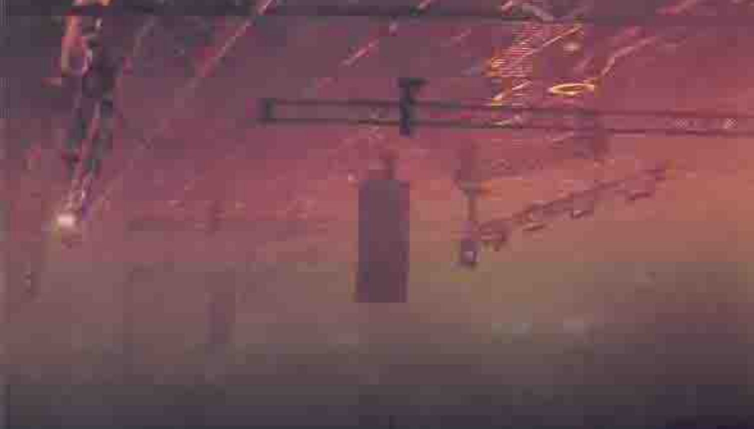
Annual Report
2011



Sitara Energy Limited

بسم الله الرحمن الرحيم

Contents

SITARA ENERGY LIMITED

CONSOLIDATED ACCOUNTS
SITARA ENERGY LIMITED AND ITS SUBSIDIARY COMPANY

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

CHIEF FINANCIAL OFFICER

Mr. Maqbool Ahmed Chaudhary

SECRETARY

Mr. Mazhar Ali Khan

AUDITORS

M/s. Avais Hyder Liaquat Nauman
Chartered Accountants

BANKERS

Faysal Bank Limited	Askari Bank Limited
Allied Bank Limited	National Bank of Pakistan
The Bank of Punjab	MCB (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
E-mail: ncsl@noble-computers.com
Website: www.noble-computers.com

LEGAL ADVISOR

Sahibzada Muhammad Arif

REGISTERED OFFICE

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

PLANT

33 K.M., Sheikhupura Road, Faisalabad

Vision

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

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

Mission

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 21st 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 Monday, October 31, 2011 at 2:00 p.m. to transact the following business:

Ordinary Business

1. To confirm the minutes of 20th Annual General Meeting held on October 30, 2010.

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2011 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, 2012 and to fix their remuneration.

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

By order of the Board

Mazhar Ali Khan
Company Secretary

Karachi:
October 06, 2011

NOTES:

i. The share transfer books of the company will remain closed from October 22, 2011 to October 31, 2011 (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 21, 2011 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.

DIRECTOR'S REPORT TO THE SHAREHOLDERS

The Directors of Sitara Energy Limited take pleasure in presenting the Director's report, together with the audited financial statement of the company for the year ended June 30, 2011.

FINANCIAL RESULTS

During the year under review company's total sales decreased by 3.15% to Rs. 3,754 million compared with Rs. 3,876 million in 2009-2010. Profit before taxation for the year under review was Rs. 91.527 million compared to Rs. 106.926 million during last year, which shows decrease of 14.40% over last year's profit. Inspite increase in selling rates, the main reason for decrease in profit is increase in oil and gas prices and decrease in electricity generation.

Financial results for the year ended 30th June 2011 as summarized below:

	30.06.2011		30.06.2010	
	Energy	Consolidated	Energy	Consolidated
	Rupees in thousands		Rupees in thousands	
Sales	3,753, 492	3,814,178	3,875,482	3,896,185
Gross profit	447,982	459,587	478,456	482,143
Profit before taxation	91,527	92,091	106,926	142,233
Provision for taxation	486	1,001	(269)	(130)
Net Profit after taxation	91,041	91,090	107,195	142,363
Unappropriated profit brought forward	309,310	306,970	290,299	252,791
Profit available for appropriation	400,351	398,060	397,494	395,154
Appropriation				
Final dividend for the year ended June 30, 2009: Rs 2.00/- per share	38,184	38,184	38,184	38,184
Transferred to general reserve	50,000	50,000	50,000	50,000
	88,184	88,184	88,184	88,184
Profit available for appropriation	312,167	309,876	309,310	306,970
Earning per share - Basic Rupees	4.77	4.77	5.61	7.46

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

	Rupees
Cash dividend 10% for the year ended June 30, 2011	19,092,000
Transfer from unappropriated profit to General Reserve	30,000,000

GENERATION AND RAW MATERIAL CONSUMPTION

During the year under review company generated 318,781 Mwh against last years generation of 385,819 Mwh. During the year gas based generation plant remained closed for 3,193 hours due to gas shutdown.

GENERATION

	30.06.2011		30.06.2010	
	(Mwh)	%	(Mwh)	%
Actual Capacity (including standby generators)	713,590		713,590	
Operating Capacity (excluding standby generators)	593,841		593,841	
Capacity Utilization	53.68%		64.97%	
Actual Generation	318,781	100.00	385,819	100.00
Units Sold	302,786	94.98	369,549	95.78
Auxiliary Consumption	11,538	3.62	12,699	3.29
Line Losses	4,457	1.40	3,570	0.93

RAW MATERIAL CONSUMPTION

	30.06.2011				30.06.2010			
	Quantity consumed	Units	Value (Rs. '000')	Average rate	Quantity consumed	Units	Value (Rs. '000')	Average rate
Furnace Oil	48,849	M. Ton	2,444,072	50,033	57,650	M. Ton	2,367,733	41,071
Lube Oil	547,337	Liter	108,323	198	735,650	Liter	128,501	175
H.S. Diesel Oil	534,050	Liter	36,974	69	391,712	Liter	22,232	57
Light Diesel Oil	121,000	Liter	6,520	54	657,000	Liter	33,336	51
Gas Consumption	1,141,361	MMBTU	439,363	385	1,441,117	MMBTU	509,615	354

SALES

	30.06.2011		30.06.2010	
	Rupees ('000')	Per Mwh/Ton	Rupees ('000')	Per Mwh/Ton
Sale of electricity	3,664,632	12,103	3,791,470	10,260
Electricity duty	6,181	20	6,878	19
Net selling rate - electricity	3,658,451	12,083	3,784,592	10,241
Sale of steam	112,446	1,125	90,889	1,034

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

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

b. Proper books of accounts have been maintained.

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

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

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

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

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

h. The key operating and financial data of the past eight years is annexed to this report.

i. Value of investments of Provident Fund Trust was Rs. 18.620 million and Rs. 18.620 million respectively as on June 30, 2011 and 2010.

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

Name of Director	No. of meetings attended
Mr. Javed Iqbal	4
Mr. Muhammad Adrees	4
Mr. Muhammad Anis	4
Mr. Imran Ghafoor	4
Mr. Sarosh Javed	4
Mrs. Naureen Javed	4
Miss Haniah Javed	4

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

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

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

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 2011, the Company has donated Rs. 3.698 million to welfare institutions operating in the fields of health and education.

FUTURE PROSPECTS

The major challenge for the company in coming year is unscheduled supply of natural gas. The gas based generation plant remained closed from 1st July 2011 to date for 780 hours due to non availability of natural gas.

AUDITORS

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

APPRECIATION

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

On behalf of the Board of Directors

JAVED IQBAL
CHIEF EXECUTIVE OFFICER

October 06, 2011
Faisalabad

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2011

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
230	1	100	4,624
442	101	500	209,527
123	501	1,000	119,981
174	1,001	5,000	517,323
46	5,001	10,000	363,265
16	10,001	15,000	201,292
6	15,001	20,000	108,955
9	20,001	25,000	221,381
4	25,001	30,000	112,875
1	30,001	35,000	32,500
5	35,001	40,000	192,095
2	40,001	45,000	85,698
2	45,001	50,000	100,000
2	50,001	55,000	109,804
1	55,001	60,000	59,000
1	65,001	70,000	65,629
1	80,001	85,000	83,000
2	85,001	90,000	176,247
2	145,001	150,000	295,500
2	195,001	200,000	400,000
1	210,001	215,000	213,500
2	245,001	250,000	492,501
1	255,001	260,000	256,117
1	320,001	325,000	323,000
1	400,001	405,000	400,133
1	410,001	415,000	414,500
1	420,001	425,000	424,975
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
1,087			19,092,000

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2011

	Number	Share Held	Percentage
Associated Companies, Undertaking and Related Parties			
Sitara Chemical Industries Limited	1	933,661	4.89
Sitara Fabrics Limited	1	656,000	3.44
NIT & ICP			
National Bank of Pakistan - Trustee Department Investment Corporation of Pakistan	3	263,211	1.38
Directors, CEO & their Spouse and Minor Children			
Mr. Javed Iqbal	1	6,254,303	32.76
Mr. Muhammad Adrees	1	10,000	0.05
Mr. Muhammad Anis	1	1,000	0.01
Mr. Imran Ghafoor	1	832,360	4.36
Mr. Sarosh Javed	1	1,000	0.01
Mrs. Naureen Javed	1	1,073,237	5.62
Ms. Hania Javed	1	1,000	0.01
Mrs. Sharmeen Imran	1	600,000	3.14
Executive	-	-	-
Public Sector Companies and Corporation	-	-	-
Bank, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds.	8	3,117,353	16.32
Foreign Investors	1	1,000	0.01
Co-operative Societies	-	-	-
Charitable Trust	-	-	-
Investment Companies	1	1,500	0.01
Shareholders holding ten Percent or more voting interest in the Company	-	-	-
Individuals	1,052	4,610,096	24.14
Others	1	2,500	0.01
Joint Stock Companies, others, etc.	11	733,779	3.84
	1,087	**19,092,000**	**100.00**

DATA FOR LAST EIGHT YEARS

PARTICULARS	2011	2010	2009	2008	2007	2006	2005	2004
				Rupees in thousand				
FINANCIAL POSITION								
Paid up capital	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920
Share premium	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190
General reserve	590,000	540,000	490,000	460,000	460,000	460,000	460,000	460,000
Fixed assets at cost	2,249,956	2,237,936	2,226,647	2,119,520	1,746,110	1,220,807	1,168,553	1,149,569
Accumulated depreciation	999,716	934,534	853,915	783,377	724,815	686,817	646,259	599,992
Current assets	951,136	1,065,017	1,067,153	975,860	696,225	1,043,688	806,477	639,991
Current liabilities	1,838,056	1,496,000	1,377,056	1,084,109	1,009,867	1,007,194	741,091	276,847
INCOME								
Sales	3,753,492	3,875,481	3,009,929	2,286,357	1,461,240	1,346,031	1,154,753	1,110,958
Other income	9,841	4,794	7,168	14,032	7,422	28,364	1,889	1,713
Pre tax profit / (loss)	91,527	106,926	80,338	112,669	1,518	7,351	(40,118)	90,439
Taxation	487	(269)	(698)	358	339	398	276	201
STATISTICS AND RATIOS								
Per tax profit to sales %	2.44	2.76	2.67	4.93	0.10	0.55	(3.47)	8.14
Per tax profit to capital %	47.94	56.01	42.08	59.01	0.80	3.85	(21.01)	47.37
Current ratio	0.52	0.71	0.78	0.90	0.69	1.04	1.09	2.31
Paid up value if per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Earning after tax per share (Rs.)	4.77	5.61	4.24	5.88	0.06	0.36	(2.12)	4.73
Cash dividend %	10.00	20.00	20.00	25.00	-	-	-	25.00
Break up value per share (Rs.)	64.75	61.99	58.37	56.63	50.74	50.68	50.32	54.93

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

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

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

9. Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the Company and as such fully aware with their duties and responsibilities under the relevant laws and regulations.

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

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

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

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

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

On behalf of the Board of Directors

JAVED IQBAL
CHIEF EXECUTIVE OFFICER

October 06, 2011
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, 2011 prepared by the Board of Directors of Sitara Energy Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective for the year ended June 30, 2011.

October 06, 2010
Faisalabad

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Sitara Energy Limited as at June 30, 2011 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, 2011 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

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

October 06, 2011

Faisalabad

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

BALANCE SHEET

AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 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		590,000,000	540,000,000
Unappropriated profit		312,166,989	309,310,255
		1,236,276,989	1,183,420,255
NON-CURRENT LIABILITIES			
Redeemable capital	4	292,500,000	567,500,000
Long term financing	5	-	300,000,000
Liabilities against assets subject to finance lease	6	4,314,653	226,922
		296,814,653	867,726,922
CURRENT LIABILITIES			
Trade and other payables	7	121,142,252	201,659,183
Interest / mark up payable	8	75,046,888	71,395,366
Short term bank borrowings	9	986,864,925	941,158,736
Current portion of:			
Redeemable capital	4	352,500,000	275,000,000
Long term finance	5	300,000,000	-
Liabilities against assets subject to finance lease	6	2,097,187	6,786,422
Provision for taxation income tax		404,513	-
		1,838,055,765	1,495,999,707
CONTINGENCIES AND COMMITMENTS	10	-	-
		3,371,147,407	3,547,146,884

	Note	2011 Rupees	2010 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	11	2,348,588,049	2,400,750,894
Investment in subsidiary	12	49,995,000	50,000,000
Long term deposits	13	1,199,900	631,200
		2,399,782,949	2,451,382,094
CURRENT ASSETS			
Stores, spares and loose tools	14	404,661,771	425,796,091
Stock of oil and lubricants	15	121,933,365	131,505,552
Trade debts	16	333,959,013	389,150,470
Loans and advances	17	63,698,899	82,321,228
Deposits and prepayments	18	1,719,815	1,645,376
Other receivables		22,378,162	22,378,162
Tax refunds due from Government	19	-	2,894,050
Cash and bank balances	20	2,785,210	9,326,364
		951,136,235	1,065,017,293
Non-current assets held for sale	21	20,228,223	30,747,497
		971,364,458	1,095,764,790
		3,371,147,407	3,547,146,884

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, 2011

	Note	2011 Rupees	2010 Rupees
Sales - net	22	**3,753,491,599**	3,875,481,450
Cost of generation	23	**3,305,509,890**	3,397,025,763
Gross profit		**447,981,709**	478,455,687
Other operating income	24	**9,841,400**	4,793,930
		457,823,109	483,249,617
Operating expenses	25	**65,570,754**	66,708,865
Other operating expenses	26	**4,821,534**	5,872,610
Finance cost	27	**295,903,428**	303,741,580
		366,295,716	376,323,055
Profit for the year before taxation		**91,527,393**	106,926,562
Provision for taxation	28	**486,659**	(268,789)
Profit for the year		**91,040,734**	107,195,351
Earnings per share - Basic and diluted	29	**4.77**	5.61

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, 2011

	2011 Rupees	2010 Rupees
Profit for the year	**91,040,734**	107,195,351
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**91,040,734**	107,195,351

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	**91,527,393**	106,926,562
Adjustments for:		
Depreciation of property, plant and equipment	**73,430,328**	80,826,024
Provision for staff retirement benefits	**2,726,487**	2,596,692
Gain on disposal of:		
Property, plant and equipment	**(6,291,546)**	(337,853)
Non-current assets held for sale	**(1,841,770)**	(1,243,126)
Finance cost	**295,903,428**	303,741,580
Operating cash flows before working capital changes	**455,454,320**	492,509,879
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	**21,134,320**	(39,306,467)
Stock of oil and lubricants	**9,572,187**	(50,064,018)
Trade debts	**55,191,457**	71,588,356
Loans and advances	**21,660,957**	19,808,814
Deposits and prepayments	**45,561**	1,705,115
Other receivables	**-**	(7,615,875)
Tax refunds due from Government	**2,894,050**	(238,237)
(Decrease) / increase in current liabilities		
Trade and other payables	**(81,059,065)**	18,645,897
	29,439,467	14,523,585
Cash generated from operating activities	**484,893,787**	507,033,464
Income tax paid	**(3,120,774)**	(6,272,006)
Staff retirement benefits paid	**(2,728,023)**	(2,548,418)
Finance cost paid	**(292,251,906)**	(321,682,633)
Net cash generated from operating activities	**186,793,084**	176,530,407

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	**(85,703,018)**	(174,192,100)
Proceeds from disposal of :		
Property, plant and equipment	**64,249,500**	2,875,000
Investment in subsidiary	**5,000**	-
Non-current assets held for sale	**25,725,625**	12,762,654
Long term deposits	**(688,700)**	(463,200)
Net cash generated from / (used in) investing activities	**3,588,407**	(159,017,646)
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	-	140,000,000
Repayment of :		
Redeemable capital	**(197,500,000)**	(197,500,000)
Long term financing	-	(67,158,261)
Liabilities against assets subject to finance lease	**(7,488,504)**	(8,955,682)
Increase in short term bank borrowings - net	**45,706,189**	152,431,278
Dividend paid	**(37,640,330)**	(37,951,578)
Net cash (used in) financing activities	**(196,922,645)**	(19,134,243)
Net (decrease) in cash and cash equivalents (a+b+c)	**(6,541,154)**	(1,621,482)
Cash and cash equivalents at the beginning of the year	**9,326,364**	10,947,846
Cash and cash equivalents at the end of the year	**2,785,210**	9,326,364

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, 2011

	Issued, subscribed and paid up capital	Capital reserve	Revenue reserves			Total
		Share premium	General reserve	Unappropriated profit	Sub Total	
	Rupees					
Balance as at June 30, 2009	190,920,000	143,190,000	490,000,000	290,298,904	780,298,904	1,114,408,904
Final dividend for the year ended June 30, 2009: Rs. 2.0/- per share	-	-	-	(38,184,000)	(38,184,000)	(38,184,000)
Transferred to general reserve	-	-	50,000,000	(50,000,000)	-	-
Total comprehensive income for the year	-	-	-	107,195,351	107,195,351	107,195,351
Balance as at June 30, 2010	190,920,000	143,190,000	540,000,000	309,310,255	849,310,255	1,183,420,255
Final dividend for the year ended June 30, 2010: Rs. 2.0/- per share	-	-	-	(38,184,000)	(38,184,000)	(38,184,000)
Transferred to general reserve	-	-	50,000,000	(50,000,000)	-	-
Total comprehensive income for the year	-	-	-	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**

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, 2011

1. STATUS AND ACTIVITIES

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

The following revised standards are effective and mandatory for financial statements for the accounting periods of the Company beginning on or after July 1, 2010 and therefore, have been applied in preparing these financial statements.

- IAS 1 (Amendment), 'Presentation of financial statements'. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment has no impact on the financial statements.

- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (or disposal groups) classified as held-for-sale'. This amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. It has no material impact on Company's financial statements.

- IAS 17 (Amendment), 'Leases'. Prior to the amendment, IAS 17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. The amendment provides clarification that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles. A lease newly classified as a finance lease should be recognized retrospectively. The application of this amendment does not have any impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

- IAS 7 (Amendment), 'Statement of cash flows'. The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of the amendment has no impact on the financial statements.

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

There are certain new standards, amendments and interpretations that are mandatory for accounting periods of the Company beginning on or after July 1, 2010 but are considered not to be relevant to the Company's operations, therefore, not disclosed in the financial statements.

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

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

- IAS 1 (Amendments), Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is effective for periods beginning on or after July 01, 2011. It will impact the presentation only.

- IFRS 7, 'Disclosures on transfers of financial assets' (Amendment) is effective for the annual periods of the company beginning on or after July 01, 2012. The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. It is not expected to have any impact on the Company's financial statements.

- IFRS 7 Financial Instruments: Disclosures is effective for accounting periods beginning on or after July 01, 2011. These amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. The amendments may result in certain changes in disclosures.

- IAS 24, 'Related party disclosures' (Revised), issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for accounting periods beginning on or after July 01, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It is not expected to have any impact on the Company's financial statements.

- IFRS 9 'Financial instruments' introduces new requirements for the classification and measurement of financial assets and financial liabilities and for their derecognition. While the International Accounting Standards Board has prescribed the effective date; period beginning on or after January 1, 2013 with earlier application permitted, the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan have still not notified its effective date for adoption locally. As a result, there will be no impact on the Company's financial statements till application of IFRS 9 is notified.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', is effective for the annual period beginning on or after July 01, 2011. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. It is not expected to have any impact on the Company's financial statements.

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

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

2.2 Basis of preparation

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

2.3 Leases

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

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

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

2.4 Staff retirement benefits

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

2.5 Trade and other payables

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

2.6 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

3. Issued, subscribed and paid up capital

2010	**2011**		**2011**	2010
Number of shares			**Rupees**	Rupees
19,092,000	**19,092,000**	Ordinary shares of Rs. 10/- each fully paid in cash.	**190,920,000**	190,920,000

3.1 Shares held by the associated undertakings:

	2011	2010
	Number of shares	
Sitara Chemical Industries Limited	**933,661**	933,661
Sitara Fabrics Limited	**656,000**	656,000
	1,589,661	1,589,661

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
4. Redeemable capital			
Secured			
Sukuk certificates - I	4.1	**180,000,000**	300,000,000
Sukuk certificates - II	4.2	**465,000,000**	542,500,000
		645,000,000	842,500,000
Less: Current portion			
Installment due		**77,500,000**	-
Payable within one year		**275,000,000**	275,000,000
		352,500,000	275,000,000
		292,500,000	567,500,000

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

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

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

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

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

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

Effective yield rate of rental during the year ranges from 14.25% to 15.69% per annum (2010: 13.90% to 17.46% per annum).

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

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

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

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

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

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

Effective yield rate of rental during the year ranges from 13.37% to 14.71% per annum (2010: 13.37% to 14.51% per annum).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
5. Long term financing			
Secured			
From banking company			
Term finance	5.1	**300,000,000**	300,000,000
Less: Current portion		**(300,000,000)**	-
		-	300,000,000

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

Effective rate of mark up charged during the year ranges from 15.03% to 17.02% per annum (2010: 15.10% to 15.54% per annum).

	2011 Rupees	2010 Rupees
6. Liabilities against assets subject to finance lease		
Opening balance	**7,013,344**	25,790,071
Obtained during the year	**6,887,000**	-
	13,900,344	25,790,071
Paid during the year	**(7,488,504)**	(18,776,727)
	6,411,840	7,013,344
Shown under current liabilities		
Payable within one year	**2,097,187**	6,786,422
	4,314,653	226,922

These represents gas generator and vehicles acquired under lease agreement and 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, 2011 are as under:

Year ending June 30,	Rupees
2012	2,843,210
2013	2,608,020
2014	2,208,708
	7,659,938
Financial charges allocated to future periods	(1,248,100)
	6,411,840

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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

	2011		2010	
	Minimum lease payments	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
Due within one year	**2,843,210**	**2,097,187**	7,238,967	6,786,422
Due after one year but not later than five years	**4,816,728**	**4,314,653**	235,190	226,922
Rupees	**7,659,938**	**6,411,840**	7,474,157	7,013,344

	Note	2011 Rupees	2010 Rupees
7. Trade and other payables			
Creditors	7.1	**26,076,453**	39,752,067
Accrued liabilities	7.2	**42,476,916**	75,999,001
Import duty		**19,962,500**	19,962,500
Advance against non-current assets held for sale		**14,415,000**	28,540,000
Provident fund		**431,950**	433,486
Unclaimed dividend		**3,907,773**	3,364,103
Workers' profit participation fund	7.3	**4,821,534**	5,665,665
Sales tax		**6,583,411**	24,793,506
Withholding tax		**1,035,246**	1,714,903
Other		**1,431,469**	1,433,952
		121,142,252	201,659,183

7.1 It includes Nil (2010: Rs. 1,730,384/-) due to subsidiary company.

7.2 It includes Nil (2010: Rs. 253,281/-) due to an associated undertaking.

	2011 Rupees	2010 Rupees
7.3 Workers' profit participation fund		
Opening balance	**5,665,665**	4,324,751
Interest on funds utilised in the Company's business	**81,743**	24,482
	5,747,408	4,349,233
Paid to workers on behalf of the fund	**(5,747,408)**	(4,324,751)
	-	24,482
Allocation for the year	**4,821,534**	5,641,183
	4,821,534	5,665,665

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
8. Interest / mark up payable			
Interest / mark up on secured:			
Redeemable capital		**21,652,171**	28,728,032
Long term financing		**12,728,532**	6,023,452
Liabilities against assets subject to finance lease		**44,552**	288,442
Short term bank borrowings		**40,621,633**	36,355,440
		75,046,888	71,395,366
9. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finance I	9.2	**175,000,000**	174,675,497
Morabaha finance II	9.3	**30,000,000**	-
Term finance	9.4	**240,000,000**	239,999,880
Running finances	9.5	**541,864,925**	526,483,359
		986,864,925	941,158,736

9.1 The aggregate unavailed short term financing facilities available to the Company are Rs. 203.14 million (2010: Rs. 218.84 million).

9.2 It is subject to mark up ranging from 14.25% to 18.04% per annum (2010: 14.10% to 18.61% per annum). It is secured against first charge over fixed assets of the Company ranking pari passu with the charge created in respect of long term finance (Refer Note 5.1) and 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).

9.3 It is subject to markup at the rate 16.63% per annum. It is secured against ranking charge ove movable fixed assets and current assets of the company. It is further secured against registerd and equitable mortgage of land measuring 01 Kanal 13 Marla, situated at chak No. 212 RB and personal guarantee of the director of the Company.

9.4 It is subject to mark up ranging from 14.39% to 15.65% per annum (2010: 14.03% to 15.77% per annum). It is secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance (Refer Not 9.2) and running finances (Refer Note 9.5).

9.5 These are subject to mark up ranging from 14.26% to 17.02% per annum (2010: 14.33% to 15.54% per annum). These are secured against first charge over current assets ranking pari passu with the charge created in respect of term finance (Refer Note 9.4) and morabaha finance (Refer Note 9.2), ranking charge over fixed assets and personal guarantees of directors of the company. Running finance of Rs. 168 million (2010: Rs. 193 million) is further secured against first charge over fixed assets of the company ranking pari passu with the charge created in respect of morabaha finance (Refer Note 9.2) and long term finance (Refer Note 5.1).

The Company has issued guarantees to secure the limit of short term borrowings available to the subsidiary company amounting to Rs. 125 million (2010: Rs. 125 million).

	2011 Rupees	2010 Rupees
10. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Bank guarantee issued in favour of Sui Northern Gas Pipelines Limited for supply of gas	**97,171,000**	212,171,000
Demand of income tax not acknowledged in view of pending appeals.	**3,648,594**	3,648,594
Commitments		
Under letters of credit for stores and spares	**7,346,727**	20,830,204
Under contracts for fixed capital expenditure	**45,748,239**	72,611,810

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

11. Property, plant and equipment

	Note	2011 Rupees	2010 Rupees
Operating assets	11.1	1,250,240,731	1,303,402,001
Capital work in progress	11.4	144,794,541	141,647,467
Non-operating land	11.5	953,552,777	955,701,426
		2,348,588,049	2,400,750,894

11.1 Operating assets

	Company owned										Assets subject to finance lease			
	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Electric Appliances	Furniture and fixtures	Office equipment	Vehicles	Sub total	Plant and machinery	Vehicles	Sub total	Total
	Rupees													
At July 01, 2009														
Cost	67,571,734	194,895,784	1,680,013,864	156,898,636	3,828,647	6,177,091	4,175,436	13,502,926	25,740,072	2,152,804,190	73,242,439	600,000	73,842,439	2,226,646,629
Accumulated depreciation	-	(104,387,278)	(670,058,237)	(45,044,622)	(2,563,296)	(2,592,482)	(1,803,776)	(7,472,022)	(13,661,060)	(847,582,773)	(6,040,693)	(291,136)	(6,331,829)	(853,914,602)
Net book value	67,571,734	90,508,506	1,009,955,627	111,854,014	1,265,351	3,584,609	2,371,660	6,030,904	12,079,012	1,305,221,417	67,201,746	308,864	67,510,610	1,372,732,027
Year ended June 30, 2010														
Opening net book value	67,571,734	90,508,506	1,009,955,627	111,854,014	1,265,351	3,584,609	2,371,660	6,030,904	12,079,012	1,305,221,417	67,201,746	308,864	67,510,610	1,372,732,027
Additions	-	-	4,796,336	-	15,000	919,996	169,950	467,115	1,835,770	8,204,167	-	-	-	8,204,167
Transfer from capital work in progress	-	3,328,978	2,500,000	-	-	-	-	-	-	5,828,978	-	-	-	5,828,978
Transfer from leased assets:														
Cost	-	-	43,242,439	-	-	-	-	-	-	43,242,439	(43,242,439)	-	(43,242,439)	-
Accumulated depreciation	-	-	(3,284,418)	-	-	-	-	-	-	(3,284,418)	3,284,418	-	3,284,418	-
	-	-	39,958,021	-	-	-	-	-	-	39,958,021	(39,958,021)	-	(39,958,021)	-
Disposals:														
Cost	(2,180,327)	-	-	-	-	-	-	-	(563,400)	(2,743,727)	-	-	-	(2,743,727)
Accumulated depreciation	-	-	-	-	-	-	-	-	206,580	206,580	-	-	-	206,580
	(2,180,327)	-	-	-	-	-	-	-	(356,820)	(2,537,147)	-	-	-	(2,537,147)
Depreciation charge	-	(9,118,750)	(55,511,016)	(11,185,401)	(127,285)	(377,319)	(247,224)	(618,934)	(2,495,552)	(79,681,481)	(1,082,770)	(61,773)	(1,144,543)	(80,826,024)
Closing net book value	65,391,407	84,718,734	1,001,698,968	100,668,613	1,153,066	4,127,286	2,294,386	5,879,085	11,062,410	1,276,993,955	26,160,955	247,091	26,408,046	1,303,402,001
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
Annual rate of depreciation (%)	-	10	-	10	10	10	10	10	20		-	20		

11.2 Depreciation for the year has been allocated as under:

	2011 Rupees	2010 Rupees
Cost of generation	69,994,179	77,025,222
Operating expenses	3,436,149	3,800,802
	73,430,328	80,826,024

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Operating assets					
Freehold land	580,125	-	580,125	600,000	Khalid Mahmood, Chak No. 61 R.B, Tehsil Jaranwala, Faisalabad.
Vehicles					
	2,221,400	870,789	1,350,611	1,780,000	Usman Ghani, 881-C Faisal Town, Lahore.
	1,887,740	619,179	1,268,561	1,300,000	Syed Sajid Imran, E-83, Satelite Town, Rawalpindi.
	5,792,200	3,617,422	2,174,778	2,537,000	Ali Akbar Enterprises, Defence Road, Lahore.
	3,350,000	335,000	3,015,000	3,050,000	Asad Mahmood, E-93, Co-op Housing Society, Lahore Cantt.
	1,300,000	1,029,642	270,358	450,000	Muhammad Yasin, 1st Floor, Block No.26, Flat No.FF3, Sector G11/4, Islamabad
	928,025	691,084	236,941	355,000	Muhammad Sajjad, Chak No. 478/G.B. Chawa, Tahsil Samundri, District Faisalabad.
	15,479,365	7,163,116	8,316,249	9,472,000	
Non-operating land	45,902,500	-	45,902,500	50,700,000	Naveed Fazil, 15 - A, Peoples Colony, Faisalabad.
	3,159,080	-	3,159,080	3,477,500	Shahid Pervez, 95 - C, Peoples Colony, Faisalabad.
	49,061,580	-	49,061,580	54,177,500	
2011 Rupees	**65,121,070**	**7,163,116**	**57,957,954**	**64,249,500**	
2010 Rupees	2,743,727	206,580	2,537,147	2,875,000	

11.4 Capital work in progress

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
11.5 Non-operating land			
Cost of land	11.5.1	**823,064,433**	895,741,973
Transferred to non-current assets held for sale	21	**-**	36,807,099
		823,064,433	858,934,874
Advances for purchase of land	11.5.2	**130,488,344**	96,766,552
		953,552,777	955,701,426

11.5.1 This includes land worth Rs. 301.88 million (2010: 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.

11.5.2 It includes Rs. 36,400,000/- (2010: Nil) advance to subsidiary company.

11.5.3 Land has been acquired for future expansion.

	Note	2011 Rupees	2010 Rupees
12. Investment in subsidiary			
Sitara International (Private) Limited 4,950,000 (2010: 5,000,000) ordinary shares of Rs. 10/- each fully paid in cash.		**49,995,000**	50,000,000
13. Long term deposits			
Long term deposits		**1,319,900**	631,200
Less: Current portion		**120,000**	-
		1,199,900	631,200
14. Stores, spares and loose tools			
Stores			
In hand		**12,466,439**	12,910,578
In transit		**1,935,654**	2,892,262
		14,402,093	15,802,840
Spares	14.1	**388,496,098**	408,345,417
Loose tools		**1,763,580**	1,647,834
		404,661,771	425,796,091

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

	Note	2011 Rupees	2010 Rupees
15. Stock of oil and lubricants			
Furnace oil			
In hand		**106,763,164**	106,772,541
In transit		**-**	12,525,619
		106,763,164	119,298,160
Diesel oil		**4,531,663**	2,066,978
Lube oil		**10,557,825**	10,046,835
Waste		**80,713**	93,579
		121,933,365	131,505,552
16. Trade debts			
Considered good			
Related parties			
Sitara Chemical Industries Limited		**41,872,075**	124,694,935
Sitara Spinning Mills Limited		**63,782,374**	75,029,472
Sitara Chemtek (Private) Limited		**542,445**	-
Sitara Peroxide Limited		**7,903,890**	55,442,312
		114,100,784	255,166,719
Others		**219,858,229**	133,983,751
		333,959,013	389,150,470

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
17. Loans and advances			
Considered good			
Loans			
Executives		**625,788**	1,342,140
Staff		**1,693,652**	1,792,094
Advances			
Suppliers		**29,754,286**	52,562,218
Income tax		**10,670,978**	7,632,350
For purchases / expenses		**20,904,720**	18,860,748
Letters of credit fee and expenses		**49,475**	131,678
		63,698,899	82,321,228
18. Deposits and prepayments			
Deposits			
Guarantee margin		**1,000,000**	-
Current portion of long term deposits		**120,000**	-
		1,120,000	-
Prepayments		**599,815**	1,645,376
		1,719,815	1,645,376
19. Tax refunds due from Government			
Sales tax		-	2,655,813
Income tax		-	238,237
		-	2,894,050
20. Cash and bank balances			
Cash in hand		**1,510,829**	1,352,583
Cash at banks			
In current accounts		**1,274,381**	7,973,781
		2,785,210	9,326,364
21. Non-current assets held for sale			
Land			
Opening balance		**30,747,497**	5,459,926
Transferred from Non-operating land	11.5	-	36,807,099
		30,747,497	42,267,025
Disposed off during the year		**(23,883,855)**	(11,519,528)
		6,863,642	30,747,497
Transferred from operating assets			
Plant and machinery			
Cost	11.1	**14,450,000**	-
Accumulated depreciation		**(1,085,419)**	-
		13,364,581	-
		20,228,223	30,747,497

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
22. Sales - net			
Electricity		4,242,090,157	4,419,707,732
Steam		130,078,244	105,431,833
		4,372,168,401	4,525,139,565
Less: Sales tax		612,495,819	642,780,511
		3,759,672,582	3,882,359,054
Less: Electricity duty		6,180,983	6,877,604
		3,753,491,599	3,875,481,450
23. Cost of generation			
Cost of fuel, oil, gas and lubricants		3,035,251,980	3,061,416,605
Salaries, wages and benefits		52,778,867	51,825,449
Staff retirement benefits		1,817,820	1,781,419
Stores, spares and loose tools		113,441,619	169,189,198
Insurance		5,448,406	5,788,554
Repairs and maintenance		13,850,500	18,419,062
Depreciation	11.2	69,994,179	77,025,222
Other		12,926,519	11,580,254
		3,305,509,890	3,397,025,763
24. Other operating income			
Income from assets other than financial assets:			
Sale of scrape and waste		1,708,084	3,212,951
Gain on disposal of property, plant and equipment		6,291,546	337,853
Gain on disposal of non-current assets held for sale		1,841,770	1,243,126
		9,841,400	4,793,930
25. Operating expenses			
Director's remuneration		5,371,500	4,383,600
Salaries and benefits		24,317,971	22,218,253
Staff retirement benefits		908,667	815,273
Postage and telephone		2,070,638	1,939,381
Vehicles running and maintenance		4,666,784	5,518,347
Traveling and conveyance		2,329,891	3,813,069
Printing and stationery		1,519,017	1,349,972
Entertainment		2,875,337	2,166,064
Legal and professional		2,382,808	2,542,430
Fee, subscription and periodicals		1,886,339	1,321,048
Rent, rates and taxes		185,611	187,889
Advertisement		219,550	444,911
Insurance		737,742	794,010
Auditors' remuneration	25.1	637,500	587,500
Repairs and maintenance		2,082,943	2,741,603
Donations	25.2	3,698,200	3,853,400
Depreciation	11.2	3,436,149	3,800,802
Employees benefits		1,265,342	1,574,539
Utilities		3,287,091	4,239,037
Other		1,691,674	2,417,737
		65,570,754	66,708,865

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

25.1 Auditors' remuneration

	2011 Rupees	2010 Rupees
Audit fee	**500,000**	500,000
Sundry services	**137,500**	87,500
	637,500	587,500

25.2 Donations

Four directors of the Company including Chief Executive Officer, Mr. Javed Iqbal, Mr. Muhammad Adrees, Mr. Imran Ghafoor and Mr. Muhammad Anis are the trustees of Aziz Fatima Trust, Gulistan Colony, Sheikhupura Road, Faisalabad, to whom Rs.3,092,000/- (2010: Rs. 3,457,500/-) have been donated during the year.

	Note	2011 Rupees	2010 Rupees
26. Other operating expenses			
Workers' profit participation fund		**4,821,534**	5,641,183
Balances written off		**-**	231,427
		4,821,534	5,872,610
27. Finance cost			
Interest / mark-up on :			
Redeemable capital		**101,574,198**	133,238,035
Long term financing		**47,872,423**	29,163,644
Liabilities against assets subject to finance lease		**970,537**	1,630,839
Short term bank borrowings		**142,810,400**	137,256,011
Workers' profit participation fund		**81,743**	24,482
Bank charges and commission		**2,594,127**	2,428,569
		295,903,428	303,741,580
28. Provision for taxation			
Current			
for the year	28.1	**404,513**	-
for prior years		**82,146**	(268,789)
		486,659	(268,789)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
29. Earnings per share - Basic and diluted		
Profit for the year (Rupees)	**91,040,734**	107,195,351
Weighted average number of ordinary shares	**19,092,000**	19,092,000
Earnings per share - Basic and diluted (Rupees)	**4.77**	5.61

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

30. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

	2011		2010	
	Chief Executive Officer	**Executives**	Chief Executive Officer	Executives
Remuneration	**3,203,000**	**5,898,333**	2,562,500	4,688,960
House rent allowance	**1,441,350**	**2,654,250**	1,153,000	2,110,032
Utilities	**160,150**	**294,917**	128,100	234,448
Perquisites	**567,000**	**1,162,001**	540,000	865,127
Contribution to provident fund	**-**	**625,680**	-	464,736
Rupees	**5,371,500**	**10,635,181**	4,383,600	8,363,303
Number of persons	**1**	**9**	1	7

The Chief Executive Officer is entitled to free use of Company maintained car, telephone at residence and other perquisites. A Director and two Executives are entitled to conveyance facility. The monetary value of these benefits approximates Rs.4,091,568/- (2010: Rs. 4,331,360/-). The Directors have waived off their meeting fee.

31. TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	**Nature of transactions**	**2011 Rupees**	2010 Rupees
Subsidiary	Services charges	**-**	2,957,024
	Advance for purchase of land	**36,400,000**	-
Associated undertakings	Sales	**644,099,068**	849,310,136
	Purchases	**333,511**	1,439,854
	Organisational expenses recovered	**168,000**	355,877
	Organisational expenses paid	**7,191,681**	6,811,771

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

32. PLANT CAPACITY AND ACTUAL PRODUCTION

	2011	2010
Number of generators installed	**26**	26
Number of generators worked	**24**	24
Installed energy generation capacity (Mega watt hours)	**713,590**	713,590
Actual energy generation (Mega watt hours)	**318,781**	385,819

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

	2011 Rupees	2010 Rupees
Financial assets:		
Deposits	**1,319,900**	631,200
Investment in subsidiary	**49,995,000**	50,000,000
Trade debts	**333,959,013**	389,150,470
Loans and advances	**2,319,440**	3,134,234
Other receivables	**22,378,162**	22,378,162
Cash and bank balances	**2,785,210**	9,326,364
Non-current assets held for sale	**6,863,642**	30,747,497
	419,620,367	505,367,927
Financial liabilities:		
Redeemable capital	**645,000,000**	842,500,000
Long term financing	**300,000,000**	300,000,000
Liabilities against assets subject to finance lease	**6,411,840**	7,013,344
Trade and other payables	**93,561,095**	155,188,274
Interest / markup payable	**75,046,888**	71,395,366
Short term borrowings	**986,864,925**	941,158,736
	2,106,884,748	2,317,255,720

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

33.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

33.2.1 Credit risk and concentration of credit risk

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

	2011 Rupees	2010 Rupees
Deposits	**1,319,900**	631,200
Trade debts	**333,959,013**	389,150,470
Other receivables	**22,378,162**	22,378,162
Bank balances	**1,274,381**	7,973,781
	358,931,456	420,133,613

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:

	2011 Rupees	2010 Rupees
Industrial users	**121,979,263**	261,451,742
FESCO	**211,979,750**	127,698,728
	333,959,013	389,150,470

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

Not past due	**320,986,535**	299,612,723
Past due	**12,972,478**	89,537,747
	333,959,013	389,150,470

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

33.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity is to maintain sufficient level of liquidity of the Company on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of balance sheet liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2011 and 2010:

	2011				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	----Rupees in thousand----				
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

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

The contractual cash flows relating to mark up have been determined on the basis of mark up rates as applicable on June 30, 2011 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. 442.94 million and unavailed short term borrowing facilities of Rs. 203.14 million as at June 30, 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

33.2.3 Market risk management

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

i) Interest rate risk

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

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

Sensitivity analysis

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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. 21 million (2010: Rs. 20.70 million).

ii) Currency risk

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

iii) Equity price risk

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

33.3 Fair value of financial instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

33.4 Capital management

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

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	**2011 Rupees**	2010 Rupees
Total Debt	4, 5, 6 & 9	**1,638,276,765**	2,090,672,080
Less: Cash and cash equivalents	20	**2,785,209**	9,326,364
Net Debt		**1,635,491,556**	2,081,345,716
Total equity		**1,236,276,989**	1,183,420,255
Total capital		**2,871,768,545**	3,264,765,971
Gearing ratio		**56.95%**	63.75%

33.5 Overdue loan

On the reporting date, an installment of redeemable capital amounting to Rs. 77.500 million was overdue. The carrying value of redeemable capital related to overdue installment was Rs. 462.000 million. The Company has applied to the certificate holders for restructuring of the redeemable capital which is under process.

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on October 06, 2011.

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

REPORT OF THE DIRECTORS
ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors have pleasure in presenting the Audited Financial Statement of the Sitara Energy Limited (the Company) and its Subsidiary Sitara International (Private) Limited (the Subsidiary) for the year ended June 30, 2011.

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

The consolidated financials are as follows:

	30.06.2011 (Rs. '000')	30.06.2010 (Rs. '000')
Sales - net	**3,814,178**	3,896,185
Gross Profit	**459,587**	482,143
Profit before taxation	**92,091**	142,233
Profit after taxation	**91,090**	142,363
Earning per share	**4.77**	7.46

On behalf of the Board of Directors

JAVED IQBAL
CHIEF EXECUTIVE OFFICER

October 06, 2011
Faisalabad

AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of Sitara Energy Limited (the company) and its subsidiary company as at June 30, 2011 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, 2011 and the results of their operations, their comprehensive income, cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

October 06, 2011
Faisalabad

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

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 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		(282,580)	(1,409,580)
Revenue reserve			
General reserve		590,000,000	540,000,000
Unappropriated profit		309,873,889	306,970,520
		1,233,701,309	1,179,670,940
Non-controlling interest		7,386	-
		1,233,708,695	1,179,670,940
NON-CURRENT LIABILITIES			
Redeemable capital	5	292,500,000	567,500,000
Long term financing	6	-	300,000,000
Liabilities against assets subject to finance lease	7	4,314,653	226,922
		296,814,653	867,726,922
CURRENT LIABILITIES			
Trade and other payables	8	121,483,378	200,042,647
Interest / mark up payable	9	77,047,563	74,618,282
Short term bank borrowings	10	1,003,164,925	1,015,158,736
Current portion of			
Redeemable capital	5	352,500,000	275,000,000
Long term loan	6	300,000,000	-
Liabilities against assets subject to finance lease	7	2,097,187	6,786,422
Provision for taxation income tax		1,022,628	207,031
		1,857,315,681	1,571,813,118
CONTINGENCIES AND COMMITMENTS	11	-	-
		3,387,839,029	3,619,210,980

	Note	2011 Rupees	2010 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	12	2,308,695,193	2,397,256,611
Long term deposits	13	1,199,900	631,200
Investment property	14	63,403,000	63,403,000
		2,373,298,093	2,461,290,811
CURRENT ASSETS			
Stores, spares and loose tools	15	404,661,771	425,796,091
Stocks	16	134,354,882	156,418,760
Trade debts	17	359,376,127	405,120,434
Loans and advances	18	63,803,379	97,591,554
Deposits and prepayments	19	1,719,815	1,645,376
Short-term investments	20	2,841,600	1,714,600
Other receivables		22,378,162	22,378,162
Rent receivable		-	75,000
Tax refunds due from Government	21	147,941	3,045,749
Cash and bank balances	22	5,029,036	13,386,946
		994,312,713	1,127,172,672
Non-current assets held for sale	23	20,228,223	30,747,497
		1,014,540,936	1,157,920,169
		3,387,839,029	3,619,210,980

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, 2011

	Note	2011 Rupees	2010 Rupees
Sales - net	24	**3,814,178,094**	3,896,184,569
Cost of generation and sales	25	**3,354,590,777**	3,414,041,842
Gross profit		**459,587,317**	482,142,727
Other operating income	26	**10,072,965**	48,842,485
		469,660,282	530,985,212
Operating expenses	27	**66,497,033**	67,424,725
Other operating expenses	28	**4,821,534**	5,872,610
Finance cost	29	**306,250,701**	315,454,888
		377,569,268	388,752,223
Profit for the year before taxation		**92,091,014**	142,232,989
Provision for taxation	30	**1,001,259**	(130,109)
Profit for the year		**91,089,755**	142,363,098
Attributable to:			
Ordinary shareholders		**91,087,369**	142,363,098
Non-controlling interest		**2,386**	-
		91,089,755	142,363,098
Earnings per share - Basic and diluted			
Attributable to the shareholders of the Parent Company	31	**4.77**	7.46

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, 2011

	2011 Rupees	2010 Rupees
Profit for the year	**91,089,755**	142,363,098
Other comprehensive income for the year		
Un-realized gain on investments classified as available for sale	**1,127,000**	134,600
Total comprehensive income for the year	**92,216,755**	142,497,698
Attributable to:		
Ordinary shareholders	**92,214,369**	142,497,698
Non-controlling interest	**2,386**	-
	92,216,755	142,497,698

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, 2011

	2011 Rupees	2010 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	**92,091,014**	142,232,989
Adjustments for:		
Depreciation of property, plant and equipment	**73,436,501**	80,832,250
Provision for staff retirement benefits	**2,726,487**	2,596,692
Gain on disposal of:		
Property, plant and equipment	**(6,291,546)**	(337,853)
Non-current assets held for sale	**(1,841,770)**	(1,243,126)
Gain arising from change in fair value of investment property	**-**	(38,258,317)
Finance cost	**306,250,701**	315,454,888
Operating cash flows before working capital changes	**466,371,387**	501,277,523
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	**21,134,320**	(39,306,467)
Stocks	**22,063,878**	(33,153,232)
Trade debts	**45,744,307**	68,449,987
Loans and advances	**36,831,525**	4,682,246
Deposits and prepayments	**45,561**	1,706,015
Other receivables	**-**	(7,615,875)
Rent receivable	**75,000**	(75,000)
Tax refunds due from Government	**2,894,050**	(238,237)
(Decrease) / increase in current liabilities		
Trade and other payables	**(79,101,403)**	11,193,025
	49,687,238	5,642,462
Cash generated from operating activities	**516,058,625**	506,919,985
Income tax paid	**(3,225,254)**	(6,371,764)
Staff retirement benefits paid	**(2,728,023)**	(2,548,418)
Finance cost paid	**(303,821,420)**	(333,844,730)
Net cash generated from operating activities	**206,283,928**	164,155,073

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	**(49,310,618)**	(171,235,076)
Purchase of short term investment	-	(200,000)
Proceeds from disposal of :		
Property, plant and equipment	**64,249,500**	2,875,000
Shares of the subsidiary company	**5,000**	-
Non-current assets held for sale	**25,725,625**	12,762,654
Long term deposits	**(688,700)**	(463,200)
Net cash generated from / (used in) investing activities	**39,980,807**	(156,260,622)
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	-	140,000,000
Repayment of :		
Redeemable capital	**(197,500,000)**	(197,500,000)
Long term financing	-	(67,158,261)
Liabilities against assets subject to finance lease	**(7,488,504)**	(8,955,682)
(Decrease) / increase in short term bank borrowings - net	**(11,993,811)**	152,431,278
Dividend paid	**(37,640,330)**	(37,951,578)
Net cash (used in) financing activities	**(254,622,645)**	(19,134,243)
Net (decrease) in cash and cash equivalents (a+b+c)	**(8,357,910)**	(11,239,792)
Cash and cash equivalents at the beginning of the year	**13,386,946**	24,626,738
Cash and cash equivalents at the end of the year	**5,029,036**	13,386,946

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, 2011

	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, 2009	190,920,000	143,190,000	(1,544,180)	141,645,820	490,000,000	252,791,422	742,791,422	1,075,357,242	-
Final dividend for the year ended June 30, 2009: Rs. 2.0/- per share	-	-	-	-	-	(38,184,000)	(38,184,000)	(38,184,000)	-
Transferred to general reserve	-	-	-	-	50,000,000	(50,000,000)	-	-	-
Total comprehensive income for the year	-	-	134,600	134,600	-	142,363,098	142,363,098	142,497,698	-
Balance as at June 30, 2010	190,920,000	143,190,000	(1,409,580)	141,780,420	540,000,000	306,970,520	846,970,520	1,179,670,940	-
Final dividend for the year ended June 30, 2010: Rs. 2.0/- 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	-	-	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**

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, 2011

1. GROUP STATUS AND ACTIVITIES

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

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

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

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

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Sitara Energy Limited and its subsidiary Sitara International (Private) Limited. 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 of 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 period

The following revised standards are effective and mandatory for financial statements for the accounting periods of the Company beginning on or after July 1, 2010 and therefore, have been applied in preparing these financial statements.

- IAS 1 (Amendment), 'Presentation of financial statements'. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment has no impact on the financial statements.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (or disposal groups) classified as held-for-sale'. This amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. It has no material impact on Company's financial statements.

- IAS 17 (Amendment), 'Leases'. Prior to the amendment, IAS 17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. The amendment provides clarification that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles. A lease newly classified as a finance lease should be recognized retrospectively. The application of this amendment does not have any impact on the Company's financial statements.

- IAS 7 (Amendment), 'Statement of cash flows'. The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of the amendment has no impact on the financial statements.

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

There are certain new standards, amendments and interpretations that are mandatory for accounting periods of the Company beginning on or after July 1, 2010 but are considered not to be relevant to the Company's operations, therefore, not disclosed in the financial statements.

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

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

- IAS 1 (Amendments), Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is effective for periods beginning on or after July 01, 2011. It will impact the presentation only.

- IFRS 7, 'Disclosures on transfers of financial assets' (Amendment) is effective for the annual periods of the company beginning on or after July 01, 2012. The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. It is not expected to have any impact on the Company's financial statements.

- IFRS 7 Financial Instruments: Disclosures is effective for accounting periods beginning on or after July 01, 2011. These amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. The amendments may result in certain changes in disclosures.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

- IAS 24, 'Related party disclosures' (Revised), issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for accounting periods beginning on or after July 01, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It is not expected to have any impact on the Company's financial statements.

- IFRS 9 'Financial instruments' introduces new requirements for the classification and measurement of financial assets and financial liabilities and for their derecognition. While the International Accounting Standards Board has prescribed the effective date; period beginning on or after January 1, 2013 with earlier application permitted, the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan have still not notified its effective date for adoption locally. As a result, there will be no impact on the Company's financial statements till application of IFRS 9 is notified.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', is effective for the annual period beginning on or after July 01, 2011. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. It is not expected to have any impact on the Company's financial statements.

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

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

3.2 Basis of preparation

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

3.3 Leases

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

As lessor

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

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

As lessee

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised as expense on a straight-line basis over the lease term.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

3.4 Staff retirement benefits

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

3.5 Trade and other payables

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

3.6 Provisions

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

3.7 Provision for taxation

Current

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

Deferred

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

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

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

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

3.8 Dividend and other appropriations

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

3.9 Property, plant and equipment

Operating assets

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

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

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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 Company owned assets.

Non-operating land

Non-operating land is stated at cost.

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

3.10 Impairment

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

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

3.11 Borrowing costs

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

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

3.12 Investment property

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

2010	2011		2011	2010
Number of shares			**Rupees**	Rupees
19,092,000	19,092,000	Ordinary shares of Rs. 10/- each fully paid in cash.	**190,920,000**	190,920,000

4.1 Shares held by the associated undertakings;

	2011	2010
	Number of shares	
Sitara Chemical Industries Limited	**933,661**	933,661
Sitara Fabrics Limited	**656,000**	656,000
	1,589,661	1,589,661

5. Redeemable capital

	Note	2011 Rupees	2010 Rupees
Secured			
Sukuk certificates - I	5.1	**180,000,000**	300,000,000
Sukuk certificates - II	5.2	**465,000,000**	542,500,000
		645,000,000	842,500,000
Less: Current portion			
Installment due		**77,500,000**	-
Payable within one year		**275,000,000**	275,000,000
		352,500,000	275,000,000
		292,500,000	567,500,000

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

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

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

Effective yield rate of rental during the year ranges from 14.25% to 15.69% per annum (2010: 13.90% to 17.46% per annum).

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

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

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

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

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

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

Effective yield rate of rental during the year ranges from 13.37% to 14.71% per annum (2010: 13.37% to 14.51% per annum).

	Note	**2011 Rupees**	2010 Rupees
6. Long term financing			
Secured			
From banking companies			
Term finance	6.1	**300,000,000**	300,000,000
Less: Current portion		**(300,000,000)**	-
		-	300,000,000

6.1 It is subject to mark up at three months KIBOR plus 2.75% per annum. It is repayable in lump sum on March 31, 2012. It is secured against first charge over fixed assets of the Company ranking pari passu with the charge created in respect of morabaha finances-I (Refer Note 10.2) and running finance (Refer Note 10.5).

Effective rate of mark up charged during the year ranges from 15.03% to 17.02% per annum (2010: 15.10% to 15.54% per annum).

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
7. Liabilities against assets subject to finance lease		
Opening balance	**7,013,344**	25,790,071
Obtained during the year	**6,887,000**	-
	13,900,344	25,790,071
Paid during the year	**(7,488,504)**	(18,776,727)
	6,411,840	7,013,344
Shown under current liabilities		
Payable within one year	**2,097,187**	6,786,422
	4,314,653	226,922

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

The principal plus financial charges are payable over the lease period in 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, 2011 are as under:

Year ending June 30,	Rupees
2012	**2,843,210**
2013	**2,608,020**
2014	**2,208,708**
	7,659,938
Financial charges allocated to future periods	**(1,248,100)**
	6,411,840

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

	2011		2010	
	Minimum lease payments	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
Due within one year	**2,843,210**	**2,097,187**	7,238,967	6,786,422
Due after one year but not later than five years	**4,816,728**	**4,314,653**	235,190	226,922
Rupees	**7,659,938**	**6,411,840**	7,474,157	7,013,344

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
8. Trade and other payables			
Creditors		**26,076,453**	38,021,683
Accrued liabilities	8.1	**42,818,042**	76,112,849
Import duty		**19,962,500**	19,962,500
Advance against non-current assets held for sale		**14,415,000**	28,540,000
Provident fund		**431,950**	433,486
Unclaimed dividend		**3,907,773**	3,364,103
Workers' profit participation fund	8.2	**4,821,534**	5,665,665
Sales tax		**6,583,411**	24,793,506
Withholding tax		**1,035,246**	1,714,903
Other		**1,431,469**	1,433,952
		121,483,378	200,042,647

8.1 It includes Nil (2010: Rs. 253,281/-) due to an associated undertaking.

	Note	2011 Rupees	2010 Rupees
8.2 Workers' profit participation fund			
Opening balance		**5,665,665**	4,324,751
Interest on funds utilised in the Company's business		**81,743**	24,482
		5,747,408	4,349,233
Paid to workers on behalf of the fund		**(5,747,408)**	(4,324,751)
		-	24,482
Allocation for the year		**4,821,534**	5,641,183
		4,821,534	5,665,665

	Note	2011 Rupees	2010 Rupees
9. Interest / mark up payable			
Interest / mark up on secured:			
Redeemable capital		**21,652,171**	28,728,032
Long term financing		**12,728,532**	6,023,452
Liabilities against assets subject to finance lease		**44,552**	288,442
Short term bank borrowings		**42,622,308**	39,578,356
		77,047,563	74,618,282
10. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finances I	10.2	**191,300,000**	213,675,497
Morabaha finances II	10.3	**30,000,000**	35,000,000
Term finance	10.4	**240,000,000**	239,999,880
Running finances	10.5	**541,864,925**	526,483,359
		1,003,164,925	1,015,158,736

10.1 The aggregate unavailed short term financing facilities available to the group are Rs. 225.84 million (2010: Rs. 219.84 million).

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

10.2 It is subject to mark up ranging from 14.25% to 18.04% per annum (2010: 14.10% to 18.61%per annum). Morabaha finance I of Rs. 175 million (2010: Rs.174.675 million) is secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of long term finance (Refer Note 6.1) and running finances (Refer Note 10.5) and ranking charge over fixed assets of the Company. It is further secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of term finance (Refer Note 10.4) and running finances (Refer Note 10.5) and first charge over current assets of the subsidiary. Morabaha finance I of Rs. 16.3 million (2010: Rs. 39 million) is secured against first pari passu charge over current assets of the subsidiary. It is further secured against corporate guarantee issued by the Company and personal guarantee of a director of the subsidiary.

10.3 It is subject to mark up at the rate of 16.63% per annum. 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.

10.4 It is subject to mark up ranging from 14.39% to 15.65% per annum (2010: 14.03% to 15.77% per annum). It is secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finances (Refer Note 10.2) and running finances (Refer Note 10.5).

10.5 These are subject to mark up ranging from 14.26% to 17.02% per annum (2010: 14.33% to 15.54% per annum). These are secured against first charge over current assets ranking pari passu with the charges created in respect of term finance (Refer Note 10.3) and morabaha finance (Refer Note 10.2), ranking charge over fixed assets and personal guarantees of directors of the Company. Running finance of Rs. 168 million (2010: Rs. 193 million) is further secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of morabaha finances (Refer Note 10.2) and long term finance (Refer Note 6.1).

	2011 Rupees	2010 Rupees
11. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Bank guarantee issued in favour of Sui Northern Gas Pipelines Limited for supply of gas	**97,171,000**	212,171,000
Demand of income tax not acknowledged in view of pending appeals.	**3,648,594**	3,648,594
Commitments		
Under letters of credit for stores and spares	**7,346,727**	20,830,204
Under contracts for fixed capital expenditure	**45,748,239**	72,611,810

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
12. Property, plant and equipment			
Operating assets	12.1	1,250,298,188	1,303,458,031
Capital work in progress	12.4	144,794,541	141,647,467
Non-operating land	12.5	913,602,464	952,151,113
		2,308,695,193	2,397,256,611

12.1 Operating assets

	Group 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, 2009															
Cost	67,571,734	194,895,784	1,680,013,864	156,898,636	3,828,647	6,177,091	4,175,436	13,575,754	29,625	25,740,072	2,152,906,643	73,242,439	600,000	73,842,439	2,226,749,082
Accumulated depreciation	-	(104,387,278)	(670,058,237)	(45,044,622)	(2,563,296)	(2,592,482)	(1,803,776)	(7,503,470)	(8,749)	(13,661,060)	(847,622,970)	(6,040,693)	(291,136)	(6,331,829)	(853,954,799)
Net book value	67,571,734	90,508,506	1,009,955,627	111,854,014	1,265,351	3,584,609	2,371,660	6,072,284	20,876	12,079,012	1,305,283,673	67,201,746	308,864	67,510,610	1,372,794,283
Year ended June 30, 2010															
Opening net book value	67,571,734	90,508,506	1,009,955,627	111,854,014	1,265,351	3,584,609	2,371,660	6,072,284	20,876	12,079,012	1,305,283,673	67,201,746	308,864	67,510,610	1,372,794,283
Additions	-	-	4,796,336	-	15,000	919,996	169,950	467,115	-	1,835,770	8,204,167	-	-	-	8,204,167
Transfer from capital work in progress	-	3,328,978	2,500,000	-	-	-	-	-	-	-	5,828,978	-	-	-	5,828,978
Transfer from leased assets:															
Cost	-	-	43,242,439	-	-	-	-	-	-	-	43,242,439	(43,242,439)	-	(43,242,439)	-
Accumulated depreciation	-	-	(3,284,418)	-	-	-	-	-	-	-	(3,284,418)	3,284,418	-	3,284,418	-
	-	-	39,958,021	-	-	-	-	-	-	-	39,958,021	(39,958,021)	-	(39,958,021)	-
Disposals:															
Cost	(2,180,327)	-	-	-	-	-	-	-	-	(583,400)	(2,743,727)	-	-	-	(2,743,727)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	206,580	206,580	-	-	-	206,580
	(2,180,327)	-	-	-	-	-	-	-	-	(356,820)	(2,537,147)	-	-	-	(2,537,147)
Depreciation charge	-	(9,118,750)	(55,511,016)	(11,185,401)	(127,285)	(377,319)	(247,224)	(623,072)	(2,088)	(2,495,552)	(79,687,707)	(1,082,770)	(61,773)	(1,144,543)	(80,832,250)
Closing net book value	65,391,407	84,718,734	1,001,698,968	100,668,613	1,153,066	4,127,286	2,294,386	5,916,327	18,788	11,062,410	1,277,049,985	26,160,955	247,091	26,408,046	1,303,458,031
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
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**
Annual rate of depreciation (%)	-	10	-	10	10	10	10	10	10	20		-	20		

12.2 Depreciation for the year has been allocated as under:

	Note	2011 Rupees	2010 Rupees
Cost of generation	25.1	69,994,179	77,025,222
Operating expenses	27	3,442,322	3,807,028
		73,436,501	80,832,250

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Operating assets					
Freehold land	580,125	-	580,125	600,000	Khalid Mahmood, Chak No. 61 R.B, Tehsil Jaranwala, Faisalabad.
Vehicles					
	2,221,400	870,789	1,350,611	1,780,000	Usman Ghani, 881-C Faisal Town, Lahore.
	1,887,740	619,179	1,268,561	1,300,000	Syed Sajid Imran, E-83, Satelite Town, Rawalpindi.
	5,792,200	3,617,422	2,174,778	2,537,000	Ali Akbar Enterprises, Defence Road, Lahore.
	3,350,000	335,000	3,015,000	3,050,000	Asad Mahmood, E-93, Co-op Housing Society, Lahore Cantt.
	1,300,000	1,029,642	270,358	450,000	Muhammad Yasin, 1st Floor, Block No.26, Flat No.FF3, Sector G11/4, Islamabad
	928,025	691,084	236,941	355,000	Muhammad Sajjad, Chak No. 478/G.B. Chawa, Tahsil Samundri, District Faisalabad.
	15,479,365	7,163,116	8,316,249	9,472,000	
Non-operating land	45,902,500	-	45,902,500	50,700,000	Naveed Fazil, 15 - A, Peoples Colony, Faisalabad.
	3,159,080	-	3,159,080	3,477,500	Shahid Pervez, 95 - C, Peoples Colony, Faisalabad.
	49,061,580	-	49,061,580	54,177,500	
2011 Rupees	**65,121,070**	**7,163,116**	**57,957,954**	**64,249,500**	
2010 Rupees	2,743,727	206,580	2,537,147	2,875,000	

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

12.4 Capital work in progress

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

	Note	**2011 Rupees**	2010 Rupees
12.5 Non-operating land			
Cost of land		**819,514,120**	892,191,660
Transferred to non-current assets classified as held for sale	23	**-**	36,807,099
		819,514,120	855,384,561
Advances for purchase of land		**94,088,344**	96,766,552
		913,602,464	952,151,113

12.5.1 Land has been acquired for future expansion.

13. Long term deposits

		2011	2010
Long term deposits		**1,319,900**	631,200
Less: Current portion		**120,000**	-
		1,199,900	631,200

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

14. Investment property

	2011 Rupees	2010 Rupees
Cost	**25,144,683**	25,144,683
Gain on fair value measurement	**38,258,317**	38,258,317
	63,403,000	63,403,000

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

15. Stores, spares and loose tools

	Note	2011 Rupees	2010 Rupees
Stores			
In hand		**12,466,439**	12,910,578
In transit		**1,935,654**	2,892,262
		14,402,093	15,802,840
Spares	15.1	**388,496,098**	408,345,417
Loose tools		**1,763,580**	1,647,834
		404,661,771	425,796,091

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

16. Stocks

	2011 Rupees	2010 Rupees
Furnace oil		
In hand	**106,763,164**	106,772,541
In transit	**-**	12,525,619
	106,763,164	119,298,160
Diesel oil	**4,531,663**	2,066,978
Lube oil	**10,557,825**	10,046,835
Yarn	**-**	4,712,400
Cloth	**12,421,517**	18,702,588
Textile machinery	**-**	1,498,220
Waste	**80,713**	93,579
	134,354,882	156,418,760

17. Trade debts

	2011 Rupees	2010 Rupees
Considered good		
Related parties		
Sitara Chemical Industries Limited	**41,872,075**	124,694,935
Sitara Fabrics Limited	**19,223,512**	9,776,362
Sitara Textile Industries Limited	**6,136,509**	6,136,509
Sitara Spinning Mills Limited	**63,782,374**	75,029,472
Sitara Chemtek (Private) Limited	**542,445**	-
Sitara Peroxide Limited	**7,903,890**	55,442,312
	139,460,805	271,079,590
Others	**219,915,322**	134,040,844
	359,376,127	405,120,434

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
18. Loans and advances			
Considered good			
Loans			
Executives		625,788	1,342,140
Staff		1,693,652	1,800,094
Advances			
Suppliers		29,754,286	52,562,218
Income tax		10,775,458	7,732,108
For purchases / expenses		20,904,720	34,023,316
Letters of credit fee and expenses		49,475	131,678
		63,803,379	97,591,554
19. Deposits and prepayments			
Deposits			
Guarantee margin		1,000,000	-
Current portion of long term deposits	13	120,000	-
		1,120,000	-
Prepayments		599,815	1,645,376
		1,719,815	1,645,376
20. Short-term investments			
Available for sale			
Nimir Chemical Industries Limited 1,000,000 ordinary shares of Rs. 5/- each		2,924,180	2,924,180
Wateen Telecom Limited 20,000 ordinary shares of Rs. 10/- each		200,000	200,000
		3,124,180	3,124,180
Less: fair value reserve		(282,580)	(1,409,580)
		2,841,600	1,714,600
21. Tax refunds due from Government			
Sales tax		-	2,655,813
Income tax		147,941	389,936
		147,941	3,045,749
22. Cash and bank balances			
Cash in hand		3,134,166	4,407,594
Cash at banks			
In current accounts		1,894,870	8,979,352
		5,029,036	13,386,946
23. Non-current assets held for sale			
Land			
Opening balance		30,747,497	5,459,926
Transferred from Non-operating land	12.5	-	36,807,099
		30,747,497	42,267,025
Disposed off during the year		(23,883,855)	(11,519,528)
		6,863,642	30,747,497
Transferred from operating assets			
Plant and machinery			
Cost	12.1	14,450,000	-
Accumulated depreciation		(1,085,419)	-
		13,364,581	-
		20,228,223	30,747,497

23.1 The Company is 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, 2011

	Note	2011 Rupees	2010 Rupees
24. Sales - net			
Electricity		4,242,090,157	4,419,707,732
Steam		130,078,244	105,431,833
		4,372,168,401	4,525,139,565
Less: Sales tax		612,495,819	642,780,511
		3,759,672,582	3,882,359,054
Less: Electricity duty		6,180,983	6,877,604
		3,753,491,599	3,875,481,450
Textile			
Local			
Yarn		18,718,550	14,566,610
Cloth		40,231,505	-
Textile machinery		1,736,440	6,136,509
		60,686,495	20,703,119
		3,814,178,094	3,896,184,569
25. Cost of generation and sales			
Cost of generation	25.1	3,305,509,890	3,397,025,763
Cost of sales	25.2	49,080,887	17,016,079
		3,354,590,777	3,414,041,842
25.1 Cost of generation			
Cost of fuel, oil, gas and lubricants		3,035,251,980	3,061,416,605
Salaries, wages and benefits		52,778,867	51,825,449
Staff retirement benefits		1,817,820	1,781,419
Stores, spares and loose tools		113,441,619	169,189,198
Insurance		5,448,406	5,788,554
Repairs and maintenance		13,850,500	18,419,062
Depreciation	12.2	69,994,179	77,025,222
Other		12,926,519	11,580,254
		3,305,509,890	3,397,025,763
25.2 Cost of sales			
Opening stock		24,913,208	41,823,994
Purchases including purchase expenses		36,478,212	-
		61,391,420	41,823,994
Closing stock		12,421,517	24,913,208
		48,969,903	16,910,786
Insurance		110,984	105,293
		49,080,887	17,016,079
26. Other operating income			
Income from financial assets:			
Gain arising from change in fair value of investment property		-	38,258,317
Ground rent		225,000	75,000
Income from assets other than financial assets:			
Sale of scrap and waste		1,708,084	3,212,951
Gain on disposal of property, plant and equipment		6,291,546	337,853
Gain on disposal of non current assets classified as held for sale		1,841,770	1,243,126
Commission		6,565	41,738
Balances written back		-	5,673,500
		10,072,965	48,842,485

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
27. Operating expenses			
Director's remuneration		**5,371,500**	4,383,600
Salaries and benefits		**25,019,554**	22,745,450
Staff retirement benefits		**908,667**	815,273
Postage and telephone		**2,070,638**	1,939,381
Vehicles running and maintenance		**4,666,784**	5,518,347
Travelling and conveyance		**2,329,891**	3,815,479
Printing and stationery		**1,519,640**	1,356,079
Entertainment		**2,875,337**	2,166,064
Legal and professional		**2,444,808**	2,597,430
Fee, subscription and periodicals		**1,952,239**	1,349,968
Rent, rates and taxes		**185,611**	187,889
Advertisement		**219,550**	444,911
Insurance		**737,742**	794,010
Auditors' remuneration	27.1	**727,500**	677,500
Repairs and maintenance		**2,082,943**	2,741,603
Donations	27.2	**3,698,200**	3,853,400
Depreciation	12.2	**3,442,322**	3,807,028
Employees benefits		**1,265,342**	1,574,539
Utilities		**3,287,091**	4,239,037
Other		**1,691,674**	2,417,737
		66,497,033	67,424,725

27.1 Auditors' remuneration

	2011 Rupees	2010 Rupees
Audit fee	**575,000**	575,000
Sundry services	**152,500**	102,500
	727,500	677,500

27.2 Donations

Four directors of the Company including Chief Executive Officer, Mr. Javed Iqbal, Mr. Muhammad Adrees, Mr. Imran Ghafoor and Mr. Muhammad Anis are the trustees of Aziz Fatima Trust, Gulistan Colony, Sheikhupura Road, Faisalabad, to whom Rs.3,092,000/- (2010: Rs. 3,457,500/-) have been donated during the year.

	2011 Rupees	2010 Rupees
28. Other operating expenses		
Workers' profit participation fund	**4,821,534**	5,641,183
Balances written off	**-**	231,427
	4,821,534	5,872,610
29. Finance cost		
Interest / mark-up on :		
Redeemable capital	**101,574,198**	133,238,035
Long term financing	**47,872,423**	29,163,644
Liabilities against assets subject to finance lease	**970,537**	1,630,839
Short term bank borrowings	**153,154,377**	148,949,056
Workers' profit participation fund	**81,743**	24,482
Bank charges and commission	**2,597,423**	2,448,832
	306,250,701	315,454,888

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
30. Provision for taxation			
Current			
for the year	30.1	**1,022,628**	207,031
for prior years	30.1	**(21,369)**	(337,140)
Deferred	30.2	-	-
		1,001,259	(130,109)

30.1 The profits and gains derived by the Company from electric power generation project are exempt from levy of income tax under clause(132) of Part-I and clause 11A (v) of Part-IV of the Second Schedule to the Income Tax Ordinance, 2001. Provision for taxation for the year of the Company has been provided in respect of income of the subsidiary is subject to minimum tax under section 113 of Income Tax Ordinance, 2001.

30.2 Deferred tax asset after considering tax losses available for adjustment works out to Rs. 13,864,272/- (2010 : Rs. 13,869,526/-). This is not recognised in these financial statements due to uncertain future results.

30.3 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 from sales is subject to minimum tax under section 113 of the Income Tax Ordinance, 2001 and rental income of the subsidiary is subject to final tax under section 155 and 169 of the Income Tax Ordinance, 2001.

	2011	2010
31. Earnings per share - Basic and diluted		
Profit for the year attributable to shareholders of the Parent Company (Rupees)	**91,087,369**	142,363,098
Weighted average number of ordinary shares	**19,092,000**	19,092,000
Earnings per share - Basic and diluted (Rupees)	**4.77**	7.46

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

32. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

	2011		2010	
	Chief Executive Officer	**Executives**	Chief Executive Officer	Executives
Remuneration	**3,203,000**	**5,898,333**	2,562,500	4,688,960
House rent allowance	**1,441,350**	**2,654,250**	1,153,000	2,110,032
Utilities	**160,150**	**294,917**	128,100	234,448
Perquisites	**567,000**	**1,162,001**	540,000	865,127
Contribution to provident fund	-	**625,680**	-	464,736
	5,371,500	**10,635,181**	4,383,600	8,363,303
Number of persons	1	9	1	7

The Chief Executive Officer is entitled to free use of Company maintained car, telephone at residence and other perquisites. A Director and two Executives are entitled to conveyance facility. The monetary value of these benefits approximates Rs. 4,091,568/- (2010: Rs. 4,331,360/-). The Directors have waived off their meeting fee.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

33. 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 32. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2011 Rupees	2010 Rupees
Associated Undertakings	Sales	**663,546,218**	855,446,645
	Purchases	**333,511**	1,439,854
	Organisational expenses recovered	**168,000**	355,877
	Organisational expenses paid	**7,191,681**	6,811,771

34. PLANT CAPACITY AND ACTUAL PRODUCTION

	2011	2010
Number of generators installed	**26**	26
Number of generators worked	**24**	24
Installed energy generation capacity (Mega watt hours)	**713,590**	713,590
Actual energy generation (Mega watt hours)	**318,781**	385,819

Reasons for low generation:

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

35. 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.

35.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2011 Rupees	2010 Rupees
Financial assets:		
Investment property	**63,403,000**	63,403,000
Deposits	**1,319,900**	631,200
Trade debts	**359,376,127**	405,120,434
Loans and advances	**2,319,440**	3,142,234
Short term Investments	**2,841,600**	1,714,600
Other receivables	**22,378,162**	22,378,162
Rent receivable	**-**	75,000
Cash and bank balances	**5,029,036**	13,386,946
Non-current assets classified as held for sale	**20,228,223**	30,747,497
	476,895,488	540,599,073
Financial liabilities:		
Redeemable capital	**645,000,000**	842,500,000
Long term financing	**300,000,000**	300,000,000
Liabilities against assets subject to finance lease	**6,411,840**	7,013,344
Trade and other payables	**92,171,837**	153,571,738
Interest / markup payable	**77,047,563**	74,618,282
Short term borrowings	**1,003,164,925**	1,015,158,736
	2,123,796,165	2,392,862,100

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35.2 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:

35.2.1 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 17 to the financial statements and Faisalabad Electric Supply Company (FESCO). The maximum exposure to credit risk at the reporting date is as follows:

	2011 Rupees	2010 Rupees
Deposits	**1,439,900**	631,200
Trade debts	**359,376,127**	405,120,434
Other receivables	**22,378,162**	22,378,162
Rent receivable	**-**	75,000
Bank balances	**1,894,870**	8,979,352
	385,089,059	437,184,148

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:

	2011 Rupees	2010 Rupees
Industrial users	**147,396,377**	277,421,706
FESCO	**211,979,750**	127,698,728
	359,376,127	405,120,434

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

Not past due	**340,210,047**	305,749,232
Past due	**19,166,080**	99,371,202
	359,376,127	405,120,434

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
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35.2.2 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, 2011 and 2010:

	2011				
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**Two to five years**
	---Rupees in thousand---				
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**

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

The contractual cash flows relating to mark up have been determined on the basis of mark up rates as applicable on June 30, 2011 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. 474.924 million and unavailed short term borrowing facilities of Rs. 225.84 million as at June 30, 2011.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
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35.2.3 Market risk management

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

i) Interest rate risk

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

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

Sensitivity analysis

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If the increase rate had increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year and equity would have been lower / higher by Rs. 21.64 million (2010: Rs. 21.44 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.

35.3 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
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35.4 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	**2011 Rupees**	2010 Rupees
Total borrowings	5, 6, 7 & 10	**1,954,576,765**	2,164,672,080
Less: Cash and cash equivalents	22	**5,029,036**	13,386,946
Net Debt		**1,949,547,729**	2,151,285,134
Total equity		**1,233,701,309**	1,179,670,940
Total capital		**3,183,249,038**	3,330,956,074
Gearing ratio		**61.24%**	64.58%

35.5 Overdue loan

On the reporting date, an installment of redeemable capital amounting to Rs. 77.50 million was overdue. The carrying value of redeemable capital related to overdue installment was Rs. 462.00 million. The Company has applied to the certificate holders for restructuring of the redeemable capital which is under process.

36. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on October 06, 2011.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR