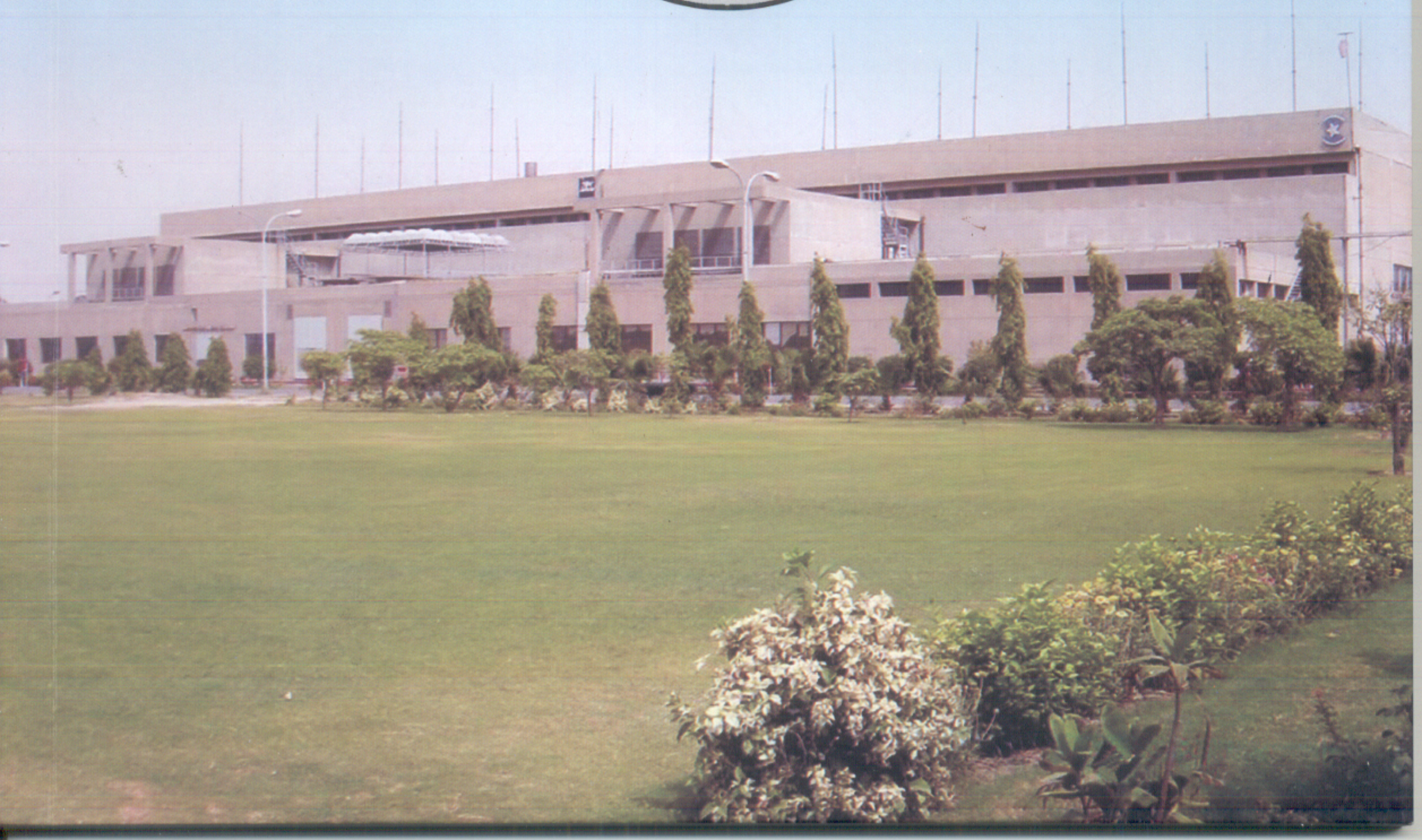
Sitara Energy Limited

Annual Report 2012



بسم الله الرحمن الرحيم

Contents | Page

SITARA ENERGY LIMITED

CONSOLIDATED ACCOUNTS
SITARA ENERGY LIMITED AND ITS SUBSIDIARY COMPANY

BOARD OF DIRECTORS

Mr. Javed Iqbal	Chairman / Chief Executive
Mr. Sarosh Javed	Director
Mr. Mukhtar Ahmed Sheikh	Director
Mst. Naseem Akhtar	Director
Mr. Rana M Arshad Iqbal	Director
Mrs. Noureen Javed	Director
Mrs. Haniah Javed	Director

AUDIT COMMITTEE

Mr. Sarosh Javed	Chairman
Mr. Javed Iqbal	Member
Mst. Naseem Akhtar	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Rana M. Arshad Iqbal	Chairman
Mr. Javed Iqbal	Member
Mr. Sarosh Javed	Member

CHIEF FINANCIAL OFFICER

Mr. Maqbool Ahmed Chaudhary

COMPANY SECRETARY

Mr. Mazhar Ali Khan

AUDITORS

M/s. Avais Hyder Liaquat Nauman
Chartered Accountants

BANKERS

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

Share Registrar

Noble Computer Services (Pvt) Limited
1st Floor, House of Habib Building (Siddiqsons Tower)
3-Jinnah C.H.Society, Main Shahrah-e-Faisal, Karachi-75350
PABX: (92-21) 34325482-87, Fax: (92-21) 34325442

LEGAL ADVISOR

Sahibzada Muhammad Arif

REGISTERED OFFICE

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

PLANT

33 K.M., Sheikhupura Road, Faisalabad

WEBSITE

www.sitara.pk

Vision

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

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

Mission

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of Sitara Energy Limited will be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwan-e-Sadr Road, Karachi, on Tuesday, October 23, 2012 at 7:00 p.m. to transact the following business:

Ordinary Business

1. To confirm the minutes of 21st Annual General Meeting held on October 31, 2011.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2012 together with the Reports of the Auditors and Directors thereon.
3. To approve payment of Cash Dividend at the rate of 10% (Rs. 1.00 per share) as recommended by the Directors.
4. To appoint Auditors for the year ending June 30, 2013 and to fix their remuneration.

Special Business

5. To consider Board of Directors recommendation to place Quarterly Accounts of Sitara Energy Limited on its Website: www.sitara.pk instead of circulating the same by post to the members, subject to approval from Securities & Exchange Commission of Pakistan (SECP) and compliance of conditions of Circular No.19 of 2004 dated April 14, 2004 of SECP and if deem fit, pass the following Ordinary Resolution:

   "Resolved that the Company be and is hereby authorized to place its Quarterly Accounts on its Website instead of sending the same to the Members by Post, subject to compliance with SECP's Circular No.19 dated April 14, 2004 and approval of the Securities & Exchange Commission of Pakistan".

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

By order of the Board

Karachi:
September 22, 2012

Mazhar Ali Khan
Company Secretary

NOTES:

i. The share transfer books of the company will remain closed from October 13, 2012 to October 23, 2012 (both days inclusive).

ii. A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote instead of him / her. Proxies in order to be effective must be received at Company's Share Registrar's Office M/s. Noble Computer Services (Pvt) Limited, 1st Floor, House of Habib Building (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi not less than 48 hours before the time of meeting.

iii. The member whose name appears on the register at the close of business on October 12, 2012 will be entitled to cash dividend.

iv. Shareholders who have deposited their shares into Central Depository Company are advised to bring their Computerized National Identity Card alongwith their CDC account number at the meeting venue.

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

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

Agenda Item 5:

The Securities and Exchange Commission of Pakistan vide its Circular 19 of 2004 has allowed listed companies to place quarterly / half yearly accounts on the website of the Company instead of sending the same to the shareholders by post subject to fulfillment of certain conditions. The Board has recommended the placement of quarterly / half yearly accounts on the website of the Company, i.e. www.sitara.pk The consent of the shareholders in this context is solicited to move for obtaining approval of the SECP.

DIRECTOR'S REPORT TO THE SHAREHOLDERS

The Directors of the company are pleased to present the annual report of the company along with the audited financial statement for the year ended June 30, 2012.

FINANCIAL RESULTS

The company earned gross profit of Rs. 524.931 million during the year under review as compared to Rs. 447.982 million in the previous year. This increase in gross profit during the current year as compared to corresponding years is mainly attribution to higher sales volume, increase in selling price and reinforced cost effective measures. The company earned net profit of Rs. 251.468 million during the year as compared to Rs. 91.041 million last year.

Earning per share of Rs. 13.17 as compared to earning per share of Rs. 4.77 last year.

Financial results for the year ended June 30, 2012 as summarized below:

		30.06.2012		30.06.2011	
		Energy	Consolidated	Energy	Consolidated
		Rupees in thousands		Rupees in thousands	
Sales		4,866, 139	4,879,166	3,753, 492	3,814,178
Gross profit		524,931	525,513	447,982	459,587
Profit before taxation		251,916	251,747	91,527	92,091
Provision for taxation		448	618	486	1,001
Profit after taxation		251,468	251,129	91,041	91,090
Unappropriated profit brought forward		312,167	309,874	309,310	306,968
Profit available for appropriation		563,635	561,003	400,351	398,058
Appropriation					
Final dividend for the year ended June 30, 2011: Rs 1.00/- per share		19,092	19,092	38,184	38,184
Transferred to general reserve		30,000	30,000	50,000	50,000
		49,092	49,092	88,184	88,184
Profit available for appropriation		514,543	511,911	312,167	309,874
Earning per share - Basic	Rupees	13.17	13.15	4.77	4.77

Subsequent appropriation

The Directors have recommended:

- Final cash dividend of Rs.1/- per share i-e 10% (2011: Rs. 1/- per share i-e 10%).
- Appropriation of Rs. 100.000 million (2011: Rs. 30.000 million) to General Reserve.

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

GENERATION AND RAW MATERIAL CONSUMPTION

During the year under review company generated 330,849 Mwh against last years generation of 318,781 Mwh. Inspite of natural gas plant remained closed for 3,914 hours during the year due to gas shutdown.

GENERATION

	30.06.2012 (Mwh)	30.06.2012 %	30.06.2011 (Mwh)	30.06.2011 %
Actual Capacity (including standby generators)	696,946		713,590	
Operating Capacity (excluding standby generators)	620,909		593,841	
Actual Generation	330,849	100.00	318,781	100.00
Capacity Utilization	53.29%		53.68%	
Units Sold	313,961	94.90	302,786	94.98
Auxiliary Consumption	11,540	3.49	11,538	3.62
Line Losses	5,348	1.62	4,457	1.40

RAW MATERIAL CONSUMPTION

	30.06.2012				30.06.2011			
	Quantity consumed	Units	Value (Rs. '000')	Average rate	Quantity consumed	Units	Value (Rs. '000')	Average rate
Furnace Oil	48,563	M. Ton	3,336,672	68,708	48,849	M. Ton	2,444,072	50,033
Lube Oil	542,246	Liter	121,846	225	547,337	Liter	108,323	198
H.S. Diesel Oil	542,870	Liter	45,734	84	534,050	Liter	36,974	69
Light Diesel Oil	-				121,000	Liter	6,520	54
Gas Consumption	1,191,442	MMBTU	554,225	465	1,141,361	MMBTU	439,363	385

SALES

	30.06.2012 Rupees ('000')	30.06.2012 Per Mwh/Ton	30.06.2011 Rupees ('000')	30.06.2011 Per Mwh/Ton
Sale of electricity	4,976,995	16,437	3,664,632	12,103
Electricity duty	7,055	23	6,181	20
Net selling rate - electricity	4,974,649	16,414	3,658,451	12,083
Sale of steam	95,326	1,125	112,446	1,125

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

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

b. Proper books of accounts have been maintained.

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

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

e. The internal control system is being effectively implemented and monitored.

f. There is no significant doubt about the Company's ability to continue as a going concern.

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

h. Summary of key operating and financial data for the last six years is annexed in this annual report.

i. Value of investments of Staff Provident Fund Trust was Rs. 15.120 million and Rs. 18.620 million respectively as on June 30, 2012 and 2011.

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

Name of Directors	No. of meetings attended
Mr. Javed Iqbal	6
Mr. Sarosh Javed	6
Mr. Mukhtar Ahmed Sheikh	5
Mrs. Naureen Javed	6
Mst. Naseem Akhtar	5
Mrs. Haniah Javed	6
Mr. Muhammad Anis	2
Mr. Rana M. Arshad Iqbal	2

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

k. The Audit Committee held meetings during the year. Attendance by each member was as follows:

Member's Name	No. of meetings attended
Mr. Sarosh Javed	5
Mr. Javed Iqbal	5
Mst. Naseem Akhtar	3

l. The remuneration to Chief Executive officer was increased by 25% in accordance with the terms of his appointment as approved by the Board of Directors.

m. Pattern of Shareholding as at June 30, 2012 is annexed to this report.

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 determined in accordance with comparable uncontrolled price method.

WEB REFERENCE

The company maintains a functional website. Annual, half yearly and quarterly reports are regularly posted at the company website. http://www.sitara.pk

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 2012, the Company has donated Rs. 4.240 million to welfare institutions operating in the fields of health and education.

FUTURE PROSPECTS AND OUTLOOK

The profitability of the company during the financial year 2012-13 will largely depends on supply agreement with FESCO which is lying pending with NEPRA for its approval and availability of natural gas.

AUDITORS

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

APPRECIATION

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

On behalf of the Board of Directors

JAVED IQBAL
CHIEF EXECUTIVE OFFICER

September 22, 2012
Faisalabad

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2012

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
328	1	100	6,337
432	101	500	202,842
116	501	1,000	112,945
171	1,001	5,000	480,359
43	5,001	10,000	332,500
14	10,001	15,000	176,592
7	15,001	20,000	121,448
8	20,001	25,000	196,381
4	25,001	30,000	109,286
1	30,001	35,000	32,500
4	35,001	40,000	153,000
3	40,001	45,000	126,210
3	45,001	50,000	145,520
2	50,001	55,000	109,804
1	55,001	60,000	59,000
1	80,001	85,000	83,000
1	85,001	90,000	86,247
1	90,001	95,000	94,598
2	145,001	150,000	295,500
2	195,001	200,000	400,000
1	210,001	215,000	213,500
1	255,001	260,000	256,117
1	260,001	265,000	263,151
1	265,001	270,000	268,000
1	320,001	325,000	323,000
1	410,001	415,000	414,500
1	420,001	425,000	424,474
1	495,001	500,000	496,611
1	595,001	600,000	600,000
1	655,001	660,000	656,000
1	830,001	835,000	832,360
1	930,001	935,000	933,661
1	1,070,001	1,075,000	1,073,237
1	1,130,001	1,135,000	1,130,517
1	1,625,001	1,630,000	1,628,500
1	6,250,001	6,255,000	6,254,303
1,160			19,092,000

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2012

	Number	Share Held	Percentage
Associated Companies, Undertaking and Related Parties			
Sitara Fabrics Limited	1	656,000	3.44
Directors, CEO & their Spouse and Minor Children			
Mr. Javed Iqbal	1	6,254,303	32.76
Mrs. Naureen Javed	1	1,073,237	5.62
Mr. Sarosh Javed	1	1,000	0.01
Ms. Haniah Javed	1	1,000	0.01
Mr. Mukhtar Ahmed Sheikh	1	1,000	0.01
Mst. Naseem Akhtar	1	1,000	0.01
Rana Muhammad Arshad Iqbal	1	500	0.00
Executive	-	-	-
Public Sector Companies and Corporation	-	-	-
Bank, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds.	7	2,856,702	14.95
Foreign Investors	1	1,000	0.01
Mutual Funds	2	519,268	2.72
Co-operative Societies	-	-	-
Charitable Trust	-	-	-
Investment Companies	2	2,000	0.01
Individuals	1,129	6,078,619	31.83
Others	-	-	-
Joint Stock Companies, others, etc.	11	1,646,371	8.62
	1,160	**19,092,000**	**100.00**

DATA FOR LAST SIX YEARS

PARTICULARS	2012	2011	2010	2009	2008	2007
			Rupees in thousand			
FINANCIAL POSITION						
Paid up capital	190,920	190,920	190,920	190,920	190,920	190,920
Share premium	143,190	143,190	143,190	143,190	143,190	143,190
General reserve	620,000	590,000	540,000	490,000	460,000	460,000
Fixed assets at cost	2,244,936	2,249,956	2,237,936	2,226,647	2,119,520	1,746,110
Accumulated depreciation	1,074,287	999,716	934,534	853,915	783,377	724,815
Current assets	1,003,629	951,136	1,065,017	1,067,153	975,860	696,225
Current liabilities	1,509,799	1,838,056	1,496,000	1,377,056	1,084,109	1,009,867
INCOME						
Sales	4,866,139	3,753,492	3,875,481	3,009,929	2,286,357	1,461,240
Other income	96,523	9,841	4,794	7,168	14,032	7,422
Pre tax profit	251,916	91,527	106,926	80,338	112,669	1,518
Taxation	448	487	(269)	(698)	358	339
STATISTICS AND RATIOS						
Per tax profit to sales %	5.18	2.44	2.76	2.67	4.93	0.10
Per tax profit to capital %	131.95	47.94	56.01	42.08	59.01	0.80
Current ratio	0.66	0.52	0.71	0.78	0.90	0.69
Paid up value if per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00
Earning after tax per share (Rs.)	13.17	4.77	5.61	4.24	5.88	0.06
Cash dividend %	10.00	10.00	20.00	20.00	25.00	-
Break up value per share (Rs.)	76.93	64.75	61.99	58.37	56.63	50.74

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of the Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange, for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and director representing minority interests on its Board of Directors. At present the Board includes two executive and five non-executive directors and no director representing minority interests. The condition of clause 1(b) of the CCG in relation to independent director wil be applicable after election of next Board of Directors of the Company in April 2013.

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

3. All the directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFI.

4. Two causal vacancies occurred in the Board on September 29, 2011 and one causal vacancy occurred in the Board on November 11, 2011 which were filled within 30 days thereof.

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

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

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

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

9. Directors are well conversant and fully aware of the listing regulations, legal requirements and operational imperatives of the Company. The Directors will comply with the training requirement as defined in clause (xi) of CCG,

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

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

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

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

15. The Board has formed an Audit Committee. It comprises three members of whom two are non-executive Directors including the Chairman of the Committee. The condition of clause 1(b) of the CCG in relation to independent director will be applicable on election of next Board of Directors of the Company.

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

17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-exectuive director and the chairman of the committee is a non-exectuive director.

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

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

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

21. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors.

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

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

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

On behalf of the Board of Directors

JAVED IQBAL
CHIEF EXECUTIVE OFFICER

September 22, 2012
Faisalabad

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2012 prepared by the Board of Directors of Sitara Energy Limited (the company) to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges (the Stock Exchanges) where the company is listed.

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

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

Further, Sub- Regulation (x) of Listing Regulation No. 35 of the Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2012.

September 22, 2012
Faisalabad

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Sitara Energy Limited (the Company) as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2012 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

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

September 22, 2012

Faisalabad

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

BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
30,000,000 ordinary shares of Rs. 10/- each.		300,000,000	300,000,000
Issued, subscribed and paid up capital	3	190,920,000	190,920,000
Capital reserve - share premium		143,190,000	143,190,000
General reserve		620,000,000	590,000,000
Unappropriated profit		514,543,039	312,166,989
		1,468,653,039	1,236,276,989
NON-CURRENT LIABILITIES			
Redeemable capital	4	310,000,000	292,500,000
Liabilities against assets subject to finance lease	5	2,110,377	4,314,653
		312,110,377	296,814,653
CURRENT LIABILITIES			
Trade and other payables	6	263,525,309	121,142,252
Interest / mark up payable	7	57,262,605	75,046,888
Short term bank borrowings	8	1,030,967,586	986,864,925
Current portion of:			
Redeemable capital	4	155,000,000	352,500,000
Long term finance		-	300,000,000
Liabilities against assets subject to finance lease	5	2,190,449	2,097,187
Provision for taxation income tax		852,817	404,513
		1,509,798,766	1,838,055,765
CONTINGENCIES AND COMMITMENTS	9	-	-
		3,290,562,182	3,371,147,407

	Note	2012 Rupees	2011 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,982,367,955	2,348,588,049
Investment in subsidiary	11	49,995,000	49,995,000
Long term deposits	12	1,199,900	1,199,900
		2,033,562,855	2,399,782,949
CURRENT ASSETS			
Stores, spares and loose tools	13	379,029,692	404,661,771
Stock of oil and lubricants	14	76,912,795	121,933,365
Trade debts	15	499,775,181	333,959,013
Loans and advances	16	12,100,662	63,698,899
Deposits and prepayments	17	2,685,339	1,719,815
Other receivables		22,378,162	22,378,162
Tax refunds due from Government - income tax		5,636,803	-
Cash and bank balances	18	5,110,263	2,785,210
		1,003,628,897	951,136,235
Non-current assets held for sale	19	253,370,430	20,228,223
		1,256,999,327	971,364,458
		3,290,562,182	3,371,147,407

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Sales - net	20	**4,866,138,711**	3,753,491,599
Cost of generation	21	**4,341,207,916**	3,305,509,890
Gross profit		**524,930,795**	447,981,709
Other operating income	22	**96,523,055**	9,841,400
		621,453,850	457,823,109
Operating expenses	23	**80,229,505**	65,570,754
Other operating expenses	24	**19,712,890**	4,821,534
Finance cost	25	**269,595,101**	295,903,428
		369,537,496	366,295,716
Profit for the year before taxation		**251,916,354**	91,527,393
Provision for taxation	26	**448,304**	486,659
Profit for the year		**251,468,050**	91,040,734
Earnings per share - Basic and diluted	27	**13.17**	4.77

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
Profit for the year	**251,468,050**	91,040,734
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**251,468,050**	91,040,734

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	**251,916,354**	91,527,393
Adjustments for:		
Depreciation of property, plant and equipment	**79,243,388**	73,430,328
Provision for staff retirement benefits	**2,535,291**	2,726,487
Gain on disposal of:		
Property, plant and equipment	**(13,676,072)**	(6,291,546)
Non-current assets held for sale	**(81,356,615)**	(1,841,770)
Finance cost	**269,595,101**	295,903,428
Balances written off - net	**6,121,402**	-
Operating cash flows before working capital changes	**514,378,849**	455,454,320
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	**25,632,079**	21,134,320
Stock of oil and lubricants	**45,020,570**	9,572,187
Trade debts	**(165,816,168)**	55,191,457
Loans and advances	**42,551,487**	21,660,957
Deposits and prepayments	**(965,524)**	45,561
Tax refunds due from Government	**-**	2,894,050
(Decrease) / increase in current liabilities		
Trade and other payables	**135,565,991**	(81,059,065)
	81,988,435	29,439,467
Cash generated from operating activities	**596,367,284**	484,893,787
Income tax paid	**(3,128,939)**	(3,120,774)
Staff retirement benefits paid	**(2,516,825)**	(2,728,023)
Finance cost paid	**(287,379,384)**	(292,251,906)
Net cash generated from operating activities	**303,342,136**	186,793,084

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	**(91,379,860)**	(85,703,018)
Proceeds from disposal of :		
Property, plant and equipment	**34,359,700**	64,249,500
Investment in subsidiary	**-**	5,000
Non-current assets held for sale	**213,022,314**	25,725,625
Long term deposits	**-**	(688,700)
Net cash generated from investing activities	**156,002,154**	3,588,407
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of :		
Redeemable capital	**(180,000,000)**	(197,500,000)
Long term financing	**(300,000,000)**	-
Liabilities against assets subject to finance lease	**(2,111,014)**	(7,488,504)
Increase in short term bank borrowings - net	**44,102,661**	45,706,189
Dividend paid	**(19,010,884)**	(37,640,330)
Net cash (used in) financing activities	**(457,019,237)**	(196,922,645)
Net increase / (decrease) in cash and cash equivalents (a+b+c)	**2,325,053**	(6,541,154)
Cash and cash equivalents at the beginning of the year	**2,785,210**	9,326,364
Cash and cash equivalents at the end of the year	**5,110,263**	2,785,210

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2012

	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, 2010	190,920,000	143,190,000	540,000,000	309,310,255	849,310,255	1,183,420,255
Transaction with owners						
Dividend for the year ended June 30, 2010 : Rs.2/- per share	-	-	-	(38,184,000)	(38,184,000)	(38,184,000)
Transferred to general reserve	-	-	50,000,000	(50,000,000)	-	-
Total comprehensive income for the year						
Profit for the year	-	-	-	91,040,734	91,040,734	91,040,734
Other comprehensive income	-	-	-	-	-	-
	-	-	-	91,040,734	91,040,734	91,040,734
Balance as at June 30, 2011	190,920,000	143,190,000	590,000,000	312,166,989	902,166,989	1,236,276,989
Transaction with owners						
Dividend for the year ended June 30, 2011 : Rs.1/- per share	-	-	-	(19,092,000)	(19,092,000)	(19,092,000)
Transferred to general reserve	-	-	30,000,000	(30,000,000)	-	-
Total comprehensive income for the year						
Profit for the year	-	-	-	251,468,050	251,468,050	251,468,050
Other comprehensive income	-	-	-	-	-	-
	-	-	-	251,468,050	251,468,050	251,468,050
Balance as at June 30, 2012	190,920,000	143,190,000	620,000,000	514,543,039	1,134,543,039	1,468,653,039

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1. STATUS AND ACTIVITIES

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements for the periods beginning on or after July 01, 2011 and therefore, have been applied in preparing these financial statements.

- IAS 1 "Presentation of Financial Statements" The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The company has chosen to present such an analysis in the statement of changes in equity.
- IFRS 7 (Amendments), "Financial Instruments" emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendments do not have any significant impact on the Company's financial statements.
- IAS 24 "Related Party Disclosures" (as revised in 2009) has been revised to change the definition of a related party and introduces a partial exemption from the disclosure requirements for government-related entities. The applicant of revised standard does not have any impact on the Company's financial statements.

IAS 32 "Financial Instruments: Presentation (Amendments)" Classification of Right Issues. The amendments address the classification of certain right issues denominated in a foreign currency either as equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The application of amendments does not have material impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss. The application of IFRIC 19 has no impact on the financial statements because the company has not entered into any transactions of this nature.

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

There are certain new standards, amendments to standards and interpretations that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2011 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

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

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

- IAS 1 "Presentation of Financial Statements" The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements. The amendments to IAS 1 require additional disclosures to be made in other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that might be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendment is effective for accounting periods of the Company beginning on or after July 01, 2013. The application of the amendment will result in certain disclosures.

- IFRS 7 "Financial Instruments Disclosures" The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. These amendments are effective for the accounting periods beginning on or after July 01, 2012. These amendments do not have a material impact on the Company's financial statements.

- IFRS 9 "Financial Instruments" IFRS 9 (as originally issued in 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 is effective for the accounting periods beginning on or after July 01, 2013. IFRS 9 contains a number of transitional provisions. The standard requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. The application of the standard is not expected to have any material impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

- IFRS 10 "Consolidated Financial Statements" replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. A more robust definition of control has been developed in IFRS 10 in order to capture unintentional weaknesses of the definition of control set out in the previous version of IAS 27. The standard adds application guidance to assist in assessing whether an investor controls an investee in complex scenarios. The standard is effective for accounting periods of the Company beginning on or after July 01, 2013. The application of the standard is not expected to have any material impact on the Company's financial statements.

- IFRS 12 "Disclosures of interest in other entities" This is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on their financial statements. The standard is effective for accounting period of the Company beginning on or after July 01, 2013. The application of the standard may result in additional disclosures.

- IFRS 13 "Fair Value Measurement" establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The standard is effective for accounting periods of the Company beginning on or after July 01, 2013. The application of the standard is not expected to have any significant impact on the Company's financial statements.

- IAS – 12 "Income Taxes" The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The amendments are effective for accounting periods of the Company beginning on or after July 01, 2012. The amendments are not expected to have any material impact on the Company's financial statements.

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

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

2.2 Basis of preparation

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

2.3 Leases

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

2.4 Staff retirement benefits

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

2.5 Trade and other payables

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

2.6 Provisions

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

2.7 Provision for taxation

Current

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

Deferred

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

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

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

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

2.8 Dividend and other appropriations

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

2.9 Property, plant and equipment

Operating assets

Operating assets, except freehold land, are stated at cost less accumulated depreciation and accumulated impairment in value, if any. Freehold land is stated at cost less accumulated impairment in value, if any.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

When parts of an item of operating asset have different useful lives, they are recognised as separate items of operating assets.

Depreciation is charged to income applying the reducing balance method at the rates specified in the property, plant and equipment note except plant and machinery on which depreciation is charged by applying unit of production method subject to minimum charge of Rs. 10 million to cover obsolescence.

Depreciation on additions other than additions in plant and machinery during the period is charged from the month in which an asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed off. The assets' residual values and useful lives are reviewed at each financial year end and adjusted, if impact on depreciation is significant.

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

Capital work in progress

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are stated at cost less impairment in value, if any and are transferred to specific assets as and when these assets are available for use.

Assets subject to finance lease

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

Non-operating land

Non-operating land is stated at cost.

Gains and losses on disposal of property, plant and equipment are included in current income.

2.10 Impairment

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

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

2.11 Borrowing costs

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

2.12 Investment in subsidiary

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

2.13 Stores, spares and loose tools

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

2.14 Stock of oil and lubricants

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

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

2.15 Trade debts and other receivables

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

2.16 Cash and cash equivalents

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

2.17 Non-current assets held for sale

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2.18 Foreign currency translation

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

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

2.19 Financial instruments

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

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

2.20 Offsetting of financial asset and financial liability

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

2.21 Revenue recognition

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

Revenue is recognised as the power and steam are supplied.

Interest income is recognised on time proportionate basis.

2.22 Transactions with related parties

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

2.23 Critical accounting estimates and judgments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3. Issued, subscribed and paid up capital

2011	2012		2011	2012
Number of shares			Rupees	**Rupees**
19,092,000	19,092,000	Ordinary shares of Rs. 10/- each fully paid in cash.	190,920,000	**190,920,000**

3.1 Shares held by the associated undertakings:

	Note	2012	2011
		Number of shares	
Sitara Chemical Industries Limited	3.1.1	-	933,661
Sitara Fabrics Limited		**656,000**	656,000
		656,000	1,589,661

3.1.1 Sitara Chemical Industries Limited ceases to be related party during the year.

	Note	2012 Rupees	2011 Rupees
4. Redeemable capital			
Secured			
Sukuk certificates - I		-	180,000,000
Sukuk certificates - II	4.1	**465,000,000**	465,000,000
		465,000,000	645,000,000
Less: Current portion			
Installment due		-	77,500,000
Payable within one year		**155,000,000**	275,000,000
		155,000,000	352,500,000
		310,000,000	292,500,000

4.1 These represents balance out of 124,000 sukuk certificates of Rs. 5,000/- each privately placed with an investment bank.

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

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

Terms of repayment of Sukuk certificates have been revised during the year and remaining Sukuk certificates are redeemable in six semi annual instalments commencing from November 16, 2012 and ending on May 16, 2015.

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

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

Effective yield rate of rental during the year ranges from 13.06% to 15.75% per annum (2011: 13.37% to 14.51% per annum).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
5. Liabilities against assets subject to finance lease		
Opening balance	**6,411,840**	7,013,344
Obtained during the year	**-**	6,887,000
	6,411,840	13,900,344
Paid / adjusted during the year	**(2,111,014)**	(7,488,504)
	4,300,826	6,411,840
Shown under current liabilities		
Payable within one year	**2,190,449**	2,097,187
	2,110,377	4,314,653

These represents vehicles acquired under ijarah finance. The principal plus financial charges are payable over the lease period in 36 and 60 monthly instalments. The liability represents the total minimum lease payments discounted at 15.49% to 16.00% per annum being the interest rates implicit in leases.

The future minimum lease payments to which the Company is committed as at June 30, 2012 are as under:

Year ending June 30,	Rupees
2013	2,608,020
2014	2,208,708
	4,816,728
Financial charges allocated to future periods	(515,902)
	4,300,826

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

	2012		2011	
	Minimum lease payments	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
	-----	-----Rupees-----	-----	-----
Due within one year	**2,608,020**	**2,190,449**	2,843,210	2,097,187
Due after one year but not later than five years	**2,208,708**	**2,110,377**	4,816,728	4,314,653
	4,816,728	**4,300,826**	7,659,938	6,411,840

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
6. Trade and other payables			
Creditors		**67,666,040**	26,076,453
Accrued liabilities		**105,914,178**	42,476,916
Import duty		**19,962,500**	19,962,500
Advance against non-current assets held for sale		**8,715,000**	14,415,000
Provident fund		**450,416**	431,950
Unclaimed dividend		**3,988,889**	3,907,773
Workers' profit participation fund	6.1	**13,591,488**	4,821,534
Sales tax		**36,036,235**	6,583,411
Withholding tax		**6,730,945**	1,035,246
Other		**469,618**	1,431,469
		263,525,309	121,142,252

6.1 Workers' profit participation fund

		2012 Rupees	2011 Rupees
Opening balance		**4,821,534**	5,665,665
Interest on funds utilised in the Company's business		**200,523**	81,743
		5,022,057	5,747,408
Paid to workers on behalf of the fund		**(5,022,057)**	(5,747,408)
		-	-
Allocation for the year		**13,591,488**	4,821,534
		13,591,488	4,821,534

	Note	2012 Rupees	2011 Rupees
7. Interest / mark up payable			
Interest / mark up on secured:			
Redeemable capital		**7,696,892**	21,652,171
Long term financing		-	12,728,532
Liabilities against assets subject to finance lease		**11,322**	44,552
Short term bank borrowings		**49,554,391**	40,621,633
		57,262,605	75,046,888
8. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finance I	8.2	**214,000,000**	175,000,000
Morabaha finance II	8.3	**30,000,000**	30,000,000
Term finance	8.4	**219,000,000**	240,000,000
Running finances	8.5	**567,967,586**	541,864,925
		1,030,967,586	986,864,925

8.1 The aggregate unavailed short term financing facilities available to the Company are Rs. 288.03 million (2011: Rs. 203.14 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

8.2 It is subject to mark up at the rate of 6 months KIBOR plus 2.25% per annum payable quarterly in arrears. It is secured against first charge over fixed assets of the Company ranking pari passu with the charge created in respect of running finance (Refer Note 8.5). It is further secured against first charge over current assets of the Company ranking pari passu with the charge created in respect of term finance (Refer Note 8.4) and running finances (Refer Note 8.5).

Effective mark up rates charged during the year range from 14.07% to 17.62% per annum (2011: 14.25% to 18.04% per annum).

8.3 It is subject to mark up at the rate of 6 months KIBOR plus 3.25% per annum payable quarterly in arears. It is secured against ranking charge over movable fixed assets and current assets of the Company. It is further secured against registered and equitable mortgage of land measuring 01 Kanal 13 Marla, situated at chak No. 212 RB and personal guarantee of directors of the Company.

Effective mark up rates charged during the year range from 14.85% to 16.63% per annum (2011: 16.63% per annum).

8.4 It is subject to mark up at the rate of 1 month KIBOR plus 2% per annum. It is secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Not 8.2) and running finances (Refer Note 8.5).

Effective mark up rates charged during the year range from 13.54% to 15.56% per annum (2011: 14.39% to 15.65% per annum).

8.5 These are subject to mark up at the rate of 3 months KIBOR plus 2% per annum to 3% per annum. These are secured against first charge over current assets ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 8.2) and term finance (Refer Note 8.4), ranking charge over fixed assets and personal guarantee of directors of the Company. Running finance of Rs. 343 million (2011: Rs. 168 million) is further secured against first charge over fixed assets of the Company ranking pari passu with the charge created in respect of morabaha finance (Refer Note 8.2).

Effective mark up rates charged during the year range from 13.91% to 16.44% per annum (2011: 14.26% to 17.02% per annum).

8.6 The Company has issued guarantees amounting to NIL (2011: Rs. 125 million) to secure the limit of short term borrowings available to the subsidiary Company.

	2012 Rupees	2011 Rupees
9. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Bank guarantee issued in favour of Sui Northern Gas Pipelines Limited for supply of gas	**97,171,000**	97,171,000
Demand of income tax not acknowledged in view of pending appeals.	**3,912,068**	3,648,594
Commitments		
Under letters of credit for stores and spares	**14,454,769**	7,346,727
Under contracts for fixed capital expenditure	**-**	45,748,239

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
10. Property, plant and equipment			
Operating assets	10.1	**1,170,649,297**	1,250,240,731
Capital work in progress	10.4	**148,322,911**	144,794,541
Non-operating land	10.5	**663,395,747**	953,552,777
		1,982,367,955	2,348,588,049

10.1 Operating assets

	Company owned										Assets subject to finance lease			
	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Electric Appliances	Furniture and fixtures	Office equipment	Vehicles	Sub total	Plant and machinery	Vehicles	Sub total	Total
	Rupees													
At July 01, 2010														
Cost	65,391,407	198,224,762	1,730,552,639	156,898,636	3,843,647	7,097,087	4,345,386	13,970,041	27,012,442	2,207,336,047	30,000,000	600,000	30,600,000	2,237,936,047
Accumulated depreciation	-	(113,506,028)	(728,853,671)	(56,230,023)	(2,690,581)	(2,969,801)	(2,051,000)	(8,090,956)	(15,950,032)	(930,342,092)	(3,839,045)	(352,909)	(4,191,954)	(934,534,046)
Net book value	65,391,407	84,718,734	1,001,698,968	100,668,613	1,153,066	4,127,286	2,294,386	5,879,085	11,062,410	1,276,993,955	26,160,955	247,091	26,408,046	1,303,402,001
Year ended June 30, 2011														
Opening net book value	65,391,407	84,718,734	1,001,698,968	100,668,613	1,153,066	4,127,286	2,294,386	5,879,085	11,062,410	1,276,993,955	26,160,955	247,091	26,408,046	1,303,402,001
Additions	-	-	21,203,113	303,900	-	222,904	39,650	67,606	6,173,715	28,010,888	-	6,887,000	6,887,000	34,897,888
Transfer from capital work in progress	-	-	7,632,125	-	-	-	-	-	-	7,632,125	-	-	-	7,632,125
Disposals:														
Cost	(580,125)	-	-	-	-	-	-	-	(15,479,365)	(16,059,490)	-	-	-	(16,059,490)
Accumulated depreciation	-	-	-	-	-	-	-	-	7,163,116	7,163,116	-	-	-	7,163,116
	(580,125)	-	-	-	-	-	-	-	(8,316,249)	(8,896,374)	-	-	-	(8,896,374)
Transferred to non-current assets held for sale														
Cost	-	-	(14,450,000)	-	-	-	-	-	-	(14,450,000)	-	-	-	(14,450,000)
Accumulated depreciation	-	-	1,085,419	-	-	-	-	-	-	1,085,419	-	-	-	1,085,419
	-	-	(13,364,581)	-	-	-	-	-	-	(13,364,581)	-	-	-	(13,364,581)
Depreciation charge	-	(8,471,873)	(50,832,047)	(10,088,196)	(115,307)	(433,161)	(233,316)	(590,394)	(1,496,726)	(72,261,020)	(486,756)	(682,552)	(1,169,308)	(73,430,328)
Closing net book value	64,811,282	76,246,861	966,337,578	90,884,317	1,037,759	3,917,029	2,100,720	5,356,297	7,423,150	1,218,114,993	25,674,199	6,451,539	32,125,738	1,250,240,731
At July 01, 2011														
Cost	64,811,282	198,224,762	1,744,937,877	157,202,536	3,843,647	7,319,991	4,385,036	14,037,647	17,706,792	2,212,469,570	30,000,000	7,487,000	37,487,000	2,249,956,570
Accumulated depreciation	-	(121,977,901)	(778,600,299)	(66,318,219)	(2,805,888)	(3,402,962)	(2,284,316)	(8,681,350)	(10,283,642)	(994,354,577)	(4,325,801)	(1,035,461)	(5,361,262)	(999,715,839)
Net book value	64,811,282	76,246,861	966,337,578	90,884,317	1,037,759	3,917,029	2,100,720	5,356,297	7,423,150	1,218,114,993	25,674,199	6,451,539	32,125,738	1,250,240,731
Year ended June 30, 2011														
Opening net book value	64,811,282	76,246,861	966,337,578	90,884,317	1,037,759	3,917,029	2,100,720	5,356,297	7,423,150	1,218,114,993	25,674,199	6,451,539	32,125,738	1,250,240,731
Additions	-	-	-	-	235,000	1,257,052	-	517,935	7,433,390	9,443,377	-	-	-	9,443,377
Disposals:														
Cost	(4,520,543)	-	-	-	-	-	-	-	(9,943,570)	(14,464,113)	-	-	-	(14,464,113)
Accumulated depreciation	-	-	-	-	-	-	-	-	4,672,690	4,672,690	-	-	-	4,672,690
	(4,520,543)	-	-	-	-	-	-	-	(5,270,880)	(9,791,423)	-	-	-	(9,791,423)
Depreciation charge	-	(7,624,686)	(58,369,008)	(9,088,432)	(117,484)	(451,016)	(210,072)	(541,146)	(1,551,236)	(77,953,080)	-	(1,290,308)	(1,290,308)	(79,243,388)
Closing net book value	60,290,739	68,622,175	907,968,570	81,795,885	1,155,275	4,723,065	1,890,648	5,333,086	8,034,424	1,139,813,867	25,674,199	5,161,231	30,835,430	1,170,649,297
At July 01, 2012														
Cost	60,290,739	198,224,762	1,744,937,877	157,202,536	4,078,647	8,577,043	4,385,036	14,555,582	15,196,612	2,207,448,834	30,000,000	7,487,000	37,487,000	2,244,935,834
Accumulated depreciation	-	(129,602,587)	(836,969,307)	(75,406,651)	(2,923,372)	(3,853,978)	(2,494,388)	(9,222,496)	(7,162,188)	(1,067,634,967)	(4,325,801)	(2,325,769)	(6,651,570)	(1,074,286,537)
Net book value	60,290,739	68,622,175	907,968,570	81,795,885	1,155,275	4,723,065	1,890,648	5,333,086	8,034,424	1,139,813,867	25,674,199	5,161,231	30,835,430	1,170,649,297
Annual rate of depreciation (%)	-	10	-	10	10	10	10	10	20			20		

	2012 Rupees	2011 Rupees
10.2 Depreciation for the year has been allocated as under:		
Cost of generation	**75,199,610**	69,994,180
Operating expenses	**4,043,778**	3,436,149
	79,243,388	73,430,329

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

10.3 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
	-----	-----	Rupees	-----	
Operating assets					
Freehold land (Sold by negotiation)	1,195,293	-	1,195,293	1,500,000	Mr. Hamid Javed Chak No. 61 R.B, Tehsil Jaranwala, Faisalabad.
	535,000	-	535,000	800,000	Khalid Mehmood Chak No. 61 R.B, Tehsil Jaranwala, Faisalabad.
	2,790,250	-	2,790,250	12,681,700	Muhammad Azhar H No. P-167, Lasani Town, Sargodha Road, Faisalabad
	4,520,543		**4,520,543**	**14,981,700**	
Vehicles (Sold by negotiation)	1,264,455	1,112,224	152,231	300,000	Mr. Javed Ahmad Randhawa, Chak.No. 73/R.B Khurianwala, Faisalabad.
	3,573,500	59,558	3,513,942	3,650,000	Muhammad Bilal, 47-D Peoples Colony, Faisalabad.
	916,050	750,529	165,521	200,000	Mr. Maqbool Ahmad Ch, H. No. 34X-2, Madina Town, Faisalabad.
	772,100	475,614	296,486	400,000	Asrar Ali Rana, H. No. 480-B, Peoples Colony No. 1, Faisalabad.
	1,015,930	824,180	191,750	191,750	Fashion & Trends (Private) Limited, Millat Industrial Estate, Millat Road, Faisalabad.
	1,181,755	421,807	759,948	1,010,000	Muhammad Talal Azhar, H. No. 2, Tufail Colony, Khanpoor, District Rahim yar Khan.
(Insurance claim)	1,219,780	1,028,778	191,002	800,000	Premier Insurance Limited, Regency Arcade, 949 - Mall Road, Post Box NO. 105, Faisalabad
	9,943,570	**4,672,690**	**5,270,880**	**6,551,750**	
Non-operating land (Sold by negotiation)	7,097,502	-	7,097,502	7,920,000	Rao M. Imran Suleman and Rao M. Irfan Suleman, H. No. 545-A Peoples Colony No.1, Amin Road, Faisalabad.
	3,794,703	-	3,794,703	4,906,250	Muhammad Azhar H. No. P-167, Lasani Town, Sargodha Road, Faisalabad
	10,892,205		**10,892,205**	**12,826,250**	
2012 Rupees	**25,356,318**	**4,672,690**	**20,683,628**	**34,359,700**	
2011 Rupees	**65,121,070**	**7,163,116**	**57,957,954**	**64,249,500**	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

10.4 Capital work in progress

	Freehold land	Plant and machinery	Civil work	Total
	---Rupees---			
Balance as at July 1, 2010	51,167,500	1,000,000	89,479,967	141,647,467
Capital expenditure incurred during the year	-	6,632,125	3,147,074	9,779,199
Advances	-	-	1,000,000	1,000,000
Transferred to operating assets	-	(7,632,125)	-	(7,632,125)
Balance as at June 30, 2011	51,167,500	-	93,627,041	144,794,541
Capital expenditure incurred during the year	-	-	3,528,370	3,528,370
Balance as at June 30, 2012	51,167,500	-	97,155,411	148,322,911

	Note	2012 Rupees	2011 Rupees
10.5 Non-operating land			
Cost of land	10.5.1	**902,086,978**	823,064,433
Transferred to non-current assets held for sale	19	**359,107,906**	-
		542,979,072	823,064,433
Advances for purchase of land	10.5.2	**120,416,675**	130,488,344
		663,395,747	953,552,777

10.5.1 This includes land worth Rs. 294.78 million (2011: Rs. 301.88 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

10.5.2 It includes Rs. 55,268,744/- (2011: 36,400,000/-) advance to subsidiary company.

	2012 Rupees	2011 Rupees
11. Investment in subsidiary		
Sitara International (Private) Limited 4,999,500 (2011: 4,999,500) ordinary shares of Rs. 10/- each fully paid in cash.	**49,995,000**	49,995,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
12. Long term deposits			
Long term deposits		**1,199,900**	1,319,900
Less: Current portion		-	120,000
		1,199,900	1,199,900
13. Stores, spares and loose tools			
Stores			
In hand		**12,886,549**	12,466,439
In transit		-	1,935,654
		12,886,549	14,402,093
Spares	13.1	**364,383,760**	388,496,098
Loose tools		**1,759,383**	1,763,580
		379,029,692	404,661,771

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

	Note	2012 Rupees	2011 Rupees
14. Stock of oil and lubricants			
Furnace oil		**68,921,111**	106,763,164
Diesel oil		**1,834,805**	4,531,663
Lube oil		**6,102,028**	10,557,825
Wastes		**54,851**	80,713
		76,912,795	121,933,365
15. Trade debts			
Unsecured			
Considered good			
Related party			
Sitara Chemtek (Private) Limited		**136,798**	542,445
Others	15.1	**499,638,383**	333,416,568
		499,775,181	333,959,013

15.1 This includes receivable from Sitara Chemical Industries Limited, Sitara Spinning Mills Limited and Sitara Peroxide Limited (2011: Rs. 113,558,339/-) which were related parties in the previous year due to common management but ceases to be related parties during the year.

	2012 Rupees	2011 Rupees
16. Loans and advances		
Considered good		
Loans		
Executives	-	625,788
Staff	**102,000**	1,693,652
Advances		
Suppliers	**2,486,787**	29,754,286
Income tax	**8,163,114**	10,670,978
For purchases / expenses	**1,207,535**	20,904,720
Letters of credit fee and expenses	**141,226**	49,475
	12,100,662	63,698,899

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
17. Deposits and prepayments			
Deposits			
Guarantee margin		2,000,000	1,000,000
Current portion of long term deposits		-	120,000
		2,000,000	1,120,000
Prepayments		685,339	599,815
		2,685,339	1,719,815
18. Cash and bank balances			
Cash in hand		1,269,248	1,510,829
Cash at banks			
In current accounts		3,841,015	1,274,381
		5,110,263	2,785,210
19. Non-current assets held for sale			
Land			
Opening balance / transferred from operating assets		6,863,642	30,747,497
Transferred from			
Non-operating land	10.5	359,107,906	-
		365,971,548	30,747,497
Plant and machinery			
Opening balance			
Cost		14,450,000	14,450,000
Accumulated depreciation		(1,085,419)	(1,085,419)
		13,364,581	13,364,581
		379,336,129	44,112,078
Disposed off during the year		(125,965,699)	(23,883,855)
		253,370,430	20,228,223

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

	Note	2012 Rupees	2011 Rupees
20. Sales - net			
Electricity		5,564,381,169	4,242,090,157
Steam		110,577,870	130,078,244
		5,674,959,039	4,372,168,401
Less: Sales tax		801,764,942	612,495,819
		4,873,194,097	3,759,672,582
Less: Electricity duty		7,055,386	6,180,983
		4,866,138,711	3,753,491,599
21. Cost of generation			
Cost of fuel, oil, gas and lubricants		4,058,476,406	3,035,251,980
Salaries, wages and benefits		49,543,162	52,778,867
Staff retirement benefits		1,619,166	1,817,820
Stores, spares and loose tools		120,946,224	113,441,619
Insurance		5,415,204	5,448,406
Repairs and maintenance		14,900,772	13,850,500
Depreciation	10.2	75,199,610	69,994,179
Other		15,107,372	12,926,519
		4,341,207,916	3,305,509,890

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
22. Other operating income			
Income from assets other than financial assets:			
Sale of scrap and waste		**1,490,368**	1,708,084
Gain on disposal of property, plant and equipment		**13,676,072**	6,291,546
Gain on disposal of non-current assets held for sale		**81,356,615**	1,841,770
		96,523,055	9,841,400
23. Operating expenses			
Director's remuneration		**6,138,121**	5,371,500
Salaries and benefits		**25,977,093**	25,583,313
Staff retirement benefits		**916,125**	908,667
Postage and telephone		**2,351,167**	2,070,638
Vehicles running and maintenance		**6,546,498**	4,666,784
Traveling and conveyance		**3,337,849**	2,329,891
Printing and stationery		**1,527,470**	1,519,017
Entertainment		**4,243,788**	2,875,337
Legal and professional		**2,198,994**	2,382,808
Fee, subscription and periodicals		**2,815,289**	1,886,339
Rent, rates and taxes		**194,449**	185,611
Advertisement		**181,870**	219,550
Insurance		**809,471**	737,742
Auditors' remuneration	23.1	**706,500**	637,500
Repairs and maintenance		**6,884,332**	2,082,943
Donations	23.2	**4,240,000**	3,698,200
Depreciation	10.2	**4,043,778**	3,436,149
Utilities		**2,481,999**	3,287,091
Other		**4,634,712**	1,691,674
		80,229,505	65,570,754

23.1 Auditors' remuneration

Audit fee	**500,000**	500,000
Sundry services	**206,500**	137,500
	706,500	637,500

23.2 Donations

Chief Executive Officer, Mr. Javed Iqbal is the trustee of Aziz Fatima Trust, Gulistan Colony, Sheikhupura Road, Faisalabad, to whom Rs.4,139,000/- (2011: Rs. 3,092,000/-) have been donated during the year.

	2012 Rupees	2011 Rupees
24. Other operating expenses		
Workers' profit participation fund	**13,591,488**	4,821,534
Balances written off - net	**6,121,402**	-
	19,712,890	4,821,534

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
25. Finance cost			
Interest / mark-up on :			
Redeemable capital		74,609,972	101,574,198
Long term financing		32,364,780	47,872,423
Liabilities against assets subject to finance lease		721,340	970,537
Short term bank borrowings		160,209,990	142,810,400
Workers' profit participation fund		200,523	81,743
Bank charges and commission		1,488,496	2,594,127
		269,595,101	295,903,428
26. Provision for taxation			
Current			
for the year	26.1	448,304	404,513
for prior years		-	82,146
		448,304	486,659

26.1 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.

26.2 Relationship between the tax expense and accounting profit has not been presented in these financial statements as the Income from power generation project is exempt. Provision for taxation has been made in respect of gain on disposal of vehicles.

	2012	2011
27. Earnings per share - Basic and diluted		
Profit for the year (Rupees)	251,468,050	91,040,734
Weighted average number of ordinary shares	19,092,000	19,092,000
Earnings per share - Basic and diluted (Rupees)	13.17	4.77

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

28. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

	2012		2011	
	Chief Executive Officer	Executives	Chief Executive Officer	Executives
	Rupees			
Remuneration	4,549,718	8,407,958	3,203,000	5,898,333
Medical allowance	454,972	840,796	-	-
House rent allowance	-	-	1,441,350	2,654,250
Utilities	-	-	160,150	294,917
Perquisites	1,133,431	1,186,435	567,000	1,162,001
Contribution to provident fund	-	586,770	-	625,680
	6,138,121	11,021,959	5,371,500	10,635,181
Number of persons	1	9	1	7

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

The Chief Executive Officer is entitled to free use of Company maintained car and other perquisites. A Director and two Executives are entitled to conveyance facility. The monetary value of these benefits approximates Rs. 1,741,118/- (2011: Rs. 4,091,568/-). The Directors have waived off their meeting fee.

29. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of subsidiary, associated undertakings, directors, key management personnel and post employment benefit plan. Amounts due from and to related parties are shown under receivables and payables and remuneration to Chief Executive Officer, Director and Executives is disclosed in Note 28. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	**2012 Rupees**	2011 Rupees
Subsidiary	Advance for purchase of land	**18,868,774**	36,400,000
Associated undertakings	Sales	**273,585,977**	644,099,068
	Purchases	**1,394,117**	333,511
	Organisational expenses recovered	**56,000**	168,000
	Organisational expenses paid	**744,923**	7,191,681
	Short term loan obtained and repaid	**60,000,000**	-
	Interest on short term loan	**285,012**	-

30. PLANT CAPACITY AND ACTUAL PRODUCTION

	2012	2011
Number of generators installed	**24**	26
Number of generators worked	**22**	24
Installed energy generation capacity (Mega watt hours)	**696,946**	713,590
Actual energy generation (Mega watt hours)	**330,849**	318,781

Reasons for low generation:
- Installed generators include two standby generators.
- Adjustment in planned optimum capacity utilisation level.
- Extra capacity for future growth.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

31.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2012 Rupees	2011 Rupees
Financial assets:		
Deposits	**1,199,900**	1,319,900
Investment in subsidiary	**49,995,000**	49,995,000
Trade debts	**499,775,181**	333,959,013
Loans and advances	**102,000**	2,319,440
Other receivables	**22,378,162**	22,378,162
Cash and bank balances	**5,110,263**	2,785,210
Non-current assets held for sale	**-**	6,863,642
	578,560,506	419,620,367

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

Financial liabilities:	2012 Rupees	2011 Rupees
Redeemable capital	465,000,000	645,000,000
Long term financing	-	300,000,000
Liabilities against assets subject to finance lease	4,300,826	6,411,840
Trade and other payables	200,795,629	93,561,095
Interest / markup payable	57,262,605	75,046,888
Short term borrowings	1,030,967,586	986,864,925
	1,758,326,646	2,106,884,748

31.2 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:

31.2.1 Credit risk and concentration of credit risk

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

	2012 Rupees	2011 Rupees
Deposits	1,199,900	1,319,900
Trade debts	499,775,181	333,959,013
Other receivables	22,378,162	22,378,162
Bank balances	3,841,015	1,274,381
	527,194,258	358,931,456

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

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

The Company's most significant customer is Faisalabad Electric Supply Company (FESCO). The break-up of amount due from customers is as follows:

	2012 Rupees	2011 Rupees
Industrial users	387,501,071	121,979,263
FESCO	112,274,110	211,979,750
	499,775,181	333,959,013

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

	2012 Rupees	2011 Rupees
Not past due	423,645,924	320,986,535
Past due	75,718,990	12,972,478
	499,364,914	333,959,013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

31.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity is to maintain sufficient level of liquidity of the Company on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of balance sheet liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2012 and 2011:

	2012				
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**Two to five years**
	Rupees				
Financial liabilities:					
Redeemable capital	**465,000**	**554,410**	**95,041**	**98,025**	**361,344**
Liabilities against assets subject to finance lease	**4,301**	**5,440**	**1,283**	**1,283**	**2,874**
Trade and other payables	**200,796**	**200,796**	**200,796**	**-**	**-**
Short term borrowings	**1,030,968**	**1,079,403**	**1,079,403**	**-**	**-**
	1,701,065	**1,840,049**	**1,376,523**	**99,308**	**364,218**

	2011				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	Rupees				
Financial liabilities:					
Redeemable capital	645,000	717,297	230,887	147,765	338,645
Long term financing	300,000	337,766	25,177	312,589	-
Liabilities against assets subject to finance lease	6,412	7,660	1,422	1,422	4,816
Trade and other payables	93,561	93,561	93,561	-	-
Short term borrowings	986,865	1,062,766	1,062,766	-	-
	2,031,838	2,219,050	1,413,813	461,776	343,461

The contractual cash flows relating to mark up have been determined on the basis of mark up rates as applicable on June 30, 2012 on redeemable capital, long term and short term borrowings and leases. The Company will manage the liquidity risk from its own source through equity and working capital management. The Company has liquid assets of Rs. 759.89 million and unavailed short term borrowing facilities of Rs. 288.03 million as at June 30, 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

31.2.3 Market risk management

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

i) Interest rate risk

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

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

Sensitivity analysis

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

Had the interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year and equity would have been lower / higher by Rs.15.64 million (2011: Rs. 21 million).

ii) Currency risk

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

iii) Equity price risk

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

31.3 Fair value of financial instruments

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

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

31.4 Capital management

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

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

	Note	**2012 Rupees**	2011 Rupees
Total Debt	4, 5, & 8	**1,500,268,412**	1,638,276,765
Less: Cash and cash equivalents	18	**5,110,263**	2,785,210
Net Debt		**1,495,158,149**	1,635,491,555
Total equity		**1,468,653,039**	1,236,276,989
Total capital		**2,963,811,188**	2,871,768,544
Gearing ratio		**50.45%**	56.95%

32. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 22, 2012 has proposed a cash dividend of Rs. 1/- per share amounting to Rs. 19,092,000/- subject to approval of members in the forthcoming Annual General Meeting to be held on October 23, 2012. The Board of Directors has also approved the transfer of an amount of Rs. 100.00 million from unappropriated profit to general reserve.

33. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on September 22, 2012

34. GENERAL

34.1 RE-ARRANGEMENT

Employee benefits of Rs. 1,265,342/- were disclosed as a separate line item under the head "operating expenses". These have been included in "Salaries and benefits" under the same head for better presentation.

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

REPORT OF THE DIRECTORS
ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors have pleasure in presenting the Audited Financial Statement of the Sitara Energy Limited (the Company) and its Subsidiary Sitara International (Private) Limited (the Subsidiary) for the year ended June 30, 2012.

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

The consolidated financials are as follows:

	30.06.2012 (Rs. '000')	30.06.2011 (Rs. '000')
Sales - net	**4,879,166**	3,814,178
Gross Profit	**525,513**	459,587
Profit before taxation	**251,747**	92,091
Profit after taxation	**251,129**	91,090
Earning per share	**13.15**	4.77

On behalf of the Board of Directors

September 22, 2012
Faisalabad

JAVED IQBAL
CHIEF EXECUTIVE OFFICER

AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of Sitara Energy Limited (the company) and its subsidiary company as at June 30, 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Sitara Energy Limited and its subsidiary company. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these statements based on our audit.

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

In our opinion the consolidated financial statements present fairly the financial position of Sitara Energy Limited and its subsidiary company as at June 30, 2012 and the results of their operations, their comprehensive income, cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

September 22, 2012

Faisalabad

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

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
30,000,000 ordinary shares of Rs. 10/- each.		300,000,000	300,000,000
Issued, subscribed and paid up capital	4	190,920,000	190,920,000
Capital reserve			
Share premium		143,190,000	143,190,000
Fair value reserve		355,756	(282,580)
Revenue reserve			
General reserve		620,000,000	590,000,000
Unappropriated profit		511,911,027	309,873,889
		1,466,376,783	1,233,701,309
Non-controlling interest		7,416	7,386
		1,466,384,199	1,233,708,695
NON-CURRENT LIABILITIES			
Redeemable capital	5	310,000,000	292,500,000
Liabilities against assets subject to finance lease	6	2,110,377	4,314,653
		312,110,377	296,814,653
CURRENT LIABILITIES			
Trade and other payables	7	263,948,473	121,483,378
Interest / mark up payable	8	57,262,605	77,047,563
Short term bank borrowings	9	1,030,967,586	1,003,164,925
Current portion of			
Redeemable capital	5	155,000,000	352,500,000
Long term loan		-	300,000,000
Liabilities against assets subject to finance lease	6	2,190,449	2,097,187
Provision for taxation income tax		994,337	1,022,628
		1,510,363,450	1,857,315,681
CONTINGENCIES AND COMMITMENTS	10	-	-
		3,288,858,026	3,387,839,029

	Note	2012 Rupees	2011 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,923,600,609	2,308,695,193
Long term deposits	12	1,199,900	1,199,900
		1,924,800,509	2,309,895,093
CURRENT ASSETS			
Land held for resale - at cost		33,164,904	-
Stores, spares and loose tools	13	379,029,692	404,661,771
Stocks	14	76,912,795	134,354,882
Investment property	15	63,403,000	63,403,000
Trade debts	16	502,758,304	359,376,127
Loans and advances	17	12,996,850	63,803,379
Deposits and prepayments	18	2,685,339	1,719,815
Short-term investments	19	3,480,000	2,841,600
Other receivables		22,378,162	22,378,162
Tax refunds due from Government - income tax		5,784,744	147,941
Cash and bank balances	20	8,093,297	5,029,036
		1,110,687,087	1,057,715,713
Non-current assets held for sale	21	253,370,430	20,228,223
		1,364,057,517	1,077,943,936
		3,288,858,026	3,387,839,029

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Sales - net	22	**4,879,165,751**	3,814,178,094
Cost of generation and sales	23	**4,353,652,559**	3,354,590,777
Gross profit		**525,513,192**	459,587,317
Other operating income	24	**96,748,055**	10,072,965
		622,261,247	469,660,282
Operating expenses	25	**81,127,469**	66,497,033
Other operating expenses	26	**19,712,890**	4,821,534
Finance cost	27	**269,674,266**	306,250,701
		370,514,625	377,569,268
Profit for the year before taxation		**251,746,622**	92,091,014
Provision for taxation	28	**617,518**	1,001,259
Profit for the year		**251,129,104**	91,089,755
Attributable to:			
Ordinary shareholders		**251,129,138**	91,087,369
Non-controlling interest		**(34)**	2,386
		251,129,104	91,089,755
Earnings per share - Basic and diluted Attributable to the shareholders of the parent company	29	**13.15**	4.77

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
Profit for the year	**251,129,104**	91,089,755
Other comprehensive income for the year		
Un-realized gain on investments classified as available for sale	**638,400**	1,127,000
Total comprehensive income for the year	**251,767,504**	92,216,755
Attributable to:		
Ordinary shareholders	**251,767,474**	92,214,369
Non-controlling interest	**30**	2,386
	251,767,504	92,216,755

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	251,746,622	92,091,014
Adjustments for:		
Depreciation of property, plant and equipment	79,249,134	73,436,501
Provision for staff retirement benefits	2,535,291	2,726,487
Gain on disposal of:		
Property, plant and equipment	(13,676,072)	(6,291,546)
Non-current assets held for sale	(81,356,615)	(1,841,770)
Finance cost	269,674,266	306,250,701
Balances written off - net	6,121,402	-
Operating cash flows before working capital changes	514,294,028	466,371,387
Changes in working capital		
(Increase) / decrease in current assets		
Land held for resale - at cost	(33,164,904)	-
Stores, spares and loose tools	25,632,079	21,134,320
Stocks	57,442,087	22,063,878
Trade debts	(143,382,177)	45,744,307
Loans and advances	42,003,487	36,831,525
Deposits and prepayments	(965,524)	45,561
Rent receivable	-	75,000
Tax refunds due from Government	-	2,894,050
Increase / (decrease) in current liabilities		
Trade and other payables	154,516,773	(79,101,403)
	102,081,821	49,687,238
Cash generated from operating activities	616,375,849	516,058,625
Income tax paid	(4,018,456)	(3,225,254)
Staff retirement benefits paid	(2,516,825)	(2,728,023)
Finance cost paid	(289,459,224)	(303,821,420)
Net cash generated from operating activities	320,381,344	206,283,928

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	**(91,379,860)**	(49,310,618)
Proceeds from disposal of :		
Property, plant and equipment	**34,359,700**	64,249,500
Shares of the subsidiary company	-	5,000
Non-current assets held for sale	**213,022,314**	25,725,625
Long term deposits	-	(688,700)
Net cash generated from investing activities	**156,002,154**	39,980,807
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of :		
Redeemable capital	**(180,000,000)**	(197,500,000)
Long term financing	**(300,000,000)**	-
Liabilities against assets subject to finance lease	**(2,111,014)**	(7,488,504)
Increase / (Decrease) in short term bank borrowings - net	**27,802,661**	(11,993,811)
Dividend paid	**(19,010,884)**	(37,640,330)
Net cash (used in) financing activities	**(473,319,237)**	(254,622,645)
Net increase / (decrease) in cash and cash equivalents (a+b+c)	**3,064,261**	(8,357,910)
Cash and cash equivalents at the beginning of the year	**5,029,036**	13,386,946
Cash and cash equivalents at the end of the year	**8,093,297**	5,029,036

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2012

	Capital and reserves								Non-Controlling interest
	Issued, subscribed and paid up capital	Capital reserve			Revenue reserves			Total	
		Share premium	Fair value reserve	Sub total	General reserve	Unappropriated profit	Sub total		
	Rupees								
Balance as at June 30, 2010	190,920,000	143,190,000	(1,409,580)	141,780,420	540,000,000	306,970,520	846,970,520	1,179,670,940	-
Transaction with owners									
Final dividend for the year ended June 30, 2010: Rs. 2/- per share	-	-	-	-	-	(38,184,000)	(38,184,000)	(38,184,000)	-
Transferred to general reserve	-	-	-	-	50,000,000	(50,000,000)	-	-	-
Non controlling interest arisen due to sale of share of the subsidiary	-	-	-	-	-	-	-	-	5,000
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	91,087,369	91,087,369	91,087,369	2,386
Other comprehensive income Un-realized gain on investments classified as available for sale	-	-	1,127,000	1,127,000	-	-	-	1,127,000	-
	-	-	1,127,000	1,127,000	-	91,087,369	91,087,369	92,214,369	2,386
Balance as at June 30, 2011	190,920,000	143,190,000	(282,580)	142,907,420	590,000,000	309,873,889	899,873,889	1,233,701,309	7,386
Transaction with owners									
Final dividend for the year ended June 30, 2011: Rs. 1/- per share	-	-	-	-	-	(19,092,000)	(19,092,000)	(19,092,000)	-
Transferred to general reserve	-	-	-	-	30,000,000	(30,000,000)	-	-	-
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	251,129,138	251,129,138	251,129,138	(34)
Other comprehensive income Un-realized gain on investments classified as available for sale	-	-	638,336	638,336	-	-	-	638,336	64
	-	-	638,336	638,336	-	251,129,138	251,129,138	251,767,474	30
Balance as at June 30, 2012	**190,920,000**	**143,190,000**	**355,756**	**143,545,756**	**620,000,000**	**511,911,027**	**1,131,911,027**	**1,466,376,783**	**7,416**

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1. GROUP STATUS AND ACTIVITIES

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

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

Sitara International (Private) Limited (the Company) is incorporated in Pakistan as a private limited company under the Companies Ordinance, 1984. The principal activities of the Company is trading in textile goods and machinery. The registered office of the Company is situated at 601-602 Business centre, Mumtaz Hasan Road, Karachi.

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

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Sitara Energy Limited and its subsidiary Sitara International (Private) Limited. Subsidiary company is consolidated from the date on which more than 50% voting rights are transferred to or power to control the company is established and are excluded from consolidation from the date of disposal or reduction of control. The financial statements of the parent and subsidiary company are combined on a line by line basis.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

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

The following revised standards are effective and mandatory for financial statements for the accounting periods of the Group beginning on or after July 1, 2011 and therefore, have been applied in preparing these financial statements.

- IAS 1 "Presentation of Financial Statements" The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The Group has chosen to present such an analysis in the statement of changes in equity.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

- IFRS 7 (Amendments), "Financial Instruments" emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendments do not have any significant impact on the Group's financial statements.

- IAS 24 "Related Party Disclosures" (as revised in 2009) has been revised to change the definition of a related party and introduces a partial exemption from the disclosure requirements for government-related entities. The applicant of revised standard does not have any impact on the Group's financial statements.

- IAS 32 "Financial Instruments: Presentation (Amendments)" Classification of Right Issues. The amendments address the classification of certain right issues denominated in a foreign currency either as equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The application of amendments does not have material impact on the Company's financial statements.

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss. The application of IFRIC 19 has no impact on the financial statements because the Group has not entered into any transactions of this nature.

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

There are certain new standards, amendments and interpretations that are mandatory for accounting periods of the Group beginning on or after July 1, 2011 but are considered not to be relevant to the Group's operations, therefore, not disclosed in the financial statements.

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

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

- IAS 1 "Presentation of Financial Statements" The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements. The amendments to IAS 1 require additional disclosures to be made in other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that might be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendment is effective for accounting periods of the Group beginning on or after July 01, 2013. The application of the amendment will result in certain disclosures.

- IFRS 7 "Financial Instruments Disclosures" The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. These amendments are effective for the accounting periods beginning on or after July 01, 2012. These amendments do not have a material impact on the Group's financial statements.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

- IFRS 9 "Financial Instruments" IFRS 9 (as originally issued in 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 is effective for the accounting periods beginning on or after July 01, 2013. IFRS 9 contains a number of transitional provisions. The standard requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. The application of the standard is not expected to have any material impact on the Company's financial statements.

- IFRS 10 "Consolidated Financial Statements" replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. A more robust definition of control has been developed in IFRS 10 in order to capture unintentional weaknesses of the definition of control set out in the previous version of IAS 27. The standard adds application guidance to assist in assessing whether an investor controls an investee in complex scenarios. The standard is effective for accounting periods of the Group beginning on or after July 01, 2013. The application of the standard is not expected to have any material impact on the Group's financial statements.

- IFRS 12 "Disclosures of interest in other entities" This is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on their financial statements. The standard is effective for accounting period of the Group beginning on or after July 01, 2013. The application of the standard may result in additional disclosures.

- IFRS 13 "Fair Value Measurement" establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The standard is effective for accounting periods of the Group beginning on or after July 01, 2013. The application of the standard is not expected to have any significant impact on the Group's financial statements.

- IAS – 12 "Income Taxes" The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The amendments are effective for accounting periods of the Group beginning on or after July 01, 2012. The amendments are not expected to have any material impact on the Group's financial statements.

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

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

3.2 Basis of preparation

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3.3 Leases

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

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

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

3.4 Staff retirement benefits

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

3.5 Trade and other payables

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

3.6 Provisions

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

3.7 Provision for taxation

Current

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

Deferred

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

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

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

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

3.8 Dividend and other appropriations

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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.

Assets subject to finance lease

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

Non-operating land

Non-operating land is stated at cost.

Gains and losses on disposal of property, plant and equipment are included in current income.

3.10 Impairment

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

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3.11 Borrowing costs

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

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

3.12 Investment property

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

3.13 Stores, spares and loose tools

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

3.14 Stock of oil and lubricants

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

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

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

3.15 Trade debts and other receivables

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

3.16 Investments

Available for sale investments

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

Derecognition

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3.17 Cash and cash equivalents

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

3.18 Non-current assets held for sale

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

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

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

- Its carrying amount before the assets were classified as held for sale, adjusted for any depreciation, amortisation or revaluation that would have been recognised had the assets not been classified as held for sale, and

- Its recoverable amount at the date of the subsequent decision not to sell.

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

3.19 Foreign currency translation

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

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

3.20 Financial instruments

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

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

3.21 Offsetting of financial asset and financial liability

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3.22 Revenue recognition

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

Revenue is recognised as the power and steam are supplied.

Sale of goods is recorded on dispatch of goods.

Interest income is recognised on time proportionate basis.

3.23 Transactions with related parties

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

3.24 Critical accounting estimates and judgments

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

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

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

4. Issued, subscribed and paid up capital

2012	2011		**2012**	2011
Number of shares			**Rupees**	Rupees
19,092,000	19,092,000	Ordinary shares of Rs. 10/- each fully paid in cash.	**190,920,000**	190,920,000

4.1 Shares held by the associated undertakings;

	Note	**2012**	2011
		Number of shares	
Sitara Chemical Industries Limited		-	933,661
Sitara Fabrics Limited	4.1.1	**656,000**	656,000
		656,000	1,589,661

4.1.1 Sitara Chemical Industries Limited ceases to be related party during the year.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

		2012 Rupees	2011 Rupees
5. Redeemable capital			
Secured			
Sukuk certificates - I		-	180,000,000
Sukuk certificates - II	5.1	**465,000,000**	465,000,000
		465,000,000	645,000,000
Less: Current portion			
Installment due		-	77,500,000
Payable within one year		**155,000,000**	275,000,000
		155,000,000	352,500,000
		310,000,000	292,500,000

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

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

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

Terms of repayment of Sukuk certificates have been revised during the year and remaining Sukuk certificates are redeemable in six semi annual instalments commencing from November 16, 2012 and ending on May 16, 2015.

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

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

Effective yield rate of rental during the year ranges from 13.06% to 15.75% per annum (2011: 13.37% to 14.51% per annum).

	2012 Rupees	2011 Rupees
6. Liabilities against assets subject to finance lease		
Opening balance	**6,411,840**	7,013,344
Obtained during the year	-	6,887,000
	6,411,840	13,900,344
Paid during the year	**(2,111,014)**	(7,488,504)
	4,300,826	6,411,840
Shown under current liabilities		
Payable within one year	**2,190,449**	2,097,187
	2,110,377	4,314,653

These represents vehicles acquired under ijarah finance. The principal plus financial charges are payable over the lease period in 36 and 60 monthly instalments. The liability represents the total minimum lease payments discounted at 15.49% to 16.00% per annum being the interest rates implicit in leases.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

The future minimum lease payments to which the Company is committed as at June 30, 2012 are as under:

Year ending June 30,	Rupees
2013	2,608,020
2014	2,208,708
	4,816,728
Financial charges allocated to future periods	(515,902)
	4,300,826

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

	2012		2011	
	Minimum lease payments	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
	Rupees			
Due within one year	**2,608,020**	**2,190,449**	2,843,210	2,097,187
Due after one year but not later than five years	**2,208,708**	**2,110,377**	4,816,728	4,314,653
	4,816,728	**4,300,826**	7,659,938	6,411,840

	Note	2012 Rupees	2011 Rupees
7. Trade and other payables			
Creditors		**67,666,040**	26,076,453
Accrued liabilities		**106,337,342**	42,818,042
Import duty		**19,962,500**	19,962,500
Advance against non-current assets held for sale		**8,715,000**	14,415,000
Provident fund		**450,416**	431,950
Unclaimed dividend		**3,988,889**	3,907,773
Workers' profit participation fund	7.1	**13,591,488**	4,821,534
Sales tax		**36,036,235**	6,583,411
Withholding tax		**6,730,945**	1,035,246
Other		**469,618**	1,431,469
		263,948,473	121,483,378
7.1 Workers' profit participation fund			
Opening balance		**4,821,534**	5,665,665
Interest on funds utilised in the Company business		**200,523**	81,743
		5,022,057	5,747,408
Paid to workers on behalf of the fund		**(5,022,057)**	(5,747,408)
		-	-
Allocation for the year		**13,591,488**	4,821,534
		13,591,488	4,821,534
8. Interest / mark up payable			
Interest / mark up on secured:			
Redeemable capital		**7,696,892**	21,652,171
Long term financing		**-**	12,728,532
Liabilities against assets subject to finance lease		**11,322**	44,552
Short term bank borrowings		**49,554,391**	42,622,308
		57,262,605	77,047,563

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
9. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finances I	9.2	**214,000,000**	191,300,000
Morabaha finances II	9.3	**30,000,000**	30,000,000
Term finance	9.4	**219,000,000**	240,000,000
Running finances	9.5	**567,967,586**	541,864,925
		1,030,967,586	1,003,164,925

9.1 The aggregate unavailed short term financing facilities available to the group are Rs. 288.03 million (2011: Rs. 225.84 million).

9.2 It is subject to mark up at the rate of 6 months KIBOR plus 2.25% per annum payable quarterly in arrears. It is secured against first charge over fixed assets of the Company ranking pari passu with the charge created in respect of running finance (Refer Note 9.5). It is further secured against first charge over current assets of the Company ranking pari passu with the charge created in respect of term finance (Refer Note 9.4) and running finances (Refer Note 9.5).

Effective mark up rates charged during the year range from 14.07% to 17.62% per annum (2011: 14.25% to 18.04% per annum).

9.3 It is subject to mark up at the rate of 6 months KIBOR plus 3.25% per annum payable quarterly in arears. It is secured against ranking charge over movable fixed assets and current assets of the Group. It is further secured against registered and equitable mortgage of land measuring 01 Kanal 13 Marla, situated at chak No. 212 RB and personal guarantee of directors of the Group.

Effective mark up rates charged during the year range from 14.85% to 16.63% per annum (2011: 16.63% per annum).

9.4 It is subject to mark up at the rate of 1 month KIBOR plus 2% per annum. It is secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Not 9.2) and running finances (Refer Note 9.5).

Effective mark up rates charged during the year range from 13.54% to 15.56% per annum (2011: 14.39% to 15.65% per annum).

9.5 These are subject to mark up at the rate of 3 months KIBOR plus 2% per annum to 3% per annum. These are secured against first charge over current assets ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 9.2) and term finance (Refer Note 9.4), ranking charge over fixed assets and personal guarantee of directors of the Company Running finance of Rs. 343 million (2011: Rs. 168 million) is further secured against first charge over fixed assets of the Group ranking pari passu with the charge created in respect of morabaha finance (Refer Note 9.2).

Effective mark up rates charged during the year range from 13.91% to 16.44% per annum (2011: 14.26% to 17.02% per annum).

	2012 Rupees	2011 Rupees
10. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Bank guarantee issued in favour of Sui Northern Gas Pipelines Limited for supply of gas	**97,171,000**	97,171,000
Demand of income tax not acknowledged in view of pending appeals.	**3,912,068**	3,648,594
Commitments		
Under letters of credit for stores and spares	**14,454,769**	7,346,727
Under contracts for fixed capital expenditure	-	45,748,239

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

11. Property, plant and equipment

	Note	2012 Rupees	2011 Rupees
Operating assets	11.1	**1,170,701,008**	1,250,298,188
Capital work in progress	11.4	**148,322,911**	144,794,541
Non-operating land	11.5	**604,576,690**	913,602,464
		1,923,600,609	2,308,695,193

11.1 Operating assets

	Company owned											Assets subject to finance lease			
	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Electric Appliances	Furniture and fixtures	Office equipment	Arms and ammunitions	Vehicles	Sub total	Plant and machinery	Vehicles	Sub total	Total
	Rupees														
At July 01, 2010															
Cost	65,391,407	198,224,762	1,730,552,639	156,898,636	3,843,647	7,097,087	4,345,386	14,042,869	29,625	27,012,442	2,207,438,500	30,000,000	600,000	30,600,000	2,238,038,500
Accumulated depreciation	-	(113,506,028)	(728,853,671)	(56,230,023)	(2,690,581)	(2,969,801)	(2,051,000)	(8,126,542)	(10,837)	(15,950,032)	(930,388,515)	(3,839,045)	(352,909)	(4,191,954)	(934,580,469)
Net book value	65,391,407	84,718,734	1,001,698,968	100,668,613	1,153,066	4,127,286	2,294,386	5,916,327	18,788	11,062,410	1,277,049,985	26,160,955	247,091	26,408,046	1,303,458,031
Year ended June 30, 2011															
Opening net book value	65,391,407	84,718,734	1,001,698,968	100,668,613	1,153,066	4,127,286	2,294,386	5,916,327	18,788	11,062,410	1,277,049,985	26,160,955	247,091	26,408,046	1,303,458,031
Additions	-	-	21,203,113	303,900	-	222,904	39,650	75,206	-	6,173,715	28,018,488	-	6,887,000	6,887,000	34,905,488
Transfer from capital work in progress	-	-	7,632,125	-	-	-	-	-	-	-	7,632,125	-	-	-	7,632,125
Disposals:															
Cost	(580,125)	-	-	-	-	-	-	-	-	(15,479,365)	(16,059,490)	-	-	-	(16,059,490)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	7,163,116	7,163,116	-	-	-	7,163,116
	(580,125)	-	-	-	-	-	-	-	-	(8,316,249)	(8,896,374)	-	-	-	(8,896,374)
Transferred to non-current assets held for sale															
Cost	-	-	(14,450,000)	-	-	-	-	-	-	-	(14,450,000)	-	-	-	(14,450,000)
Accumulated depreciation	-	-	1,085,419	-	-	-	-	-	-	-	1,085,419	-	-	-	1,085,419
	-	-	(13,364,581)	-	-	-	-	-	-	-	(13,364,581)	-	-	-	(13,364,581)
Depreciation charge	-	(8,471,873)	(50,832,047)	(10,088,196)	(115,307)	(433,161)	(233,316)	(594,688)	(1,879)	(1,496,726)	(72,267,193)	(486,756)	(682,552)	(1,169,308)	(73,436,501)
Closing net book value	64,811,282	76,246,861	966,337,578	90,884,317	1,037,759	3,917,029	2,100,720	5,396,845	16,909	7,423,150	1,218,172,450	25,674,199	6,451,539	32,125,738	1,250,298,188
At July 01, 2011															
Cost	64,811,282	198,224,762	1,744,937,877	157,202,536	3,843,647	7,319,991	4,385,036	14,118,075	29,625	17,706,792	2,212,579,623	30,000,000	7,487,000	37,487,000	2,250,066,623
Accumulated depreciation	-	(121,977,901)	(778,600,299)	(66,318,219)	(2,805,888)	(3,402,962)	(2,284,316)	(8,721,230)	(12,716)	(10,283,642)	(994,407,173)	(4,325,801)	(1,035,461)	(5,361,262)	(999,768,435)
Net book value	64,811,282	76,246,861	966,337,578	90,884,317	1,037,759	3,917,029	2,100,720	5,396,845	16,909	7,423,150	1,218,172,450	25,674,199	6,451,539	32,125,738	1,250,298,188
Year ended June 30, 2011															
Opening net book value	64,811,282	76,246,861	966,337,578	90,884,317	1,037,759	3,917,029	2,100,720	5,396,845	16,909	7,423,150	1,218,172,450	25,674,199	6,451,539	32,125,738	1,250,298,188
Additions	-	-	-	-	235,000	1,257,052	-	517,935	-	7,433,390	9,443,377	-	-	-	9,443,377
Disposals:															
Cost	(4,520,543)	-	-	-	-	-	-	-	-	(9,943,570)	(14,464,113)	-	-	-	(14,464,113)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	4,672,690	4,672,690	-	-	-	4,672,690
	(4,520,543)	-	-	-	-	-	-	-	-	(5,270,880)	(9,791,423)	-	-	-	(9,791,423)
Depreciation charge	-	(7,624,686)	(58,369,008)	(9,088,432)	(117,484)	(451,016)	(210,072)	(545,201)	(1,691)	(1,551,236)	(77,958,826)	-	(1,290,308)	(1,290,308)	(79,249,134)
Closing net book value	60,290,739	68,622,175	907,968,570	81,795,885	1,155,275	4,723,065	1,890,648	5,369,579	15,218	8,034,424	1,139,865,578	25,674,199	5,161,231	30,835,430	1,170,701,008
At July 01, 2012															
Cost	60,290,739	198,224,762	1,744,937,877	157,202,536	4,078,647	8,577,043	4,385,036	14,636,010	29,625	15,196,612	2,207,558,887	30,000,000	7,487,000	37,487,000	2,245,045,887
Accumulated depreciation	-	(129,602,587)	(836,969,307)	(75,406,651)	(2,923,372)	(3,853,978)	(2,494,388)	(9,266,431)	(14,407)	(7,162,188)	(1,067,693,309)	(4,325,801)	(2,325,769)	(6,651,570)	(1,074,344,879)
Net book value	**60,290,739**	**68,622,175**	**907,968,570**	**81,795,885**	**1,155,275**	**4,723,065**	**1,890,648**	**5,369,579**	**15,218**	**8,034,424**	**1,139,865,578**	**25,674,199**	**5,161,231**	**30,835,430**	**1,170,701,008**
Annual rate of depreciation (%)	-	10	-	10	10	10	10	10	10	20	-	-	20	-	-

11.2 Depreciation for the year has been allocated as under:

	2012 Rupees	2011 Rupees
Cost of generation	**75,199,610**	69,994,180
Operating expenses	**4,049,524**	3,436,149
	79,249,134	73,430,329

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

11.3 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
	------Rupees------				
Operating assets					
Freehold land (Sold by negotiation)	1,195,293	-	1,195,293	1,500,000	Mr. Hamid Javed Chak No. 61 R.B, Tehsil Jaranwala, Faisalabad.
	535,000	-	535,000	800,000	Khalid Mehmood Chak No. 61 R.B, Tehsil Jaranwala, Faisalabad.
	2,790,250	-	2,790,250	12,681,700	Muhammad Azhar H No. P-167, Lasani Town, Sargodha Road, Faisalabad
	4,520,543		**4,520,543**	**14,981,700**	
Vehicles (Sold by negotiation)	1,264,455	1,112,224	152,231	300,000	Mr. Javed Ahmad Randhawa, Chak.No. 73/R.B Khurianwala, Faisalabad.
	3,573,500	59,558	3,513,942	3,650,000	Muhammad Bilal, 47-D Peoples Colony, Faisalabad.
	916,050	750,529	165,521	200,000	Mr. Maqbool Ahmad Ch, H. No. 34X-2, Madina Town, Faisalabad.
	772,100	475,614	296,486	400,000	Asrar Ali Rana, H. No. 480-B, Peoples Colony No. 1, Faisalabad.
	1,015,930	824,180	191,750	191,750	Fashion & Trends (Private) Limited, Millat Industrial Estate, Millat Road, Faisalabad.
	1,181,755	421,807	759,948	1,010,000	Muhammad Talal Azhar, H. No. 2, Tufail Colony, Khanpoor, District Rahim yar Khan.
(Insurance claim)	1,219,780	1,028,778	191,002	800,000	Premier Insurance Limited, Regency Arcade, 949 - Mall Road, Post Box NO. 105, Faisalabad
	9,943,570	**4,672,690**	**5,270,880**	**6,551,750**	
Non-operating land (Sold by negotiation)	7,097,502	-	7,097,502	7,920,000	Rao M. Imran Suleman and Rao M. Irfan Suleman, H. No. 545-A Peoples Colony No.1, Amin Road, Faisalabad.
	3,794,703	-	3,794,703	4,906,250	Muhammad Azhar H. No. P-167, Lasani Town, Sargodha Road, Faisalabad
	10,892,205		**10,892,205**	**12,826,250**	
2012 Rupees	**25,356,318**	**4,672,690**	**20,683,628**	**34,359,700**	
2011 Rupees	65,121,070	7,163,116	57,957,954	64,249,500	

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

11.4 Capital work in progress

	Freehold land	Plant and machinery	Civil work	Total
	-----	-----	Rupees	-----
Balance as at July 1, 2010	51,167,500	1,000,000	89,479,967	141,647,467
Capital expenditure incurred during the year	-	6,632,125	3,147,074	9,779,199
Advances	-	-	1,000,000	1,000,000
Transferred to operating assets	-	(7,632,125)	-	(7,632,125)
Balance as at June 30, 2011	51,167,500	-	93,627,041	144,794,541
Capital expenditure incurred during the year	-	-	3,528,370	3,528,370
Balance as at June 30, 2012	51,167,500	-	97,155,411	148,322,911

	Note	2012 Rupees	2011 Rupees
11.5 Non-operating land			
Cost of land		**898,536,665**	819,514,120
Transferred to non-current assets held for sale	21	**359,107,906**	-
		539,428,759	819,514,120
Advances for purchase of land		**65,147,931**	94,088,344
		604,576,690	913,602,464

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
12. Long term deposits			
Long term deposits		**1,199,900**	1,319,900
Less: Current portion		**-**	120,000
		1,199,900	1,199,900
13. Stores, spares and loose tools			
Stores			
In hand		**12,886,549**	12,466,439
In transit		**-**	1,935,654
		12,886,549	14,402,093
Spares	13.1	**364,383,760**	388,496,098
Loose tools		**1,759,383**	1,763,580
		379,029,692	404,661,771

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

	2012 Rupees	2011 Rupees
14. Stocks		
Furnace oil	**68,921,111**	106,763,164
Diesel oil	**1,834,805**	4,531,663
Lube oil	**6,102,028**	10,557,825
Cloth	**-**	12,421,517
Waste	**54,851**	80,713
	76,912,795	134,354,882
15. Investment property		
Cost	**25,144,683**	25,144,683
Gain on fair value measurement	**38,258,317**	38,258,317
	63,403,000	63,403,000

15.1 The fair value of the investment property has been determined on the basis of market value by an independent valuer as at June 30, 2010. There is no significant change in fair value since the last valuation date.

	Note	2012 Rupees	2011 Rupees
16. Trade debts			
Unsecured			
Considered good			
Related party			
Sitara Chemtek (Private) Limited		**136,798**	542,445
Others	**16.1**	**502,621,506**	358,833,682
		502,758,304	359,376,127

16.1 This includes receivable from Sitara Chemical Industries Limited, Sitara Spinning Mills Limited, Sitara Peroxide Limited and Sitara Hamza (Private) Limited (2011: Rs. 113,558,339/-) which were related parties in the previous year due to common management but ceases to be related parties during the year.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
17. Loans and advances			
Considered good			
Loans			
Executives		-	625,788
Staff		**102,000**	1,693,652
Advances			
Suppliers		**2,486,787**	29,754,286
Income tax		**8,511,302**	10,775,458
For purchases / expenses		**1,755,535**	20,904,720
Letters of credit fee and expenses		**141,226**	49,475
		12,996,850	63,803,379
18. Deposits and prepayments			
Deposits			
Guarantee margin		**2,000,000**	1,000,000
Current portion of long term deposits	12	-	120,000
		2,000,000	1,120,000
Prepayments		**685,339**	599,815
		2,685,339	1,719,815
19. Short-term investments			
Available for sale - at fair value			
Nimir Chemical Industries Limited			
1,000,000 ordinary shares of Rs. 5/- each		**2,924,180**	2,924,180
Wateen Telecom Limited			
20,000 ordinary shares of Rs. 10/- each		**200,000**	200,000
		3,124,180	3,124,180
Fair value reserve		**355,820**	(282,580)
		3,480,000	2,841,600
20. Cash and bank balances			
Cash in hand		**3,621,552**	3,134,166
Cash at banks			
In current accounts		**4,471,745**	1,894,870
		8,093,297	5,029,036
21. Non-current assets held for sale			
Land			
Opening balance		**6,863,642**	30,747,497
Transferred from			
Non-operating land	11.5	**359,107,906**	-
		365,971,548	30,747,497
Transferred from operating assets			
Plant and machinery			
Opening balance / transferred from operating assets			
Cost		**14,450,000**	14,450,000
Accumulated depreciation		**(1,085,419)**	(1,085,419)
		13,364,581	13,364,581
		379,336,129	44,112,078
Disposed off during the year		**(125,965,699)**	(23,883,855)
		253,370,430	20,228,223

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
22. Sales - net			
Electricity		**5,564,381,169**	4,242,090,157
Steam		**110,577,870**	130,078,244
		5,674,959,039	4,372,168,401
Less: Sales tax		**801,764,942**	612,495,819
		4,873,194,097	3,759,672,582
Less: Electricity duty		**7,055,386**	6,180,983
		4,866,138,711	3,753,491,599
Textile			
Local			
Yarn		**-**	18,718,550
Cloth		**13,027,040**	40,231,505
Textile machinery		**-**	1,736,440
		13,027,040	60,686,495
		4,879,165,751	3,814,178,094
23. Cost of generation and sales			
Cost of generation	23.1	**4,341,207,916**	3,305,509,890
Cost of sales	23.2	**12,444,643**	49,080,887
		4,353,652,559	3,354,590,777
23.1 Cost of generation			
Cost of fuel, oil, gas and lubricants		**4,058,476,406**	3,035,251,980
Salaries, wages and benefits		**49,543,162**	52,778,867
Staff retirement benefits		**1,619,166**	1,817,820
Stores, spares and loose tools		**120,946,224**	113,441,619
Insurance		**5,415,204**	5,448,406
Repairs and maintenance		**14,900,772**	13,850,500
Depreciation	11.2	**75,199,610**	69,994,179
Other		**15,107,372**	12,926,519
		4,341,207,916	3,305,509,890
23.2 Cost of sales			
Opening stock		**12,421,517**	24,913,208
Purchases including purchase expenses		**-**	36,478,212
		12,421,517	61,391,420
Closing stock		**-**	12,421,517
		12,421,517	48,969,903
Insurance		**23,126**	110,984
		12,444,643	49,080,887
24. Other operating income			
Income from financial assets:			
Ground rent		**225,000**	225,000
Income from assets other than financial assets:			
Sale of scrap and waste		**1,490,368**	1,708,084
Gain on disposal of property, plant and equipment		**13,676,072**	6,291,546
Gain on disposal of non current assets classified as held for sale		**81,356,615**	1,841,770
Commission		**-**	6,565
		96,748,055	10,072,965

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

25. Operating expenses

	Note	2012 Rupees	2011 Rupees
Director's remuneration		**6,138,121**	5,371,500
Salaries and benefits		**26,682,456**	26,284,896
Staff retirement benefits		**916,125**	908,667
Postage and telephone		**2,351,167**	2,070,638
Vehicles running and maintenance		**6,546,498**	4,666,784
Travelling and conveyance		**3,337,849**	2,329,891
Printing and stationery		**1,527,925**	1,519,640
Entertainment		**4,243,788**	2,875,337
Legal and professional		**2,258,994**	2,444,808
Fee, subscription and periodicals		**2,850,189**	1,952,239
Rent, rates and taxes		**194,449**	185,611
Advertisement		**181,870**	219,550
Insurance		**809,471**	737,742
Auditors' remuneration	25.1	**796,500**	727,500
Repairs and maintenance		**6,884,332**	2,082,943
Donations	25.2	**4,240,000**	3,698,200
Depreciation	11.2	**4,049,524**	3,442,322
Utilities		**2,481,999**	3,287,091
Other		**4,636,212**	1,691,674
		81,127,469	66,497,033

25.1 Auditors' remuneration

	2012 Rupees	2011 Rupees
Audit fee	**575,000**	575,000
Sundry services	**221,500**	152,500
	796,500	727,500

25.2 Donations

Chief Executive Officer, Mr. Javed Iqbal is the trustee of Aziz Fatima Trust, Gulistan Colony, Sheikhupura Road, Faisalabad, to whom Rs.4,139,000/- (2011: Rs. 3,092,000/-) have been donated during the year.

26. Other operating expenses

	2012 Rupees	2011 Rupees
Workers' profit participation fund	**13,591,488**	4,821,534
Balances written off	**6,121,402**	-
	19,712,890	4,821,534

27. Finance cost

	2012 Rupees	2011 Rupees
Interest / mark-up on :		
Redeemable capital	**74,609,972**	101,574,198
Long term financing	**32,364,780**	47,872,423
Liabilities against assets subject to finance lease	**721,340**	970,537
Short term bank borrowings	**160,285,533**	153,154,377
Workers' profit participation fund	**200,523**	81,743
Bank charges and commission	**1,492,118**	2,597,423
	269,674,266	306,250,701

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

28. Provision for taxation

	Note	2012 Rupees	2011 Rupees
Current			
for the year	28.1	**589,824**	1,022,628
for prior years	28.1	**27,694**	(21,369)
Deferred	28.2	-	-
		617,518	1,001,259

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

28.2 Deferred tax asset after considering tax losses available for adjustment works out to Rs. 10,174,961/- (2011 : Rs.13,864,272/-). This is not recognised in these financial statements due to uncertain future results.

28.3 The relationship between tax expense and accounting profit has not been presented in these financial statements as the income of the Company is exempt and income of the subsidiary is subject to minimum tax under section 113 and final tax under section 155 and 169 of the Income Tax Ordinance, 2001.

29. Earnings per share - Basic and diluted

	2012	2011
Profit for the year attributable to shareholders of the parent company (Rupees)	**251,129,138**	91,087,369
Weighted average number of ordinary shares	**19,092,000**	19,092,000
Earnings per share - Basic and diluted (Rupees)	**13.15**	4.77

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

30. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

	2012		2011	
	Chief Executive Officer	**Executives**	Chief Executive Officer	Executives
Remuneration	**4,549,718**	**8,407,958**	3,203,000	5,898,333
Medical allowance	**454,972**	**840,796**	-	-
House rent allowance	-	-	1,441,350	2,654,250
Utilities	-	-	160,150	294,917
Perquisites	**1,133,431**	**1,186,435**	567,000	1,162,001
Contribution to provident fund	-	**586,770**	-	625,680
	6,138,121	**11,021,959**	5,371,500	10,635,181
Number of persons	1	9	1	9

30.1 The Chief Executive Officer is entitled to free use of Company maintained car and other perquisites. A Director and two Executives are entitled to conveyance facility. The monetary value of these benefits approximates Rs. 1,741,118/- (2011: Rs. 4,091,568/-). The Directors have waived off their meeting fee.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

31. TRANSACTIONS WITH RELATED PARTIES

The group in the normal course of business carries out transactions with various related parties which comprise of associated undertakings, directors of the group, key management personnel and post employment benefit plan. Amounts due from and to related parties are shown under receivables and payables and remuneration of Chief Executive Officer, Director and Executives is disclosed in Note 31. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2012 Rupees	2011 Rupees
Associated undertakings	Sales	**276,336,977**	663,546,218
	Purchases	**1,394,117**	333,511
	Organisational expenses recovered	**56,000**	168,000
	Organisational expenses paid	**744,923**	7,191,681
	Short term loan obtained and repaid	**60,000,000**	-
	Interest on short term loan	**285,012**	-

32. PLANT CAPACITY AND ACTUAL PRODUCTION

	2012	2011
Number of generators installed	**24**	26
Number of generators worked	**22**	24
Installed energy generation capacity (Mega watt hours)	**696,946**	713,590
Actual energy generation (Mega watt hours)	**330,849**	318,781

Reasons for low generation:

- Installed generators include two standby generators.
- Adjustment in planned optimum capacity utilisation level.
- Extra capacity for future growth.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

33.1 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets:

	2012 Rupees	2011 Rupees
Investment property	**63,403,000**	63,403,000
Deposits	**1,199,900**	1,319,900
Trade debts	**502,758,304**	359,376,127
Loans and advances	**998,188**	2,319,440
Short term Investments	**3,480,000**	2,841,600
Other receivables	**22,378,162**	22,378,162
Cash and bank balances	**8,093,297**	5,029,036
Non-current assets classified as held for sale	**253,370,430**	20,228,223
	855,681,281	476,895,488

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
Financial liabilities:		
Redeemable capital	**465,000,000**	645,000,000
Long term financing	-	300,000,000
Liabilities against assets subject to finance lease	**4,300,826**	6,411,840
Trade and other payables	**203,778,752**	92,171,837
Interest / markup payable	**57,262,605**	77,047,563
Short term borrowings	**1,030,967,586**	1,003,164,925
	1,761,309,769	2,123,796,165

33.2 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:

33.2.1 Credit risk and concentration of credit risk

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

	2012 Rupees	2011 Rupees
Deposits	**1,199,900**	1,439,900
Trade debts	**502,758,304**	359,376,127
Other receivables	**22,378,162**	22,378,162
Bank balances	**4,471,745**	1,894,870
	530,808,111	385,089,059

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

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

The group's most significant customer is Faisalabad Electric Supply Company (FESCO). The break-up of amount due from customers is as follows:

	2012 Rupees	2011 Rupees
Industrial users / others	**393,467,317**	147,396,377
FESCO	**112,274,110**	211,979,750
	505,741,427	359,376,127

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

	2012 Rupees	2011 Rupees
Not past due	**429,965,344**	340,210,047
Past due	**75,776,083**	19,166,080
	505,741,427	359,376,127

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

33.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's approach to manage liquidity is to maintain sufficient level of liquidity of the Group on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of balance sheet liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2012 and 2011:

	2012				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	Rupees				
Financial liabilities:					
Redeemable capital	465,000	554,410	95,041	98,025	361,344
Liabilities against assets subject to finance lease	4,301	5,440	1,283	1,283	2,874
Trade and other payables	200,796	200,796	200,796	-	-
Short term borrowings	1,030,968	1,079,403	1,079,403	-	-
	1,701,065	1,840,049	1,376,523	99,308	364,218

	2011				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	Rupees				
Financial liabilities:					
Redeemable capital	645,000	717,297	230,887	147,765	338,645
Long term financing	300,000	337,766	25,177	312,589	-
Liabilities against assets subject to finance lease	6,412	7,660	1,422	1,422	4,816
Trade and other payables	130,302	130,302	130,302	-	-
Short term borrowings	1,003,165	1,080,413	1,080,413	-	-
	2,084,879	2,273,438	1,468,201	461,776	343,461

The contractual cash flows relating to mark up have been determined on the basis of mark up rates as applicable on June 30, 2012 on redeemable capital, long term and short term borrowings and leases. The Group will manage the liquidity risk from its own source through equity and working capital management. The Group has liquid assets of Rs. 759.89 million and unavailed short term borrowing facilities of Rs. 288.03 million as at June 30, 2012.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

33.2.3 Market risk management

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

i) Interest rate risk

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

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

Sensitivity analysis

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If the increase rate had increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year and equity would have been lower / higher by Rs.15.64 million (2011: Rs. 21.64 million).

ii) Currency risk

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

iii) Equity price risk

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

33.3 Fair value of financial instruments

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

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

33.4 Capital management

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

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

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

	Note	**2012 Rupees**	2011 Rupees
Total borrowings	5, 6 & 9	**1,500,268,412**	1,954,576,765
Less: Cash and cash equivalents	20	**8,093,297**	5,029,036
Net Debt		**1,492,175,115**	1,949,547,729
Total equity		**1,466,376,783**	1,233,701,309
Total capital		**2,958,551,898**	3,183,249,038
Gearing ratio		**50.44%**	61.24%

34. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 22, 2012 has proposed a cash dividend of Rs. 1/- per share amounting to Rs. 19,092,000/- subject to approval of members in the forthcoming Annual General Meeting to be held on October 23, 2012. The Board of Directors has also approved the transfer of an amount of Rs. 100 million from unappropriated profit to general reserve.

35. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company authorised for issue on September 22, 2012.

36. GENERAL

36.1 RE-ARRANGEMENT

Following rearrangements have been made to reflect the more appropriate presentation;

- Employee benefits of Rs. 1,265,342/- were disclosed as a separate line item under the head "operating expenses". These have been included in "Salaries and benefits" under the same head for better presentation.
- Investment property has been transferred to current assets owing to receipt of advance against it.

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**