUDITED ACCOUNTS

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

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

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

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

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

☐ Option 1 Via Email

Name of the Members/Shareholders _____

CNIC NO. _____

Folio / CDC Account Number _____

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

☐ Option 2 Via Hard copy

Name of the Members/Shareholders _____

CNIC NO. _____

Folio / CDC Account Number _____

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

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

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