

# **Sitara Energy Limited**

## **Annual Report 2001**

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### **COMPANY INFORMATION**

#### **BOARD OF DIRECTORS**

Haji Bashir Ahmed  
Chairman

Mr. Javed Iqbal  
Chief Executive

Mr. Muhammad Adrees  
Mr. Tariq Mahmood  
Mr. Muhammad Anis  
Mr. Imran Ghafoor  
Syed Haroon Rashid (Nominee ICP)

#### **SECRETARY**

Mr. Mazhar Ali Khan

#### **AUDITORS**

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

#### **BANKERS**

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

#### **REGISTERED OFFICE**

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

#### **PLANT**

33 K.M., Sheikhpura Road, Faisalabad.

### **NOTICE OF MEETING**

Notice is hereby given that the Eleventh Annual General Meeting of Sitara Energy Limited will be held at Hotel Beach Luxury, Lalazar, Karachi on Wednesday, December 26, 2001 at 3:45 p.m. to transact the following business:

## **ORDINARY BUSINESS**

1. To confirm the minutes of Extra Ordinary General Meeting held on April 16, 2001.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2001 together with the Reports of the Auditors and Directors.
3. To approve the payment of cash dividend at the rate of 17.50% (Rs. 1.75 per share) as recommended by the Directors.
4. To appoint auditors for the year ending June 30, 2002 and to fix their remuneration.

## **SPECIAL BUSINESS**

5. To approve the inclusion of two new sub clauses in Object clause of Memorandum of Association of the Company.
6. To transact any other ordinary business of the Company with the permission of the Chair.

**By Order of the Board**

Karachi:  
November 15, 2001

**MAZHAR ALI KHAN**  
**Company Secretary**

## **NOTES:**

- i. The share transfer books of the company will be closed from December 22, 2001 to December 28, 2001 (both days inclusive).
- ii. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at the Registered Office of the company not less than 48 hours before the time of meeting.
- iii. The member whose name appears on the register at the close of business on December 21, 2001 will be entitled to cash dividend.
- iv. Shareholders who have deposited their shares into Central Depository Company are advised to bring their National Identity Card alongwith their CDC account number at the meeting venue.
- v. Shareholders are advised to notify any change in their addresses.

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

This statement sets out the material facts concerning the special business to be transacted at the Eleventh Annual General Meeting of the Company to be held on December 26, 2001.

### **Agenda Item No. 5**

It is proposed to sought approval of the shareholders of the company to include the following two new sub-clauses in the Object clause of Memorandum of Association of the Company.

- To invest and deal with surplus moneys of the Company, in purchase or otherwise acquire and undertake all or any part of the business, to invest in fully paid shares or TFCs of any other company or by issue of securities in one mode or partly in another, on such terms as may be determined and though! expedient, which may seem directly or indirectly beneficial to the Company.

- To merge or amalgamate with any other company or companies or other corporate body, and to enter into partnership or any arrangement for sharing profits, union of interest, co-operation, joint-venture, reciprocal concession or otherwise with any person carrying on or engaged in, or proposing to carry on business within the objects of the Company.

## **CHAIRMAN'S REVIEW**

As Salam Alaykom Wa Rahmotouh Allah Wa Barakatouh

It gives me great pleasure to welcome you on behalf of the Board of Directors to the Annual General Meeting

of the Company for the year ended June 30, 2001.

During the year ended June 30, 2001 the company earned Net Profit of Rs. 55.032 Million as compared to last year Net Profit of Rs. 174.101 Million, which has been decreased by Rs. 68.39% mainly due to increase in Furnace oil price. The price of Furnace oil increased from Rs. 11,132/= per ton in June 2000 to Rs. 14,699/= per ton in November 2000 and were frequently changing throughout the year and were Rs. 13,726/= per ton in June 2001.

The salient figures of Power generation, Oil consumption and Sales are given below:-

#### GENERATION

	30.06.2001		30.06.2000	
	(Mwh)	%	(Mwh)	%
Actual capacity	417,677	--	417,677	--
Capacity utilization (on the basis	82.08%	--	85.88%	--
Actual generation	299,964	100.00	313,869	100.00
Units sold	287,674	95.90	297,974	94.94
Aux. Consumption	10,002	3.33	10,492	3.34
Line losses	2,288	0.76	5,403	1.72

#### RAW MATERIAL CONSUMPTION

	30.06.2001			30.06.2000		
	Quantity Consumed	Value '000	Average Rate	Quantity Consumed	Value '000	Average Rate
Furnace Oil (M.Tons)	65,991	712,025	10,790	68,188	488,204	7,160
Lube Oil (Liters)	522,106	45,683	88	565,942	51,740	91
H.S. Diesel Oil (Liters)	366,000	4,928	13	406,000	4,329	11
L. Diesel Oil (Liters)	--	--	--	328,051	3,275	10

#### OIL CONSUMPTION

##### Per Unit of Electricity

	30.06.2001		30.06.2000	
	Quantity	Value	Quantity	Value
Furnace Oil (Kg)	0.2199	2.3859	0.2172	1.5562
Lube Oil (Grm)	1.7406	0.1523	1.8000	0.1648
H.S. Diesel Oil	--	0.0076	--	0.0242
		-----		-----
		2.5458		1.7452
		=====		=====

#### SALE

During the year under review sales of energy increased from Rs. 1,025.945 Million to Rs. 1,002.530 Million. Increase in sales is mainly due to increase in electricity tariff by Rs. 0.13 from 07.09.2000 and Rs.0.08 from 27.03.2001 and steam selling rate by Rs. 90 per ton from November 2000. Comparison of sales with the last year sales is given below:-

	30.06.2001		30.06.2000	
	Rupees '000	Per Mwh/Ton	Rupees '000	Per Mwh/Ton
Sale of electricity	1,006,712	3,499	1,012,589	3,390
Sale of steam	29,738	321	19,001	240
Discount	5,033	18	23,375	78
Electricity duty	5,472	19	5,685	19
Net selling rate	966,206	3,463	983,529	3,301

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

#### FUTURE OUT LOOK

As reported in our last report that after deregulation of the Furnace oil price. The prices of Furnace oil changed 44 times during the year and the average rate of Furnace oil consumed increased from Rs. 7,159.68 per ton to Rs. 10,789.71 i.e. by 50.70% which has severely effected the profitability of the company during the year under report.

Future profitability of the company is mainly dependent on electricity tariff and Furnace oil price.

#### ACKNOWLEDGEMENT

I thank the members of the board of directors, shareholders, staff and management of the company for their devotion and hard work and I am confident that Insha Allah with their whole-hearted efforts, future years will result in profitability and prosperity.

Faisalabad:  
November 15, 2001

**HAJI BASHIR AHMED**  
**Chairman**

### DIRECTOR'S REPORT

**Gentlemen,**

The directors have pleasure in submitting their report and audited accounts of the company for the year ended June 30, 2001.

#### FINANCIAL RESULTS

	<i>Rupees</i>
Gross profit	119,795,119
Miscellaneous income	879,887
	-----
	120,675,006
Operating expenses	25,497,327
	-----
Operating profit	95,177,679
Financial & other charges	39,997,461
	-----
Net profit before taxation	55,180,218
Provision for taxation	148,692
	-----
Net profit after taxation	55,031,526
Unappropriated profit brought forward	146,963,212
	-----
Profit available for appropriation	201,994,738
<b>APPROPRIATION:</b>	
Cash dividend	33,411,000
Transfer to general reserve	20,000,000
	-----
	53,411,000
	-----
Unappropriated profit carried forward	148,583,738
	=====

#### DIVIDEND

Cash dividend @ 17.50% for the year ended June 30, 2001 has been declared. The retained earning after appropriation of profit is Rs. 148,583,738/= as shown above.

#### CHAIRMAN'S REVIEW

We the directors of the company fully endorse the chairman review on the performance of the company during the year ended June 30, 2001.

#### AUDITORS

The present auditors M/s M. Yousuf Adil Saleem & Company Chartered Accountants retire and are being eligible for reappointment for the next financial year 2001-2002.

#### PATTERN OF SHARE HOLDING

Pattern of shareholding of the company is annexed.

on behalf of the Board

Faisalabad:  
November 15, 2001.

**JAVED IQBAL**  
**Chief Executive**

## AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Sitara Energy Limited as at June 30, 2001 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 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, 2001 and of the profit, changes in equity and its cash flows for the year then ended; and

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

Faisalabad  
November 15, 2001

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

## BALANCE SHEET AS AT JUNE 30, 2001

<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>Share Capital and Reserves</b>		
Authorised capital 30,000,000 Ordinary shares of Rs. 10/= each	300,000,000	300,000,000
	=====	=====
Issued, subscribed and paid up capital		

19,092,000 Ordinary shares of Rs. 10/= each fully paid in cash		190,920,000	190,920,000
Capital reserve - Share premium		143,190,000	143,190,000
General reserve		370,000,000	350,000,000
Unappropriated profit		148,583,738	146,963,212
		-----	-----
		852,693,738	831,073,212
Long Term Loans	3	106,605,908	166,239,382
Current Liabilities			
Current portion of long term liabilities	4	59,633,474	79,451,293
Creditors, accrued and other liabilities	5	29,138,229	41,693,629
Taxation		243,694	95,002
Dividends	6	35,851,449	73,662,374
		-----	-----
		124,866,846	194,902,298
Contingencies and Commitments	7	--	--
		-----	-----
		1,084,166,492	1,192,214,892
		=====	=====

The annexed notes from 1 to 27 form an integral part of these accounts.

<b>Operating Assets</b>	8	610,774,240	675,776,035
<b>Long Term Deposits</b>		300,000	4,050,000
<b>Current Assets</b>			
Stores, spares and loose tools	9	77,543,781	37,724,242
Stock of oil and lubricants	10	46,214,837	52,526,058
Debtors	11	225,788,855	397,536,487
Advances, deposits, prepayments and other receivables	12	9,461,130	11,449,648
Cash and bank balances	13	114,083,649	13,152,422
		-----	-----
		473,092,252	512,388,857
		-----	-----
		1,084,166,492	1,192,214,892
		=====	=====

**Chief Executive**

**Director**

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2001

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
Sales	14	1,025,944,832	1,002,529,560
Cost of generation	15	906,149,713	739,619,869
		-----	-----
Gross profit		119,795,119	262,909,691
Operating expenses	16	25,497,327	23,160,081
		-----	-----
Operating profit		94,297,792	239,749,610
Other income	17	879,887	809,284
		-----	-----
		95,177,679	240,558,894
Other charges			
Financial	18	31,019,268	57,131,169
Workers' profit participation fund		2,918,193	9,231,758
		-----	-----
		39,997,461	66,362,927
		-----	-----
Net profit for the year before taxation		55,180,218	174,195,967

Taxation			
Current	19	148,692	95,002
Net profit for the year after taxation		55,031,526	174,100,965
Unappropriated profit brought forward		146,963,212	44,457,247
Profit available for appropriation		201,994,738	218,558,212
Appropriations			
Proposed cash dividend @ 17.50% (2000 @ 37.50%)		33,411,000	71,595,000
Transferred to general reserve		20,000,000	--
		53,411,000	71,595,000
Unappropriated profit carried forward		148,583,738	146,963,212
Earnings per share	20	2.88	9.12

The annexed notes from 1 to 27 form an integral part of these accounts.

**Chief Executive**

**Director**

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2001

	<i>Share Capital</i>	<i>Capital Reserve</i>	<i>Revenue Reserves</i>		<i>Total</i>
				<i>Share premium</i>	<i>General Reserve</i>
				<i>Unappropriated Profit</i>	
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Balance as at June 30, 1999	190,920,000	143,190,000	350,000,000	44,457,247	728,567,247
Profit for the year ended June 30, 2000	--	--	--	174,100,965	174,100,965
Dividend	--	--	--	(71,595,000)	(71,595,000)
Balance as at June 30, 2000	190,920,000	143,190,000	350,000,000	146,963,212	831,073,212
Profit for the year ended June 30, 2001	--	--	--	55,031,526	55,031,526
Transferred to general reserve	--	--	20,000,000	(20,000,000)	--
Dividend	--	--	--	(33,411,000)	(33,411,000)
Balance as at June 30, 2001	190,920,000	143,190,000	370,000,000	148,583,738	852,693,738

The annexed notes from 1 to 27 form an integral part of these accounts.

**Chief Executive**

**Director**

### STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 2001

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>a) CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	21	286,322,719	296,304,498
Financial charges paid		(40,611,891)	(57,445,423)

Net cash generated from operating activities	245,710,828	238,859,075
<b>b) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(8,268,383)	(24,608,685)
Proceeds from disposal of fixed assets	10,412,000	355,932
Long term deposit	3,750,000	1,750,000
Net cash generated from/ (used in) investing activities	5,893,617	(22,502,753)
<b>c) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of Long term loans	(59,633,474)	(59,633,474)
Lease liabilities	(19,817,819)	(31,488,778)
Payment of dividends	(71,221,925)	(114,010,670)
Net cash used in financing activities	(150,673,218)	(205,132,922)
Net increase in cash and bank balances (a + b + c)	100,931,227	11,223,400
Cash and bank balances at the beginning of the year	13,152,422	1,929,022
Cash and bank balances at the end of the year	114,083,649	13,152,422

Chief Executive

Director

## NOTES TO THE ACCOUNTS JUNE 30, 2001

### 1. STATUS AND ACTIVITIES

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1. Accounting convention and basis of preparation

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

#### 2.2 Staff retirement benefits

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

#### 2.3 Taxation

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

#### 2.4 Operating assets

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

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

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



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

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

### 2.5 Accounting for leases

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

### 2.6 Stores, spares and loose tools

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

### 2.7 Stock of oil and lubricants

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

### 2.8 Debtors

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

### 2.9 Rates of exchange

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

### 2.10 Revenue recognition

Revenue is recognised as the services are rendered.

## 3. Long term loans - Secured

### *FOREIGN CURRENCY Suppliers' Credit*

<i>Description</i>	<i>I</i>	<i>II</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
Opening balance	88,627,246	137,245,610	225,872,856	285,506,330
Paid during the year	(25,322,070)	(34,311,404)	(59,633,474)	(59,633,474)
	-----	-----	-----	-----
	63,305,176	102,934,206	166,239,382	225,872,856
Payable within one year shown under current liabilities	(25,322,070)	(34,311,404)	(59,633,474)	(59,633,474)
	-----	-----	-----	-----
	37,983,106	68,622,802	106,605,908	166,239,382
	=====	=====	=====	=====
Foreign currency	Japanese Yen	Japanese Yen		
Foreign currency amount	636,444,000	848,592,000		
Exchange rate fixed for Pak. Rs. 100/=	335.12	329.76		
Rate of exchange risk cover fee per annum	9.7%	9.7%		
No. of half yearly equal installmen	15	15		
Date of first Installment	November 131,996	January 311,997		
Interest rate per annum	6.2%	6.2%		

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

further secured against personal guarantee of directors of the Company.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>4. Current portion of long term liabilities</b>		
Long term Loan (Note 3)	59,633,474	59,633,474
Liabilities against assets subject to finance lease	--	19,817,819
	-----	-----
	59,633,474	79,451,293
	=====	=====

#### **5. Creditors, accrued and other liabilities**

Creditors (5.1)	2,477,849	3,395,229
Advance against sale of land	--	2,500,000
Accrued charges	7,840,537	8,259,654
Interest/mark up on secured		
Long term loans	8,212,989	9,419,139
Lease finances	--	661,386
Exchange risk cover fee	4,910,800	6,575,887
Sales tax	2,343,703	--
Withholding taxes	74,529	387,664
Workers' profit participation fund - (5.2)	3,183,642	10,439,189
Other	94,180	55,481
	-----	-----
	29,138,229	41,693,629
	=====	=====

It includes Rs. 1,256,821/= (2000 Rs.5,462/=) payable to an associated undertaking.

#### **5.2 Workers' profit participation fund**

Opening balance	10,439,189	15,545,519
Interest on fund utilised in the company's business	265,449	1,207,431
	-----	-----
	10,704,638	16,752,950
Payments to workers on behalf of the fund	(1,828,431)	(1,713,151)
	-----	-----
	(8,610,758)	(13,832,368)
	-----	-----
	265,449	1,207,431
Allocation for the year	2,918,193	9,231,758
	-----	-----
	3,183,642	10,439,189
	=====	=====

#### **6. Dividends**

Proposed	33,411,000	71,595,000
Unclaimed	2,440,449	2,067,374
	-----	-----
	35,851,449	73,662,374
	=====	=====

#### **7. Contingencies and Commitments**

##### **Contingencies**

Bank guarantees issued to State Bank of Pakistan to cover the payment of exchange risk cover fee	23,622,000	31,895,444
Bank guarantee issued to customs department	76,000	--
Claim of excise duty on lease liability not acknowledged due to pending settlement	1,208,040	--
Claim of Import duties on engine not acknowledged in view of pending before the Honourable Supreme Court of Pakistan	19,962,500	19,962,500
Sales Tax demand not acknowledged in view of pending appeal before the Tribunal	1,786,460	--
<b>Commitments</b>		
Under letters of credit	15,202,203	47,738,539

**8. Operating Assets**

<i>Particulars</i>	<i>Cast at July 01, 2000</i>	<i>Transferred from leased to Own Assets</i>	<i>Additions/ (disposals)</i>	<i>Cost at June 30, 2001</i>	<i>Accumulated depreciation at June 30, 2001</i>	<i>Written down value at June 30, 2001</i>	<i>Depreciation for the year</i>	<i>Rate  %</i>
Freehold land	59,588,088	--	3,432,435 (10,322,000)	52,698,523	--	52,698,523	--	--
Building on freehold land	110,368,153	--	--	110,368,153	49,162,014	61,206,139	6,800,682	10
Plant and machinery	719,014,562	90,000,000	--	809,014,562	355,872,306	453,142,256	50,349,140	10
Electric installations	24,266,785	20,000,000	--	44,266,785	18,341,650	25,925,135	2,880,571	10
Factory equipment	2,139,466	--	1,649,681	3,789,147	927,212	2,861,935	317,993	10
Electric appliances	2,406,544	--	147,247	2,553,791	771,176	1,782,615	198,068	10
Furniture and fixture	1,938,744	--	30,350	1,969,094	703,534	1,265,560	140,618	10
Office equipment	7,433,540	--	734,100	8,167,640	2,545,469	5,622,171	624,686	10
Vehicles	10,987,274	--	2,274,570 (263,000)	12,998,844	6,728,938	6,269,906	1,567,476	20
	938,143,156	110,000,000	8,268,383 (10,585,000)	1,045,826,539	435,052,299	610,774,240	62,879,234	
<b>Under lease</b>								
Plant and machinery	90,000,000	(90,000,000)	--	--	--	--	--	10
Electric installations	20,000,000	(20,000,000)	--	--	--	--	--	10
	110,000,000	(110,000,000)	--	--	--	--	--	
Rupees	1,048,143,156	--	8,268,383 (10,585,000)	1,045,826,539	435,052,299	610,774,240	62,879,234	
2000 Rupees	957,619,982	--	91,412,533 (889,359)	1,048,143,156	372,367,121	675,776,035	69,247,517	

**8.1 Depreciation for the year has been allocated as under:**

	<i>2001 Rupees</i>	<i>2000 Rupees</i>
Cost of generation	60,348,385	66,870,464
Operating expenses	2,530,849	2,377,053
	62,879,234	69,247,517

**8.2 Disposal of fixed assets (by negotiation)**

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Written down value</i>	<i>Sale proceeds</i>	<i>Purchaser</i>
Freehold land	3,770,000	--	3,770,000	3,770,000	Progressive Investment Pakistan (Pvt) Ltd. 63-Chenab Market, Faisalabad
Freehold land	6,552,000	--	6,552,000	6,552,000	KKP (Pvt) Ltd., 113/A, People Colony, Faisalabad.
Vehicle	263,000	194,056	68,944	90,000	Mr. Amjad Razzaq Cheema, Chak No. 133 R.B, Faisalabad.
Rupees	10,585,000	194,056	10,390,944	10,412,000	

2000 Rupees	889,359	633,423	255,936	355,932
-------------	---------	---------	---------	---------

	<b>2001</b>	<b>2000</b>
	<b>Rupees</b>	<b>Rupees</b>

### 9. Stores, spares and loose tools

Stores	50,403,458	24,675,860
Spares	24,814,010	12,407,493
Loose tools	2,326,313	640,889
	77,543,781	37,724,242

### 10. Stock of oil and lubricants

Furnace oil	39,539,609	46,569,994
Diesel oil	3,068,251	2,077,967
Lube oil	2,960,213	3,339,127
Waste oil	646,764	538,970
	46,214,837	52,526,058

### 11. Debtors

Unsecured - Considered good (11.1)	225,788,855	397,536,487
------------------------------------	-------------	-------------

11.1 This include Rs.214,247,994/= (2000 - Rs.377,724,833/=) due from associated undertaking.

Maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 366,691,104/= (2000 - Rs. 502,189,793/=).

### 12. Advances, deposits, prepayments and other receivables

Considered good

Advances		
Suppliers	4,485,796	3,643,053
Employees	989,066	316,109
Income tax	165,103	47,900
Expenses	613,361	459,144
Letters of credit fee, margin and expenses	2,544,912	3,161,191
Prepayments	374,074	351,093
Sales tax	--	3,404,045
Guarantee margin	91,200	--
Security deposit	--	1,450
Other	197,618	65,663
	9,461,130	11,449,648

### 13. Cash and bank balances

Cash in hand	580,687	3,323,877
Cash at Bank		
In current accounts	40,502,962	9,828,545
In deposit account	73,000,000	--
	114,083,649	13,152,422

### 14. Sales

Electricity	1,006,712,399	1,012,589,080
Steam	29,738,430	19,000,540
	1,036,450,829	1,031,589,620

Less:

Discount	5,033,546	23,374,997
Electricity duty	5,472,451	5,685,063
	-----	-----
	10,505,997	29,060,060
	-----	-----
	1,025,944,832	1,002,529,560
	=====	=====

**15. Cost of generation**

Cost of fuel, oil and lubricants	762,628,222	547,769,190
Salaries, wages and benefits	16,086,389	16,527,224
Retirement benefits	507,486	519,343
Stores and spares	54,911,430	95,560,256
Insurance	7,040,702	6,945,249
Repairs and maintenance	1,266,738	1,977,488
Depreciation	60,348,385	66,870,464
Other	3,360,361	3,450,655
	-----	-----
	906,149,713	739,619,869
	=====	=====

**16. Operating expenses**

Director's remuneration	4,440,000	2,220,000
Salaries and benefits	5,799,766	4,715,584
Retirement benefits	148,312	122,892
Postage and telephone	900,002	842,178
Vehicles running and maintenance	1,884,132	1,483,698
Travelling and conveyance	991,023	486,039
Printing and stationery	778,248	833,049
Entertainment	592,521	796,853
Legal and professional	64,517	167,284
Fees, subscription and periodicals	836,548	4,138,544
Advertisement	640,345	130,170
Insurance	830,212	719,654
Auditors' remuneration (16.1)	321,500	295,469
Repairs and maintenance	1,096,964	602,826
Donations (16.2)	1,303,270	582,838
Depreciation	2,530,849	2,377,053
Other	2,339,118	2,645,950
	-----	-----
	25,497,327	23,160,081
	=====	=====

**16.1 Auditors' remuneration**

Audit fee	75,000	66,000
Tax services	235,500	223,469
Consultancy	11,000	6,000
	-----	-----
	321,500	295,469
	=====	=====

16.2 Six directors of the company including Chief Executive are the trustees of the Aziz Fatima Trust to whom Rs. 1,270,000/= (2000 - Rs. 36,000/=) have been donated.

**17. Other Income**

Scrap Sale	858,831	709,288
Gain on disposal of fixed assets	21,056	99,996
	-----	-----
	879,887	809,284
	=====	=====

**18. Financial charges**

Interest / mark up on		
Long term loans	11,989,533	15,694,815
Lease finances	885,411	6,295,359
Short term borrowings	281,938	2,183,526
Workers' profit participation fund	265,449	1,207,431

Exchange risk cover fee	18,786,044	24,753,801
Bank guarantee commission	4,148,719	5,905,325
Bank charges and other	722,174	1,090,912
	-----	-----
	37,079,268	57,131,169
	=====	=====

**19. Taxation**

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

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

**20. Earnings per share - Basic**

Net profit for the year	Rs.	55,031,526	174,195,967
Weighted average number of Ordinary shares		19,092,000	19,092,000
Earnings per share	Rs.	2.88	9.12

**21. Cash generated from operations**

Profit for the year	55,180,218	174,195,967
Depreciation	62,879,234	69,247,517
Financial charges	37,079,268	57,131,169
Gain on disposal of fixed assets	(21,056)	(99,996)
Operating profit before working capital changes	-----	-----
	155,117,664	300,474,657
	-----	-----
Changes in working capital (Increase)/decrease in current assets		
Stores, spares and loose tools	(39,819,539)	(25,160,793)
Stock of oil and lubricants	6,311,221	(13,735,659)
Debtors	171,747,632	43,614,715
Advances, deposits, prepayments and other receivables	1,988,518	7,388,438
Decrease in current liabilities		
Creditors, accrued and other liabilities	(9,022,777)	(16,276,860)
	-----	-----
	131,205,055	(4,170,159)
	-----	-----
Cash generated from operations	286,322,719	296,304,498
	=====	=====

**22. Remuneration to Directors and Executives**

	2001			2000		
	Rupees			Rupees		
	Chief Executive	Director	Executives	Chief Executive	Director	Executive
Remuneration	1,480,000	1,480,000	3,632,410	1,483,000	--	2,719,600
House rent allowance	666,000	666,000	1,634,584	589,600	--	1,223,820
Utilities	74,000	74,000	181,627	147,400	--	135,980
Bonus	--	--	690,450	--	--	516,379
	-----	-----	-----	-----	-----	-----
	2,220,000	2,220,000	6,139,071	2,220,000	--	4,595,779
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	20	1	--	16
	=====	=====	=====	=====	=====	=====

22.1 The Chief Executive is entitled to free use of Company maintained car, telephones at residence and other perquisites. Three Executives are provided conveyance facilities. The monetary values

are approximately Rs. 1,980,390/= (2000 - Rs. 1,935,731/=). The Directors have waived their meeting fee.

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>23. Aggregate transactions with associated undertakings</b>		
Sale of electric energy	880,536,496	779,421,233
Sale of stream	29,738,430	19,000,540
<b>24. Plant capacity and actual production</b>		
Number of generators installed	8	8
Number of generators worked	7	7
Installed energy generation capacity (Mega watt hours)	417,677	417,677
Actual energy generation (Mega watt hours)	299,964	313,869

Reasons for low generation:

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

## 25. Financial Instruments and related Disclosures

### 25.1 Risk management

#### a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company's major exposure of Credit risk is to its associated undertaking.

#### b) Interest rate risk

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

#### c) Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Long term loans exposed to foreign currency risks are covered through foreign exchange risk cover as stated in note 3.

### 25.2 Fair values of financial assets and liabilities

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

## 26. No of employees

Number of employees at year end was 219 (2000: 233)

## 27. Figures

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

**Chief Executive**

**Director**

## PATTERN OF SHAREHOLDINGS AS AT JUNE 30, 2001

<i>Number of Shareholders</i>	<i>Shareholding</i>		<i>Total Share Held</i>
	<i>From</i>	<i>To</i>	
34	1	100	3,400
850	101	500	420,100

197	501	1,000	196,600
226	1,001	5,000	674,200
68	5,001	10,000	551,100
16	10,001	15,000	205,600
13	15,001	20,000	239,500
13	20,001	25,000	311,500
4	25,001	30,000	109,000
2	30,001	35,000	69,400
1	35,001	40,000	37,000
2	40,001	45,000	90,000
5	45,001	50,000	245,500
1	50,001	55,000	54,500
1	55,001	60,000	56,000
2	65,001	70,000	138,750
2	75,001	80,000	151,500
2	85,001	90,000	180,000
1	90,001	95,000	93,000
6	95,001	100,000	600,000
3	100,001	105,000	306,000
1	105,001	110,000	109,000
1	110,001	115,000	113,500
1	115,001	120,000	116,500
1	145,001	150,000	150,000
3	160,001	165,000	491,000
8	195,001	200,000	1,600,000
1	220,001	225,000	225,000
1	235,001	240,000	240,000
1	310,001	315,000	312,000
1	395,001	400,000	400,000
1	460,001	465,000	460,937
1	495,001	500,000	500,000
1	515,001	520,000	519,939
1	520,001	525,000	525,000
1	630,001	635,000	632,661
1	645,001	650,000	650,000
1	735,001	740,000	737,500
1	1,000,001	1,005,000	1,004,000
1	1,025,001	1,030,000	1,025,500
1	1,040,001	1,045,000	1,041,500
2	1,135,001	1,140,000	2,274,313
1	1,230,001	1,245,000	1,231,000
-----			-----
1481			19,092,000
=====			=====

## CATEGORIES OF SHAREHOLDERS

<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NUMBER OF SHARE HOLDERS</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
Individuals	1416	13,545,000	70.96
Investment Companies	3	133,900	0.70
Insurance Companies	8	477,500	2.50
Joint Stock Companies	25	1,172,661	6.14
Financial Institution	15	3,635,439	19.04
Modaraba Companies	9	98,000	0.51
Foreign Companies	3	4,500	0.02
Leasing Companies	2	25,000	0.13
-----			-----
	1481	19,092,000	100.00
=====			=====