



Sitara Energy Limited



2015
ANNUAL REPORT



Sitara Energy Limited

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BOARD OF DIRECTORS

Mrs. Noreen Javed (Chairperson)
 Mr. Javed Iqbal (Chief Executive Officer)
 Mr. Sarosh Javed
 Mr. Mukhtar A. Sheikh
 Mr. Rana M. Arshad Iqbal
 Mrs. Haniah Javed
 Mst. Naseem Akhtar

CHIEF FINANCIAL OFFICER

Mr. Haroon Ahmed Zuberi-FCA

COMPANY SECRETARY

Mr. Mazhar Ali Khan

LEGAL ADVISOR

Sahibzada Muhammad Arif

SHARE REGISTRAR

THK Associates (Private) Limited
 Ground Floor, State Life Building No. 3,
 Dr. Ziauddin Ahmed Road, Karachi. 75530
 P. O. Box No. 8533, UAN: +92(21)111-000-322
 Fax: +92(21) 35655595
 E-mail: secretariat@thk.com.pk

REGISTERED OFFICE

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

PLANT

33 K.M., Sheikhpura Road, Faisalabad

AUDIT COMMITTEE

Mr. Rana M. Arshad Iqbal (Chairman)
 Mrs. Haniah Javed
 Mst. Naseem Akhtar

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Mukhtar Ahmad Sheikh (Chairman)
 Mr. Rana M. Arshad Iqbal
 Mrs. Noreen Javeed

AUDITORS

M/s. RSM Avais Hyder Liaquat Nauman
 (Chartered Accountants)

BANKERS

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

WEBSITE

<http://www.sitara.pk>

Vision Statement

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

Mission Statement

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



Notice is hereby given that the 25th 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 Friday, October 30, 2015 at 10:30 a.m. to transact the following business:

1. To confirm the minutes of Annual General Meeting held on October 28, 2014.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2015 together with the Reports of Auditors and Directors thereon.
3. To approve payment of Cash Dividend at the rate of 12.50% (Rs.1.25/= per share) as recommended by the Directors.
4. To appoint Auditors for the year ending June 30, 2016 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:
September 21, 2015

NOTES:

1. CLOSURE OF SHARE TRANSFER BOOKS.

The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from October 21, 2015 to October 30, 2015 (both days inclusive). Transfers received in order at the Share Registrar Office of the company by the close of business on October 20, 2015 will be treated in time for the purpose of payment of final cash dividend, if approved by the shareholders.

2. PARTICIPATION IN THE ANNUAL GENERAL MEETING.

A member entitled to attend and vote at this meeting is entitled to appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at Company's Share Registrar's Office M/s. THK Associates (Pvt) Limited, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi duly stamped and signed not less than 48 hours before the time of meeting.

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

a) For attending the meeting:

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

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

b) For appointing proxies:

- i) In case of individuals, the account holders or sub account holders and/or the persons whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form. The proxies shall produce their original CNIC or original passport at the time of meeting.

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

- iii) Form of proxy is attached to the notice of meeting being sent to the members

4. (a) In compliance with the directives issued by the Securities and Exchange Commission of Pakistan and/or Federal Board of Revenue from time to time, members who have not yet provided their dividend mandate information and CNIC and/or NTN number (as the case may be) are requested to kindly provide the same at their earliest as follows.

- i. The shareholders who hold company's shares in physical form are requested to submit the above information to the Company's Share Registrar at the address mentioned above.
- ii. Shareholders maintaining the shareholdings under Central Depository System (CDS) are advised to submit the above information directly to relevant Participant/CDC Investor Account Service.

Members are also requested to update their tax paying status (Filer/Non-Filer) to the Company's Share Registrar. The above information may please be provided as follows:

Folio / CDS ID / AC No	Name	National Tax No	CNIC No (In case of individuals)	Income Tax return for the year 2014 filed (Yes or No.)
------------------------	------	-----------------	----------------------------------	--

This would enable us to process dividend payments, in accordance with the tax payment status of the members pursuant to the provisions of Finance Act, 2015, effective July 1, 2015 whereby the rates of deduction of Income tax under Section 150 of the Income Tax Ordinance, 2001 from dividend payment have been revised as follows:

1. Rate of tax deduction for filer of income tax returns	12.50%
2. Rate of tax deduction for non-filer of income tax returns	17.50%

- (b) The FBR has clarified that where the shares are held in joint accounts/names, each account/ joint holder will be treated individually as either a filer or a non-filer and tax will be deducted according to his/her shareholding. The shareholders, who are having joint shareholding status, are requested to kindly intimate their joint shareholding to the Share Registrar of the Company M/s. THK Associates (Pvt) Limited in the following format:

Folio/ CDC A/c No.	Name of Shareholders (principle/ joint holders)	No. of Shares or percentage (Proportion)	CNIC No.	Signature

5. The audited financial statements of the Company for the year ended June 30, 2015 have been placed at the Company's website.
6. The SECP has initiated e-dividend mechanism through its Notification 8(4)SM/CDC/2008 dated April 05, 2013. In order to avail benefits of e-dividend shareholders are hereby advised to provide details of their bank mandate specifying: (i) title of account, (ii) account number, (iii) bank name, (iv) branch name, code and address to Company's Share Registrar M/s. THK Associates (Pvt.) Ltd. Shareholders who hold shares with Participants / Central Depository Company of Pakistan (CDC) are advised to provide the mandate to the concerned Broker /CDC.
7. The SECP has under and pursuant to SRO No. 787(I)/2014 dated September 8, 2014, permitted companies to circulate their annual balance sheet and profit and loss accounts, auditor's report and directors' report etc ("Annual Report") along with the Notice of Annual General Meeting ("Notice") to its shareholders by email. Shareholders of the Company who wish to receive the Company's Annual Report and notices of Annual General Meeting by email are requested to provide their email addresses to the Company's Share Registrar, THK Associates (Private) Limited.
8. Members are requested to promptly notify any change in their addresses.

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

Salient Features of the Code:

- Directors and employees must avoid any conflict of interest between them and the Company. Any situation that involves, or may reasonable be expected to involve, a conflict of interest with the Company, should be disclosed promptly.
- Directors and employees must maintain the confidentiality of information entrusted to them by the Company and any other confidential information about the Company.
- Directors and employees must act honestly and fairly and exhibit high ethical standards in dealing with all stakeholders of the Company.
- Directors and employees shall comply with laws, rules and regulations applicable to the Company including but not limited to the Companies Ordinance, 1984, Listing Regulations of the Stock Exchanges and insider trading laws.
- Directors should take steps to ensure that the Company promotes ethical behavior; encourages employees to talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation; encourages employees to report violations of laws, rules, regulations, Company policies and procedures or the Company's Code of Conduct to appropriate personnel; and informs employees that the Company will not allow retaliation for reports made in good faith.
- The Company's activities and operations will be carried out in strict compliance with all applicable laws and the highest ethical standards. The directors and employees will ensure that the Company deals in all fairness with its customers, suppliers and competitors.
- An employee must not give or receive bribes or other payments, which are intended to influence a business decision or compromise independent judgment; nor must any employee give money in order to obtain business for the Company, nor receive money for having given Company business to an outside agency.
- All funds, assets, receipts and disbursements must be properly recorded in the books of the Company.
- Agreements with agents, sales representatives or consultants should state clearly the services to be performed for the Company, the amount to be paid and all other relevant terms and conditions.
- Company's relations and dealings with suppliers, consultants, agents, intermediaries and other third parties should at all times be such that Company's integrity and its reputation should not be damaged if details of the relationship or dealings were to become public knowledge.
- Certain restrictions / reporting / requirements apply to trading by the Directors and employees in Company shares. They shall make sure that they remain compliant with these statutory requirements.

- Corporate funds and assets will be utilized solely for lawful and proper purposes in line with the Company's objectives.
- Company will support and respect the protection of international human rights within its sphere of influence, in particular the effective elimination of all sorts of compulsory labour and child labour, and it will make this a criterion in the choice and management of its suppliers and sub contractors.
- Every employee at work must take reasonable care for the health and safety of himself and others including visitors who may be affected by his acts or omissions at work; and cooperate in Company's efforts to protect the environment.
- Company's policy is to promote a productive work environment and not to tolerate verbal or physical conduct by any employee that harasses, disrupts, or interferes with another's work performance or that creates an intimidating, humiliating, offensive, or hostile environment.
- Every employee must adhere to Company's rules of service and make sure that he is familiar with all of them.
- Any violation of this Code shall be promptly reported to the Human Resources Department by any employee having knowledge thereof or having reasonable belief that such a violation has occurred.

The Board of Directors of Sitara Energy Limited feel pleasure to present Annual Report with the Audited Financial Statements together with Auditors' Report thereon for the financial year ended June 30, 2015.

FINANCIAL RESULTS

Sales revenue for the year was Rs. 3,658.739 Million (2014: Rs. 5,035.627 Million) and cost of generation was Rs. 3,432.515 Million (2014: Rs. 4,640.964 Million). The gross profit stands at Rs. 226.224 Million (2014: Rs. 394.663 Million) and profit for the year is Rs 104.975 Million (2014: Rs. 204.527 Million) culminating into earnings per share (EPS) of Rs 5.50 (2014: Rs.10.71).

Firstly, sales revenue decreased on account of disconnection of power supply to FESCO in March 2015 due to non finalization of Power Purchase Agreement with FESCO. Secondly, sales revenue decreased due to NEPRA's decisions in the matter of fuel price adjustment from time to time during the whole year. Thirdly, excessive shut down of natural gas led to lower generation of electricity and lower sales revenue. Fourthly, generation mix of RFO: GAS changed from 69%: 31% in 2014 to 79%: 21% in 2015 leading to increase in generation cost. Decrease in profitability of the Company was due to aforesaid reasons.

Financial results for the year ended June 30, 2015 are summarized below:

	2015		2014	
	SEL Rs. "000"	Consolidated Rs. "000"	SEL Rs. "000"	Consolidated Rs. "000"
Sales	3,658,739	3,658,739	5,035,627	5,066,358
Gross profit	226,224	226,224	394,663	392,229
Profit before taxation	104,975	103,533	203,674	206,531
Provision for taxation	-	-	(853)	(774)
Net Profit after taxation	104,975	103,533	204,527	207,305
Unappropriated profit brought forward	730,199	729,509	644,764	641,296
Profit available for appropriation	835,174	833,042	849,291	848,601
Appropriation				
Final dividend for the year ended June 30, 2014: Rs. 2/- per share	38,184	38,184	19,092	19,092
Transferred to general reserve	100,000	100,000	100,000	100,000
	138,184	138,184	119,092	119,092
Unappropriation profit	696,990	694,858	730,199	729,509
Earning per share - Basic and diluted	Rs. 5.50	5.42	Rs. 10.71	10.86

Proposed appropriation

The Directors have recommended final cash dividend of Rs.1.25/- per share i-e 12.50% (2014: Rs. 2/- per share i-e 20%).

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

Corporate and Financial Reporting Framework

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

- a) The financial statements have been drawn up in conformity with the requirements of the Companies Ordinance, 1984 and present fairly its state of affairs, the operating results, cash flows and changes in equity.
- b) Proper books of accounts have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- d) International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- e) The system of internal control system is sound in design and has been 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) Key operating and financial data for the last ten years is annexed.
- i) The value of investments (at cost) of Provident Fund Trust as at June 30, 2015 was Rs. 15.120 million.
- j) During the year four meetings of the Board of Directors were held. Attendance by each Director was as follows:-

Name of Director	Meetings attended
Mr. Javed Iqbal	4
Mr. Sarosh Javed	4
Mr. Mukhtar A. Sheikh	4
Mrs. Noureen Javed	4
Mrs. Haniah Javed	4
Mst. Naseem Akhter	4
Mr. Rana M. Arshad Iqbal	4

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

Name of Member	Meetings attended / Status
Mr. Rana M. Arshad Iqbal	4 / Chairman
Mrs. Haniah Javed	4 / Member
Mst. Naseem Akhter	4 / Member

- l) During the year two meetings of the Human Resource and Remuneration committee were held. Attendance by each member was as follows:-

Name of Member	Meetings attended / Status
Mr. Mukhtar A. Sheikh	2 / Chairman
Mrs. Noureen Javed	2 / Member
Mr. Rana M. Arshad Iqbal	2 / Member

- m) The remuneration of Mr. Javed Iqbal, Chief Executive Officer and Mr. Sarosh Javed, Executive Director of the Company was increased by 25% in accordance with the terms of his appointment as approved by the Board of Directors.
- n) Pattern of Shareholding as at June 30, 2015 is annexed.
- o) Statement of compliance with Code of Corporate Governance is also annexed.
- p) All transactions with related parties and associated undertakings are carried out at arm's length price determined in accordance with comparable uncontrolled price method.
- q) Following persons have shareholding of 5% and above in the Company.

Shareholding

Mr. Javed Iqbal	6,254,303
Mrs. Noureen Javed	1,073,237
National Bank of Pakistan	1,130,661
State Life Insurance Corporation of Pakistan	1,628,500

- r) The Board has determined threshold under clause xvi (l) of Code of Corporate Governance 2012 in respect of trading of Company's shares by executives and employees who are drawing annual basic salary of Rs. 2.4 Million or more.
- s) None of the employee of the Company has made any trade in the shares of the Company who falls beyond the threshold of Rs. 2.4 Million annual basic salaries.
- t) No purchase / sale of shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses / minor children have occurred during the year.

Web Reference

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

Related Parties

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

Human Resources Management

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

Corporate Social Responsibility

It is Company's policy to contribute to the uplift and welfare of the community in order to fulfill its social responsibility. During the year 2015, the Company has donated Rs. 0.118 Million (2014: Rs. 4.08 Million) to welfare institution operating in the fields of health and education.

Future Prospects and Outlook

The profitability of the Company during the financial year 2015-16 will largely depends upon availability of natural gas for industrial sector and RFO Price. However, NEPRA has modified generation license of the Company by enhancing its Total Installed Capacity from 49.15 MW to 87.82 MW along with allowing supply to thirteen (13) additional Bulk Power Consumers within the exclusive territory of Distribution Company- FESCO in line with the provisions of NEPRA Act 1997. This hallmark decision by the regulator will pave the way of maintaining its profitability depending on availability of gas, RFO price and the growth of the industrial sector.

Auditors

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

Appreciation

The Board of Directors appreciate all its stakeholders for their trust and continued support to the Company. The Board also recognizes the contribution made by a very dedicated team of professionals and engineers who served the Company with enthusiasm, and hope that the same spirit of devotion shall remain intact in the future ahead to the Company.

by order of the Board



JAVED IQBAL
Chief Executive Officer

Faisalabad
September 21, 2015

AS AT JUNE 30, 2015

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
515	1	100	7,263
397	101	500	187,069
103	501	1,000	100,082
140	1,001	5,000	390,296
33	5,001	10,000	260,400
11	10,001	15,000	150,500
6	15,001	20,000	109,723
7	20,001	25,000	160,447
3	25,001	30,000	82,900
2	30,001	35,000	65,500
3	35,001	40,000	115,500
3	45,001	50,000	145,500
1	55,001	60,000	59,000
1	60,001	65,000	61,500
1	65,001	70,000	66,500
1	70,001	75,000	74,000
1	75,001	80,000	75,500
1	80,001	85,000	83,000
1	145,001	150,000	145,500
3	195,001	200,000	600,000
1	210,001	215,000	213,500
1	255,001	260,000	256,117
1	260,001	265,000	263,151
2	320,001	325,000	645,974
1	410,001	415,000	414,500
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	1,245,001	1,250,000	1,250,000
1	1,625,001	1,630,000	1,628,500
1	6,250,001	6,255,000	6,254,303
1,248			19,092,000

Associated Companies, Undertaking and Related Parties	Number	Share Held	Percentage
Sitara Fabrics Limited	1	656,000	3.44
Directors, CEO & their Spouse and Minor Children			
Mr. Javed Iqbal	1	6,254,303	32.76
Mrs. Noureen Javed	1	1,073,237	5.62
Mr. Sarosh Javed	1	1,000	0.01
Mrs. Hania Javed	1	1,000	0.01
Mst. Naseem Akhter	1	1,000	0.01
Mr. Mukhtar Ahmed Shaikh	1	1,000	0.01
Mr. Rana M. Arshad Iqbal	1	500	0.00
NIT AND ICP			
National Bank of Pakistan - Trustee Department Investment Corporation of Pakistan	2	256,617	1.34
Bank, Development Finance Institutions, Non Banking Finance Institutions.	3	1,132,161	5.93
Insurance Companies	1	1,628,500	8.53
Modarabas and Mutual Funds	1	263,151	1.38
Foreign Companies	1	1,000	0.01
Joint Stock Companies	10	1,404,247	7.35
General Public (Local)	1,204	6,322,969	33.11
General Public (Foreign)	15	68,578	0.35
Others	3	26,737	0.14
	1,248	19,092,000	100.00

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
----- Rupees in thousand -----										
Particulars										
FINANCIAL POSITION										
Paid up capital	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920
Share premium	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190
General reserve	920,000	820,000	720,000	620,000	590,000	540,000	490,000	460,000	460,000	460,000
Fixed assets at cost	2,360,966	2,270,025	2,280,107	2,244,936	2,249,956	2,237,936	2,226,647	2,119,520	1,746,110	1,220,807
Accumulated depreciation	1,326,594	1,232,748	1,161,137	1,074,287	999,716	934,534	853,915	783,377	724,815	686,817
Current assets	1,461,309	1,337,901	1,484,527	1,003,629	951,136	1,065,017	1,067,153	975,860	696,225	1,043,688
Current liabilities	1,143,122	1,219,313	1,283,248	1,509,799	1,838,056	1,496,000	1,377,056	1,084,109	1,009,867	1,007,194
INCOME										
Sales	3,658,739	5,035,627	5,183,842	4,866,139	3,753,492	3,875,481	3,009,929	2,286,357	1,461,240	1,346,031
Other income	120,831	73,659	1,805	96,523	9,841	4,794	7,168	14,032	7,422	28,364
Pre tax profit	104,975	203,674	249,313	251,916	91,527	106,926	80,338	112,669	1,518	7,351
Taxation	-	(853)	-	448	487	(269)	(698)	358	339	398
STATISTICS AND RATIOS										
Pre tax profit to sales %	2.87	4.04	4.81	5.18	2.44	2.76	2.67	4.93	0.10	0.55
Pre tax profit to capital %	31.42	60.96	74.62	75.40	27.39	32.00	24.05	33.72	0.45	2.20
Current ratio	1.28	1.10	1.16	0.66	0.52	0.71	0.77	0.90	0.69	1.04
Paid up value if per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Earing after tax per share (Rs.)	5.50	10.71	13.06	13.17	4.77	5.61	4.24	5.88	0.06	0.36
Cash dividend %	12.50	20.00	10.00	10.00	10.00	20.00	20.00	25.00	-	-
Break up value per share (Rs.)	102.19	98.70	88.98	76.93	64.75	61.99	58.37	56.63	50.74	50.68

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

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

1. The Board of Directors of the Company comprised of seven directors at year ended June 30, 2015.

Category	Director Names
Non-Executive/Chairperson	Mrs. Noureen Javed
Executive/Chief Executive	Mr. Javed Iqbal
Executive	Mr. Sarosh Javed
Non-Executive	Mrs. Haniah Javed
Non-Executive	Mst. Naseem Akhtar
Non-Executive	Mr. Mukhtar Ahmad Sheikh
Independent	Mr. Rana M. Arshad Iqbal

The independent director meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on board of more than seven listed companies, including this Company.
3. All the directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of the directors is member of stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the board were presided over by the Chairperson and, in her absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in clause (xi) of CCG, two of the seven Directors of the Company are exempted from the requirement of directors' training program, while three directors have got certified with directors training program upto June 30, 2015. Further rest of the Directors will undertake Directors Training Program within specified time.
10. There has been no change in the position of CFO, Company Secretary and Head of Internal Audit during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG
15. The Board has formed an Audit Committee. It comprises three members; all members 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 and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members; all of whom are non-executive directors.
18. The Board has set up an effective internal audit function.
19. The Statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), 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 the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect market price of Company's securities, was determined and intimated to the directors, employees and Stock Exchanges.
22. Material / price sensitive information has been disseminated among all market participants at once through the Stock Exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.



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, 2015 prepared by the Board of Directors of Sitara Energy Limited (the company) to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges (the Stock Exchanges) where the company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2015.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

September 21, 2015
Place: Faisalabad

Auditors' Report to the Members

We have audited the annexed balance sheet of Sitara Energy Limited (the company) as at June 30, 2015 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, 2015 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.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner:- Hamid Masood

September 21, 2015
Place: Faisalabad

Balance Sheet as at June 30, 2015

		2015	2014		2015	2014	
	Note	Rupees	Rupees		Note	Rupees	
SHARE CAPITAL AND RESERVES				NON-CURRENT ASSETS			
Authorised capital				Property, plant and equipment	10	1,784,292,468	1,918,981,666
30,000,000 ordinary shares				Investment in subsidiary	11	49,995,000	49,995,000
of Rs. 10/- each.		300,000,000	300,000,000	Long term deposits	12	1,125,250	1,125,250
						1,835,412,718	1,970,101,916
Issued, subscribed							
and paid up capital	3	190,920,000	190,920,000				
Capital reserve - share premium		143,190,000	143,190,000				
Revenue reserves							
General reserve		920,000,000	820,000,000				
Unappropriated profit		696,990,023	730,199,138				
		1,951,100,023	1,884,309,138				
NON-CURRENT LIABILITIES				CURRENT ASSETS			
Long term financing	4	200,000,000	200,000,000	Stores, spares and loose tools	13	286,624,585	313,114,872
Liabilities against assets				Stock of oil and lubricants	14	56,554,767	113,911,673
subject to finance lease	5	2,499,665	4,381,114	Trade debts	15	859,907,055	612,989,361
		202,499,665	204,381,114	Loans and advances	16	102,487,236	13,180,886
				Deposits and prepayments	17	10,638,585	8,150,031
				Other receivables	18	70,189,060	96,375,000
				Tax refunds due from			
				Government - income tax		35,968,994	31,737,302
				Cash and bank balances	19	38,938,423	47,115,759
						1,461,308,705	1,236,574,884
CURRENT LIABILITIES							
Trade and other payables	6	400,700,946	484,963,244				
Interest / mark up payable	7	28,917,542	34,369,805				
Short term bank borrowings	8	711,626,774	443,347,384				
Current portion of:							
Redeemable capital		-	155,000,000				
Long term financing	4	-	100,000,000				
Liabilities against assets							
subject to finance lease	5	1,876,473	1,632,416				
Provision for taxation							
- income tax		-	-				
		1,143,121,735	1,219,312,849				
CONTINGENCIES AND COMMITMENTS							
	9	-	-	Non-current assets held for sale	20	-	101,326,301
						1,461,308,705	1,337,901,185
		3,296,721,423	3,308,003,101			3,296,721,423	3,308,003,101

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, 2015

	Note	2015 Rupees	2014 Rupees
Sales - net	21	3,658,738,922	5,035,626,960
Cost of generation	22	3,432,515,248	4,640,963,935
Gross profit		226,223,674	394,663,025
Other income	23	120,830,681	73,658,766
		347,054,355	468,321,791
Operating expenses	24	97,486,089	94,635,580
Other operating expenses	25	5,543,715	14,975,045
Finance cost	26	139,049,666	155,037,331
		242,079,470	264,647,956
Profit for the year before taxation		104,974,885	203,673,835
Provision for taxation	27	-	(852,817)
Profit for the year		104,974,885	204,526,652
Earnings per share - Basic and diluted	28	5.50	10.71

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, 2015

	2015 Rupees	2014 Rupees
Profit for the year	104,974,885	204,526,652
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>104,974,885</u>	<u>204,526,652</u>

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

Cash Flow Statement for the Year Ended June 30, 2015

	2015 Rupees	2014 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	104,974,885	203,673,835
Adjustments for:		
Depreciation of property, plant and equipment	99,908,088	89,765,944
Provision for staff retirement benefits	3,174,837	3,238,208
Gain on disposal of:		
Non-current assets held for sale - land	(11,462,660)	(50,481,843)
Balances written back	(102,943,266)	(19,989,580)
(Gain) / loss on disposal of property, plant and equipment	(4,586,206)	4,028,436
Donation - in kind	-	2,050,039
Finance cost	139,049,666	155,037,331
Operating cash flows before working capital changes	228,115,344	387,322,370
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	26,490,287	63,101,827
Stock of oil and lubricants	57,356,906	(23,719,823)
Trade debts	(246,917,694)	29,424,011
Loans and advances	(89,806,914)	4,647,657
Deposits and prepayments	(2,488,554)	(5,541,235)
Other receivables	90,870,315	(96,375,000)
Increase in current liabilities		
Trade and other payables	18,509,038	213,262,977
	(145,986,616)	184,800,414
Cash generated from operating activities	82,128,728	572,122,784
Income tax paid	(3,731,129)	(4,231,692)
Staff retirement benefits paid	(3,229,107)	(3,148,792)
Finance cost paid	(144,501,929)	(163,364,271)
Net cash (used in) / generated from operating activities	(69,333,437)	401,378,029

Cash Flow Statement for the Year Ended June 30, 2015

	2015 Rupees	2014 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	6,642,653	(114,972,693)
Proceeds from disposal of:		
Property, plant and equipment	14,825,000	2,204,000
Non operating land	11,004,250	-
Non-current assets held for sale - land	55,000,000	235,641,177
Increase in long term deposits	-	(614,050)
Net cash generated from investing activities	87,471,903	122,258,434
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of:		
Redeemable capital	(155,000,000)	(155,000,000)
Long term financing	(100,000,000)	-
Liabilities against assets subject to finance lease	(1,637,392)	(1,538,519)
Increase / (decrease) in short term bank borrowings - net	268,279,390	(310,239,044)
Dividend paid	(37,957,800)	(18,988,803)
Net cash (used in) financing activities	(26,315,802)	(485,766,366)
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(8,177,336)	37,870,097
Cash and cash equivalents at the beginning of the year	47,115,759	9,245,662
Cash and cash equivalents at the end of the year	38,938,423	47,115,759

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, 2015

	Issued, subscribed and paid up capital	Capital reserve Share premium	Revenue reserve		Total	
			General reserve	Unappropriated profit		
Rupees						
Balance as at July 01, 2013	190,920,000	143,190,000	720,000,000	644,764,486	1,364,764,486	1,698,874,486
Transaction with owners						
Dividend for the year ended June 30, 2013 : Rs.1/- per share	-	-	-	(19,092,000)	(19,092,000)	(19,092,000)
Transferred to general reserve	-	-	100,000,000	(100,000,000)	-	-
Total comprehensive income for the year						
Profit for the year	-	-	-	204,526,652	204,526,652	204,526,652
Other comprehensive income	-	-	-	-	-	-
	-	-	-	204,526,652	204,526,652	204,526,652
Balance as at June 30, 2014	190,920,000	143,190,000	820,000,000	730,199,138	1,550,199,138	1,884,309,138
Transaction with owners						
Dividend for the year ended June 30, 2014 : Rs.2/- per share	-	-	-	(38,184,000)	(38,184,000)	(38,184,000)
Transferred to general reserve	-	-	100,000,000	(100,000,000)	-	-
Total comprehensive income for the year						
Profit for the year	-	-	-	104,974,885	104,974,885	104,974,885
Other comprehensive income	-	-	-	-	-	-
	-	-	-	104,974,885	104,974,885	104,974,885
Balance as at June 30, 2015	190,920,000	143,190,000	920,000,000	696,990,023	1,616,990,023	1,951,100,023

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, 2015

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 in the province of Sindh. 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.

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

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

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2014 and therefore, have been applied in preparing these financial statements:

- **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The management of the Company do not anticipate that the application of these amendments will have a significant impact on the company's financial statements.

- **Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities**

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities.

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

- **Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets**

The amendments remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal.

The application of these amendments has no material impact on the disclosures in the company's financial statements.

- **IFRIC 21 Levies**

IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for.

The application do not expected to have material impact on the Company's financial statements.

- **Annual Improvements to IFRSs 2010-2012 Cycle**

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the company's financial statements.

- **Annual Improvements to IFRSs 2011-2013 Cycle**

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the company's financial statements.

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

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2014 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

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

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

- IFRS 9 Financial Instruments (2014): IFRS 9 contains accounting requirements for financial instruments in the areas of classification and measurement, impairments, hedge accounting, de-recognition:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at Fair Value Through Other Comprehensive Income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, standard requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

In relation to the impairment of financial assets, standard requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The standard is effective for accounting period beginning on or after January 01, 2018. The management of the company is reviewing the changes to evaluate the impact of application of standard on the financial statements.

IFRS 12, 'Disclosures of interests in other entities'

The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. The standard is effective for annual reporting periods beginning on or after January 01, 2015. The standard is not expected to have any significant impact on the company's financial statements.

IFRS 13 Fair Value Measurement

The standard replaces the guidance on fair value measurement in existing IFRS accounting

literature with a single standard and requires certain additional disclosures about fair value measurement. The standard is effective for annual reporting periods beginning on or after January 01, 2015. The standard is not expected to have any significant impact on the company's financial statements.

IFRS 15 Revenue from Contracts with Customers: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is effective for accounting periods beginning on or after January 01, 2017. The Management is in the process of evaluating the impact of application of the standard on the Company's financial statements.

Amendments to IAS 1 Disclosure Initiative

These amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after 1 January 2016, The management of the company is reviewing the impact on the disclosure requirements of financial statements.

Amendment to IAS 16 "Property Plant and Equipment" and IAS 38 "Intangible Assets":

In this amendment it is clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendment is effective for accounting periods beginning on or after January 01, 2016. The application of amendment is not expected to have any material impact on the Company's financial statements.

- Annual improvements 2014

These set of amendments impacts 3 standards:

IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.

IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.

IAS 19, 'Employee benefits' regarding discount rates.

These amendments are not expected to have material impact on the company's financials statements.

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

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

2.3 Basis of preparation

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

2.4 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 these are directly attributable to qualifying assets, in which case these are capitalised in accordance with the Company's general policy on borrowing costs (Refer Note 2.12). Contingent rentals are recognised as expenses in the periods in which they are incurred.

2.5 Staff retirement benefits

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

2.6 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.

2.7 Provisions

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

2.8 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.

2.9 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.

2.10 Property, plant and equipment

Operating assets

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

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

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

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

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

Capital work in progress

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

Assets subject to finance lease

In view of certainty of ownership at the end of the lease period, assets subject to finance lease are stated at cost less accumulated depreciation and accumulated impairment in value, if any. These are depreciated over their expected useful lives on the same basis as 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.

2.11 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.

2.12 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.

2.13 Investment in subsidiary

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

2.14 Stores, spares and loose tools

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

2.15 Stock of oil and lubricants

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

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

2.16 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.

2.17 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.

2.18 Non-current assets held for sale

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

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

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

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

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

2.19 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.

2.20 Financial instruments

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

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

2.21 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 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.

2.22 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.

2.23 Transactions with related parties

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

2.24 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. 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

2014	2015		2015	2014
Number of shares	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

3.1 656,000 (2014: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

4. Long term financing

	Note	2015	2014
		Rupees	Rupees
Secured			
From banking company			
Under mark up arrangement			
Term finance	4.1	200,000,000	300,000,000
Less: Current portion		-	100,000,000
		200,000,000	200,000,000

4.1 It is secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 8.2) and running finance (Refer Note 8.4). It is further secured by personal guarantee of directors of the Company. It is payable on March 31, 2017. It is subject to mark up at the rate of 3 months KIBOR plus 2.65% (2014: 2.65%) per annum.

Effective rate of mark up charged during the year ranges from 10.60% to 12.82% per annum (2014: 10.74% to 12.79% per annum).

5. Liabilities against assets subject to finance lease

	2015	2014
	Rupees	Rupees
Opening balance	6,013,530	2,100,249
Obtained during the year	-	6,140,500
	6,013,530	8,240,749
Paid / adjusted during the year	(1,637,392)	(2,227,219)
	4,376,138	6,013,530
Less: Current portion	1,876,473	1,632,416
	2,499,665	4,381,114

5.1 These represents vehicles acquired under ijarah finance. The principal plus financial charges are payable over the lease period in 36 instalments. The liability represents the total minimum lease payments discounted at 11.69% to 12.68% (2014: 11.69% to 12.68%) per annum being the interest rates implicit in leases.

5.2 The future minimum lease payments to which the Company is committed as at the year end are as under:

Year ending June 30,	2015 Rupees	2014 Rupees
2015	-	2,224,128
2016	2,157,396	2,224,128
2017	2,591,663	2,652,834
	4,749,059	7,101,090
Financial charges:		
Payable	(19,072)	(36,390)
Allocated to future periods	(353,849)	(1,051,170)
	4,376,138	6,013,530

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

	2015		2014	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	-----Rupees-----			
Due within one year	2,157,396	2,048,942	2,224,128	1,632,416
Due after one year but not later than five years	2,591,663	2,327,196	4,876,962	4,381,114
	4,749,059	4,376,138	7,101,090	6,013,530

	Note	2015 Rupees	2014 Rupees
Creditors		246,385,492	374,906,560
Accrued liabilities		124,321,553	84,585,024
Advance against non-current assets held for sale		-	2,200,000
Provident fund - related party		502,290	556,560
Unclaimed dividend		2,999,874	2,773,674
Workers' profit participation fund	6.1	5,543,715	10,946,609
Sales tax		1,198,183	2,528,020
Withholding taxes		15,367,876	2,991,826
Other	6.2	4,381,963	3,474,971
		400,700,946	484,963,244

6. Trade and other payables

	Note	2015 Rupees	2014 Rupees
6.1 Workers' profit participation fund			
Opening balance		10,946,609	13,124,126
Interest on funds utilised in the Company's business		355,708	283,309
		11,302,317	13,407,435
Paid to workers on behalf of the fund		(11,302,317)	(13,407,435)
		-	-
Allocation for the year		5,543,715	10,946,609
		5,543,715	10,946,609

6.2 It includes Nil. (2014: Rs.2,000,000/-) due to subsidiary company.

7. Interest / mark up payable

Interest / mark up on secured:			
Redeemable capital		-	2,205,416
Long term financing		5,287,474	9,567,715
Liabilities against assets subject to finance lease		19,072	36,390
Short term bank borrowings		23,610,996	22,560,284
		28,917,542	34,369,805

8. Short term bank borrowings

Secured - under mark up arrangements			
Morabaha finance I	8.2	114,000,000	70,400,000
Morabaha finance II		-	30,000,000
Term finance	8.3	199,563,274	205,251,619
Running finances	8.4	398,063,500	137,695,765
		711,626,774	443,347,384

8.1 The aggregate unavailed short term financing facilities available to the Company are Rs. 195.87 million (2014: Rs. 469.15 million).

8.2 It is subject to mark up at the rate of 6 months KIBOR plus 2.25% per annum payable quarterly in arrears. It is secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of long term term finance (Refer Note 4.1) and running finances (Refer Note 8.4). It is further secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of short term term finance (Refer Note 8.3) and running finances (Refer Note 8.4).

Effective mark up rate charged during the year ranges from 9.01% to 12.43% per annum (2014: 11.32% to 12.42% per annum).

- 8.3** It is subject to mark up at the rate of 1 month KIBOR plus 1.5% per annum (2014: 1.5% per annum). It is secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 8.2) and running finances (Refer Note 8.4) and by personal guarantee of CEO of the Company.

Effective mark up rate charged during the year ranges from 8.33% to 11.87% per annum (2014:10.51% to 11.88% per annum).

- 8.4** These are subject to mark up at the rate of 3 months KIBOR plus 2.50% to 2.65% per annum (2014: 2.50% to 2.65% per annum) with a prompt payment rebate ranging from 0.10% to 0.50% per annum. Running finances are secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 8.2) and short term term finance (Refer Note 8.3), first charge over fixed assets of the Company ranking pari passu with the charges created in respect of long term term finance (Refer Note 4.1) and morabaha finance - I (Refer Note 8.2). These are further secured against ranking charge over fixed assets and by personal guarantee of two directors of the Company.

Effective mark up rate charged during the year ranges from 10.25% to 12.82% per annum (2014: 11.24% to 12.79% per annum).

2015 Rupees	2014 Rupees
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9. CONTINGENCIES AND COMMITMENTS

Contingencies

Bank guarantees issued in favour of Sui Northern Gas Pipelines Limited for supply of gas

97,171,000	97,171,000
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Demand of Income tax of Rs. 1,313,929/- (2014: Rs. 1,313,929/-) for the tax years 2004 to 2006 (2014: 2004 to 2006) is not acknowledged in view of pending appeals.

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Demand of gas Infrastructure development cess not acknowledged. The Company has challenged the levy from year 2011 to 2014 before the Honourable Lahore High Court Lahore claiming that the company be treated as part of the industrial sector, Therefore entitled to benefit of non-recovery granted to industrial sector. The matter is pending before the anomaly committee constituted by minister of Petroleum and Natural Resources; Government of Pakistan.

137,952,501	-
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Commitments

Under letters of credit for stores and spares

13,622,368	3,113,511
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Under contract for fixed capital expenditure

-	701,938
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Under contract for repair and maintenance

-	11,531,760
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10. Property, plant and equipment

	Note	2015 Rupees	2014 Rupees
Operating assets			
Capital work in progress	10.1	1,034,371,765	1,037,276,888
Non-operating land	10.4	137,180,148	224,639,003
Advance for purchase of property	10.5	592,740,555	657,065,775
		20,000,000	-
		1,784,292,468	1,918,981,666

10.1 Operating assets

	Company owned							Assets subject to finance lease			Total	
	Freehold land	Building on feehold land	Plant and machinery	Electric Installations	Factory equipment	Electric Appliances	Furniture and fixtures	Office equipment	Vehicles	Sub total		Vehicles
At July 01, 2013												
Cost	60,290,739	198,224,762	1,774,937,877	167,713,974	4,078,647	9,191,927	6,121,786	15,794,806	36,265,545	2,272,620,063	7,487,000	7,487,000
Accumulated depreciation	-	(136,464,805)	(907,769,370)	(84,199,407)	(3,038,900)	(4,352,359)	(9,772,349)	(9,369,922)	(9,369,922)	(1,157,779,008)	(3,358,015)	(3,358,015)
Net book value	60,290,739	61,759,957	867,168,507	83,514,567	1,039,747	4,839,568	3,309,890	6,022,457	26,895,623	1,114,841,055	4,128,985	4,128,985
Year ended June 30, 2014												
Opening net book value	60,290,739	61,759,957	867,168,507	83,514,567	1,039,747	4,839,568	3,309,890	6,022,457	26,895,623	1,114,841,055	4,128,985	4,128,985
Additions	-	-	-	-	219,000	221,545	402,984	112,000	8,853,180	9,908,709	6,579,310	6,579,310
Transferred from leasehold to owned assets	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-	7,487,000	7,487,000	(7,487,000)	(7,487,000)
Accumulated depreciation	-	-	-	-	-	-	-	-	(3,759,375)	(3,759,375)	3,759,375	3,759,375
	-	-	-	-	-	-	-	-	3,727,625	3,727,625	(3,727,625)	(3,727,625)
Disposals:	(2,050,039)	-	(19,062,000)	-	-	-	-	(1,468,389)	(3,890,110)	(26,470,538)	-	-
Cost	14,787,908	-	14,787,908	-	-	-	-	2,149,378	18,155,311	18,155,311	-	-
Accumulated depreciation	(2,050,039)	-	(4,274,092)	-	-	-	-	(250,364)	(1,740,732)	(6,315,227)	-	-
Depreciation charge	-	(6,175,986)	(66,196,874)	(8,351,457)	(122,225)	(490,053)	(364,571)	(604,910)	(6,948,843)	(89,254,929)	(511,015)	(511,015)
Closing net book value	58,240,700	55,583,961	796,697,541	75,163,110	1,136,522	4,571,060	3,348,303	5,279,183	30,786,853	1,030,807,233	6,469,655	6,469,655
At June 30, 2014												
Cost	58,240,700	198,224,762	1,755,875,877	167,713,974	4,297,647	9,413,472	6,524,770	14,438,417	48,715,615	2,263,445,234	6,579,310	6,579,310
Accumulated depreciation	-	(142,640,801)	(959,178,336)	(92,550,864)	(3,161,125)	(4,842,412)	(3,176,467)	(9,159,234)	(17,928,762)	(1,232,638,001)	(109,655)	(109,655)
Net book value	58,240,700	55,583,961	796,697,541	75,163,110	1,136,522	4,571,060	3,348,303	5,279,183	30,786,853	1,030,807,233	6,469,655	6,469,655
At July 01, 2014												
Cost	58,240,700	198,224,762	1,755,875,877	167,713,974	4,297,647	9,413,472	6,524,770	14,438,417	48,715,615	2,263,445,234	6,579,310	6,579,310
Accumulated depreciation	-	(142,640,801)	(959,178,336)	(92,550,864)	(3,161,125)	(4,842,412)	(3,176,467)	(9,159,234)	(17,928,762)	(1,232,638,001)	(109,655)	(109,655)
Net book value	58,240,700	55,583,961	796,697,541	75,163,110	1,136,522	4,571,060	3,348,303	5,279,183	30,786,853	1,030,807,233	6,469,655	6,469,655
Year ended June 30, 2015												
Opening net book value	58,240,700	55,583,961	796,697,541	75,163,110	1,136,522	4,571,060	3,348,303	5,279,183	30,786,853	1,030,807,233	6,469,655	6,469,655
Additions	-	-	-	-	-	316,265	117,000	446,980	2,619,500	3,493,745	-	-
Transfer from capital work in progress	-	25,321,523	79,269,679	-	-	-	-	-	-	104,591,202	-	-
Disposals:	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-	(17,143,795)	(17,143,795)	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	6,061,813	6,061,813	-	-
Depreciation charge	-	(6,824,472)	(76,852,174)	(7,516,311)	(113,652)	(482,277)	(338,730)	(566,383)	(11,081,982)	(11,081,982)	(1,293,931)	(1,293,931)
Closing net book value	58,240,700	74,081,012	799,115,046	67,646,799	1,022,870	4,405,048	3,126,573	5,159,760	16,399,213	1,029,196,041	5,175,724	5,175,724
At June 30, 2015												
Cost	58,240,700	223,546,285	1,835,145,556	167,713,974	4,297,647	9,729,737	6,641,770	14,885,397	34,185,320	2,354,386,386	6,579,310	6,579,310
Accumulated depreciation	-	(149,465,273)	(1,036,030,510)	(100,067,175)	(3,274,777)	(5,324,689)	(3,515,197)	(9,725,617)	(17,767,107)	(1,325,190,345)	(7,403,586)	(7,403,586)
Net book value	58,240,700	74,081,012	799,115,046	67,646,799	1,022,870	4,405,048	3,126,573	5,159,760	16,399,213	1,029,196,041	5,175,724	5,175,724
Annual rate of depreciation (%)	-	10	-	10	10	10	10	10	20	-	20	-

10.2 Depreciation for the year has been allocated as under:

	2015 Rupees	2014 Rupees
Cost of generation	91,306,609	80,846,552
Operating expenses	8,601,479	8,919,392
	99,908,088	89,765,944

10.3 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Operating assets					
Vehicles (Insurance claim)	1,543,795	893,013	650,782	1,325,000	The Premier Insurance Limited Zonal office 162, Shadman-II, Lahore.
	15,600,000	5,168,800	10,431,200	13,500,000	The Premier Insurance Limited Zonal office 162, Shadman-II, Lahore.
	17,143,795	6,061,813	11,081,982	14,825,000	
2015	17,143,795	6,061,813	11,081,982	14,825,000	
2014	24,420,499	18,155,311	6,265,188	2,204,000	

10.3.1 A piece of land valuing Nil (2014 : Rs. 2,050,039/-) has been donated to an associated undertaking (Refer Note 24.2).

10.4 Capital work in progress

	Freehold land	Civil work	Plant and machinery	Total
	-----Rupees-----			
Balance as at July 1, 2013	51,167,500	97,875,910	-	149,043,410
Capital expenditure incurred during the year	-	11,852,356	63,743,237	75,595,593
Balance as at June 30, 2014	51,167,500	109,728,266	63,743,237	224,639,003
Capital expenditure incurred during the year	-	1,605,905	15,526,442	17,132,347
Transferred to operating assets	-	(25,321,523)	(79,269,679)	(104,591,202)
Balance as at June 30, 2015	51,167,500	86,012,648	-	137,180,148

	Note	2015 Rupees	2014 Rupees
10.5 Non-operating land			
Cost of land	10.5.2	575,339,627	593,069,375
Transferred from non-current assets held for sale	20	6,392,086	-
Transferred to non-current assets held for sale	20	-	17,729,748
		581,731,713	575,339,627
Disposed off during the year		(23,448,562)	-
		558,283,151	575,339,627
Advances for purchase of land	10.5.3	34,457,404	81,726,148
		592,740,555	657,065,775

10.5.1 The land is held for future expansion.

10.5.2 This includes land worth Rs. 263.5 million (2014: Rs. 263.5 million) not in the name of the Company. The land is in the name of the subsidiary. As per agreement the Company is entitled to get the land transferred in its own name or in the name of any nominee. Legal formalities for transfer of land in the name of the Company are pending.

10.5.3 It includes Nil (2014: Rs. 47.269 million) advance to subsidiary company.

	2015 Rupees	2014 Rupees
11. Investment in subsidiary		
Sitara International (Private) Limited 4,999,500 (2014: 4,999,500) ordinary shares of Rs. 10/- each fully paid in cash. Ownership interest 99.99% (2014: 99.99%)	49,995,000	49,995,000

11.1 M/S Sitara International (Private) Limited is incorporated in Pakistan as a private limited company under the Companies Ordinance, 1984. The registered office of the Subsidiary is situated at 601-602 Business centre, Mumtaz Hasan Road, Karachi.

	2015 Rupees	2014 Rupees
12. Long term deposits		
Security deposits	511,200	511,200
Lease deposit	614,050	614,050
	1,125,250	1,125,250

	2015 Rupees	2014 Rupees
13. Stores, spares and loose tools		
Stores		
In hand	14,982,002	15,596,569
In transit	-	1,449,436
	14,982,002	17,046,005
Spares	302,251,119	326,835,561
Loose tools	1,838,582	2,130,424
	319,071,703	346,011,990
Less: Provision for slow moving and obsolete items	(32,447,118)	(32,897,118)
	286,624,585	313,114,872

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

	Note	2015 Rupees	2014 Rupees
14. Stock of oil and lubricants			
Furnace oil		49,665,220	102,146,381
Diesel oil		1,972,408	2,495,087
Lube oil		4,851,885	9,193,934
Wastes		65,254	76,271
		56,554,767	113,911,673
15. Trade debts			
Unsecured			
Considered good			
Related parties			
Sitara Chemtek (Private) Limited		522,295	670,913
Sitara Fabrics Limited		10,694,120	1,881,788
		11,216,415	2,552,701
Others		848,690,640	610,436,660
		859,907,055	612,989,361
16. Loans and advances			
Considered good			
Loans to staff		350,000	458,834
Loan to subsidiary	16.1	84,308,000	-
Advances			
Suppliers		12,094,915	8,463,843
Income tax		3,731,129	4,231,692
For purchases / expenses		1,896,620	10,000
Letters of credit fee and expenses		106,572	16,517
		102,487,236	13,180,886

16.1 It is unsecured and interest free.

	Note	2015 Rupees	2014 Rupees
17. Deposits and prepayments			
Deposits			
Security deposit		150,000	150,000
Guarantee margin		9,108,130	7,500,000
		9,258,130	7,650,000
Prepayments		1,380,455	500,031
		10,638,585	8,150,031
18. Other receivables	18.1	70,189,060	96,375,000

18.1 These represent receivables against sale of non operating land and non-current assets held for sale.

	Note	2015 Rupees	2014 Rupees
19. Cash and bank balances			
Cash in hand		3,118,253	713,814
Cash at banks			
In current accounts		35,820,170	46,401,945
		38,938,423	47,115,759
20. Non-current assets held for sale			
Land			
Opening balance		101,326,301	317,816,908
Transferred from Non-operating land	10.5	-	17,729,748
		101,326,301	335,546,656
Transferred to Non-operating land		6,392,086	-
Disposed off during the year		94,934,215	234,220,355
		-	101,326,301
21. Sales - net			
Electricity		4,274,915,543	5,798,788,130
Steam		59,847,255	109,817,370
		4,334,762,798	5,908,605,500
Less: Sales tax		662,040,029	862,472,267
		3,672,722,769	5,046,133,233
Less: Electricity duty		13,983,847	10,506,273
		3,658,738,922	5,035,626,960

	Note	2015 Rupees	2014 Rupees
22. Cost of generation			
Cost of gas, oil and lubricants	22.1	3,092,837,925	4,275,754,292
Salaries, wages and benefits		69,056,870	62,013,971
Staff retirement benefits		2,022,662	2,098,650
Stores, spares and loose tools		131,091,093	181,709,950
Travelling and conveyance		6,751,729	7,778,477
Vehicles running and maintenance		4,141,686	7,283,613
Insurance		5,491,583	5,322,662
Repairs and maintenance		25,434,266	13,857,648
Entertainment		2,075,589	1,874,491
Depreciation	10.2	91,306,609	80,846,552
Other		2,305,236	2,423,629
		<u>3,432,515,248</u>	<u>4,640,963,935</u>
22.1 Cost of gas, oil and lubricants			
Gas		456,441,228	691,267,913
Oil and lubricants		2,636,396,697	3,584,486,379
		<u>3,092,837,925</u>	<u>4,275,754,292</u>
23. Other income			
Income from assets other than financial assets:			
Sale of scrap and waste		1,838,549	3,187,343
Gain on disposal of			
Property, plant and equipment		4,586,206	-
Non-current assets held for sale - land		11,462,660	50,481,843
Balances written back		102,943,266	19,989,580
		<u>120,830,681</u>	<u>73,658,766</u>
24. Operating expenses			
Directors' remuneration		16,250,000	12,963,000
Salaries and benefits		33,430,512	30,337,549
Staff retirement benefits		1,152,175	1,139,558
Postage and telephone		2,610,561	2,210,537
Vehicles running and maintenance		5,974,914	7,773,381
Travelling and conveyance		6,239,044	5,496,670
Printing and stationery		1,890,788	1,621,301
Entertainment		4,492,794	3,828,067
Legal and professional		2,415,150	2,917,957
Fee, subscription and periodicals		2,688,366	2,512,631
Rent, rates and taxes		190,121	193,981
Advertisement		390,409	80,560
Insurance		1,791,227	1,842,030
Auditors' remuneration	24.1	1,279,000	1,264,000
Repairs and maintenance		1,855,093	1,638,110
Donations	24.2	118,000	4,080,039
Depreciation	10.2	8,601,479	8,919,392
Utilities		3,340,169	3,203,849
Other		2,776,287	2,612,968
		<u>97,486,089</u>	<u>94,635,580</u>

		2015 Rupees	2014 Rupees
24.1 Auditors' remuneration			
		1,000,000	1,000,000
		279,000	264,000
		<u>1,279,000</u>	<u>1,264,000</u>

24.2 Donations

Chief Executive Officer, Mr. Javed Iqbal is the trustee of Aziz Fatimah Trust, Gulistan Colony, Sheikhpura Road, Faisalabad, to whom Nil (2014: Rs. 1,020,000/-) and a piece of land valuing Nil (2014 : 2,050,039/-) (Refer Note 10.3.1) have been donated during the year.

	Note	2015 Rupees	2014 Rupees
25. Other operating expenses			
Workers' profit participation fund	6.1	5,543,715	10,946,609
Loss on disposal of property, plant and equipment		-	4,028,436
		<u>5,543,715</u>	<u>14,975,045</u>
26. Finance cost			
Interest / mark-up on:			
Redeemable capital		4,568,335	25,476,798
Long term financing		27,503,605	37,010,696
Liabilities against assets subject to finance lease		562,915	164,166
Short term bank borrowings		104,445,233	91,254,410
Workers' profit participation fund		355,708	283,309
Bank charges and commission		1,613,870	847,952
		<u>139,049,666</u>	<u>155,037,331</u>
27. Provision for taxation			
Current			
For the year	27.1	-	-
For prior years'		-	(852,817)
		<u>-</u>	<u>(852,817)</u>

27.1 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. Therefore no provision for taxation has been made.

	2015 Rupees	2014 Rupees
28. Earnings per share - Basic and diluted		
Profit for the year (Rupees)	104,974,885	204,526,652
Weighted average number of ordinary shares	19,092,000	19,092,000
Earnings per share - Basic and diluted (Rupees)	5.50	10.71

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

29. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2015			2014		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
	-----Rupees-----					
Remuneration	8,509,091	4,090,909	11,146,276	6,823,636	3,272,727	8,387,498
Medical allowance	850,909	409,091	1,114,628	682,364	327,273	838,750
Perquisites	1,955,000	435,000	1,639,128	1,420,000	437,000	1,312,447
Contribution to provident fund	-	-	704,407	-	-	591,011
	11,315,000	4,935,000	14,604,439	8,926,000	4,037,000	11,129,706
Number of persons	1	1	9	1	1	7

29.1 The Chief Executive Officer and director are entitled to free use of Company maintained car and other perquisites. One executive is entitled to conveyance facility. The monetary value of these benefits approximates Rs. 4,173,090/- (2014: Rs. 3,737,164/-). The Directors have waived off their meeting fee.

30. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of subsidiary, associated undertakings, directors, key management personnel and post employment benefit plan. Amounts due from and due to related parties are shown under relevant notes to the financial statements. Remuneration to Chief Executive Officer, Directors and Executives is disclosed in Note 29. Other significant transactions with related parties are as follows:

		2015 Rupees	2014 Rupees
Relationship with the Company	Nature of transactions		
Subsidiary	Refund of advance for purchase of land	47,268,744	-
	Loan given	84,308,000	-
Associated undertakings	Sales	67,053,755	19,381,462
	Sale of vehicle	-	400,000
	Donation - in cash	-	1,020,000
	- in kind	-	2,050,039
Provident fund	Contribution for the year	3,174,837	3,238,208
		2015	2014

31. PLANT CAPACITY AND ACTUAL PRODUCTION

Number of generators installed	25	24
Number of generators worked	22	22
Installed energy generation capacity (Mega watt hours)	749,155	696,946
Actual energy generation (Mega watt hours)	264,978	304,078
Actual average load (Mega watt)	30.25	34.71

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

2015 **2014**

32. DISCLOSURE WITH REGARDS TO PROVIDENT FUND

Size of the fund	(Rupees)	30,662,503	27,208,539
Cost of investments made	(Rupees)	15,120,000	15,120,000
Percentage of investments made	(% age)	49.31%	55.57%
Fair value of investments	(Rupees)	26,337,767	23,686,367

32.1 The figures for 2015 are based on the un-audited financial statements of the provident fund. Investment has been made in Defense Saving Certificates in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for that purpose.

2015 **2014**

33. NUMBER OF EMPLOYEES

Total number of employees as at June 30,	257	276
Average number of employees during the year	272	278

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

	2015	2014
	Rupees	Rupees
34.1 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets at amortised cost:		
Deposits	9,872,180	8,775,250
Investment in subsidiary	49,995,000	49,995,000
Trade debts	859,907,055	612,989,361
Loans and advances	84,658,000	458,834
Other receivables	70,189,060	96,375,000
Cash and bank balances	38,938,423	47,115,759
Non-current assets held for sale	-	101,326,301
	<u>1,113,559,718</u>	<u>917,035,505</u>
Financial liabilities at amortised cost:		
Redeemable capital	-	155,000,000
Long term financing	200,000,000	300,000,000
Liabilities against assets subject to finance lease	4,376,138	6,013,530
Trade and other payables	378,088,882	465,740,229
Interest / markup payable	28,917,542	34,369,805
Short term bank borrowings	711,626,774	443,347,384
	<u>1,323,009,336</u>	<u>1,404,470,948</u>

34.2 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:

34.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company is exposed to concentration of credit risk towards the major customers Faisalabad Electric Supply Company (FESCO), M/S Sitara Chemical Industries Limited and M/S Sitara Spinning Mills Limited. The trade debts receivable from these customers constitute 75% (2014: 81%) of total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2015 Rupees	2014 Rupees
Deposits	9,872,180	8,775,250
Trade debts	859,907,055	612,989,361
Other receivables	70,189,060	96,375,000
Bank balances	35,820,170	46,401,945
	<u>975,788,465</u>	<u>764,541,556</u>

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

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

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

	2015 Rupees	2014 Rupees
FESCO	-	209,562,676
Sitara Chemical Industries Limited	443,468,407	188,102,347
Sitara Spinning Mills Limited	235,042,044	152,526,626
Other industrial users	181,396,604	62,797,712
	<u>859,907,055</u>	<u>612,989,361</u>

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

Not past due		
Related parties	11,216,415	2,552,701
Others	740,906,095	540,099,613
	<u>752,122,510</u>	<u>542,652,314</u>
Past due		
Others	107,784,545	70,337,047
	<u>859,907,055</u>	<u>612,989,361</u>

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

34.2.2 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, 2015 and 2014:

	2015				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
-----Rupees in thousand-----					
Financial liabilities:					
Long term financing	200,000	236,664	15,746	10,459	210,459
Liabilities against assets					
subject to finance lease	4,376	4,749	1,112	1,112	2,525
Trade and other payables	378,089	378,089	378,089	-	-
Short term bank borrowings	711,627	799,226	170,566	628,660	-
	1,294,092	1,418,728	565,513	640,231	212,984
2014					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
-----Rupees in thousand-----					
Financial liabilities:					
Redeemable capital	155,000	171,013	87,155	83,858	-
Long term financing	300,000	361,716	27,973	115,338	218,405
Liabilities against assets					
subject to finance lease	6,014	7,101	1,112	1,112	4,877
Trade and other payables	465,740	465,740	465,740	-	-
Short term bank borrowings	443,347	507,795	144,953	362,842	-
	1,370,101	1,513,365	726,933	563,150	223,282

The contractual cash flows relating to mark up on redeemable capital, long term financing and short term bank borrowings and leases have been determined on the basis of mark up rates as applicable at the year end. The Company will manage the liquidity risk from its own source through equity and working capital management. The Company has liquid assets of Rs. 934.814 million (2014: 793.169 million) and unavailed short term borrowing facilities of Rs. 195.87 million (2014: Rs. 469.15 million) as at the year end.

34.2.3 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.9.12 million (2014: Rs. 11.37 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.

34.3 Fair value of financial instruments

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

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

34.4 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	2015 Rupees	2014 Rupees
Total Debt	4, 5 & 8	916,002,912	904,360,914
Less: Cash and cash equivalents	19	38,938,423	47,115,759
Net Debt		877,064,489	857,245,155
Total equity		1,951,100,023	1,884,309,138
Total capital		2,828,164,512	2,741,554,293
Gearing ratio		31.01%	31.27%

35. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 21, 2015 has proposed a cash dividend of Rs. 1.25 per share (2014: Rs. 2 per share) amounting to Rs. 23,865,000/- (2014: Rs. 38,184,000/-) subject to approval of members in the forthcoming Annual General Meeting to be held on October 30, 2015.

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 September 21, 2015.

37. GENERAL

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

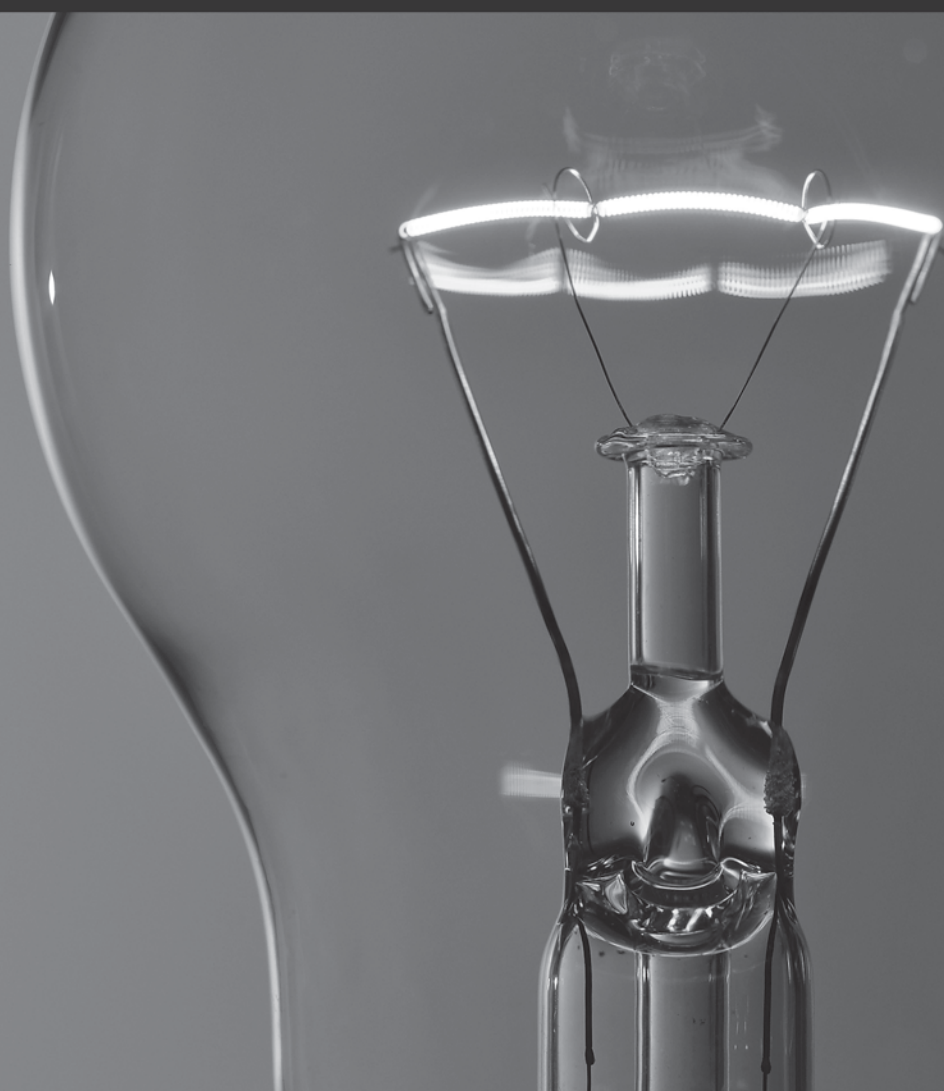


CHIEF EXECUTIVE OFFICER



DIRECTOR

Consolidated Financial Statements



Directors Report on Consolidated Financial Statements

The Board of Directors have pleasure in presenting the Audited Financial Statements of the Sitara Energy Limited (the parent) and Sitara International (Private) Limited (the subsidiary) for the year ended June 30, 2015.

The Company holds 99% shares in the Subsidiary which is trading in textile goods / machinery and real estate business.

Financial results for the year ended June 30, 2015 and June 30, 2014 are summarized below:

	30.06.2015	30.06.2014
	Rupees in thousands	
Sales - net	3,658,739	5,066,358
Gross Profit	226,224	392,229
Profit before taxation	103,533	206,531
Profit for the year	103,533	207,305
Earnings per share - Basic and diluted		
Attributable to the shareholders of the Parent (Rupees)	5.42	10.86

by order of the Board



JAVED IQBAL
Chief Executive Officer

Faisalabad
September 21, 2015

Auditors' Report to the Members

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of Sitara Energy Limited (the holding company) and its subsidiary company as at June 30, 2015 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, 2015 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.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner:- Hamid Masood

Dated: September 21, 2015
Place: Faisalabad

Consolidated Balance Sheet as at June 30, 2015

		2015	2014		2015	2014	
	Note	Rupees	Rupees		Rupees	Rupees	
SHARE CAPITAL AND RESERVES				NON-CURRENT ASSETS			
Authorised capital				Property, plant and equipment	11	1,780,779,852	1,868,204,495
30,000,000 ordinary shares				Long term deposits	12	1,125,250	1,125,250
of Rs. 10/- each.		300,000,000	300,000,000			1,781,905,102	1,869,329,745
Issued, subscribed							
and paid up capital	4	190,920,000	190,920,000				
Capital reserve							
Share premium		143,190,000	143,190,000				
Revenue reserves							
General reserve		920,000,000	820,000,000				
Unappropriated profit		694,858,079	729,509,147				
		1,948,968,079	1,883,619,147				
Non-controlling interest		7,402	7,546				
		1,948,975,481	1,883,626,693				
NON-CURRENT LIABILITIES				CURRENT ASSETS			
Long term financing	5	200,000,000	200,000,000	Stores, spares and loose tools	13	286,624,585	313,114,872
Liabilities against assets				Stocks	14	103,252,461	133,351,367
subject to finance lease	6	2,499,665	4,381,114	Investment property	15	63,403,000	63,403,000
		202,499,665	204,381,114	Trade debts	16	859,907,055	612,989,361
CURRENT LIABILITIES				Loans and advances	17	39,068,991	14,609,306
Trade and other payables	7	401,774,526	483,770,854	Deposits and prepayments	18	10,638,585	8,150,031
Interest / mark up payable	8	28,917,542	34,369,805	Other receivables	19	70,189,060	96,375,000
Short term bank borrowings	9	711,626,774	443,347,384	Tax refunds due from			
Current portion of:				Government - income tax		36,341,614	32,109,922
Redeemable capital		-	155,000,000	Cash and bank balances	20	44,340,008	61,430,561
Long term financing	5	-	100,000,000			1,513,765,359	1,335,533,420
Liabilities against assets							
subject to finance lease	6	1,876,473	1,632,416				
Provision for taxation							
- income tax		-	61,200				
		1,144,195,315	1,218,181,659				
CONTINGENCIES AND COMMITMENTS				Non-current assets held for sale	21	-	101,326,301
	10	-	-			1,513,765,359	1,436,859,721
		3,295,670,461	3,306,189,466			3,295,670,461	3,306,189,466

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, 2015

	Note	2015 Rupees	2014 Rupees
Sales - net	22	3,658,738,922	5,066,358,210
Cost of generation and sales	23	3,432,515,248	4,674,128,839
Gross profit		226,223,674	392,229,371
Other income	24	120,830,681	80,231,777
		347,054,355	472,461,148
Operating expenses	25	98,926,893	95,916,775
Other operating expenses	26	5,543,715	14,975,045
Finance cost	27	139,050,959	155,038,697
		243,521,567	265,930,517
Profit for the year before taxation		103,532,788	206,530,631
Provision for taxation	28	-	(774,317)
Profit for the year		103,532,788	207,304,948
Attributable to:			
Shareholders of the Parent		103,532,932	207,304,670
Non-controlling interest		(144)	278
		103,532,788	207,304,948
Earnings per share - Basic and diluted			
Attributable to the shareholders of the Parent	29	5.42	10.86

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, 2015
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	2015 Rupees	2014 Rupees
Profit for the year	103,532,788	207,304,948
Other comprehensive profit for the year		
Other Items		
Fair value reserve reclassified to profit and loss account on disposal of investment	-	(1,102,020)
Total comprehensive income for the year	<u>103,532,788</u>	<u>206,202,928</u>
Attributable to:		
Shareholders of the Parent	103,533,071	206,202,789
Non-controlling interest	(283)	139
	<u>103,532,788</u>	<u>206,202,928</u>

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, 2015

	2015 Rupees	2014 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	103,532,788	206,530,631
Adjustments for:		
Depreciation of property, plant and equipment	99,912,277	89,770,598
Provision for staff retirement benefits	3,174,837	3,238,208
Gain on disposal of:		
Non-current assets held for sale - land	(11,462,660)	(50,481,843)
Short term investments	-	(6,324,885)
Balances written back	(102,943,266)	(20,012,706)
(Gain) / loss on disposal of property, plant and equipment	(4,586,206)	4,028,436
Donation - in kind	-	2,050,039
Finance cost	139,050,959	155,038,697
Operating cash flows before working capital changes	226,678,729	383,837,175
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	26,490,287	63,101,827
Stock of oil and lubricants	30,098,906	(9,994,613)
Trade debts	(246,917,694)	29,424,011
Loans and advances	(22,628,994)	7,647,657
Deposits and prepayments	(2,488,554)	(5,541,235)
Other receivables	90,870,315	(96,375,000)
Increase in current liabilities		
Trade and other payables	18,775,008	201,943,338
Cash generated from operating activities	(105,800,726)	190,205,985
	120,878,003	574,043,160
Income tax paid	(4,123,584)	(4,290,192)
Staff retirement benefits paid	(3,229,107)	(3,148,792)
Finance cost paid	(144,503,222)	(163,365,637)
Net cash (used in) / generated from operating activities	(30,977,910)	403,238,539

Consolidated Cash Flow Statement for the Year Ended June 30, 2015

	2015 Rupees	2014 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(40,626,091)	(114,972,693)
Proceeds from disposal of:		
Property, plant and equipment	14,825,000	2,204,000
Non operating land	11,004,250	-
Non-current assets held for sale - land	55,000,000	235,641,177
Short-term investments	-	9,449,065
Increase in long term deposits	-	(614,050)
Net cash generated from investing activities	40,203,159	131,707,499
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of:		
Redeemable capital	(155,000,000)	(155,000,000)
Long term financing	(100,000,000)	-
Liabilities against assets subject to finance lease	(1,637,392)	(1,538,519)
Increase / (decrease) in short term bank borrowings - net	268,279,390	(310,239,044)
Dividend paid	(37,957,800)	(18,988,803)
Net cash (used in) financing activities	(26,315,802)	(485,766,366)
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(17,090,553)	49,179,672
Cash and cash equivalents at the beginning of the year	61,430,561	12,250,889
Cash and cash equivalents at the end of the year	44,340,008	61,430,561

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, 2015

1. GROUP STATUS AND ACTIVITIES

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

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

The Subsidiary is incorporated in Pakistan as a private limited company under the Companies Ordinance, 1984. The principal activities of the Subsidiary is trading in textile goods / machinery and real estate business. The registered office of the Subsidiary is situated at 601-602 Business centre, Mumtaz Hasan Road, Karachi in the province of Sindh.

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

2. BASIS OF CONSOLIDATION

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements have been prepared in accordance with the 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.

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

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

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Group for the periods beginning on or after July 01, 2014 and therefore, have been applied in preparing these financial statements:

- **Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions***

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The management of the Group do not anticipate that the application of these amendments will have a significant impact on the Group's financial statements.

- **Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities***

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities.

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

- **Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets***

The amendments remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal.

The application of these amendments has no material impact on the disclosures in the Group's financial statements.

- **IFRIC 21 *Levies***

IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for.

The application do not expected to have material impact on the Group's financial statements.

- **Annual Improvements to IFRSs 2010-2012 Cycle**

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Group do not anticipate that the application of these amendments will have a significant impact on the Group's financial statements.

- **Annual Improvements to IFRSs 2011-2013 Cycle**

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) The property meets the definition of investment property in terms of IAS 40; and
- (b) The transaction meets the definition of a business combination under IFRS 3.

The directors of the Group do not anticipate that the application of these amendments will have a significant impact on the Group's financial statements.

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

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Group beginning on or after July 01, 2014 but are considered not to be relevant to the Group's operations and are, therefore, not disclosed in these financial statements.

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

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

- IFRS 9 Financial Instruments (2014): IFRS 9 contains accounting requirements for financial instruments in the areas of classification and measurement, impairments, hedge accounting, de-recognition:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at Fair Value Through Other Comprehensive Income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, standard requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other

comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

In relation to the impairment of financial assets, standard requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The standard is effective for accounting period beginning on or after January 01, 2018. The management of the Group is reviewing the changes to evaluate the impact of application of standard on the financial statements.

IFRS 10, 'Consolidated financial statements'

The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The standard is effective for annual reporting periods beginning on or after January 01, 2015. The standard is not expected to have any significant impact on the Group's financial statements.

IFRS 12, Disclosures of interests in other entities

The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. The standard is effective for annual reporting periods beginning on or after January 01, 2015. The standard is not expected to have any significant impact on the Group's financial statements.

IFRS 13 Fair Value Measurement

The standard replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard and requires certain additional disclosures about fair value measurement. The standard is effective for annual reporting periods beginning on or after January 01, 2015. The standard is not expected to have any significant impact on the Group's financial statements.

IFRS 15 Revenue from Contracts with Customers: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and

various related matters. New disclosures about revenue are also introduced. The standard is effective for accounting periods beginning on or after January 01, 2017. The Management is in the process of evaluating the impact of application of the standard on the Group's financial statements.

Amendments to IAS 1 Disclosure Initiative

These amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after 1 January 2016, The management of the Group is reviewing the impact on the disclosure requirements of financial statements.

Amendment to IAS 16 "Property Plant and Equipment" and IAS 38 "Intangible Assets":

In this amendment it is clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendment is effective for accounting periods beginning on or after January 01, 2016. The application of amendment is not expected to have any material impact on the Group's financial statements.

- Annual improvements 2014

These set of amendments impacts 3 standards:

IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.

IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.

IAS 19, 'Employee benefits' regarding discount rates.

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

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

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

3.3 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 values.

3.4 Leases

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

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss account, unless these are directly attributable to qualifying assets, in which case these are capitalised in accordance with the Group's general policy on borrowing costs (Refer Note 3.12). Contingent rentals are recognised as expenses in the periods in which they are incurred.

3.5 Staff retirement benefits

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

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3.10 Property, plant and equipment

Operating assets

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

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

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

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

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

Capital work in progress

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

Assets subject to finance lease

In view of certainty of ownership at the end of the lease period, assets subject to finance lease are stated at cost less accumulated depreciation and accumulated impairment in value, if any. These are depreciated over their expected useful lives on the same basis as 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.

3.11 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.

3.12 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.

3.13 Investment property

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

3.14 Stores, spares and loose tools

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

3.15 Stocks

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

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

3.16 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.

3.17 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 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.

3.19 Non-current assets held for sale

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

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

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

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

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

3.20 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.

3.21 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.

3.22 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.

3.23 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 land is recognised when legal title passes.

3.24 Transactions with related parties

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

3.25 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

2014	2015		2015 Rupees	2014 Rupees
Number of shares				
19,092,000	19,092,000	Ordinary shares of Rs. 10/- each fully paid in cash.	190,920,000	190,920,000

4.1 656,000 (2014: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

Note	2015 Rupees	2014 Rupees
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5. Long term financing

Secured			
From banking company			
Under mark up arrangement			
Term finance	5.1	200,000,000	300,000,000
Less: Current portion		-	100,000,000
		200,000,000	200,000,000

5.1 It is secured against first charge over fixed assets of the Parent ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 9.2) and running finance (Refer Note 9.4). It is further secured by personal guarantee of directors of the Parent. Terms of repayment have been revised during the year. It is payable on March 31, 2017. It is subject to mark up at the rate of 3 months KIBOR plus 2.65% (2014: 2.65%) per annum.

Effective rate of mark up charged during the year ranges from 10.60% to 12.82% per annum (2014: 10.74% to 12.79% per annum).

	2015 Rupees	2014 Rupees
6. Liabilities against assets subject to finance lease		
Opening balance	6,013,530	2,100,249
Obtained during the year	-	6,140,500
	6,013,530	8,240,749
Paid / adjusted during the year	(1,637,392)	(2,227,219)
	4,376,138	6,013,530
Less: Current portion	1,876,473	1,632,416
	2,499,665	4,381,114

6.1 These represents vehicles acquired under ijarah finance. The principal plus financial charges are payable over the lease period in 36 instalments. The liability represents the total minimum lease payments discounted at 11.69% to 12.68% (2014: 11.69% to 12.68%) per annum being the interest rates implicit in leases.

6.2 The future minimum lease payments to which the Group is committed as at the year end are as under:

Year ending June 30,	2015 Rupees	2014 Rupees
2015	-	2,224,128
2016	2,157,396	2,224,128
2017	2,591,663	2,652,834
	4,749,059	7,101,090
Financial charges:		
Payable	(19,072)	(36,390)
Allocated to future periods	(353,849)	(1,051,170)
	4,376,138	6,013,530

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

	2015		2014	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	-----Rupees-----			
Due within one year	2,157,396	2,048,942	2,224,128	1,632,416
Due after one year but not later than five years	2,591,663	2,327,196	4,876,962	4,381,114
	4,749,059	4,376,138	7,101,090	6,013,530

	Note	2015 Rupees	2014 Rupees
Creditors		246,853,492	375,269,560
Accrued liabilities		124,927,133	85,029,634
Advance against non-current assets held for sale		-	2,200,000
Provident fund - related party		502,290	556,560
Unclaimed dividend		2,999,874	2,773,674
Workers' profit participation fund	7.1	5,543,715	10,946,609
Sales tax		1,198,183	2,528,020
Withholding taxes		15,367,876	2,991,826
Other		4,381,963	1,474,971
		401,774,526	483,770,854

7.1 Workers' profit participation fund

Opening balance	10,946,609	13,124,126
Interest on funds utilised in the Group's business	355,708	283,309
	11,302,317	13,407,435
Paid to workers on behalf of the fund	(11,302,317)	(13,407,435)
	-	-
Allocation for the year	5,543,715	10,946,609
	5,543,715	10,946,609

	Note	2015 Rupees	2014 Rupees
8. Interest / mark up payable			
Interest / mark up on secured:			
Redeemable capital		-	2,205,416
Long term financing		5,287,474	9,567,715
Liabilities against assets subject to finance lease		19,072	36,390
Short term bank borrowings		23,610,996	22,560,284
		<u>28,917,542</u>	<u>34,369,805</u>
9. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finance I	9.2	114,000,000	70,400,000
Morabaha finance II		-	30,000,000
Term finance	9.3	199,563,274	205,251,619
Running finances	9.4	398,063,500	137,695,765
		<u>711,626,774</u>	<u>443,347,384</u>

9.1 The aggregate unavailed short term financing facilities available to the Parent are Rs. 195.87 million (2014: Rs. 469.15 million).

9.2 It is subject to mark up at the rate of 6 months KIBOR plus 2.25% per annum payable quarterly in arrears. It is secured against first charge over fixed assets of the Parent ranking pari passu with the charges created in respect of long term term finance (Refer Note 5.1) and running finances (Refer Note 9.4). It is further secured against first charge over current assets of the Parent ranking pari passu with the charges created in respect of short term term finance (Refer Note 9.3) and running finances (Refer Note 9.4).

Effective mark up rate charged during the year ranges from 9.01% to 12.43% per annum (2014: 11.32% to 12.42% per annum).

9.3 It is subject to mark up at the rate of 1 month KIBOR plus 1.5% per annum (2014: 1.5% per annum). It is secured against first charge over current assets of the Company ranking pari passu with the charges created in respect morabaha finance-I (Refer Note 9.2) and running finances (Refer Note 9.4) and by personal guarantee of CEO of the Parent.

Effective mark up rate charged during the year ranges from 8.33% to 11.87% per annum (2014: 10.51% to 11.88% per annum).

9.4 These are subject to mark up at the rate of 3 months KIBOR plus 2.50% to 2.65% per annum (2014: 2.50% to 2.65% per annum) with a prompt payment rebate ranging from 0.10% to 0.50% per annum. Running finances are secured against first charge over current assets of the Parent ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 9.2) and short term term finance (Refer Note 9.3), first charge over fixed assets of the Company ranking pari passu with the charges created in respect of long term term finance (Refer Note 5.1) and morabaha finance - I (Refer Note 9.2). These are further secured against ranking charge over fixed assets and by personal guarantee of two directors of the Parent.

Effective mark up rate charged during the year ranges from 10.25% to 12.82% per annum (2014: 11.24% to 12.79% per annum).

	2015 Rupees	2014 Rupees
10. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Bank guarantees issued in favour of Sui Northern Gas Pipelines Limited for supply of gas	97,171,000	97,171,000
Demand of Income tax of Rs. 1,313,929/- (2014: Rs. 1,313,929/-) for the tax years 2004 to 2006 (2014: 2004 to 2006) is not acknowledged in view of pending appeals.	-	-
Demand of gas Infrastructure development cess not acknowledged. The Company has challenged the levy from year 2011 to 2014 before the Honourable Lahore High Court Lahore claiming that the company be treated as part of the industrial sector, Therefore entitled to benefit of non-recovery granted to industrial sector. The matter is pending before the anomaly committee constituted by ministry of Petroleum and Natural Resources; Government of Pakistan.	137,952,501	-
Commitments		
Under letters of credit for stores and spares	13,622,368	3,113,511
Under agreement for purchase of land	6,500,000	-
Under contract for fixed capital expenditure	-	701,938
Under contract for repair and maintenance	-	11,531,760

11. Property, plant and equipment	Note	2015	2014
Operating assets		Rupees	Rupees
Capital work in progress	11.1	1,034,409,462	1,037,318,774
Non-operating land	11.4	137,180,148	224,639,003
Advance for purchase of property	11.5	589,190,242	606,246,718
		20,000,000	-
		<u>1,760,779,852</u>	<u>1,868,204,495</u>

11.1 Operating assets

	Company owned										Assets subject to finance lease			
	Rupees										Rupees			
	Freehold land	Building on feehold land	Plant and machinery	Electric Installations	Factory equipment	Appliances	Furniture and fixtures	Office equipment	Arms and ammunition	Vehicles	Sub total	Vehicles	Sub total	Total
At July 01, 2013														
Cost	198,224,762	1,774,937,877	167,713,974	9,191,927	4,839,568	6,121,786	15,875,234	29,625	36,265,545	2,272,730,116	7,487,000	7,487,000	2,280,217,116	
Accumulated depreciation	(136,464,805)	(907,789,370)	(84,199,407)	(4,352,359)	(2,819,896)	(2,811,896)	(9,819,933)	(15,929)	(9,369,922)	(1,157,842,521)	(3,358,015)	(3,358,015)	(1,161,200,536)	
Net book value	61,759,957	867,148,507	83,514,567	4,839,568	3,019,672	3,309,890	6,055,301	13,696	26,895,623	1,114,887,595	4,128,985	4,128,985	1,119,016,580	
Year ended June 30, 2014														
Opening net book value	-	61,759,957	83,514,567	4,839,568	3,019,672	3,309,890	6,055,301	13,696	26,895,623	1,114,887,595	4,128,985	4,128,985	1,119,016,580	
Additions	-	-	-	221,545	219,000	402,984	112,000	-	8,853,180	9,808,709	6,579,310	6,579,310	16,388,019	
Transferred from leasehold to owned assets	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cost	-	-	-	-	-	-	-	-	7,487,000	7,487,000	7,487,000	7,487,000	-	
Accumulated depreciation	-	-	-	-	-	-	-	-	(3,759,375)	(3,759,375)	(3,759,375)	(3,759,375)	-	
	-	-	-	-	-	-	-	-	3,727,625	3,727,625	3,727,625	3,727,625	-	
Disposals:														
Cost	(2,050,039)	-	(19,062,000)	-	-	-	(1,468,389)	-	(3,890,110)	(26,470,538)	-	-	(26,470,538)	
Accumulated depreciation	(2,050,039)	-	14,787,908	-	-	-	1,218,025	-	18,155,311	18,155,311	-	-	18,155,311	
	-	-	(4,274,092)	-	-	-	(250,364)	-	(1,740,732)	(8,315,227)	-	-	(8,315,227)	
Depreciation charge	-	(6,175,996)	(66,196,874)	(8,351,457)	(122,225)	(364,571)	(608,194)	(1,370)	(6,948,843)	(89,259,583)	(511,015)	(511,015)	(89,770,598)	
Closing net book value	58,240,700	55,583,961	796,697,541	75,163,110	1,136,522	4,571,060	5,308,743	12,326	30,786,853	1,030,849,119	6,469,655	6,469,655	1,037,318,774	
At July 01, 2014														
Cost	58,240,700	198,224,762	1,755,875,877	9,413,472	4,297,647	6,594,770	14,518,845	29,625	48,715,615	2,263,555,287	6,579,310	6,579,310	2,270,134,597	
Accumulated depreciation	-	(142,640,801)	(959,178,336)	(4,842,412)	(3,161,125)	(3,176,467)	(9,210,102)	(17,299)	(17,928,782)	(1,232,706,168)	(109,655)	(109,655)	(1,232,815,823)	
Net book value	58,240,700	55,583,961	796,697,541	75,163,110	1,136,522	3,348,303	5,308,743	12,326	30,786,853	1,030,849,119	6,469,655	6,469,655	1,037,318,774	
At July 01, 2014														
Cost	58,240,700	198,224,762	1,755,875,877	9,413,472	4,297,647	6,594,770	14,518,845	29,625	48,715,615	2,263,555,287	6,579,310	6,579,310	2,270,134,597	
Accumulated depreciation	-	(142,640,801)	(959,178,336)	(4,842,412)	(3,161,125)	(3,176,467)	(9,210,102)	(17,299)	(17,928,782)	(1,232,706,168)	(109,655)	(109,655)	(1,232,815,823)	
Net book value	58,240,700	55,583,961	796,697,541	75,163,110	1,136,522	3,348,303	5,308,743	12,326	30,786,853	1,030,849,119	6,469,655	6,469,655	1,037,318,774	
Year ended June 30, 2015														
Opening net book value	58,240,700	55,583,961	796,697,541	75,163,110	1,136,522	3,348,303	5,308,743	12,326	30,786,853	1,030,849,119	6,469,655	6,469,655	1,037,318,774	
Additions	-	-	-	-	-	316,265	448,980	-	2,813,500	3,493,745	-	-	3,493,745	
Transfer from capital work in progress	-	25,321,523	79,289,679	-	-	-	-	-	-	104,591,202	-	-	104,591,202	
Disposals:														
Cost	-	-	-	-	-	-	-	-	(17,143,795)	(17,143,795)	-	-	(17,143,795)	
Accumulated depreciation	-	-	-	-	-	-	-	-	6,061,813	6,061,813	-	-	6,061,813	
Depreciation charge	-	(6,824,472)	(76,852,174)	(7,516,311)	(113,652)	(482,277)	(669,339)	(1,233)	(5,920,158)	(98,818,346)	(1,293,931)	(1,293,931)	(99,912,277)	
Closing net book value	58,240,700	74,081,012	799,115,046	67,646,799	1,022,870	4,405,048	5,188,384	11,093	30,786,853	1,029,233,738	5,175,724	5,175,724	1,034,409,462	
At June 30, 2015														
Cost	58,240,700	223,546,285	1,835,145,556	167,713,974	4,297,647	6,641,770	14,965,825	29,625	34,185,320	2,354,406,439	6,579,310	6,579,310	2,361,075,749	
Accumulated depreciation	-	(149,666,273)	(1,036,030,510)	(100,067,175)	(3,274,777)	(5,324,659)	(9,515,197)	(18,532)	(17,787,107)	(1,326,262,701)	(1,403,586)	(1,403,586)	(1,326,668,287)	
Net book value	58,240,700	74,081,012	799,115,046	67,646,799	1,022,870	4,405,048	5,188,384	11,093	30,786,853	1,029,233,738	5,175,724	5,175,724	1,034,409,462	
Annual rate of depreciation (%)	-	10	-	10	10	10	10	10	10	10	20	20	-	

11.2 Depreciation for the year has been allocated as under:

	2015	2014
	Rupees	Rupees
Cost of generation	91,306,609	80,846,552
Operating expenses	8,605,668	8,924,046
	<u>99,912,277</u>	<u>89,770,598</u>

11.3 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Operating assets					
Vehicles (Insurance claim)	1,543,795	893,013	650,782	1,325,000	The Premier Insurance Limited Zonal office 162, Shadman-II, Lahore.
	15,600,000	5,168,800	10,431,200	13,500,000	The Premier Insurance Limited Zonal office 162, Shadman-II, Lahore.
	17,143,795	6,061,813	11,081,982	14,825,000	
2015	17,143,795	6,061,813	11,081,982	14,825,000	
2014	24,420,499	18,155,311	6,265,188	2,204,000	

11.3.1 A piece of land valuing Nil (2014 : Rs. 2,050,039/-) has been donated to an associated undertaking (Refer Note 25.2).

11.4 Capital work in progress

	Freehold land	Civil work	Plant and machinery	Total
	-----Rupees-----			
Balance as at July 1, 2013	51,167,500	97,875,910	-	149,043,410
Capital expenditure incurred during the year	-	11,852,356	63,743,237	75,595,593
Balance as at June 30, 2014	51,167,500	109,728,266	63,743,237	224,639,003
Capital expenditure incurred during the year	-	1,605,905	15,526,442	17,132,347
Transferred to operating assets	-	(25,321,523)	(79,269,679)	(104,591,202)
Balance as at June 30, 2015	51,167,500	86,012,648	-	137,180,148

	Note	2015 Rupees	2014 Rupees
11.5 Non-operating land			
Cost of land		571,789,314	589,519,062
Transferred from non-current assets held for sale	21	6,392,086	-
Transferred to non-current assets held for sale	21	-	17,729,748
		578,181,400	571,789,314
Disposed off during the year		(23,448,562)	-
		554,732,838	571,789,314
Advances for purchase of land		34,457,404	34,457,404
		589,190,242	606,246,718

11.5.1 The land is held for future expansion.

12. Long term deposits

Security deposits	511,200	511,200
Lease deposit	614,050	614,050
	1,125,250	1,125,250

13. Stores, spares and loose tools

Stores		
In hand	14,982,002	15,596,569
In transit	-	1,449,436
	14,982,002	17,046,005
Spares	302,251,119	326,835,561
Loose tools	1,838,582	2,130,424
	319,071,703	346,011,990
Less: Provision for slow moving and obsolete items	(32,447,118)	(32,897,118)
	286,624,585	313,114,872

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

	2015 Rupees	2014 Rupees
14. Stocks		
Furnace oil	49,665,220	102,146,381
Diesel oil	1,972,408	2,495,087
Lube oil	4,851,885	9,193,934
Waste	65,254	76,271
Land	46,697,694	19,439,694
	103,252,461	133,351,367

	2015	2014
	Rupees	Rupees
15. Investment property		
Cost	25,144,683	25,144,683
Gain on fair value measurement	38,258,317	38,258,317
	<u>63,403,000</u>	<u>63,403,000</u>

15.1 The fair value of the investment property has been determined on the basis of market value by an independent valuer as at June 30, 2013. There is no significant change in fair value since the last valuation date.

	Note	2015	2014
		Rupees	Rupees
16. Trade debts			
Unsecured			
Considered good			
Related parties			
Sitara Chemtek (Private) Limited		522,295	670,913
Sitara Fabrics Limited		10,694,120	1,881,788
		11,216,415	2,552,701
Others		848,690,640	610,436,660
		<u>859,907,055</u>	<u>612,989,361</u>
17. Loans and advances			
Considered good			
Loans to staff		350,000	458,834
Advances			
Suppliers		12,094,915	9,833,763
Income tax		4,120,884	4,290,192
For purchases / expenses		22,396,620	10,000
Letters of credit fee and expenses		106,572	16,517
		<u>39,068,991</u>	<u>14,609,306</u>
18. Deposits and prepayments			
Deposits			
Security deposit		150,000	150,000
Guarantee margin		9,108,130	7,500,000
		9,258,130	7,650,000
Prepayments		1,380,455	500,031
		<u>10,638,585</u>	<u>8,150,031</u>
19. Other receivables	19.1	<u>70,189,060</u>	<u>96,375,000</u>

19.1 These represent receivables against sale of non operating land and non-current assets held for sale.

	Note	2015 Rupees	2014 Rupees
20. Cash and bank balances			
Cash in hand		4,111,448	13,322,583
Cash at banks			
In current accounts		40,228,560	48,107,978
		<u>44,340,008</u>	<u>61,430,561</u>
21. Non-current assets held for sale			
Land			
Opening balance		101,326,301	317,816,908
Transferred from			
Non-operating land	11.5	-	17,729,748
		<u>101,326,301</u>	<u>335,546,656</u>
Transferred to			
Non-operating land		6,392,086	-
Disposed off during the year		94,934,215	234,220,355
		<u>-</u>	<u>101,326,301</u>
22. Sales - net			
Electricity		4,274,915,543	5,798,788,130
Steam		59,847,255	109,817,370
		<u>4,334,762,798</u>	<u>5,908,605,500</u>
Less: Sales tax		662,040,029	862,472,267
		<u>3,672,722,769</u>	<u>5,046,133,233</u>
Less: Electricity duty		13,983,847	10,506,273
		<u>-</u>	<u>30,731,250</u>
Land		-	30,731,250
		<u>3,658,738,922</u>	<u>5,066,358,210</u>
23. Cost of generation and sales			
Cost of generation	23.1	3,432,515,248	4,640,963,935
Cost of sales - land		-	33,164,904
		<u>3,432,515,248</u>	<u>4,674,128,839</u>
23.1 Cost of generation			
Cost of gas, oil and lubricants	23.1.1	3,092,837,925	4,275,754,292
Salaries, wages and benefits		69,056,870	62,013,971
Staff retirement benefits		2,022,662	2,098,650
Stores, spares and loose tools		131,091,093	181,709,950
Travelling and conveyance		6,751,729	7,778,477
Vehicles running and maintenance		4,141,686	7,283,613
Insurance		5,491,583	5,322,662
Repairs and maintenance		25,434,266	13,857,648
Entertainment		2,075,589	1,874,491
Depreciation	11.2	91,306,609	80,846,552
Other		2,305,236	2,423,629
		<u>3,432,515,248</u>	<u>4,640,963,935</u>

	Note	2015 Rupees	2014 Rupees
23.1.1 Cost of gas, oil and lubricants			
Gas		456,441,228	691,267,913
Oil and lubricants		2,636,396,697	3,584,486,379
		<u>3,092,837,925</u>	<u>4,275,754,292</u>
24. Other income			
Income from financial assets:			
Gain on disposal of short term investments		-	6,324,885
Income from assets other than financial assets:			
Ground rent		-	225,000
Sale of scrap and waste		1,838,549	3,187,343
Gain on disposal of:			
Property, plant and equipment		4,586,206	-
Non current assets held for sale - land		11,462,660	50,481,843
Balances written back		102,943,266	20,012,706
		<u>120,830,681</u>	<u>80,231,777</u>
25. Operating expenses			
Director's remuneration		16,250,000	12,963,000
Salaries and benefits		34,494,487	31,194,285
Staff retirement benefits		1,152,175	1,139,558
Postage and telephone		2,610,561	2,210,537
Vehicles running and maintenance		5,974,914	7,773,381
Travelling and conveyance		6,239,044	5,496,670
Printing and stationery		1,890,788	1,621,301
Entertainment		4,492,794	3,828,067
Legal and professional		2,498,150	3,025,357
Fee, subscription and periodicals		2,695,906	2,544,431
Rent, rates and taxes		190,121	193,981
Advertisement		390,409	80,560
Insurance		1,791,227	1,842,030
Auditors' remuneration	25.1	1,559,000	1,544,000
Repairs and maintenance		1,855,093	1,638,110
Donations	25.2	118,000	4,080,039
Depreciation	11.2	8,605,668	8,924,046
Utilities		3,340,169	3,203,849
Other		2,778,387	2,613,573
		<u>98,926,893</u>	<u>95,916,775</u>
25.1 Auditors' remuneration			
Audit fee		1,250,000	1,250,000
Sundry services		309,000	294,000
		<u>1,559,000</u>	<u>1,544,000</u>

25.2 Donations

Chief Executive Officer, Mr. Javed Iqbal is the trustee of Aziz Fatimah Trust, Gulistan Colony, Sheikhpura Road, Faisalabad, to whom Nil (2014: Rs. 1,020,000/-) and a piece of land valuing Nil (2014 : 2,050,039/-) (Refer Note 11.2.1) have been donated during the year.

	Note	2015 Rupees	2014 Rupees
26. Other operating expenses			
Workers' profit participation fund	7.1	5,543,715	10,946,609
Loss on disposal of property, plant and equipment		-	4,028,436
		<u>5,543,715</u>	<u>14,975,045</u>
27. Finance cost			
Interest / mark-up on:			
Redeemable capital		4,568,335	25,476,798
Long term financing		27,503,605	37,010,696
Liabilities against assets subject to finance lease		562,915	164,166
Short term bank borrowings		104,445,233	91,254,410
Workers' profit participation fund		355,708	283,309
Bank charges and commission		1,615,163	849,318
		<u>139,050,959</u>	<u>155,038,697</u>
28. Provision for taxation			
Current			
For the year	28.1	-	61,200
For prior years		-	(835,517)
Deferred		-	-
		<u>-</u>	<u>(774,317)</u>

28.1 The profits and gains derived by the Parent from electric power generation project are exempt from levy of income tax under clause (132) of Part-I and clause 11A (v) of Part-IV of the Second Schedule to the Income Tax Ordinance, 2001. Provision for taxation of subsidiary is nil due to current loss during the year.

28.2 Deferred tax asset after considering tax losses available for adjustment works out to Rs. 4,795,279/- (2014 : Rs.8,506,732/-). This is not recognized in these financial statements due to uncertain future results.

	2015 Rupees	2014 Rupees
29. Earnings per share - Basic and diluted		
Profit for the year attributable to shareholders of the Parent (Rupees)	<u>103,532,788</u>	<u>207,304,670</u>
Weighted average number of ordinary shares	<u>19,092,000</u>	<u>19,092,000</u>
Earnings per share - Basic and diluted (Rupees)	<u>5.42</u>	<u>10.86</u>

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

30. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2015			2014		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
	-----Rupees-----					
Remuneration	8,509,091	4,090,909	11,146,276	6,823,636	3,272,727	8,387,498
Medical allowance	850,909	409,091	1,114,628	682,364	327,273	838,750
Perquisites	1,955,000	435,000	1,639,128	1,420,000	437,000	1,312,447
Contribution to provident fund	-	-	704,407	-	-	591,011
	11,315,000	4,935,000	14,604,439	8,926,000	4,037,000	11,129,706
Number of persons	1	1	9	1	1	7

30.1 The Chief Executive Officer and director are entitled to free use of Parent Company maintained car and other perquisites. One executive is entitled to conveyance facility. The monetary value of these benefits approximates Rs. 4,173,090/- (2014: Rs. 3,737,164/-). The Directors have waived off their meeting fee.

31. TRANSACTIONS WITH RELATED PARTIES

The Group in the normal course of business carries out transactions with various related parties which comprise of associated undertakings, directors of the Group, key management personnel and post employment benefit plan. Amounts due from and due to related parties are shown under the relevant notes to the financial statements. Remuneration to Chief Executive Officer, Directors and Executives of the Parent is disclosed in Note 29. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2015	2014
		Rupees	Rupees
Associated undertakings	Sales	67,053,755	19,381,462
	Sale of vehicle	-	400,000
	Donation - in cash	-	1,020,000
	- in kind	-	2,050,039
Provident fund	Contribution for the year	3,174,837	3,238,208
		2015	2014

32. PLANT CAPACITY AND ACTUAL PRODUCTION

Number of generators installed	25	24
Number of generators worked	22	22
Installed energy generation capacity (Mega watt hours)	749,155	696,946
Actual energy generation (Mega watt hours)	264,978	304,078
Actual average load (Mega watt)	30.25	34.71

Reasons for low generation:

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

		2015	2014
33. DISCLOSURE WITH REGARDS TO PROVIDENT FUND			
Size of the fund	(Rupees)	30,662,503	27,208,539
Cost of investments made	(Rupees)	15,120,000	15,120,000
Percentage of investments made	(% age)	49.31%	55.57%
Fair value of investments	(Rupees)	26,337,767	23,686,367

33.1 The figures for 2015 are based on the un-audited financial statements of the provident fund. Investment has been made in Defense Saving Certificates in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for that purpose.

		2015	2014
34. NUMBER OF EMPLOYEES			
Total number of employees as at June 30,		260	278
Average number of employees during the year		275	280

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

	2015 Rupees	2014 Rupees
35.1 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets at amortised cost:		
Deposits	9,872,180	8,775,250
Trade debts	859,907,055	612,989,361
Loans and advances	350,000	458,834
Other receivables	70,189,060	96,375,000
Cash and bank balances	44,340,008	61,430,561
Non-current assets held for sale	-	101,326,301
	984,658,303	881,355,307
Financial liabilities at amortised cost:		
Redeemable capital	-	155,000,000
Long term financing	200,000,000	300,000,000
Liabilities against assets subject to finance lease	4,376,138	6,013,530
Trade and other payables	379,162,462	464,547,839
Interest / markup payable	28,917,542	34,369,805
Short term bank borrowings	711,626,774	443,347,384
	1,324,082,916	1,403,278,558

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. The Group is exposed to concentration of credit risk towards the major customers Faisalabad Electric Supply Company (FESCO), M/S Sitara Chemical Industries Limited and M/S Sitara Spinning Mills Limited. The trade debts receivable from these customers constitute 75% (2014: 81%) of total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2015 Rupees	2014 Rupees
Deposits	9,872,180	8,775,250
Trade debts	859,907,055	612,989,361
Other receivables	70,189,060	96,375,000
Bank balances	40,228,560	48,107,978
	<u>980,196,855</u>	<u>766,247,589</u>

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

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

The Group's most significant customers are Faisalabad Electric Supply Company (FESCO), M/S Sitara Chemical Industries Limited and M/S Sitara Spinning Mills Limited. The break-up of amount due from customers is as follows:

	2015 Rupees	2014 Rupees
FESCO	-	209,562,676
Sitara Chemical Industries Limited	443,468,407	188,102,347
Sitara Spinning Mills Limited	235,042,044	152,526,626
Other industrial users	181,396,604	62,797,712
	<u>859,907,055</u>	<u>612,989,361</u>

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

Not past due		
Related parties	11,216,415	2,552,701
Others	740,906,095	540,099,613
	<u>752,122,510</u>	<u>542,652,314</u>
Past due		
Others	107,784,545	70,337,047
	<u>859,907,055</u>	<u>612,989,361</u>

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

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, 2015 and 2014:

	2015				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
-----Rupees in thousand-----					
Financial liabilities:					
Redeemable capital	-	-	-	-	-
Long term financing	200,000	236,664	15,746	10,459	210,459
Liabilities against assets					
subject to finance lease	4,376	4,749	1,112	1,112	2,525
Trade and other payables	379,162	379,163	379,162	-	-
Short term bank borrowings	711,627	799,226	170,566	628,660	-
	1,295,165	1,419,802	566,586	640,231	212,984

	2014				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
-----Rupees in thousand-----					
Financial liabilities:					
Redeemable capital	155,000	171,013	87,155	83,858	-
Long term financing	300,000	361,716	27,973	115,338	218,405
Liabilities against assets					
subject to finance lease	6,014	7,101	1,112	1,112	4,877
Trade and other payables	464,548	464,548	464,548	-	-
Short term bank borrowings	443,347	507,795	144,953	362,842	-
	1,368,909	1,512,173	725,741	563,150	223,282

The contractual cash flows relating to mark up on redeemable capital, long term financing and short term bank borrowings and leases have been determined on the basis of mark up rates as applicable at the year end. The Group will manage the liquidity risk from its own source through equity and working capital management. The Group has liquid assets of Rs. 940.588 million (2014: 904.23 million) and unavailed short term borrowing facilities of Rs. 195.87 million (2014: Rs. 469.15 million) as at the year end.

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 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.9.12 million (2014: Rs. 11.37 million).

ii) Currency risk

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

iii) Equity price risk

Trading and investing in quoted equity securities give rise to equity price risk. At the balance sheet date, the Group is not exposed to 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 was as follows:

	Note	2015 Rupees	2014 Rupees
Total Debt	5, 6 & 9	916,002,912	904,360,914
Less: Cash and cash equivalents	20	44,340,008	61,430,561
Net Debt		871,662,904	842,930,353
Total equity		1,948,968,079	1,883,619,147
Total capital		2,820,630,983	2,726,549,500
Gearing ratio		30.90%	30.92%

36. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 21, 2015 has proposed a cash dividend of Rs. 1.25 per share (2014: Rs. 2 per share) amounting to Rs. 23,865,000/- (2014: Rs. 38,184,000/-) subject to approval of members in the forthcoming Annual General Meeting to be held on October 30, 2015.

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Group and authorised for issue on September 21, 2015.

38. GENERAL

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

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