Sitara Energy Limited

ANNUAL REPORT 2019

Contents

بسم الله الرحمن الرحيم

Sitara Energy Limited

Consolidated Accounts
(Sitara Energy Ltd and Its Subsidiary Company)

Board of Directors

Ms. Noureen Javed (Chairperson)
Mr. Javed Iqbal (Chief Executive Officer)
Mr. Abdullah Javed
Mr. Hameed Ahmed Sheikh
Mrs. Naseem Akhtar
Ms. Haniah Javed
Mr. Mubashir Ahmed Zareen

Chief Financial Officer

Mr. Ijaz A. Babar - FCA

Company Secretary

Mr. Mazhar Ali Khan

Legal Advisor

Sahibzada Muhammad Arif

Share Registrar

THK Associates (Private) Limited
1st Floor, 40-C, Block-6,
P.E.C.H.S, Karachi - 75400.
UAN : +92 (21) 111-000-322
Ph: +92 (21) 34168270
Fax: +92 (21) 34168271
E-mail: aa@thk.com.pk

Registered Office

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

Plant

33 K.M., Sheikhupura Road, Faisalabad

Audit Committee

Mr. Hameed Ahmed Sheikh (Chairman)
Mr. Abdullah Javed
Mr. Mubashir Ahmed Zareen

Human Resource & Remuneration Committee

Mr. Mubashir Ahmed Zareen (Chairman)
Mr. Javed Iqbal
Mr. Abdullah Javed

Auditors

RSM Avais Hyder Liaquat Nauman
(Chartered Accountants)

Bankers

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

Website

http://www.sitara.pk

Vision Statement

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

Mission Statement

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

Notice of Annual General Meeting

Notice is hereby given that the 29th Annual General Meeting of Sitara Energy Limited will be held at The Institute of Chartered Accountants of Pakistan (ICAP) Auditorium Hall, Chartered Accountants Avenue, Clifton, Karachi, on Saturday, October 26, 2019 at 3:30 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of Extra Ordinary Meeting held on April 15, 2019.

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2019 together with the Reports of Auditors and Directors thereon.

3. To appoint auditors and to fix their remuneration for the year ending June 30, 2020. The present auditors M/s. RSM Avais Hyder Liaquat Nauman, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.

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

By order of the Board

Karachi:
October 02, 2019

MAZHAR ALI KHAN
Company Secretary

NOTES:

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 19, 2019 to October 26, 2019 (both days inclusive). Transfers received in order at Company's Share Registrars Office by the close of business on October 18, 2019 will be treated in time for the purpose of attendance and voting at the Annual General Meeting of the Company.

PARTICIPATION IN THE ANNUAL GENERAL MEETING.

A member entitled to attend and vote at this meeting is entitled to appoint another person as his/her proxy to attend and vote. Proxies in order to be effective must be received at Company's Share Registrar's Office M/s. THK Associates (Pvt) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi duly stamped and signed not less than 48 hours before the time of meeting.

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

a) For attending the meeting:

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

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

b) For appointing proxies:

i) In case of individuals, the account holders or sub account holders and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form. 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. Proxy Form may also be downloaded from the Company's website i.e. www.sitara.pk

SUBMISSION OF COPIES OF CNIC NOT PROVIDED EARLIER

Individual Shareholders are once again reminded to submit a copy of their valid CNIC, if not provided earlier to the Company's Share Registrar, M/s. THK Associates (Private) Limited.

CONSENT FOR VIDEO CONFERENCE FACILITY:

Pursuant to SECP Circular No.10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 10 days prior to the date of Annual General Meeting, the company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide the following information to the Share Registrar Office of the company i.e. Messers THK Associates (Pvt) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi PABX No.(+9221)111-000-322 and email aa@thk.com.pk.

I/We, being a member of Sitara Energy Limited holder of __________ Ordinary Shares as per Registered Folio/CDC A/C No.____________, hereby opt for video conference facility at ________________________

(Place insert Name of the City)

Signature of member

PLACEMENT OF FINANCIAL STATEMENTS:

The audited financial statements of the Company for the year ended June 30, 2019 have been placed at the Company's website: www.sitara.pk.

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 (Code) for members of the Board of Directors and Employees. The Code defines acceptable and unacceptable behaviors, provides guidance to directors / employees in specific situations that may arise and foster a culture of honesty, accountability and high standards of personal and professional integrity.

Salient Features of the Code for the Directors

1. **Conflict of Interest**

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

2. **Corporate Opportunities**

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

3. **Confidentiality**

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

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

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

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

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

6. **Encouraging the Reporting of any Possible Illegal or Unethical Behavior**

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

7. **Trading in Company Shares**

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

8. **Compliance Procedures**

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

Salient Features of the Code for Employees

1. **Conflict of Interests**

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

2. Confidentiality and Disclosure of Information

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

3. Political Contribution

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

4. Bribes and Commercial Payments

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

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

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

6. Agreements with Agents, Sales Representatives or Consultant

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

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

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

8. Health, Safety & Environment (HSE) Policy

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

9. Smoking Policy

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

10. Seat Belt Policy

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

11. Other Employment, Outside Interests, Civic Activities

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

12. Unsolicited Gifts

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

13. Family Connections and Employment of Relatives

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

14. Company and Personal Property

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

15. Alcohol and Drugs

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

16. Gambling

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

17. Rumor Mongering & Gossiping

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

18. Harassment

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

19. Grievance Handling

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

20. Whistle Blowing

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

21. General Discipline

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

22. Reporting Violations / Disciplinary Actions

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

by order of the Board

JAVED IQBAL
Chief Executive Officer

I am pleased to welcome you on 29th Annual General Meeting of your company and present on behalf of the Board of Directors, the Audited Financial Statements for the year ended 30th June 2019 along with my review on the performance of your company.

The company declared net loss of Rs 191.811 million in year 2018-19 as compared with net loss of Rs. 81.857 million in year 2017-18. Accordingly, loss per share is Rs. 10.05 in year 2018-19 in comparison with loss per share of Rs 4.29 in year 2017-18.

The main reasons for the increase in net loss for the year ended 30.06.2019 are non-availability of system gas for seven (7) month and availability of RFO & RLNG at exorbitantly higher prices during the whole year leading to higher cost of production. Moreover, the price of system gas was increased by more than 60% over the year while there was very nominal increase of Rs 0.78/kwh in January 2019 by NEPRA for tariff relating to bulk power consumers.

Further, the government announced subsidized tariff of gas and electricity to textile sector while our customer base is dominated by this sector. This government action is tantamount to reduction in tariff for bulk power consumers.

However, the management of the company took all austerity measures to minimize other manufacturing overhead as well as operating expenses but all such efforts were offset by increasing trend in kibor during the year and resultant increase in finance cost.

In short, our company's business became non-competitive due to abnormal increase in our cost of production and finance cost, without any corresponding improvement in tariff.

The profitable operation of the company depend upon workable fuel costs, increase in the tariff for bulk power consumers and conducive regulatory framework for power producers.

The focus of company's management will remain on sound business plans for the overall success of the company. I am confident that the company will be successful in meeting the future challenges and targets with its dedicated professional team and work force.

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

The overall performance of the Board has been assessed as satisfactory under the given circumstances. Improvements are an ongoing process leading to action plans for the achievement of company's objectives, including Vision and Mission Statements.

The board meets frequently to discharge its responsibilities in a timely manner. The non-executive and independent directors are equally involved in important decisions.

On my behalf and on behalf of the Board of Directors of the company, I take this opportunity of acknowledging the devoted and sincere services of employees of all cadres of the company. I am also grateful to our financial institutions who are reposing confidence in such difficult scenario, shareholders, vendors and valued customers and the government organizations.

Noureen Javed

Faisalabad
October 02, 2019

Ms. Noureen Javed
Chairperson

The Board of Directors of Sitara Energy Limited feel pleasure in submitting Annual Report along with audited Financial Statements together with Auditors' Report thereon for the financial year ended June 30, 2019.

Financial Results

Net sales revenue for the year decreased to Rs. 1,036.691 million in year 2019 in comparison with Rs 2,412.173 million in 2018 due to non-availability of system gas while RLNG & RFO was available at abnormally higher prices, both leading to reduction in production and sales. Moreover, the price of system gas was increased twice, firstly in October 2018 by 30% and secondly in June 2019 by 31%, making our cost of production abnormally higher and resulting in non-competitive tariff for all types of bulk power consumers. On the contrary, the government is supplying subsidized gas @ USD 6.5/MMBTU since September 2018 and subsidized electricity @ 7.5 Cents/Kwh since January 2019 to the textile sector, which includes our Bulk Power Consumers (BPCs) as well, and such measures badly affected our business. The afore-said increase in fuel costs on the one hand and subsidized gas & electricity to textile sector has decreased gross profit of the company to Rs 1.311 million in 2019 in comparison with Rs 52.708 million in 2018.

The net loss increased to Rs 191.811 million in 2019 as compared with Rs. 81.857 million in 2018. This increase in loss is mainly due to very nominal gross profit, decrease in other income and increase in finance cost because of frequent rise in SBP Policy Rate during 2018-19. 3 month Kibor rate increased to 12.97% in June 2019 in comparison with 6.93% in 2018. The management put all efforts to control operating expenses and even laid off a number of employees. The company had to sell land to raise funds to discharge company's liabilities. The management also requested all the banks for rescheduling/restructuring of financing facilities, with deferral of mark-up, to reduce exposure over the next years and to avoid default.

The company generation dropped to 69,721 Mwh in 2019 in comparison with 212,259 Mwh in 2018.

Financial results for the year ended June 30, 2019 are summarized below:

Description		**2019**		2018	
		SEL	**Consolidated**	SEL	Consolidated
		Rupees in Thousands			
Sales		1,036,691	1,085,210	2,412,173	2,412,173
Gross profit		1,311	3,831	52,708	52,708
(Loss) / Profit before taxation		(189,473)	(187,207)	(81,858)	(83,454)
Net (Loss) / Profit after taxation		(191,811)	(190,203)	(81,858)	(83,454)
Unapproriated profit brought forward		568,943	564,102	650,801	647,556
Profit available for appropriation		377,132	373,899	568,943	564,102
Earning per share - Basic	Rs.	(10.05)	(9.96)	(4.29)	(4.37)

Corporate and Financial Reporting Framework

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

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

b) Proper books of accounts have been maintained.

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

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

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

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

i) Cost of investments of Staff Provident Fund Trust as at June 30, 2019 was Rs. 8.723 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
Mrs. Noureen Javed	4
Mr. Abdullah Javed	4
Ms. Haniah Javed	4
Mr. Mubashir Ahmed Zareen	4
Mrs. Naseem Akhtar	1
Mr. Hameed Ahmed Sheikh	1
Mr. Mukhtar A. Sheikh	3
Mr. Rana M. Arshad Iqbal	3

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	3 / Ex-Chairman
*Mr. Hameed Ahmed Sheikh	1 / Chairman
Mr. Abdullah Javed	4 / Member
Mr. Mubashir Ahmed Zareen	4 / Member

*Mr. Hameed Ahmed Sheikh appointed as chairman in place of Mr. Rana M. Arshad Iqbal with effect from April 15, 2019.

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

Name of Member	Meetings attended / Status
Mr. Mubashir Ahmed Zareen	4 / Chairman
Mr. Javed Iqbal	4 / Member
Mr. Abdullah Javed	4 / Member

m Pattern of Shareholding as at June 30, 2019 is annexed.

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

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

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 2019, the Company has donated Rs. 775,000/- (2018: Rs. 100,000/-) to Dams Fund of the Supreme Court of Pakistan and welfare institution operating in the fields of education.

Future Prospects and Outlook

The viability of the company during the financial year 2019-20 will largely depends upon availability of RFO, system gas, RLNG at affordable prices vis-à-vis consumer end tariff of DISCOs for BPCs and increase therein.

FESCO had filed Power Acquisition Request (FESCO PAR) with NEPRA in August 2011. Subsequent to termination of PPA by SEL with FESCO in March 2015, NEPRA approved FESCO PAR in April 2017, after a lapse of more than 5 years and 8 months with the direction to reduce fuel cost component with effect from September 2011 and creating a possible recovery from the company. The company filed in time a Review Petition against the aforesaid decision by NEPRA. Review Petition was heard by NEPRA in April 2019 while the decision is still pending. The company will defend the case for its legitimate rights and maintain the sanctity of Power Purchase Agreement (PPA) by FESCO and NEPRA at all relevant forums.

Auditors

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

Appreciation

The Board of Directors appreciates all its stakeholders for their trust and continued support to the Company. The Board also recognizes the contribution made by 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

October 02, 2019
Faisalabad

JAVED IQBAL
Chief Executive Officer

ریلیٹڈ پارٹیز

ریلیٹڈ پارٹیز کے درمیان تمام لین دین آرم لینگتھ پر کی گئی ہیں جو کہ کمپیرا ایبل ان کنٹرولڈ پرائسز میتھڈ (Comparable uncontrolled prices method) کے تحت ہیں۔ کمپنی نے ٹرانسفر پرائسنگ کی بیسٹ پریکٹیس پر مکمل عمل درآمد کیا گیا ہے جو کہ پاکستان اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز میں درج ہیں۔

ہیومن ریسورسز کے انتظامات

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

کارپوریٹ سماجی ذمہ داری

کمپنی نے ہمیشہ اپنی سماجی ذمہ داری کو محسوس کیا ہے اور یہی کمپنی کی پالیسی بھی ہے تاکہ معاشرہ کو بہتر بنانے اور قوم کی فلاح و بہبود میں اپنا حصہ ڈالے۔ مالی سال 2019 میں کمپنی نے 775,000 روپے (2018ء 100,000 روپے) فلاحی اداروں کو بطور عطیہ دیئے جو کہ سپریم کورٹ کے ڈیم فنڈ اور تعلیم کے کام میں استعمال کیے۔

مستقبل کے امکانات

مالی سال 20-2019 میں کمپنی کی Viability بہت حد تک فرنس آئل اور قدرتی گیس / مائع قدرتی گیس کی سستی قیمتوں پر فراہمی اور متقابلتاً اور بلک پاور کنزیومر (BPCs) کے لئے تقسیم کار کمپنیوں (DISCOs) کا ٹیرف اور اس میں اضافہ پر ہے۔

فیسکو نے ستارہ انرجی کے ساتھ کئے گئے پاور پرچیز ایگریمنٹ (PPA) کی تجدید کے لئے اگست 2011ء میں نیپرا کو پاور ایکویزیشن ریکوسٹ (Power Acquisition Request-FESCO PAR) جمع کروائی تھی۔ بعد میں مارچ 2015ء میں ستارہ انرجی لمیٹڈ نے فیسکو کے ساتھ پاور پرچیز ایگریمنٹ (PPA) منسوخ کر دیا۔ نیپرا (NEPRA) نے 5 سال 8 ماہ سے زائد عرصہ گزرنے کے بعد اپریل 2017ء میں پاور ایکویزیشن ریکوسٹ (Power Acquisition Request) کی منظوری دے دی۔ جس میں فیول کاسٹ کمپوننٹ کو ستمبر 2011ء سے کم کر دیا اور کمپنی پر ممکنہ ریکوری بنا دی۔ کمپنی نے نیپرا کے مندرجہ بالا فیصلہ کے خلاف نظر ثانی کی درخواست کر دی ہے۔ اپریل 2019ء میں نیپرا نے نظر ثانی شدہ درخواست کی سماعت کی۔ جس کا فیصلہ ابھی تک مؤخر ہے۔ کمپنی اپنے جائز حقوق کیلئے پورا دفاع کرے گی اور نیپرا اور فیسکو کو پاور پرچیز ایگریمنٹ (PPA) کی پاسداری کیلئے پابند کرے گی۔

آڈیٹرز

کمپنی کے موجودہ آڈیٹرز آر ایس ایم اویس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹنٹس جو کہ ریٹائر ہو رہے ہیں، اہل ہونے پر اپنے آپ کو دوبارہ تقرری کے لیے پیش کیا ہے۔ جس کے آڈٹ کمیٹی نے دوبارہ تقرری کے لیے سفارش کی ہے۔

قدردانی

بورڈ آف ڈائریکٹرز اپنے تمام سٹیک ہولڈرز کے قدردان ہیں کہ انہوں نے کمپنی پر مکمل بھروسہ کرتے ہوئے اس کی حمایت کی۔ بورڈ اس بات کو بھی تسلیم کرتا ہے کہ جس طرح پیشہ ور ماہرین اور انجینئرز نے اپنی مکمل تندہی اور جوش و جذبہ کے ساتھ کمپنی کی ترقی میں اپنا کردار ادا کیا ہے وہ قابل تحسین ہے۔ اور یہ امید کرتا ہے کہ اسی جذبہ اور لگاؤ کے ساتھ کمپنی سے منسلک رہتے ہوئے مستقبل میں بھی اپنا کردار ادا کرتے رہیں گے۔

بحکم بورڈ

جاوید اقبال
چیف ایگزیکٹو آفیسر

2 اکتوبر 2019ء
فیصل آباد

g۔ ضابطہ، کارپوریٹ گورننس، بمطابق لسٹنگ ریگولیشن، میں سے کسی خاطر خواہ شق سے انحراف نہیں ہو رہا ہے۔

h۔ کمپنی کا گزشتہ دس سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔

i۔ اسٹاف پروویڈنٹ فنڈ کی سرمایہ کاری کی لاگت مالی سال 30 جون 2019ء میں 8.723 ملین روپے رہی ہے۔

j۔ اس سال بورڈ آف ڈائریکٹرز کی چار میٹنگز منعقد ہوئی۔ ڈائریکٹرز کی حاضری کی تفصیل مندرجہ ذیل ہے۔

نام	حاضری میٹنگ
جناب جاوید اقبال	4
محترمہ نورین جاوید	4
جناب عبداللہ جاوید	4
محترمہ حنیفہ جاوید	4
جناب مبشر احمد زرین	4
محترمہ نسیم اختر	1
جناب حمید احمد شیخ	1
جناب مختار اے شیخ	3
جناب رانا ایم ارشد اقبال	3

k۔ اس سال آڈٹ کمیٹی کی کل چار میٹنگ منعقد ہوئیں ہر فرد کی حاضری کی تفصیل مندرجہ ذیل ہے۔

ممبر کا نام	میٹنگ میں حاضری/اسٹیٹس	
جناب رانا ایم ارشد اقبال	3	ایکس چیئرمین
*جناب حمید احمد شیخ	1	چیئرمین
جناب عبداللہ جاوید	4	ممبر
جناب مبشر احمد زرین	4	ممبر

*جناب حمید احمد شیخ 15 اپریل 2019 کو بطور چیئرمین جناب رانا ایم ارشد اقبال کی جگہ پر منتخب ہوئے۔

l۔ اس سال انسانی وسائل اور معاوضہ کمیٹی کی کل چار میٹنگ منعقد ہوئی جس کی تفصیل درجہ ذیل ہے۔

ممبر کا نام	میٹنگ میں حاضری/اسٹیٹس	
جناب مبشر احمد زرین	4	چیئرمین
جناب جاوید اقبال	4	ممبر
جناب عبداللہ جاوید	4	ممبر

m۔ 30 جون 2019 کا شیئر ہولڈنگ پیٹرن منسلک ہے۔

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

o۔ تمام ریلیٹیڈ پارٹیز اور ایسوسی ایٹیڈ کمپنیز کے ساتھ لین دین آرم لینگتھ پرائس (Arms length price) کے مطابق طے کیا جاتا ہے۔

ویب ریفرنس

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

ستارہ انرجی لمیٹڈ کا بورڈ آف ڈائریکٹرز کمپنی کی سالانہ رپورٹ بمعہ آڈٹ شدہ مالیاتی گوشوارے اور آڈیٹرز کی رپورٹ مالی سال 30 جون 2019ء کو پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

مالی نتائج

سال 2019ء میں فروخت آمدنی کم ہوکر 1,036.691 ملین روپے ہوگئی جبکہ یہ فروخت آمدنی 2018ء میں 2,412.172 ملین روپے تھی اسکی بنیادی وجہ سسٹم گیس کی عدم دستیابی جبکہ مائع گیس (RLNG) اور فرنس آئل (RFO) کی قیمتوں میں غیر معمولی اضافہ، دونوں پیداوار اور فروخت میں کمی کا باعث ہے۔ تاہم سسٹم گیس کی قیمت میں دو دفعہ اضافہ، پہلے 30 فیصد اکتوبر 2018ء میں اور دوسرا 31 فیصد جون 2019ء میں، پیداواری لاگت میں غیر معمولی اضافہ ہوا اور نتیجتاً بلک پاور کنزیومر (BPCs) کے تمام ٹیرف میں غیر مسابقتی ہوگئے۔ دوسری طرف ٹیکسٹائل کی صنعت کے لئے ستمبر 2018ء سے سوئی گیس رعایتی نرخ $/6.5 پر ایم ایم بی ٹی یو اور جنوری 2019ء میں بجلی کا رعایتی نرخ 7.5/Cent فی یونٹ میں مہیا کردی۔ جس میں ہمارے بلک پاور کنزیومر (BPCs) شامل ہیں۔ اور ان عوامل نے ہمارے کاروبار کو بری طرح متاثر کیا۔ ایک طرف تو اوپر بتائے گئے فیول کی لاگت میں اضافہ اور رعایتی نرخوں پر ٹیکسٹائل کی صنعت کو بجلی اور گیس، کی فراہمی، کمپنی کا مجموعی منافع 2019ء میں 1.313 ملین روپے جبکہ یہ مجموعی اضافہ 2018ء میں 52.708 ملین روپے تھا۔

سال 2019ء میں صافی نقصان 191.811 ملین روپے تک بڑھ گیا۔ جو کہ سال 2018ء میں 81.857 ملین روپے تھا۔ اس نقصان میں اضافے کی بڑی وجہ بہت معمولی مجموعی منافع، دیگر آمدنی میں کمی اور فنانس لاگت میں اضافہ کیونکہ 19-2018ء میں SBP کی پالیسی ریٹ میں بار بار اضافہ ہوا۔ جون 2019ء میں 3M/Kibor میں 12.97 فیصد کا اضافہ جبکہ 2018ء میں یہ ریٹ 6.93 فیصد تھا۔ انتظامیہ نے اپریٹنگ اخراجات میں کمی کیلئے تمام اقدامات کئے، اور حتیٰ کہ ملازمین کی تعداد کو بھی کم کردیا۔ کمپنی نے اپنے فنڈز بڑھانے کیلئے زمین فروخت کی تاکہ اپنے واجبات کی ادائیگی کرسکے۔ انتظامیہ نے تمام بنکوں کو ری شیڈولنگ / ری سٹرکچرنگ (Rescheduling/Restructuring) کی درخواست کی ہے۔ مارک اپ کی مؤخری، تاکہ اگلے سالوں میں ایکسپوژر (Exposure) کو کم کرسکے اور ڈیفالٹ سے بچ سکے۔

سال 2019ء میں کمپنی کی پیداوار 69,721 میگاواٹ آور ہوئی جبکہ 2018ء میں 212,259 میگاواٹ آور تھی۔

مالی نتائج جون 30، 2019ء نیچے دیئے گئے ہیں

تفصیل	مالی سال 2019		مالی سال 2018	
	ستارہ انرجی	کنسولیڈیٹڈ	ستارہ انرجی	کنسولیڈیٹڈ
	پاکستانی روپے ہزاروں میں			
فروخت آمدنی	1,036,691	1,085,210	2,412,173	2,412,173
مجموعی منافع	1,311	3,831	52,708	52,708
ٹیکسیشن سے قبل (نقصان)	(189,473)	(187,207)	(81,858)	(83,454)
ٹیکسیشن کے بعد (نقصان)	(191,811)	(190,203)	(81,858)	(83,454)
غیر مختص منافع آگے لایا	568,943	564,102	650,801	647,556
تقسیم کے لیے دستیاب منافع اپروپری ایشن	377,132	373,899	568,943	564,102
فی شیئر (نقصان) (Basic and diluted)	(10.05)	(9.96)	(4.29)	(4.37)

کارپوریٹ اور مالیاتی رپورٹنگ کا ڈھانچہ

کوڈ آف کارپوریٹ گورنینس کی تعمیل کرتے ہوئے کارپوریٹ اور مالیاتی رپورٹنگ کے ڈھانچے کی تفصیل مندرجہ ذیل ہے۔

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

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

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

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

e۔ اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

f۔ کمپنی کے گوئنگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔

AS AT JUNE 30, 2019

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
541	1	100	6,917
375	101	500	176,008
110	501	1,000	106,369
125	1,001	5,000	361,741
29	5,001	10,000	230,289
7	10,001	15,000	89,000
3	15,001	20,000	58,000
6	20,001	25,000	136,947
2	25,001	30,000	55,400
1	30,001	35,000	34,000
2	35,001	40,000	76,000
1	45,001	50,000	49,500
1	50,001	55,000	51,500
1	55,001	60,000	59,000
1	65,001	70,000	66,500
1	80,001	85,000	83,000
1	85,001	90,000	90,000
1	95,001	100,000	100,000
1	140,001	145,000	142,500
2	145,001	150,000	294,500
1	195,001	200,000	200,000
1	200,001	205,000	203,500
1	255,001	260,000	256,117
1	260,001	265,000	263,151
1	410,001	415,000	414,500
1	595,001	600,000	600,000
1	655,001	660,000	656,000
1	670,001	675,000	674,661
1	730,001	735,000	732,360
1	1,070,001	1,075,000	1,073,237
1	1,545,001	1,550,000	1,550,000
1	1,625,001	1,630,000	1,628,500
1	1,895,001	1,900,000	1,895,500
1	6,675,001	6,680,000	6,677,303
1,225			**19,092,000**

	Number	Share Held	Percentage
Associated Companies, Undertaking and Related Parties			
Sitara Fabrics Limited	1	656,000	3.44
Directors, CEO & their Spouse and Minor Children			
Mr. Javed Iqbal	1	6,677,303	34.97
Mrs. Naureen Javed	1	1,073,237	5.62
Mr. Abdullah Javed	1	1,000	0.01
Ms. Haniah Javed	1	1,000	0.01
Mrs. Naseem Akhtar	1	1,000	0.01
Mr. Mubashir ahmad Zareen	1	5,000	0.03
Mr. Hameed Ahmad Sheikh	1	500	0.00
NIT AND ICP			
Investment Corporation of Pakistan	1	500	0.00
Bank, Development Finance Institutions, Non Banking Finance Institutions.	3	1,551,644	8.12
Insurance Companies	1	1,628,500	8.53
Mutual Funds	2	519,268	2.71
Foreign Companies	1	1,000	0.01
Joint Stock Companies	7	1,144,662	6.00
General Public (Local)	1,180	5,724,811	29.99
General Public (Foreign)	20	82,338	0.43
Others	2	24,237	0.12
	1,225	**19,092,000**	**100.00**

Detail of purchase/sale of shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses/minor children during 2018-2019.

Mr. Hameed Ahmad Sheikh (Director of the Company) acquired 500 qualification shares during the year.

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

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

The Board has determined threshold in respect of trading of Compnay's shares by executives and employees who are drawing annual basic salary of Rs. 2.4 Million or more.

None of the employee of the company has made any trade of shares of the company who falls beyond the threshold of Rs. 2.4 Million annual basic salary.

Key Operating & Financial Data for Last Ten Years

PARTICULARS	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	Rupees in thousand										
FINANCIAL POSITION											
Paid up capital	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920
Share premium	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190
General reserve	970,000	970,000	970,000	920,000	920,000	820,000	720,000	620,000	590,000	540,000	490,000
Fixed assets at cost	2,377,007	2,378,647	2,387,252	2,427,988	2,360,966	2,270,025	2,280,107	2,244,936	2,249,956	2,237,936	2,226,647
Accumulated depreciation	1,499,634	1,472,349	1,443,573	1,416,939	1,326,594	1,232,748	1,161,137	1,074,287	999,716	934,534	853,915
Current assets	2,024,518	2,065,888	2,092,220	1,850,913	1,461,309	1,337,901	1,484,527	1,003,629	951,136	1,065,017	1,067,153
Current liabilities	1,715,607	1,808,698	1,816,238	1,464,328	1,143,122	1,219,313	1,283,248	1,509,799	1,838,056	1,496,000	1,377,056
INCOME											
Sales	1,036,691	2,412,173	2,116,462	3,074,266	3,658,739	5,035,627	5,183,842	4,866,139	3,753,492	3,875,481	3,009,929
Other income	77,896	109,920	11,934	15,875	120,831	73,659	1,805	96,523	9,841	4,794	7,168
Pre tax profit /(loss)	(189,473)	(81,858)	(96,561)	162,421	104,975	203,674	249,313	251,916	91,527	106,926	80,338
Taxation	2,338	-	-	-	-	(853)	-	448	487	(269)	(698)
STATISTICS AND RATIOS											
Pre tax profit / (loss) to sales %	(18.28)	(3.39)	(4.56)	5.28	2.87	4.04	4.81	5.18	2.44	2.76	2.67
Pre tax profit / (loss) to capital %	(56.71)	(24.50)	(28.90)	48.61	31.42	60.96	74.62	75.40	27.39	32.00	24.05
Current ratio	1.18	1.14	1.15	1.26	1.28	1.10	1.16	0.66	0.52	0.71	0.77
Paid up value if per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
(Loss) / earing after tax per share (Rs.)	(10.05)	(4.29)	(5.06)	8.51	5.50	10.71	13.06	13.17	4.77	5.61	4.24
Cash dividend %	-	-	-	20.00	12.50	20.00	10.00	10.00	10.00	20.00	20.00
Break up value per share (Rs.)	88.06	98.11	102.39	109.45	102.19	98.70	88.98	76.93	64.75	61.99	58.37

Statement of Compliance
With Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of Company: **SITARA ENERGY LIMITED**
Year Ended: **June 30, 2019**

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

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

Gender	Number
Male	4
Female	3

2. The composition of the Board of Directors as at June 30, 2019 is as follows:

Category	Names
Independent Director	Mr. Hameed Ahmed Sheikh
	Mr. Mubashir Ahmed Zareen
Executive Directors	Mr. Javed Iqbal
Non-Executive Directors	Mr. Abdullah Javed
Non-Executive Female Directors	Mrs. Naureen Javed
	Ms. Haniah Javed
	Mrs. Naseem Akhter

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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

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

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

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

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

9. In terms of Regulation 20 of the 2017 Code, the Companies are required to ensure that all the directors on their board have acquired the prescribed certification under Director Training Program by June 30, 2021. Presently, (3) directors have already completed this program. The remaining (4) directors shall obtain certification under the DTP in due course of time. The board has arranged Directors Training Program of Mr. Javed Iqbal, Chief Executive of the company during the year 2018-2019.

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

11. CFO and CEO duly endorsed the financial statements before approval of the board.

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

    a. Audit Committee

• Mr. Hameed Ahmed Sheikh	Independent Director (Chairman)
• Mr. Abdullah Javed	Non-Executive Director (Member)
• Mr. Mubashir Ahmed Zareen,	Independent Director (Member)

    b. Human Resource & Remuneration Committee

• Mr. Mubashir Ahmed Zareen	Independent Director (Chairman)
• Mr. Javed Iqbal	Chief Executive (Member)
• Mr. Abdullah Javed	Non-Executive Director (Member)

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

14. The frequency of meetings of the committee were as per following:

    a. Audit Committee: Four meetings during the financial year ended June 30, 2019

    b. HR and Remuneration Committee: Four quarterly meetings during the financial year ended June 30, 2019

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

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

18. We confirm that all other requirements of the Regulations have been complied with.

Naureen Javed

Faisalabad
October 02, 2019

Mrs. Naureen Javed
Chairperson

INDEPENDENT AUDITOR'S REPORT

To the members of Sitara Energy Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Sitara Energy Limited (the Company), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Material Uncertainty relating to Going Concern

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

Key Audit Matters

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

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

Key Audit Matters	How our audit addressed the key audit matter
Gas Infrastructure Development Cess (GIDC)	
The company is engaged in litigation with its supplier of gas M/S Sui Northern Gas Pipelines Limited (SNGPL) defending demands of Gas Infrastructure Development Cess (GIDC) and late payment Surcharge, thereon' This area involves the significant and complex judgments by the management. The liability of Rs. 137.952 million up to 2014 before promulgation of new GIDC Act 2015 has not been recognized on the ground that the cess is not validly levied as held by the superior courts. From September 2014 onwards the liability on account of GIDC amounting to Rs.417.480 million has been recognized, however charging of late payment surcharge (LPS) of Rs.208.501 million till June 30, 2019 has not been recognized. The company has challenged both levy of GIDC and charging of LPS before the court which is pending. Non-Recognition of liability of LPS is highly judgmental and is based on assumption that the LPS cannot be charged by the supplier during the pendency of the petition in which stay against recovery is granted because there is no willful default.	Our audit procedures include the following: Obtaining understanding of the company's procedures and controls over contingent liabilities. Examining the case files particularly the correspondence with the legal counsels hired by the company to represent the cases before the courts. Perusal of the expert opinions obtained by the company and assessing the legal counsels who have issued the opinions. Circulating the external confirmations to the legal advisors. Assessing the adequacy and appropriateness of the disclosures made in the financial statements.

Key Audit Matters	How our audit addressed the key audit matter
Given the nature and amounts involved in cases pending in the appellate forums. The accounting is subject to significant judgments which can be changed as the new facts emerge. Therefore we consider this as a key audit matter.	
Non-Operating Land	
As stated in the note 10.6 to the financial statements the company had made investment of Rs.463.374 million in acquisition of Land, in current year the company transferred this land to investment property as they change their intention of future expansion to held the land for capital appreciation. Due to amounts involved i.e.13.56 % of the total assets, we have identified this as a key audit matter.	Our audit procedures with respect to this transfer include examination of relevant documents, reading minutes of board meetings and obtaining specific representations from management.
Loan to subsidiary	
The Company has made investment in 100% owned subsidiary in shape of interest free loan of Rs. 620.704 million to subsidiary formed with the object to carryout real estate business as detailed in the note 18 to the financial statements the company. Given the significance of the amount of loan in the overall context of the financial statements, the area remained in our focus and considered a key audit matter.	Our audit procedures include the following Obtain understanding of Company's plan and business rationale for loan to subsidiary and review of minutes of Board of Directors' meetings. Evaluate appropriateness of company's methodology for assessing recoverability of loan. Assess whether carrying amount of loan to subsidiary may be impaired by reviewing market value of subsidiary's assets. Inspect and verify amount of loan given through supporting documents comprising banking instruments. Circulating external confirmation and assessing the reply received. Verified that the Disclosure related to loan are in accordance with requirement of applicable accounting and reporting framework.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Syed Ali Adnan Tirmizey.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Lahore
Date: October 02, 2019

To the members of Sitara Energy Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the listed companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Sitara Energy Limited for the year ended June 30, 2019 in accordance with the requirements of regulations 40 of the Regulations.

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

As 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 of Directors'statement on internal control covers all risks and control or to form an opinion on effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon the recommendations of the Audit Committee. We have not carried out procedures to asses and determine the company's process for identification of related parties and that 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 Regulations as applicable to the Company for the year ended June 30, 2019.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Lahore
Date: October 02, 2019

Statement of Financial Position as at June 30, 2019

	Note	**2019 Rupees**	2018 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
30,000,000 ordinary shares			
of Rs. 10/- each.		300,000,000	300,000,000
Issued, subscribed			
and paid up capital	3	190,920,000	190,920,000
Capital reserve - share premium		143,190,000	143,190,000
Revenue reserves			
General reserve		970,000,000	970,000,000
Unappropriated profit		377,132,350	568,942,932
		1,681,242,350	1,873,052,932
NON-CURRENT LIABILITIES			
Long term financing	4	20,833,332	-
Liabilities against assets			
subject to finance lease	5	-	-
		20,833,332	-
CURRENT LIABILITIES			
Trade and other payables	6	632,337,068	714,560,809
Unclaimed dividend		3,702,824	3,707,941
Interest / mark up payable	7	75,875,863	29,640,690
Short term bank borrowings	8	982,313,899	1,058,327,348
Current portion of:			
Long term financing	4	20,833,334	-
Liabilities against assets			
subject to finance lease	5	-	2,460,908
Provision for taxation - income tax	29	544,487	-
		1,715,607,475	1,808,697,696
CONTINGENCIES AND COMMITMENTS	9	-	-
		3,417,683,157	3,681,750,628

	Note	**2019 Rupees**	2018 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	10	902,345,223	1,536,250,027
Investment property	11	439,313,305	29,106,540
Investment in subsidiary	12	49,995,000	49,995,000
Long term loan	13	1,000,000	-
Long term deposits	14	511,200	511,200
		1,393,164,728	1,615,862,767
CURRENT ASSETS			
Stores, spares and loose tools	15	276,563,046	280,259,151
Stock of oil and lubricants	16	22,156,719	43,139,671
Trade debts	17	561,032,586	755,557,956
Loans and advances	18	631,525,535	676,393,551
Deposits and prepayments	19	33,264,471	36,068,028
Other receivables	20	101,647,232	97,850,465
Tax refunds due from			
Government	21	183,959,261	156,024,560
Cash and bank balances	22	214,369,579	20,594,479
		2,024,518,429	2,065,887,861
		3,417,683,157	3,681,750,628

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

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

Statement of Profit or Loss for the Year Ended June 30, 2019

	Note	**2019 Rupees**	2018 Rupees
Sales - net	23	1,036,690,600	2,412,172,787
Cost of generation	24	1,035,379,142	2,359,464,413
Gross profit		1,311,458	52,708,374
Other income	25	77,895,810	109,919,647
		79,207,268	162,628,021
Operating expenses	26	94,410,493	119,075,111
Other operating expenses	27	21,547,752	1,225,066
Finance cost	28	152,721,890	124,185,262
		268,680,135	244,485,439
(Loss) for the year before taxation		(189,472,867)	(81,857,418)
Provision for taxation	29	2,337,715	-
(Loss) for the year		(191,810,582)	(81,857,418)
(Loss) per share - Basic and diluted	30	(10.05)	(4.29)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

Statement of other Comprehensive Income for the Year Ended June 30, 2019

	2019 Rupees	2018 Rupees
(Loss) for the year	(191,810,582)	(81,857,418)
Other comprehensive income for the year	-	-
Total comprehensive (Loss) for the year	(191,810,582)	(81,857,418)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

Statement of Cash Flows for the Year Ended June 30, 2019

	2019 Rupees	2018 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) for the year before taxation	(189,472,867)	(81,857,418)
Adjustments for:		
Depreciation of property, plant and equipment	28,383,393	35,990,882
Depreciation of investment property	2,910,654	3,234,060
Provision for staff retirement benefits	1,951,579	2,806,240
Loss / (Gain) on disposal of		
Property, plant and equipment - net	21,547,752	(31,606,605)
Investment property	(74,777,600)	-
Balances written (back) / off - net	-	(70,149,848)
Finance cost	152,721,890	124,185,262
Operating cash flows before working capital changes	(56,735,199)	(17,397,427)
Changes in working capital		
Decrease / (Increase) in current assets		
Stores, spares and loose tools	3,696,105	(2,343,305)
Stock of oil and lubricants	20,982,952	220,162,005
Trade debts	194,525,370	(5,927,555)
Loans and advances	27,106,701	(87,612,165)
Deposits and prepayments	2,803,557	(1,558,306)
Other receivables	44,658,233	(49,140,635)
Tax refunds due from government	(26,759,096)	(79,960,198)
(Decrease) / Increase in current liabilities		
Trade and other payables	(82,242,262)	42,123,635
	184,771,560	35,743,476
Cash generated from operating activities	128,036,361	18,346,049
Income tax paid	(1,808,678)	(2,968,833)
Staff retirement benefits paid	(1,933,058)	(2,885,668)
Finance cost paid	(106,486,717)	(123,911,770)
Net cash generated from / (used in) operating activities	17,807,908	(111,420,222)

Statement of Cash Flows for the Year Ended June 30, 2019

	2019 Rupees	2018 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	-	(16,689,041)
Proceeds from disposal of		
Property, plant and equipment	120,600,000	67,166,500
Investment property	92,180,000	-
Net cash generated from investing activities	212,780,000	50,477,459
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of :		
Liabilities against assets subject to finance lease	(2,460,908)	(2,594,104)
(Decrease) / Increase in short term bank borrowings - net	(34,346,783)	21,710,484
Dividend paid	(5,117)	(59,691)
Net cash (used in) / generated from financing activities	(36,812,808)	19,056,689
Net increase / (decrease) in cash and cash equivalents (a+b+c)	193,775,100	(41,886,074)
Cash and cash equivalents at the beginning of the year	20,594,479	62,480,553
Cash and cash equivalents at the end of the year	214,369,579	20,594,479

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

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

Statement of Changes In Equity for the Year Ended June 30, 2019

	Issued, subscribed and paid up capital	Capital reserve	Revenue reserves			Total
		Share premium	General reserve	Unappropriated profit	Sub total	
	Rupees					
Balance as at July 01, 2017	190,920,000	143,190,000	970,000,000	650,800,350	1,620,800,350	1,954,910,350
Total comprehensive (loss) for the year						
(Loss) for the year	-	-	-	(81,857,418)	(81,857,418)	(81,857,418)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	(81,857,418)	(81,857,418)	(81,857,418)
Balance as at June 30, 2018	190,920,000	143,190,000	970,000,000	568,942,932	1,538,942,932	1,873,052,932
Total comprehensive (loss) for the year						
(Loss) for the year	-	-	-	(191,810,582)	(191,810,582)	(191,810,582)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	(191,810,582)	(191,810,582)	(191,810,582)
Balance as at June 30, 2019	190,920,000	143,190,000	970,000,000	377,132,350	1,347,132,350	1,681,242,350

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

Notes to the Financial Statements for the Year Ended June 30, 2019

1. STATUS AND ACTIVITIES

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

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

1.3 The Company suffered financial and operational difficulties due to non availability of system gas along with substantial increase in gas tariff and abnormal increase in rate of furnace oil. The Company has suffered loss of Rs. 191.811 million during the year, energy generation decreased by 67% as compared to last year due to adverse market conditions compared to energy cost.

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

Company is making efforts to curtail its operational, administrative and other expenses to minimum possible level without affecting the operational efficiency of the Company and has planned to dispose the non-core assets such as properties and gas engines and invest in renewable energy project by installing solar energy unit which is expected to be operational in 2021 and result in drastic reduction in operational cost to make the existing project viable. The management is confident that there will be further improvement in operational efficiency and profitability in future and the Company will continue as going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

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

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

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2017 and therefore, have been applied in preparing these financial statements.

- **IFRS 9 Financial Instruments (2014):**

In the current year the company has applied IFRS-9, “Financial Instruments”.

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

All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized 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 amortized 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.

As per notification by the SECP this standard is effective for annual periods ending on or after June 30, 2019.

- **IFRS 15 Revenue from Contracts with Customers:**

In the current year, the company has applied IFRS-15 “Revenue from Contracts with Customers (as amended in April 2016)”.

This standard was notified by the Securities and Exchange Commission of Pakistan (‘SECP’) to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, ‘Revenue’, and IAS 11, ‘Construction contracts’, and related interpretations.

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of un-appropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any material impact on the revenue recognition policy of the Company and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of un-appropriated profit in the period of initial application is not material. Therefore, the comparative information has not been restated and continues to be reported under the previous accounting policy.

Based on the assessment performed by the management, there is no significant impact of the changes laid down by IFRS 9 and IFRS 15 on these financial statements of the Company. Further, consequent to the adoption of above mentioned standards, changes in accounting policies have been reflected in note 2.20.

- **IFRIC 22 Foreign currency transactions and advance consideration:**

  This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Company's accounting treatment is already in line with this interpretation.

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, 2018 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

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

There are certain standards, amendments to the IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after July 1, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- **IFRS 16 Leases**

  This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Company is yet to assess the full impact of this standard.

  The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of standard is not expected to have any material impact on the Company's financial statements.

- **IAS 19 Employee Benefits on plan amendment, curtailment or settlement:**

  These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The Company is yet to assess the full impact of this amendment.

  The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of standard is not expected to have any material impact on the Company's financial statements.

- **IFRIC 23 Uncertainty over Income Tax Treatments:**

  The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The company is yet to assess the full impact of the IFRIC. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  This IFRIC is effective for accounting period beginning on or after January 01, 2019. The application of IFRIC is not expected to have any material impact on the Company's financial statements.

- **Annual improvements 2014-2016**

  Annual Improvements to IFRSs through 2014-2016 cycle have been issued by IASB on December 08, 2016, amending the following standards;

  IAS 28: Investments in Associates and Joint Ventures.

  The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of amendments is not expected to have any material impact on the Company's financial statements.

- **Annual improvements 2015-2017 Cycle**

  Annual Improvements of IFRSs through 2015-2017 cycle have been issued by IASB on December, 2017, amending the following standards;

  IFRS 3: Business Combinations - Re-measurement of previously held interest.

  IFRS 11: Joint Venture - Re-measurement of previously held interest.

  IAS 12: Income Taxes – Income Tax consequences of dividends.

  The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of amendments is not expected to have any material impact on the Company's financial statements.

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

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

2.3 Basis of preparation

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

2.4 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 statement of financial position 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 statement of profit or loss, 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 2.13). 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 statement of financial position 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 statement of financial position date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

2.9 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.

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

2.11 Investment property

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

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

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

2.12 Impairment

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

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

2.13 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.

2.14 Investment in subsidiary

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

2.15 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.

2.16 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.

2.17 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.

2.18 Cash and cash equivalents

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

2.19 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 statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

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

2.20 Financial instruments

2.20.1 Financial assets

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

a) Financial assets at amortised cost

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

b) Financial assets at fair value through other comprehensive income

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

c) Financial assets at fair value through profit or loss

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

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

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

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

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

2.20.2 Financial liabilities

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

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

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

2.21 Offsetting of financial asset and financial liability

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

2.22 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.

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

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

3. Issued, subscribed and paid up capital

2018	**2019**		**2019**	2018
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 (2018: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

	Note	**2019** **Rupees**	2018 Rupees
4. Long term financing			
Secured			
From banking company			
Under mark up arrangements			
Demand finance I	4.1	41,666,666	-
Less: Current portion			
Installments due		(4,166,667)	-
Payable within one year		(16,666,667)	-
		(20,833,334)	-
		20,833,332	-

4.1 Short term running finance of Rs. 49.55 million (Refer Note. 8) is converted in to long term loan during the year.

It is secured against registered token mortgage of Rs. 4.3 million, equitable mortgage charge on property by a director of the company and first exclusive charge by way of equitable mortgage,10% token registered mortgage against property owned by the company . It is further secured by personal guarantee of directors of the Company. It is repayable in 12 equal quarterly installments commenced from December 31, 2018 and ending on September 30, 2021. It is subject to mark up at the rate of

3 months KIBOR plus 4.20% per annum. A rebate of 2.20% per annum would be allowed in case of repayment of first three installments within five days of due date.

Effective mark up rate charged during the year ranges from 14.75% to 15.33% per annum.

	Note	2019 Rupees	2018 Rupees
5. Liabilities against assets subject to finance lease			
Opening balance		2,460,908	5,055,012
Paid / adjusted during the year		(2,460,908)	(2,594,104)
		-	2,460,908
Less: Current portion		-	2,460,908
		-	-
6. Trade and other payables			
Creditors		555,795,097	642,096,636
Accrued liabilities		70,814,905	63,903,683
Provident fund - related party		429,255	410,734
Security deposit		-	1,310,310
Withholding taxes		4,766,876	6,308,511
Other		530,935	530,935
		632,337,068	714,560,809
7. Interest / mark up payable			
Interest / mark up on secured:			
Long term financing		1,599,499	-
Liabilities against assets subject to finance lease		-	20,816
Short term bank borrowings		74,276,364	29,619,874
		75,875,863	29,640,690
8. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finance I	8.2	114,000,000	114,000,000
Term finance	8.3	199,959,892	199,970,594
Running finances	8.4	668,354,007	731,712,097
Cash finance		-	12,644,657
		982,313,899	1,058,327,348

8.1 The aggregate unavailed short term financing facilities available to the Company are Rs. 591.686 million (2018: Rs. 565.673 million). Total sanctioned limits are Rs. 1.46 billion out of which Rs. 982.314 million are expired and renewable.

8.2 It is subject to mark up at the rate of 6 months KIBOR plus 2.75% per annum (2018: 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 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) and personal guarantees of directors of the Company.

Effective mark up rate charged during the year ranges from 8.67% to 13.61% per annum (2018: 8.38% to 10.31% per annum).

8.3 It is subject to mark up at the rate of 1 month KIBOR plus 2.5% per annum (2018: 1 month KIBOR plus 2% per annum). It is secured against first joint pari passu charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 8.2) and running finances (Refer Note 8.4) and by personal guarantee of directors of the Company.

Effective mark up rate charged during the year ranges from 9.42% to 15.30% per annum (2018: 8.26% to 8.92% per annum).

8.4 These are subject to mark up at the rate of 3 months KIBOR plus 2.00% to 2.75% per annum (2018: 3 months KIBOR plus 2.00% to 2.75% per annum) with a prompt payment rebate of 0.25% per annum. Running finances are secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 8.2) and short term finance (Refer Note 8.3), first charge over fixed assets of the Company ranking pari passu with the charges created in respect of morabaha finance - I (Refer Note 8.2). These are further secured against ranking charge over fixed assets, token registered mortgage of Rs. 4,300,000/- and equitable mortgage of personal properties of directors and land owned by the company. These are also secured by personal guarantee of three directors of the Company.

Effective mark up rate charged during the year ranges from 8.92% to 13.88% per annum (2018: 8.14% to 9.18% per annum).

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 Bank guarantees issued in favour of Sui Northern Gas Pipelines Limited for supply of gas aggregate Rs. 155,809,000/- (2018 : Rs. 188,169,000/-)

9.1.2 The order of Commissioner Appeals in favour of the company regarding disputed demand of Income tax for the tax years 2004 to 2006 amounting Rs.1,313,929/- (2018 : Rs.1,313,929/-) was vacated by the Appellate Tribunal. The company has filed an appeal on April 14, 2010 before Sindh High Court against the Appellate Tribunal Order. Pending the outcome of the matter, no provision has been made in these financial statements.

9.1.3 Demand of gas Infrastructure development cess amounting Rs.137,952,501 (2018: Rs.137,952,501/-) not acknowledged. The Company has challenged the levy on June 22, 2015 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 committee constituted by SNGPL.

9.1.4 Demand of late payment surcharge charged by SNGPL on non payment of gas Infrastructure development cess amounting Rs.208,501,487/- has not been acknowledged. The charge is challenged before The Sindh High Court on October 13, 2015 . The management is of the view that surcharge can only be levied on willful default, non payment of principal amount of GIDC is due to stay order granted by court of competent jurisdiction therefore LPS could not be charged. No provision of late payment surcharge has been made as the appeals against levy of GIDC are pending before the court of law.

	2019 Rupees	2018 Rupees
9.2 Commitments		
9.2.1 Under letters of credit for purchase of store and spare items	-	8,254,918

	Note	2019 Rupees	2018 Rupees
10. Property, plant and equipment			
Operating asset	10.1	876,562,802	906,297,692
Capital work in progress	10.5	-	141,606,688
Non-operating land	10.6	-	463,373,659
Advance for purchase of land		24,971,988	24,971,988
		901,534,790	1,536,250,027

10.1 Operating assets

	Note	Company owned										Assets subiect to finance lease		
		Freehold land	Building on feehold land	Plant and machinery	Electric Installations	Factory equipment	Electric Appliances	Furmiture and fixtures	Office equipment	Vehicles	Sub total	Vehicles	Sub total	Total
		Rupees												
At July 01, 2017														
Cost		56,388,299	223,546,285	1,845,145,556	167,713,974	4,297,647	10,249,841	6,802,670	15,260,897	42,018,921	2,371,424,090	15,828,145	15,828,145	2,387,252,235
Accumulated depreciation		-	(159,947,265)	(1,118,128,854)	(112,920,067)	(3,469,122)	(6,198,133)	(4,122,723)	(10,758,409)	(22,245,864)	(1,437,790,437)	(5,782,436)	(5,782,436)	(1,443,572,873)
Net book value		56,388,299	63,599,020	727,016,702	54,793,907	828,525	4,051,708	2,679,947	4,502,488	19,773,057	933,633,653	10,045,709	10,045,709	943,679,362
Year ended June 30, 2018														
Opening net book value		56,388,299	63,599,020	727,016,702	54,793,907	828,525	4,051,708	2,679,947	4,502,488	19,773,057	933,633,653	10,045,709	10,045,709	943,679,362
Additions		-	4,085,038	-	2,206,838	-	325,715	-	428,858	17,579,258	24,625,707	-	-	24,625,707
Transferred from leasehold to owned assets														
Cost		-	-	-	-	-	-	-	-	6,140,000	6,140,000	(6,140,000)	(6,140,000)	-
Accumulated depreciation		-	-	-	-	-	-	-	-	(3,202,406)	(3,202,406)	3,202,406	3,202,406	-
		-	-	-	-	-	-	-	-	2,937,594	2,937,594	(2,937,594)	(2,937,594)	-
Disposals:														
Cost		(15,615,900)	-	-	-	-	-	-	-	(17,615,300)	(33,231,200)	-	-	(33,231,200)
Accumulated depreciation		-	-	-	-	-	-	-	-	7,214,705	7,214,705	-	-	7,214,705
		(15,615,900)	-	-	-	-	-	-	-	(10,400,595)	(26,016,495)	-	-	(26,016,495)
Depreciation charge		-	(6,495,764)	(15,503,241)	(5,630,980)	(82,853)	(435,028)	(267,995)	(480,639)	(5,574,839)	(34,471,339)	(1,519,543)	(1,519,543)	(35,990,882)
Closing net book value		40,772,399	61,188,294	711,513,461	51,369,765	745,672	3,942,395	2,411,952	4,450,707	24,314,475	900,709,120	5,588,572	5,588,572	906,297,692
At June 30, 2018														
Cost		40,772,399	227,631,323	1,845,145,556	169,920,812	4,297,647	10,575,556	6,802,670	15,689,755	48,122,879	2,368,958,597	9,688,145	9,688,145	2,378,646,742
Accumulated depreciation		-	(166,443,029)	(1,133,632,095)	(118,551,047)	(3,551,975)	(6,633,161)	(4,390,718)	(11,239,048)	(23,808,404)	(1,468,249,477)	(4,099,573)	(4,099,573)	(1,472,349,050)
Net book value		40,772,399	61,188,294	711,513,461	51,369,765	745,672	3,942,395	2,411,952	4,450,707	24,314,475	900,709,120	5,588,572	5,588,572	906,297,692
At July 01, 2018														
Cost		40,772,399	227,631,323	1,845,145,556	169,920,812	4,297,647	10,575,556	6,802,670	15,689,755	48,122,879	2,368,958,597	9,688,145	9,688,145	2,378,646,742
Accumulated depreciation		-	(166,443,029)	(1,133,632,095)	(118,551,047)	(3,551,975)	(6,633,161)	(4,390,718)	(11,239,048)	(23,808,404)	(1,468,249,477)	(4,099,573)	(4,099,573)	(1,472,349,050)
Net book value		40,772,399	61,188,294	711,513,461	51,369,765	745,672	3,942,395	2,411,952	4,450,707	24,314,475	900,709,120	5,588,572	5,588,572	906,297,692
Year ended June 30, 2019														
Opening net book value		40,772,399	61,188,294	711,513,461	51,369,765	745,672	3,942,395	2,411,952	4,450,707	24,314,475	900,709,120	5,588,572	5,588,572	906,297,692
Transferred from capital work in progress		51,167,500	90,439,188	-	-	-	-	-	-	-	141,606,688	-	-	141,606,688
Transferred from leasehold to owned assets														
Cost		-	-	-	-	-	-	-	-	9,688,145	9,688,145	(9,688,145)	(9,688,145)	-
Accumulated depreciation		-	-	-	-	-	-	-	-	(4,099,573)	(4,099,573)	4,099,573	4,099,573	-
		-	-	-	-	-	-	-	-	5,588,572	5,588,572	(5,588,572)	(5,588,572)	-
Disposals:														
Cost		(51,167,500)	(90,439,188)	-	-	-	-	-	-	(1,639,810)	(143,246,498)	-	-	(143,246,498)
Accumulated depreciation		-	-	-	-	-	-	-	-	1,098,746	1,098,746	-	-	1,098,746
		(51,167,500)	(90,439,188)	-	-	-	-	-	-	(541,064)	(142,147,752)	-	-	(142,147,752)
Depreciation charge		-	(6,118,829)	(10,103,494)	(5,136,977)	(74,567)	(394,240)	(241,195)	(445,071)	(6,679,453)	(29,193,826)	-	-	(29,193,826)
Closing net book value		40,772,399	55,069,465	701,409,967	46,232,788	671,105	3,548,155	2,170,757	4,005,636	22,682,530	876,562,802	-	-	876,562,802
At June 30, 2019														
Cost		40,772,399	227,631,323	1,845,145,556	169,920,812	4,297,647	10,575,556	6,802,670	15,689,755	56,171,214	2,377,006,932	-	-	2,377,006,932
Accumulated depreciation		-	(172,561,858)	(1,143,735,589)	(123,688,024)	(3,626,542)	(7,027,401)	(4,631,913)	(11,684,119)	(33,488,684)	(1,500,444,130)	-	-	(1,500,444,130)
Net book value		40,772,399	55,069,465	701,409,967	46,232,788	671,105	3,548,155	2,170,757	4,005,636	22,682,530	876,562,802	-	-	876,562,802
Annual rate of depreciation (%)		-	10	-	10	10	10	10	10	20		20		

10.2 Depreciation for the year has been allocated as under:

	2019 Rupees	2018 Rupees
Cost of generation	21,433,867	27,712,838
Operating expenses	7,759,959	8,278,044
	29,193,826	35,990,882

10.5 Capital work in progress

	Freehold land	Civil work	Total
	------------------------------Rupees------------------------------		
Balance as at July 1, 2017	51,167,500	89,434,188	140,601,688
Capital expenditure incurred during the year	-	1,005,000	1,005,000
Balance as at June 30, 2018	51,167,500	90,439,188	141,606,688
Transferred to operating assets during the year	(51,167,500)	(90,439,188)	(141,606,688)
Balance as at June 30, 2019	-	-	-

	2019 Rupees	2018 Rupees
10.6 Non-operating land		
Cost of land	463,373,659	479,511,059
Disposed off during the year	-	(16,137,400)
	463,373,659	463,373,659
Transferred to investment property	(463,373,659)	-
	-	463,373,659

10.6.1 The Company has made investment of Rs. 463.374 million in acquisition of land for the expansion projects . But in current year the intention of management is changed they discard the project and decide to held the land for capital appreciation. So, the above amount is transferred to investment property this year.

11. Investment property

	Freehold land	Building on freehold land	Total
	------------------------------Rupees------------------------------		
At July 01, 2017			
Cost	-	42,400,000	42,400,000
Accumulated depreciation	-	(10,059,400)	(10,059,400)
Net book value	-	32,340,600	32,340,600
Year ended June 30, 2018			
Opening net book value	-	32,340,600	32,340,600
Depreciaton charge	-	(3,234,060)	(3,234,060)
Closing net book value	-	29,106,540	29,106,540
At June 30, 2018			
Cost	-	42,400,000	42,400,000
Accumulated depreciation	-	(13,293,460)	(13,293,460)
Net book value	-	29,106,540	29,106,540

	Freehold land	Building on freehold land	Total
	------Rupees------		
At July 01, 2018			
Cost	-	42,400,000	42,400,000
Accumulated depreciation	-	(13,293,460)	(13,293,460)
Net book value	-	29,106,540	29,106,540
Year ended June 30, 2019			
Opening net book value	-	29,106,540	29,106,540
Additions	15,601,160	-	15,601,160
Transferred from non-operating land	463,373,659	-	463,373,659
Disposals during the year	(65,857,400)	-	(65,857,400)
Depreciation charge	-	(2,910,654)	(2,910,654)
Closing net book value	413,117,419	26,195,886	439,313,305
At June 30, 2019			
Cost	413,117,419	42,400,000	455,517,419
Accumulated depreciation	-	(16,204,114)	(16,204,114)
	413,117,419	26,195,886	439,313,305
Annual rate of depreciation (%)	-	10	

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

11.2 The fair value of investment property is approximately Rs. 703.924 million as at June 29, 2019, valuation has been carried out by independent valuers by Anderson consulting private limited. The valuation is based on the unobservable inputs - level 3 classification.

11.3 The forced sale value of investment property is approximately Rs. 598.336 million as at June 30,2019.

11.4 Disposal of investment property

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Investment property (Sold by negotiation)	1,266,000	-	1,266,000	3,500,000	Mr.Umer Afzal House # P-20, Bilal Road Civil Lines Faisalabad.
	949,500	-	949,500	2,625,000	Ms.Sumbal Umer House # P-20, Bilal Road Civil Lines Faisalabad.
	3,270,450	-	3,270,450	7,000,000	Mr.Amir Afzal House # P-57 A, Bilal Road Civil Lines Faisalabad.
	3,150,547	-	3,150,547	6,125,000	Mr.Yasir Habib House # P-20, Bilal Road Civil Lines Faisalabad.
	1,266,000	-	1,266,000	3,500,000	Mr. Muhammad Afzal House # P-20,Bilal Road Civil Lines Faisalabad.
	1,266,000	-	1,266,000	3,500,000	Ms.Rukhsana Afzal House # P-20,Bilal Road Civil Lines Faisalabad.
	2,004,568	-	2,004,568	3,500,000	Ms. Ume Habiba House # P-20,Bilal Road Civil Lines Faisalabad.
	3,529,561	-	3,529,561	6,785,000	Muhammad Imran S/o Muhammad Ali Wahla wahla House,Wariach Chowk House # P-65,Khayaban Colony No.2 Faisalabad.
	650,000	-	650,000	1,250,000	Mr.Mamoor Ijaz S/o Ijaz Ahmad Sheikh Chak no. 213 RB House # 96-97 Saeed Colony No. 1 Faisalabad.
	650,000	-	650,000	1,250,000	Mr.Mansoor Ijaz S/o Ijaz Ahmad Sheikh Chak no. 213 RB House # 96-97 Saeed Colony No. 1 Faisalabad.
	650,000	-	650,000	1,250,000	Mr.Amir Ijaz S/o Ijaz Ahmad Sheikh Chak no. 213 RB House # 96-97 Saeed Colony No. 1 Faisalabad.
	26,978,515	-	26,978,515	58,675,000	Sitara Builders (Pvt) Ltd. Sitara Tower, Bilal Road Faisalabad.
	2,818,259	-	2,818,259	5,530,000	Bisharat Aslam S/o Muhammad Aslam House # 547 Jinah colony Block A Faisalalbad

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
	8,184,568	-	8,184,568	16,050,000	Muhammad Imran S/o Muhamamd Ali Wahla House # P650 Khayaban Colony No.2 Faisalalbad
	1,409,188	-	1,409,188	2,765,000	M/s yasmeen Akhter W/o Muhmood Ul Hassan House # 41 Street # 5 Raza Garden East Canal Road Faisalabad
	935,238	-	935,238	1,840,000	M/s Shireen Babar W/o Babar Anwar House # P66 Khizar Street Saeed Colony No. 2 Faisalabad.
	941,567	-	941,567	1,845,000	Ahmad Babar S/o Babar Anwar House # P66 Khizar Street Saeed Colony No. 2 Faisalabad.
	941,451	-	941,451	1,845,000	Raza Anwar S/o Babar Anwar House # P66 Khizar Street Saeed Colony No. 2 Faisalabad.
	611,340	-	611,340	1,200,000	Awais Ahmad House # 17 Khizar Street Susan Road Saeed Colony Faisalabad.
	611,340	-	611,340	1,200,000	Sania Awais House # 17 Khizar Street Susan Road Saeed Colony Faisalabad.
	611,222	-	611,222	1,200,000	Adeel Ahmad House # 17 Khizar Street Susan Road Saeed Colony Faisalabad.
	611,222	-	611,222	1,200,000	Sana Adeel House # 17 Khizar Street Susan Road Saeed Colony Faisalabad.
	1,275,432	-	1,275,432	3,500,000	Hina Ahmad House # J 44 Block Extension Muhala Paradise Valley 1 Faisalabad.
	1,275,432	-	1,275,432	3,500,000	Saima Mansoor House # J 44 Block Extension Muhala Paradise Valley 1 Faisalabad.
2019	**65,857,400**	**-**	**65,857,400**	**140,635,000**	

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

	Location	Usage of immovable property	Total Area (in marlas)	Covered Area (in square foot)
a)	Chak # 125 G.B, Tehsil Jaranwala, District Faisalabad.	Plots	332	N/A
b)	Chak # 165 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	1379	N/A
c)	Chak # 193 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	829	N/A
d)	Chak # 197 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	2607	N/A
e)	Chak # 198 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	1477	N/A
f)	Chak # 200 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	6125	N/A
g)	Chak # 204 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	9	N/A
h)	Chak # 206 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	40	N/A
i)	Chak # 60 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	59.5	N/A
j)	Chak # 61 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	1378	N/A
k)	Ground floor, Sitara Tower situated at Bilal Square, New Civil Lines, Faisalabad	held for earning rentals	18	5031-61

	2019 Rupees	2018 Rupees
12. Investment in subsidiary		
Sitara International (Private) Limited 4,999,500 (2018: 4,999,500) ordinary shares of Rs. 10/- each fully paid in cash. Ownership interest 99.99% (2018: 99.99%)	49,995,000	49,995,000

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

12.2 Investment in subsidiary company has been made in accordance with the requirements under the Companies Act, 2017.

	2019 Rupees	2018 Rupees
13. Long term loan		
Considered good		
Due from executive	1,000,000	-

13.1 Loan is interest free has been given to executive of the Company for personal use in accordance with their terms of employment.

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

	2019 Rupees	2018 Rupees
14. Long term deposits		
Security deposits	511,200	511,200
Lease deposit	-	835,950
Less: Current portion	-	(835,950)
	-	-
	511,200	511,200
15. Stores, spares and loose tools		
Stores	16,354,063	17,156,084
Spares	274,456,064	277,372,371
Loose tools	1,627,997	1,689,313
	292,438,124	296,217,768
Less: Provision for slow moving and obsolete items	(15,875,078)	(15,958,617)
	276,563,046	280,259,151

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

	2019 Rupees	2018 Rupees
16. Stock of oil and lubricants		
Furnace oil	18,482,761	36,232,438
Diesel oil	1,198,792	2,676,010
Lube oil	2,397,840	4,163,642
Wastes	77,326	67,581
	22,156,719	43,139,671

16.1 Stock in trade pledged as security with bank is Nil (2018: Rs.16.084 million).

	Note	2019 Rupees	2018 Rupees

17. Trade debts

	Note	2019 Rupees	2018 Rupees
Unsecured			
Considered good			
Related parties			
Sitara Chemtek (Private) Limited	17.1	1,726,344	293,879
Sitara Fabrics Limited	17.2	84,163,277	122,453,393
		85,889,621	122,747,272
Others		475,142,965	632,810,684
		561,032,586	755,557,956

17.1 The maximum aggregate amount due from Sitara Chemtek (Private) Limited at the end of any month during the year was Rs. 2,080,344/- (2018: Rs. 589,743/-)

17.2 The maximum aggregate amount due from Sitara Fabrics Limited at the end of any month during the year was Rs. 139,468,141/- (2018: Rs. 171,593,988/-)

18. Loans and advances

	Note	2019 Rupees	2018 Rupees
Considered good			
Loans to staff		1,102,010	2,805,013
Loan to subsidiary	18.1	620,703,590	625,304,750
Advances			
Suppliers		7,220,957	44,270,016
Income tax		1,808,678	2,968,833
For purchases / expenses		690,300	313,711
Letters of credit fee and expenses		-	731,228
		631,525,535	676,393,551

18.1 It is unsecured and interest free, maximum aggregated amount outstanding during the year is Rs.636,304,750/- (2018 :Rs.630,304,750)/-.

19. Deposits and prepayments

	Note	2019 Rupees	2018 Rupees
Deposits			
Security deposit		150,000	150,000
Current portion of long term deposits		-	835,950
Guarantee margin		31,375,800	31,375,800
		31,525,800	32,361,750
Prepayments		1,738,671	3,706,278
		33,264,471	36,068,028

	Note	2019 Rupees	2018 Rupees
20. Other receivables			
Receivable against:			
Sale of non operating land		100,338,825	51,883,825
Rent		1,308,407	719,717
Gas consumption rebate		-	45,246,923
		101,647,232	97,850,465
21. Tax refunds due from government			
Sales tax		133,065,806	106,306,710
Income tax		50,893,455	49,717,850
		183,959,261	156,024,560
22. Cash and bank balances			
Cash in hand		15,986,569	14,409,852
Cash at banks			
In current accounts		198,383,010	6,184,627
		214,369,579	20,594,479
23. Sales - net			
Electricity		1,139,146,994	2,701,048,702
Steam		12,982,174	34,422,570
		1,152,129,168	2,735,471,272
Less: Sales tax		110,220,318	308,576,531
		1,041,908,850	2,426,894,741
Less: Electricity duty		5,218,250	14,721,954
		1,036,690,600	2,412,172,787
24. Cost of generation			
Cost of gas, oil and lubricants	24.1	932,829,537	2,160,664,514
Salaries, wages and benefits		39,128,566	72,964,107
Staff retirement benefits		1,073,877	1,939,136
Stores, spares and loose tools		26,314,448	65,541,912
Travelling and conveyance		1,527,955	6,633,851
Vehicles running and maintenance		705,994	3,547,378
Insurance		3,984,258	6,177,871
Repairs and maintenance		5,432,228	8,542,320
Entertainment		1,562,193	3,738,696
Depreciation	10.2	21,433,867	27,712,838
Other		1,386,219	2,001,790
		1,035,379,142	2,359,464,413

	Note	2019 Rupees	2018 Rupees
24.1 Cost of gas, oil and lubricants			
Gas		435,083,040	528,090,153
Oil and lubricants		497,746,497	1,632,574,361
		932,829,537	2,160,664,514
25. Other income			
Income from assets other than financial assets:			
Sale of scrap and waste		1,447,090	2,134,613
Rental Income		1,671,120	4,803,515
Gain on disposal of			
Property, plant and equipment - net		-	31,606,605
Investment property		74,777,600	-
Balances written back		-	71,374,914
		77,895,810	109,919,647
26. Operating expenses			
Director's remuneration		16,580,000	23,425,000
Salaries and benefits		29,312,799	32,875,613
Staff retirement benefits		877,702	867,104
Postage and telephone		1,771,667	2,391,170
Vehicles running and maintenance		6,219,063	6,615,901
Travelling and conveyance		5,405,150	5,007,741
Printing and stationery		1,015,436	1,728,179
Entertainment		2,515,723	4,588,724
Legal and professional		6,542,523	15,720,539
Fee, subscription and periodicals		2,923,554	2,846,493
Rent, rates and taxes		536,174	288,257
Advertisement		271,628	123,178
Insurance		1,362,038	1,635,583
Auditors' remuneration	26.1	1,299,875	1,264,000
Repairs and maintenance		1,884,728	2,031,810
Donations	26.2	775,000	100,000
Depreciation on property, plant and equipment	10.2	6,949,526	8,278,044
Depreciation on investment property	11.1	2,910,654	3,234,060
Utilities		3,697,750	4,140,028
Other		1,559,503	1,913,687
		94,410,493	119,075,111
26.1 Auditors' remuneration			
Audit fee		1,050,000	1,050,000
Fee for the review of half yearly financial information		105,000	66,500
Other Certifications		60,875	30,000
Out of pocket expenses		84,000	117,500
		1,299,875	1,264,000

26.2 Donations were not made to any donee in which the Company or a director or his spouse had any interest.

	Note	2019 Rupees	2018 Rupees
27. Other operating expenses			
Balances Written off		-	1,225,066
Loss on disposal of Property, plant and equipment - net		21,547,752	-
		21,547,752	1,225,066
28. Finance cost			
Interest / mark-up on :			
Liabilities against assets subject to finance lease		83,552	259,022
Long term financing		3,271,972	-
Short term bank borrowings		145,730,824	119,477,182
Bank charges and commission		3,635,542	4,449,058
		152,721,890	124,185,262
29. Provision for taxation			
Current			
For the year	29.1	544,487	-
For prior years		1,793,228	-
		2,337,715	-

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

	2019 Rupees	2018 Rupees
30. Earnings per share - Basic and diluted		
(Loss) for the year (Rupees)	(191,810,582)	(81,857,418)
Weighted average number of ordinary shares	19,092,000	19,092,000
(Loss) per share - Basic and diluted (Rupees)	(10.05)	(4.29)

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

31. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2019			2018		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
	----------Rupees----------					
Remuneration	13,254,545	-	7,559,345	13,254,545	4,254,545	5,139,045
Medical allowance	1,325,455	-	755,935	1,325,455	425,455	513,904
Perquisites	2,000,000	-	-	3,350,000	815,000	160,214
Contribution to provident fund	-	-	122,652	-	-	248,050
	16,580,000	-	8,437,932	17,930,000	5,495,000	6,061,213
Number of persons	1	-	3	1	1	3

31.1 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. 1,038,642/- (2018: Rs. 3,197,412/-). The Directors have waived off their meeting fee.

32. TRANSACTIONS WITH RELATED PARTIES

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

Name of the related party	Relationship and Percentage	Transactions during the year	2019 Rupees	2018 Rupees
Sitara International (Private) Limited	Subsidiary Company by holding 99.99% shares (2018 : 99.99%)	Loan Given	11,000,000	57,460,000
		Land purchased	15,601,160	-
Sitara Chemtek (Private) Limited	Associated company by virtue of common directorship	Sale of electricity	3,687,920	459,170
Sitara Fabrics Limited	Associated company by virtue of common directorship	Sale of electricity and steam	117,361,940	170,116,336
Sitara Energy Limited Staff Provident Fund Trust	Other related party	Contribution for the year	1,951,579	2,806,240

33. PLANT CAPACITY AND ACTUAL PRODUCTION

	2019	2018
Number of generators installed	25	25
Number of generators worked	15	18
Installed energy generation capacity (Mega watt hours)	769,303	769,303
Actual energy generation (Mega watt hours)	69,721	212,259
Actual average load (Mega watt)	7.96	24.23

Reasons for low generation:

- Installed generators include four standby generators and closure of six generators due to major overhauling.
- Adjustment in planned optimum capacity utilisation level.
- Extra capacity for future growth.

34. DISCLOSURE WITH REGARDS TO PROVIDENT FUND

		2019	2018
Size of the fund	(Rupees)	28,175,867	34,908,494
Cost of investments made	(Rupees)	14,120,000	14,120,000
Percentage of investments made	(% age)	50.11%	40.45%
Fair value of investments	(Rupees)	22,002,437	28,491,031

34.1 The figures for 2019 are based on the un-audited financial statements of the provident fund. Investment has been made in Defense Saving Certificates and mutual fund in accordance with the provisions of section 218 of the Companies Act 2017 and conditions specified thereunder.

35. NUMBER OF EMPLOYEES

	2019	2018
Total number of employees as at June 30,	106	205
Average number of employees during the year	139	262

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

	2019 Rupees	2018 Rupees

36.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 Rupees	2018 Rupees
Financial assets at amortised cost:		
Deposits	31,525,800	32,361,750
Investment in subsidiary	49,995,000	49,995,000
Trade debts	561,032,586	755,557,956
Loans and advances	621,805,600	628,109,763
Other receivables	101,647,232	97,850,465
Cash and bank balances	214,369,579	20,594,479
	1,580,375,797	1,584,469,413
Financial liabilities at amortised cost:		
Long term financing	41,666,666	-
Liabilities against assets subject to finance lease	-	2,460,908
Trade and other payables	627,140,937	707,841,564
Interest / markup payable	75,875,863	29,640,690
Short term bank borrowings	982,313,899	1,058,327,348
	1,726,997,365	1,798,270,510

36.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

36.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company is exposed to concentration of credit risk towards the major customers M/S Sitara Chemical Industries Limited, M/S Sitara Peroxide Limited and M/S Sitara Spinning Mills Limited. The trade debts receivable from these customers constitute 75% (2018: 69%) of total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2019 Rupees	2018 Rupees
Deposits	31,525,800	32,361,750
Trade debts	561,032,586	755,557,956
Other receivables	101,647,232	97,850,465
Bank balances	198,383,010	6,184,627
	892,588,628	891,954,798

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

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

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

	2019 Rupees	2018 Rupees
Sitara Chemical Industries Limited	107,456,358	180,180,147
Sitara Peroxide Limited	171,786,486	198,117,010
Sitara Spinning Mills Limited	144,184,634	143,532,643
Other industrial users	137,605,108	233,728,156
	561,032,586	755,557,956

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

	2019 Rupees	2018 Rupees
Not past due	122,596,310	501,216,074
Past due		
4 to 6 months	81,024,393	86,528,528
7 to 12 months	245,308,476	69,097,568
More than 1 year	112,103,407	98,715,786
	438,436,276	254,341,882
	561,032,586	755,557,956
Not past due		
Related parties	20,105,502	157,092,569
Others	102,490,808	344,123,505
	122,596,310	501,216,074
Past due		
Related parties	65,784,119	109,187,346
Others	372,652,157	145,154,536
	438,436,276	254,341,882
	561,032,586	755,557,956

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.

36.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity is to maintain sufficient level of liquidity of the Company on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of statement of financial position liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2019 and 2018:

	2019				
	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	41,667	50,801	15,531	11,364	23,906
Liabilities against assets subject to finance lease	-	-	-	-	-
Trade and other payables	627,141	627,141	627,141	-	-
Short term bank borrowings	982,314	1,144,838	237,884	906,954	-
	1,651,122	1,822,780	880,556	918,319	23,906

	2018				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	--------------------------Rupees in thousand----------------------------				
Financial liabilities:					
Liabilities against assets subject to finance lease	2,461	2,525	1,324	1,201	-
Trade and other payables	707,842	707,842	707,842	-	-
Short term bank borrowings	1,058,327	1,173,096	187,307	985,789	-
	1,768,630	1,883,463	896,473	986,990	-

The contractual cash flows relating to mark up on 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. 959.361 million (2018: 932.177 million) and unavailed short term borrowing facilities of Rs. 591.686 million (2018: Rs. 565.673 million) as at the year end.

36.2.3 Market risk management

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

i) Interest rate risk

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

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

Sensitivity analysis

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

Had the interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, loss for the year and equity would have been lower / higher by Rs.10.42 million (2018: Rs. 10.51 million).

ii) Currency risk

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

iii) Equity price risk

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

36.3 Fair value of financial instruments

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

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

36.4 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay long term 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 ('liabilities against assets subject to finance lease' and 'short term bank borrowings' as shown in the statement of financial position). Total capital comprises shareholders' equity as shown in the statement of financial position under 'share capital and reserves' and net debt (Debt less cash and cash equivalents).

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

	Note	**2019 Rupees**	2018 Rupees
Total Debt	4 & 5 & 8	1,023,980,565	1,060,788,256
Less: Cash and cash equivalents	22	214,369,579	20,594,479
Net Debt		809,610,986	1,040,193,777
Total equity		1,681,242,350	1,873,052,932
Total capital		2,490,853,336	2,913,246,709
Gearing ratio		32.50%	35.71%

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on October 02, 2019.

38. GENERAL

38.1 RE-ARRANGEMENTS

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

Sitara Spinning Mills Limited is not the related party of the company this year. So balance of Sitara Spinning Mills limited of Rs, 143,532,643/- previously show separately is under the head "trade debts" is now grouped in others under the same head.

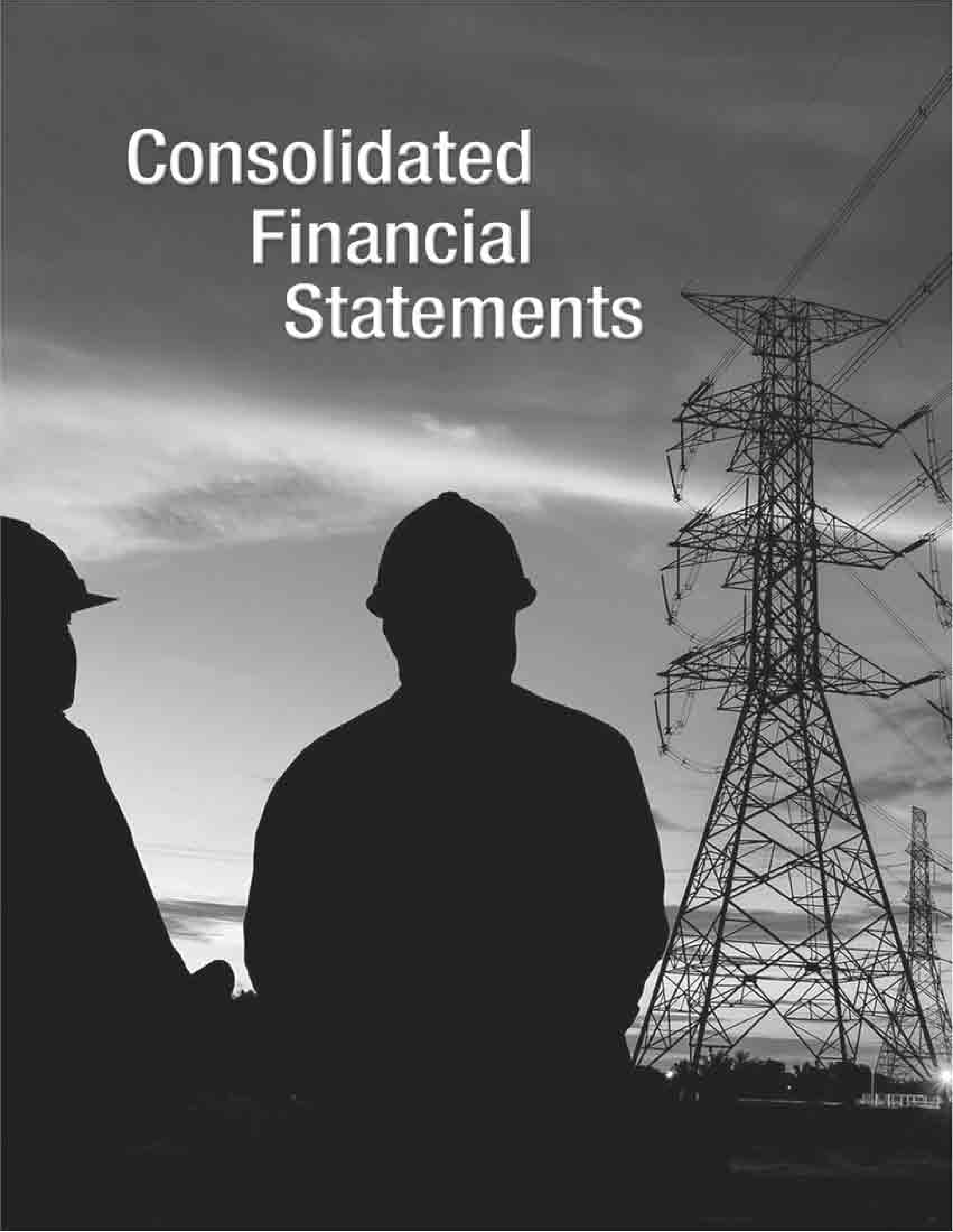
Gain on disposal of operating assets and non operating land" of Rs. 18,148,505/- and 13,458,100/- respectively was separately disclosed under the head other income. This is now disclosed as "Gain on disposal of Property, plant and equipment - net" under the same head.

Advance for purchase of land" of Rs. 24,971,988/- was previously disclosed under the head Non-operating land is now disclosed under the head "Property, plant and equipment" as separate line item.

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

CHIEF EXECUTIVE OFFICER | DIRECTOR | CHIEF FINANCIAL OFFICER

Consolidated Financial Statements



Directors Report on Consolidated Financial Statements

The Board of Directors have pleasure in presenting the Audited Financial Statements of Sitara Energy Limited (the Parent) and Sitara International (Pvt.) Limited (the Subsidiary) for the year ended June 30, 2019.

The Parent Company holds 99% shares in the subsidiary which is trading in commodities etc.

The consolidated financials are as follows:

	30.06.2019	30.06.2018
	Rupees in thousands	
Sales - net	1,085,210	2,412,173
Gross Profit	3,831	52,708
(Loss) / Profit before taxation	(187,207)	(83,454)
(Loss) / Profit after taxation	(190,203)	(83,454)
(Loss) / Earning per share	(9.81)	(4.36)

by order of the Board

October 02, 2019
Faisalabad

JAVED IQBAL
Chief Executive Officer

ڈائریکٹرز رپورٹ مجموعی مالیاتی گوشوارے

بورڈ آف ڈائریکٹرز ستارہ انرجی لمیٹڈ (پیرنٹ) اور ستارہ انٹرنیشنل لمیٹڈ (سبسڈیری) ختم ہونے والے مالی سال 30 جون 2019 کے مالیاتی گوشوارے پیش کرتے ہوئے انتہائی مسرت محسوس کرتا ہے آپ کی کمپنی سبسڈیری کمپنی کے 99% شیئرز کی ملکیت رکھتی ہے جو کہ ٹیکسائل کے سامان/مشینری اور رئیل اسٹیٹ کے کاروبار سے منسلک ہے۔

مالیاتی گوشواروں برائے مالی سال 30 جون 2019ء اور 30 جون 2018ء کی تفصیلات درج ذیل ہیں۔

تفصیل	30 جون 2019ء	30 جون 2018ء
	پاکستانی روپے ہزاروں میں	
فروخت - نٹ	1,085,210	2,412,173
مجموعی منافع	3,831	52,708
ٹیکسیشن سے قبل (نقصان)	(187,207)	(83,454)
سال کا (نقصان)	(190,203)	(83,454)
فی شیئر (نقصان) Parent میں قابل وصف حصہ (روپے)	(9.81)	(4.36)

بحکم بورڈ

جاوید اقبال
چیف ایگزیکٹو آفیسر

2 اکتوبر 2019ء
فیصل آباد

Consolidated Statement of Financial Position as at June 30, 2019

	Note	**2019 Rupees**	2018 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
30,000,000 ordinary shares			
of Rs. 10/- each.		300,000,000	300,000,000
Issued, subscribed			
and paid up capital	4	190,920,000	190,920,000
Capital reserve - share premium		143,190,000	143,190,000
Revenue reserves			
General reserve		970,000,000	970,000,000
Unappropriated profit		377,795,237	567,998,036
		1,681,905,237	1,872,108,036
Non-controlling interest		7,292	7,131
		1,681,912,529	1,872,115,167
NON-CURRENT LIABILITIES			
Long term financing	5	20,833,332	-
Liabilities against assets			
subject to finance lease	6	-	-
		20,833,332	-
CURRENT LIABILITIES			
Trade and other payables	7	633,399,868	715,641,509
Unclaimed dividend		3,702,824	3,707,941
Interest / mark up payable	8	75,875,863	29,640,690
Short term bank borrowings	9	982,313,899	1,058,327,348
Current portion of:			
Long term financing		20,833,334	-
Liabilities against assets			
subject to finance lease	6	-	2,460,908
Provision for taxation - income tax	30	1,201,973	-
		1,717,327,761	1,809,778,396
CONTINGENCIES AND COMMITMENTS	10	-	-
		3,420,073,622	3,681,893,563

	Note	**2019 Rupees**	2018 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	11	902,369,956	1,536,277,509
Investment Property	12	439,313,305	29,106,540
Long term loan	13	1,000,000	-
Long term deposits	14	511,200	511,200
		1,343,194,461	1,565,895,249
CURRENT ASSETS			
Stores, spares and loose tools	15	276,563,046	280,259,151
Stocks	16	432,294,119	443,116,231
Investment property	17	63,403,000	63,403,000
Trade debts	18	561,032,586	755,557,956
Loans and advances	19	201,471,320	226,248,761
Deposits and prepayments	20	33,264,471	36,068,028
Other receivables	21	101,647,232	97,850,465
Tax refunds due from			
Government	22	185,111,105	157,076,444
Cash and bank balances	23	222,092,282	56,418,278
		2,076,879,161	2,115,998,314
		3,420,073,622	3,681,893,563

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

Consolidated Profit and Loss Account for the Year Ended June 30, 2019

	Note	**2019 Rupees**	2018 Rupees
Sales - net	24	1,085,209,600	2,412,172,787
Cost of generation	25	1,081,379,142	2,359,464,413
Gross profit		3,830,458	52,708,374
Other income	26	77,895,810	109,919,647
		81,726,268	162,628,021
Operating expenses	27	94,663,987	120,489,635
Other operating expenses	28	21,547,752	1,225,066
Finance cost	29	152,721,966	124,187,220
		268,933,705	245,901,921
(Loss) for the year before taxation		(187,207,437)	(83,273,900)
Provision for taxation	30	2,995,201	180,000
(Loss) for the year		(190,202,638)	(83,453,900)
Attributable to:			
Shareholders of the Parent		(190,202,799)	(83,453,740)
Non-controlling interest		161	(160)
		(190,202,638)	(83,453,900)
(Loss) per share - Basic and diluted			
Attributable to the shareholders of the Parent	31	(9.81)	(4.36)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

Consolidated Statement of other Comprehensive Income for the Year Ended June 30, 2019

	2019 Rupees	2018 Rupees
(Loss) for the year	(190,202,638)	(83,453,900)
Other comprehensive income for the year	-	-
Total comprehensive (Loss) for the year	(190,202,638)	(83,453,900)
Attributable to:		
Shareholders of the Parent	(190,202,799)	(83,453,740)
Non-controlling interest	161	(160)
	(190,202,638)	(83,453,900)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

Consolidated Statement of Cash Flows for the Year Ended June 30, 2019

	2019 Rupees	2018 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) for the year before taxation	(187,207,437)	(83,273,900)
Adjustments for:		
Depreciation of property, plant and equipment	28,386,142	35,993,936
Depreciation of investment property	2,910,654	3,234,060
Provision for staff retirement benefits	1,951,579	2,806,240
Loss / (Gain) on disposal of		
Property, plant and equipment - net	21,547,752	(31,606,605)
Investment property	(74,777,600)	-
Balances written (back) / off - net	-	(70,149,848)
Finance cost	152,721,966	124,187,220
Operating cash flows before working capital changes	(54,466,944)	(18,808,897)
Changes in working capital		
Decrease / (Increase) in current assets		
Stores, spares and loose tools	3,696,105	(2,343,305)
Stocks	10,822,112	220,162,005
Trade debts	194,525,370	(5,927,555)
Loans and advances	8,296,166	(54,112,165)
Investment property	-	-
Deposits and prepayments	2,803,557	(1,558,306)
Other receivables	44,658,233	(49,140,635)
Tax refunds due from government	(26,759,096)	(79,960,198)
(Decrease) / Increase in current liabilities		
Trade and other payables	(82,260,162)	42,293,435
	155,782,285	69,413,276
Cash generated from operating activities	101,315,341	50,604,379
Income tax paid	(3,188,678)	(3,248,793)
Staff retirement benefits paid	(1,933,058)	(2,885,668)
Finance cost paid	(106,486,793)	(123,913,728)
Net cash (used in) operating activities	(10,293,188)	(79,443,810)

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

Consolidated Statement of Cash Flows for the Year Ended June 30, 2019

	2019 Rupees	2018 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	-	(16,689,041)
Proceeds from disposal of :		
Operating assets	120,600,000	44,165,000
Non operating land	92,180,000	23,001,500
Net cash generated from investing activities	212,780,000	50,477,459
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of :		
Liabilities against assets subject to finance lease	(2,460,908)	(2,594,104)
(Decrease) / Increase in short term bank borrowings - net	(34,346,783)	21,710,484
Dividend paid	(5,117)	(59,691)
Net cash (used in) / generated from financing activities	(36,812,808)	19,056,689
Net increase / (decrease) in cash and cash equivalents (a+b+c)	165,674,004	(9,909,662)
Cash and cash equivalents at the beginning of the year	56,418,278	66,327,940
Cash and cash equivalents at the end of the year	222,092,282	56,418,278

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

Consolidated Statement of Changes In Equity for the Year Ended June 30, 2019

	Capital and reserves						
	Issued, subscribed and paid up capital	Capital Reserve	Revenue Reserves			Total	Non-Controlling Interest
		Share Premium	General Reserve	Unapropriated profit	Sub total		
	Rupees						
Balance as at July 01, 2017	190,920,000	143,190,000	970,000,000	651,451,776	1,621,451,776	1,955,561,776	7,291
Total comprehensive income for the year							
(Loss) for the year	-	-	-	(83,453,740)	(83,453,740)	(83,453,740)	(160)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	(83,453,740)	(83,453,740)	(83,453,740)	(160)
Balance as at June 30, 2018	190,920,000	143,190,000	970,000,000	567,998,036	1,537,998,036	1,872,108,036	7,131
Total comprehensive (loss) for the year							
(Loss) / profit for the year	-	-	-	(190,202,799)	(190,202,799)	(190,202,799)	161
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	(190,202,799)	(190,202,799)	(190,202,799)	161
Balance as at June 30, 2019	190,920,000	143,190,000	970,000,000	377,795,237	1,347,795,237	1,681,905,237	7,292

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

Consolidated Notes to the Financial Statements for the Year Ended June 30, 2019

1. GROUP STATUS AND ACTIVITIES

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

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

The Subsidiary is incorporated in Pakistan as a private limited company under the repealed Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act 2017 on May 30, 2017). The principal activities of the Subsidiary are trading in 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 Parent suffered financial and operational difficulties due to non availability of system gas along with substantial increase in gas tariff and abnormal increase in rate of furnace oil. The Parent has suffered loss of Rs. 191.811 million during the year, energy generation decreased by 67% as compared to last year due to adverse market conditions compared to energy cost.

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

The Parent is making efforts to curtail its operational, administrative and other expenses to minimum possible level without affecting the operational efficiency of the Company and has planned to dispose the non-core assets such as properties and gas engines and invest in renewable energy project by installing solar energy unit which is expected to be operational in 2021 and result in drastic reduction in operational cost to make the existing project viable. The management is confident that there will be further improvement in operational efficiency and profitability in future and the Parent will continue as going concern.

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

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

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

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Group for the periods beginning on or after July 01, 2018 and therefore, have been applied in preparing these financial statements.

- **IFRS 9 Financial Instruments (2014):**

In the current year the Group has applied IFRS-9, “Financial Instruments”.

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

All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized 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 amortized 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.

As per notification by the SECP this standard is effective for annual periods ending on or after June 30, 2019.

- **IFRS 15 Revenue from Contracts with Customers:**

In the current year, the Group has applied IFRS-15 “Revenue from Contracts with Customers (as amended in April 2016)”.

This standard was notified by the Securities and Exchange Commission of Pakistan (‘SECP’) to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, ‘Revenue’, and IAS 11, ‘Construction contracts’, and related interpretations.

The Group has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of un-appropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any material impact on the revenue recognition policy of the Group and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of un-appropriated profit in the period of initial application is not material. Therefore, the comparative information has not been restated and continues to be reported under the previous accounting policy.

Based on the assessment performed by the management, there is no significant impact of the changes laid down by IFRS 9 and IFRS 15 on these financial statements of the Group. Further, consequent to the adoption of above mentioned standards, changes in accounting policies have been reflected in note 3.20.

- **IFRIC 22 Foreign currency transactions and advance consideration:**

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Group’s accounting treatment is already in line with this interpretation.

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, 2018 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

There are certain standards, amendments to the IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after July 1, 2019 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these financial statements, except for the following:

- **IFRS 16 Leases:**

  This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Group is yet to assess the full impact of this standard.

  The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of standard is not expected to have any material impact on the Group's financial statements.

- **IAS 19 Employee Benefits on plan amendment, curtailment or settlement:**

  These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The Group is yet to assess the full impact of this amendment.

  The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of standard is not expected to have any material impact on the Group's financial statements.

- **IFRIC 23 Uncertainty over Income Tax Treatments:**

  The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The Group is yet to assess the full impact of the IFRIC. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  This IFRIC is effective for accounting period beginning on or after January 01, 2019. The application of IFRIC is not expected to have any material impact on the Group's financial statements.

- **Annual improvements 2014-2016**

  Annual Improvements to IFRSs through 2014-2016 cycle have been issued by IASB on December 08, 2016, amending the following standards;

  IAS 28: Investments in Associates and Joint Ventures.

  The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of amendments is not expected to have any material impact on the Group's financial statements.

- **Annual improvements 2015-2017 Cycle**

  Annual Improvements of IFRSs through 2015-2017 cycle have been issued by IASB on December, 2017, amending the following standards;

  IFRS 3: Business Combinations - Re-measurement of previously held interest.

  IFRS 11: Joint Venture - Re-measurement of previously held interest.

  IAS 12: Income Taxes – Income Tax consequences of dividends.

  The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of amendments is 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 Group's operations, therefore, not disclosed in these financial statements.

3.3 Basis of preparation

These financial statements have been prepared under the "historical cost convention" except short term investment property 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 statement of financial position 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 statement of profit or loss, 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 statement of financial position 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 statement of financial position date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

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

3.12 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

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

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

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

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

3.18 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 statement of profit or loss.

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 Foreign currency translation

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

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

3.20 Financial instruments

3.20.1 Financial assets

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

a) Financial assets at amortised cost

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

b) Financial assets at fair value through other comprehensive income

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

c) Financial assets at fair value through profit or loss

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

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

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

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

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

3.20.2 Financial liabilities

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

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

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

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

3.21 Offsetting of financial asset and financial liability

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

3.22 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.

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

Sale of land is recognised when legal title passes.

3.23 Transactions with related parties

Transactions with related parties are carried out at arm's length. The prices are determined in accordance with comparable uncontrolled price method, 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.

3.24 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.

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

4. Issued, subscribed and paid up capital

2018	**2019**		**2019**	2018
Number of shares			**Rupees**	Rupees
19,092,000	19,092,000	Ordinary shares of Rs. 10/- each fully paid in cash.	190,920,000	190,920,000

4.1 656,000 (2018: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

	Note	2019 Rupees	2018 Rupees
5. Long term financing			
Secured			
From banking company			
Under mark up arrangements			
Demand finance I	5.1	41,666,666	-
Less: Current portion			
Installments due		(4,166,667)	-
Payable within one year		(16,666,667)	-
		(20,833,334)	-
		20,833,332	-

5.1 Short term running finance of Rs. 49.55 million (Refer Note. 9) is converted in to long term loan during the year.

It is secured against registered token mortgage of Rs. 4.3 million, equitable mortgage charge on property owned by a director of the company and first exclusive charge by way of equitable mortgage,10% token registered mortgage against property owned by the company. It is further secured by personal guarantee of directors of the Company. It is repayable in 12 equal quarterly installments commenced from December 31, 2018 and ending on September 30, 2021. It is subject to mark up at the rate of 3 months KIBOR plus 4.20% per annum. A rebate of 2.20% per annum would be allowed in case of repayment of first three installments within five days of due date.

Effective mark up rate charged during the year ranges from 14.75% to 15.33% per annum.

	2019 Rupees	2018 Rupees
6. Liabilities against assets subject to finance lease		
Opening balance	2,460,908	5,055,012
Paid / adjusted during the year	(2,460,908)	(2,594,104)
	-	2,460,908
Less: Current portion	-	2,460,908
	-	-
7. Trade and other payables		
Creditors	556,688,097	642,879,636
Accrued liabilities	70,984,705	64,201,383
Provident fund - related party	429,255	410,734
Security deposit	-	1,310,310
Withholding taxes	4,766,876	6,308,511
Other	530,935	530,935
	633,399,868	715,641,509

	Note	2019 Rupees	2018 Rupees
8. Interest / mark up payable			
Interest / mark up on secured:			
Long term financing		1,599,499	-
Liabilities against assets subject to finance lease		-	20,816
Short term bank borrowings		74,276,364	29,619,874
		75,875,863	29,640,690
9. Short term bank borrowings			
Secured - under mark up arrangements			
Morabaha finance I	9.2	114,000,000	114,000,000
Term finance	9.3	199,959,892	199,970,594
Running finances	9.4	668,354,007	731,712,097
Cash finance		-	12,644,657
		982,313,899	1,058,327,348

9.1 The aggregate unavailed short term financing facilities available to the Parent are Rs. 591.686 million (2018: Rs. 565.673 million). Total sanctioned limits are Rs. 1.46 billion out of which Rs. 982.314 million are expired and renewable.

9.2 It is subject to mark up at the rate of 6 months KIBOR plus 2.75% per annum (2018: 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 running finances (Refer Note 9.4). It is further secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of short term term finance (Refer Note 9.3) and running finances (Refer Note 9.4) and personal guarantees of directors of the Company.

Effective mark up rate charged during the year ranges from 8.67% to 13.61% per annum (2018: 8.38% to 10.31% per annum).

9.3 It is subject to mark up at the rate of 1 month KIBOR plus 2.5% per annum (2018: 1 month KIBOR plus 2% per annum). It is secured against first joint pari passu charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 9.2) and running finances (Refer Note 9.4) and by personal guarantee of directors of the Company.

Effective mark up rate charged during the year ranges from 9.42% to 15.30% per annum (2018: 8.26% to 8.92% per annum).

9.4 These are subject to mark up at the rate of 3 months KIBOR plus 2.00% to 2.75% per annum (2018: 3 months KIBOR plus 2.00% to 2.75% per annum) with a prompt payment rebate of 0.25% per annum. Running finances are secured against first charge over current assets of the Company ranking pari passu with the charges created in respect of morabaha finance-I (Refer Note 9.2) and short term finance (Refer Note 9.3), first charge over fixed assets of the Company ranking pari passu with the charges created in respect of morabaha finance - I (Refer Note 9.2). These are further secured against ranking charge over fixed assets, token registered mortgage of Rs. 4,300,000/- and equitable mortgage of personal properties of directors and land owned by the company. These are also secured by personal guarantee of three directors of the Company.

Effective mark up rate charged during the year ranges from 8.92% to 13.88% per annum (2018: 8.14% to 9.18% per annum).

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Bank guarantees issued in favour of Sui Northern Gas Pipelines Limited for supply of gas aggregate Rs. 155,809,000/- (2018 : Rs. 188,169,000/-)

10.1.2 The order of Commissioner Appeals in favour of the company regarding disputed demand of Income tax for the tax years 2004 to 2006 amounting Rs.1,313,929/- (2018 : Rs.1,313,929/-) was vacated by the Appellate Tribunal. The company has filed an appeal on April 14, 2010 before Sindh High Court against the Appellate Tribunal Order. Pending the outcome of the matter, no provision has been made in these financial statements.

10.1.3 Demand of gas Infrastructure development cess amounting Rs.137,952,501 (2018: Rs.137,952,501/-) not acknowledged. The Company has challenged the levy on June 22, 2015 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 committee constituted by SNGPL.

10.1.4 Demand of late payment surcharge charged by SNGPL on non payment of gas Infrastructure development cess amounting Rs.208,501,487/- has not been acknowledged. The charge is challenged before The Sindh High Court on October 13, 2015 . The management is of the view that surcharge can only be levied on willful default, non payment of principal amount of GIDC is due to stay order granted by court of competent jurisdiction therefore LPS could not be charged. No provision of late payment surcharge has been made as the appeals against levy of GIDC are pending before the court of law.

	2019 Rupees	2018 Rupees
10.2 Commitments		
10.2.1 Under letters of credit for purchase of store and spare items	-	8,254,918
10.2.2 Under agreement for purchase of land	69,000,000	7,209,375

	Note	2019 Rupees	2018 Rupees
11. Property, plant and equipment			
Operating assets	11.1	877,397,968	906,325,174
Capital work in progress	11.5	-	141,606,688
Non-operating land	11.6	-	463,373,659
Advance for purchase of property		24,971,988	24,971,988
		902,369,956	1,536,277,509

11.1 Operating assets

	Note	Company owned: Freehold land	Building on feehold land	Plant and machinery	Electric Installations	Factory equipment	Electric Appliances	Furniture and fixtures	Office equipment	Arms and ammunitions	Vehicles	Sub total	Assets subject to finance lease: Vehicles	Sub total	Total
		Rupees													
At July 01, 2017															
Cost		56,388,299	223,546,285	1,845,145,556	167,713,974	4,297,647	10,249,841	6,802,670	15,341,325	29,625	42,018,921	2,371,534,143	15,828,145	15,828,145	2,387,362,288
Accumulated depreciation		-	(159,947,265)	(1,118,128,854)	(112,920,067)	(3,469,122)	(6,198,133)	(4,122,723)	(10,817,287)	(20,639)	(22,245,864)	(1,437,869,954)	(5,782,436)	(5,782,436)	(1,443,652,390)
Net book value		56,388,299	63,599,020	727,016,702	54,793,907	828,525	4,051,708	2,679,947	4,524,038	8,986	19,773,057	933,664,189	10,045,709	10,045,709	943,709,898
Year ended June 30, 2018															
Opening net book value		56,388,299	63,599,020	727,016,702	54,793,907	828,525	4,051,708	2,679,947	4,524,038	8,986	19,773,057	933,664,189	10,045,709	10,045,709	943,709,898
Additions		-	4,085,038	-	2,206,838	-	325,715	-	428,858	-	17,579,258	24,625,707	-	-	24,625,707
Transferred from leasehold to owned assets															
Cost		-	-	-	-	-	-	-	-	-	6,140,000	6,140,000	(6,140,000)	(6,140,000)	-
Accumulated depreciation		-	-	-	-	-	-	-	-	-	(3,202,406)	(3,202,406)	3,202,406	3,202,406	-
		-	-	-	-	-	-	-	-	-	2,937,594	2,937,594	(2,937,594)	(2,937,594)	-
Disposals:															
Cost		(15,615,900)	-	-	-	-	-	-	-	-	(17,615,300)	(33,231,200)	-	-	(33,231,200)
Accumulated depreciation		-	-	-	-	-	-	-	-	-	7,214,705	7,214,705	-	-	7,214,705
		(15,615,900)	-	-	-	-	-	-	-	-	(10,400,595)	(26,016,495)	-	-	(26,016,495)
Depreciation charge		-	(6,495,764)	(15,503,241)	(5,630,980)	(82,853)	(435,028)	(267,995)	(482,794)	(899)	(5,574,839)	(34,474,393)	(1,519,543)	(1,519,543)	(35,993,936)
Closing net book value		40,772,399	61,188,294	711,513,461	51,369,765	745,672	3,942,395	2,411,952	4,470,102	8,087	24,314,475	900,736,602	5,588,572	5,588,572	906,325,174
At June 30, 2018															
Cost		40,772,399	227,631,323	1,845,145,556	169,920,812	4,297,647	10,575,556	6,802,670	15,770,183	29,625	48,122,879	2,369,068,650	9,688,145	9,688,145	2,378,756,795
Accumulated depreciation		-	(166,443,029)	(1,133,632,095)	(118,551,047)	(3,551,975)	(6,633,161)	(4,390,718)	(11,300,081)	(21,538)	(23,808,404)	(1,468,332,048)	(4,099,573)	(4,099,573)	(1,472,431,621)
Net book value		40,772,399	61,188,294	711,513,461	51,369,765	745,672	3,942,395	2,411,952	4,470,102	8,087	24,314,475	900,736,602	5,588,572	5,588,572	906,325,174
At July 01, 2018															
Cost		40,772,399	227,631,323	1,845,145,556	169,920,812	4,297,647	10,575,556	6,802,670	15,770,183	29,625	48,122,879	2,369,068,650	9,688,145	9,688,145	2,378,756,795
Accumulated depreciation		-	(166,443,029)	(1,133,632,095)	(118,551,047)	(3,551,975)	(6,633,161)	(4,390,718)	(11,300,081)	(21,538)	(23,808,404)	(1,468,332,048)	(4,099,573)	(4,099,573)	(1,472,431,621)
Net book value		40,772,399	61,188,294	711,513,461	51,369,765	745,672	3,942,395	2,411,952	4,470,102	8,087	24,314,475	900,736,602	5,588,572	5,588,572	906,325,174
Year ended June 30, 2019															
Opening net book value		40,772,399	61,188,294	711,513,461	51,369,765	745,672	3,942,395	2,411,952	4,470,102	8,087	24,314,475	900,736,602	5,588,572	5,588,572	906,325,174
Transferred from capital work in progress		51,167,500	90,439,188	-	-	-	-	-	-	-	-	141,606,688	-	-	141,606,688
Transferred from leasehold to owned assets															
Cost		-	-	-	-	-	-	-	-	-	9,688,145	9,688,145	(9,688,145)	(9,688,145)	-
Accumulated depreciation		-	-	-	-	-	-	-	-	-	(4,848,318)	(4,848,318)	4,848,318	4,848,318	-
		-	-	-	-	-	-	-	-	-	4,839,827	4,839,827	(4,839,827)	(4,839,827)	-
Disposals:															
Cost		(51,167,500)	(90,439,188)	-	-	-	-	-	-	-	(1,639,810)	(143,246,498)	-	-	(143,246,498)
Accumulated depreciation		-	-	-	-	-	-	-	-	-	1,098,746	1,098,746	-	-	1,098,746
		(51,167,500)	(90,439,188)	-	-	-	-	-	-	-	(541,064)	(142,147,752)	-	-	(142,147,752)
Depreciation charge		-	(6,118,829)	(10,103,494)	(5,136,977)	(74,567)	(394,240)	(241,195)	(447,011)	(809)	(5,120,275)	(27,637,397)	(748,745)	(748,745)	(28,386,142)
Closing net book value		40,772,399	55,069,465	701,409,967	46,232,788	671,105	3,548,155	2,170,757	4,023,091	7,278	23,492,963	877,397,968	-	-	877,397,968
At June 30, 2019															
Cost		40,772,399	227,631,323	1,845,145,556	169,920,812	4,297,647	10,575,556	6,802,670	15,770,183	29,625	56,171,214	2,377,116,985	-	-	2,377,116,985
Accumulated depreciation		-	(172,561,858)	(1,143,735,589)	(123,688,024)	(3,626,542)	(7,027,401)	(4,631,913)	(11,747,092)	(22,347)	(32,678,251)	(1,499,719,017)	-	-	(1,499,719,017)
Net book value		40,772,399	55,069,465	701,409,967	46,232,788	671,105	3,548,155	2,170,757	4,023,091	7,278	23,492,963	877,397,968	-	-	877,397,968
Annual rate of depreciation (%)		-	10	-	10	10	10	10	10		20		20		

	2019 Rupees	2018 Rupees
11.2 Depreciation for the year has been allocated as under:		
Cost of generation	21,433,867	27,712,838
Operating expenses	6,952,275	8,281,098
	28,386,142	35,993,936

11.5 Capital work in progress

	Freehold land	Civil work	Total
	----------Rupees----------		
Balance as at July 1, 2017	51,167,500	89,434,188	140,601,688
Capital expenditure incurred during the year	-	1,005,000	1,005,000
Balance as at June 30, 2018	51,167,500	90,439,188	141,606,688
Transferred to operating assets during the year	(51,167,500)	(90,439,188)	(141,606,688)
Balance as at June 30, 2019	-	-	-

11.6 Non-operating land

	2019 Rupees	2018 Rupees (Restated)
Cost of land	463,373,659	479,511,059
Disposed off during the year	-	(16,137,400)
	463,373,659	463,373,659
Transferred to investment property	(463,373,659)	-
	-	463,373,659

11.6.1 The Company has made investment of Rs. 463.374 million in acquisition of land for the expansion projects . But in current year the intention of management is changed they discard the project and decide to held the land for capital appreciation. So, the above amount is transferred to investment property this year.

12. Investment property

	Freehold land	Building on freehold land	Total
	----------Rupees----------		
At July 01, 2017			
Cost	-	42,400,000	42,400,000
Accumulated depreciation	-	(10,059,400)	(10,059,400)
Net book value	-	32,340,600	32,340,600
Year ended June 30, 2018			
Opening net book value	-	32,340,600	32,340,600
Depreciaton charge	-	(3,234,060)	(3,234,060)
Closing net book value	-	29,106,540	29,106,540
At June 30, 2018			
Cost	-	42,400,000	42,400,000
Accumulated depreciation	-	(13,293,460)	(13,293,460)
Net book value	-	29,106,540	29,106,540

	Freehold land	Building on freehold land	Total
	------Rupees------		
At July 01, 2018			
Cost	-	42,400,000	42,400,000
Accumulated depreciation	-	(13,293,460)	(13,293,460)
Net book value	-	29,106,540	29,106,540
Year ended June 30, 2019			
Opening net book value	-	29,106,540	29,106,540
Additions	15,601,160	-	15,601,160
Transferred from non-operating land	463,373,659	-	463,373,659
Disposals during the year	(65,857,400)	-	(65,857,400)
Depreciation charge	-	(2,910,654)	(2,910,654)
Closing net book value	413,117,419	26,195,886	439,313,305
At June 30, 2019			
Cost	413,117,419	42,400,000	455,517,419
Accumulated depreciation	-	(16,204,114)	(16,204,114)
	413,117,419	26,195,886	439,313,305
Annual rate of depreciation (%)	-	10	

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

12.2 The fair value of investment property is approximately Rs. 703.924 million as at June 29, 2019, valuation has been carried out by independent valuers by Anderson consulting private limited. The valuation is based on the unobservable inputs - level 3 classification.

12.3 The forced sale value of investment property is approximately Rs. 598.336 million as at June 30,2019.

12.4 Disposal of investment property

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
Investment property (Sold by negotiation)	1,266,000	-	1,266,000	3,500,000	Mr.Umer Afzal House # P-20, Bilal Road Civil Lines Faisalabad.
	949,500	-	949,500	2,625,000	Ms.Sumbal Umer House # P-20, Bilal Road Civil Lines Faisalabad.
	3,270,450	-	3,270,450	7,000,000	Mr.Amir Afzal House # P-57 A, Bilal Road Civil Lines Faisalabad.
	3,150,547	-	3,150,547	6,125,000	Mr.Yasir Habib House # P-20, Bilal Road Civil Lines Faisalabad.
	1,266,000	-	1,266,000	3,500,000	Mr. Muhammad Afzal House # P-20,Bilal Road Civil Lines Faisalabad.
	1,266,000	-	1,266,000	3,500,000	Ms.Rukhsana Afzal House # P-20,Bilal Road Civil Lines Faisalabad.
	2,004,568	-	2,004,568	3,500,000	Ms. Ume Habiba House # P-20,Bilal Road Civil Lines Faisalabad.
	3,529,561	-	3,529,561	6,785,000	Muhammad Imran S/o Muhammad Ali Wahla wahla House,Wariach Chowk House # P-65,Khayaban Colony No.2 Faisalabad.
	650,000	-	650,000	1,250,000	Mr.Mamoor Ijaz S/o Ijaz Ahmad Sheikh Chak no. 213 RB House # 96-97 Saeed Colony No. 1 Faisalabad.
	650,000	-	650,000	1,250,000	Mr.Mansoor Ijaz S/o Ijaz Ahmad Sheikh Chak no. 213 RB House # 96-97 Saeed Colony No. 1 Faisalabad.
	650,000	-	650,000	1,250,000	Mr.Amir Ijaz S/o Ijaz Ahmad Sheikh Chak no. 213 RB House # 96-97 Saeed Colony No. 1 Faisalabad.
	26,978,515	-	26,978,515	58,675,000	Sitara Builders (Pvt) Ltd. Sitara Tower, Bilal Road Faisalabad.
	2,818,259	-	2,818,259	5,530,000	Bisharat Aslam S/o Muhammad Aslam House # 547 Jinah colony Block A Faisalalbad

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
	8,184,568	-	8,184,568	16,050,000	Muhammad Imran S/o Muhamamd Ali Wahla House # P650 Khayaban Colony No.2 Faisalalbad
	1,409,188	-	1,409,188	2,765,000	M/s yasmeen Akhter W/o Muhmood Ul Hassan House # 41 Street # 5 Raza Garden East Canal Road Faisalabad
	935,238	-	935,238	1,840,000	M/s Shireen Babar W/o Babar Anwar House # P66 Khizar Street Saeed Colony No. 2 Faisalabad.
	941,567	-	941,567	1,845,000	Ahmad Babar S/o Babar Anwar House # P66 Khizar Street Saeed Colony No. 2 Faisalabad.
	941,451	-	941,451	1,845,000	Raza Anwar S/o Babar Anwar House # P66 Khizar Street Saeed Colony No. 2 Faisalabad.
	611,340	-	611,340	1,200,000	Awais Ahmad House # 17 Khizar Street Susan Road Saeed Colony Faisalabad.
	611,340	-	611,340	1,200,000	Sania Awais House # 17 Khizar Street Susan Road Saeed Colony Faisalabad.
	611,222	-	611,222	1,200,000	Adeel Ahmad House # 17 Khizar Street Susan Road Saeed Colony Faisalabad.
	611,222	-	611,222	1,200,000	Sana Adeel House # 17 Khizar Street Susan Road Saeed Colony Faisalabad.
	1,275,432	-	1,275,432	3,500,000	Hina Ahmad House # J 44 Block Extension Muhala Paradise Valley 1 Faisalabad.
	1,275,432	-	1,275,432	3,500,000	Saima Mansoor House # J 44 Block Extension Muhala Paradise Valley 1 Faisalabad.
2019	**65,857,400**	**-**	**65,857,400**	**140,635,000**	

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

Location	Usage of immovable property	Total Area (in marlas)	Covered Area (in square foot)
a) Chak # 125 G.B, Tehsil Jaranwala, District Faisalabad.	Plots	332	N/A
b) Chak # 165 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	1379	N/A
c) Chak # 193 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	829	N/A
d) Chak # 197 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	2607	N/A
e) Chak # 198 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	1477	N/A
f) Chak # 200 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	6125	N/A
g) Chak # 204 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	9	N/A
h) Chak # 206 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	40	N/A
i) Chak # 60 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	59.5	N/A
j) Chak # 61 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	1378	N/A
k) Ground floor, Sitara Tower situated at Bilal Square, New Civil Lines, Faisalabad	held for earning rentals	18	5031-61

13. Long term loan

	2019 Rupees	2018 Rupees
Considered good		
Due from executive	1,000,000	-

13.1 Loan is interest free has been given to executive of the Group for personal use in accordance with their terms of employment.

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

14. Long term deposits

	2019 Rupees	2018 Rupees
Security deposits	511,200	511,200
Lease deposit	-	835,950
Less: Current portion	-	(835,950)
	-	-
	511,200	511,200

15. Stores, spares and loose tools

	2019 Rupees	2018 Rupees
Stores	16,354,063	17,156,084
Spares	274,456,064	277,372,371
Loose tools	1,627,997	1,689,313
	292,438,124	296,217,768
Less: Provision for slow moving and obsolete items	(15,875,078)	(15,958,617)
	276,563,046	280,259,151

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

16. Stocks

	2019 Rupees	2018 Rupees
Furnace oil	18,482,761	36,232,438
Diesel oil	1,198,792	2,676,010
Lube oil	2,397,840	4,163,642
Waste	77,326	67,581
Land	410,137,400	399,976,560
	432,294,119	443,116,231

16.1 Stock in trade pledged as security with bank is Nil (2018: Rs.16.084 million).

17. Investment property

	2019 Rupees	2018 Rupees
Cost	25,144,683	25,144,683
Gain on fair value measurement	38,258,317	38,258,317
	63,403,000	63,403,000

17.1 The investment property comprises of 89 Kanals and 6 Marlas of land situated at Chak # 198 R.B, Tehsil Saddar, District Faisalabad and is held for capital appreciation.

17.2 The fair value of the investment property has been determined on the basis of market value by an independent valuer as at June 30, 2019.

17.3 The forced sale value of investment property is approximately Rs. 55.41 million as at June 30,2019.

	2019 Rupees	2018 Rupees
18. Trade debts		
Unsecured		
Considered good		
Related parties		
Sitara Chemtek (Private) Limited	1,726,344	293,879
Sitara Fabrics Limited	84,163,277	122,453,393
	85,889,621	122,747,272
Others	475,142,965	632,810,684
	561,032,586	755,557,956

18.1 The maximum aggregate amount due from Sitara Chemtek (Private) Limited at the end of any month during the year was Rs. 2,080,344/- (2018: Rs. 589,743/-)

18.2 The maximum aggregate amount due from Sitara Fabrics Limited at the end of any month during the year was Rs. 139,468,141/- (2018: Rs. 171,593,988/-)

	Note	**2019 Rupees**	2018 Rupees
19. Loans and advances			
Considered good			
Loans to staff		1,102,010	2,805,013
Advances			
Suppliers	19.1	37,790,332	71,630,016
Income tax		3,188,678	3,068,793
For purchases / expenses		690,300	313,711
Letters of credit fee and expenses		-	731,228
Advances for purchase of land	19.2	158,700,000	147,700,000
		201,471,320	226,248,761

19.1 This includes Advance of Rs. 15.46 M given to associated undertaking - Sitara Chemtek private Limited.

19.2 This represent advance for purchase of land through an associated undertaking for development project under joint venture arrangement.

	Note	2019 Rupees	2018 Rupees
20. Deposits and prepayments			
Deposits			
Security deposit		150,000	150,000
Current portion of long term deposits		-	835,950
Guarantee margin		31,375,800	31,375,800
		31,375,800	32,361,750
Prepayments		1,738,671	3,706,278
		33,264,471	36,068,028
21. Other receivables			
Receivable against:			
Sale of non operating land		100,338,825	51,883,825
Rent		1,308,407	719,717
Gas consumption rebate		-	45,246,923
		101,647,232	97,850,465
22. Tax refunds due from government			
Sales tax		133,065,806	106,306,710
Income tax		52,045,299	50,769,734
		185,111,105	157,076,444
23. Cash and bank balances			
Cash in hand		22,593,061	49,098,434
Cash at banks			
In current accounts		199,499,221	7,319,844
		222,092,282	56,418,278
24. Sales - net			
Electricity		1,139,146,994	2,701,048,702
Steam		12,982,174	34,422,570
Land		48,519,000	-
		1,200,648,168	2,735,471,272
Less: Sales tax		110,220,318	308,576,531
		1,090,427,850	2,426,894,741
Less: Electricity duty		5,218,250	14,721,954
		1,085,209,600	2,412,172,787
25. Cost of generation and sales			
Cost of generation	25.1	1,035,379,142	2,359,464,413
Cost of sales - land		46,000,000	-
		1,081,379,142	2,359,464,413

	Note	2019 Rupees	2018 Rupees
25.1 Cost of generation			
Cost of gas, oil and lubricants	25.1.1	932,829,537	2,160,664,514
Salaries, wages and benefits		39,128,566	72,964,107
Staff retirement benefits		1,073,877	1,939,136
Stores, spares and loose tools		26,314,448	65,541,912
Travelling and conveyance		1,527,955	6,633,851
Vehicles running and maintenance		705,994	3,547,378
Insurance		3,984,258	6,177,871
Repairs and maintenance		5,432,228	8,542,320
Entertainment		1,562,193	3,738,696
Depreciation	11.2	21,433,867	27,712,838
Other		1,386,219	2,001,790
		1,035,379,142	2,359,464,413
25.1.1 Cost of gas, oil and lubricants			
Gas		435,083,040	528,090,153
Oil and lubricants		497,746,497	1,632,574,361
		932,829,537	2,160,664,514
26. Other income			
Income from assets other than financial assets:			
Sale of scrap and waste		1,447,090	2,134,613
Rental Income		1,671,120	4,803,515
Gain on disposal of			
Property, plant and equipment - net		-	31,606,605
Investment property		74,777,600	-
Balances written back		-	71,374,914
		77,895,810	109,919,647

	Note	2019 Rupees	2018 Rupees

27. Operating expenses

	Note	2019 Rupees	2018 Rupees
Directors' remuneration		16,580,000	23,425,000
Salaries and benefits		29,312,799	34,040,983
Staff retirement benefits		877,702	867,104
Postage and telephone		1,771,667	2,391,170
Vehicles running and maintenance		6,219,063	6,615,901
Travelling and conveyance		5,405,150	5,007,741
Printing and stationery		1,015,436	1,728,179
Entertainment		2,515,723	4,588,724
Legal and professional		6,607,323	15,788,339
Fee, subscription and periodicals		3,004,499	2,919,793
Rent, rates and taxes		536,174	288,257
Advertisement		271,628	123,178
Insurance		1,362,038	1,635,583
Auditors' remuneration	27.1	1,404,875	1,369,000
Repairs and maintenance		1,884,728	2,031,810
Donations	27.2	775,000	100,000
Depreciation on property, plant and equipment	11.2	6,952,275	8,281,098
Depreciation on investment property	12	2,910,654	3,234,060
Utilities		3,697,750	4,140,028
Other		1,559,503	1,913,687
		94,663,987	120,489,635

27.1 Auditors' remuneration

	2019 Rupees	2018 Rupees
Audit fee	1,125,000	1,125,000
Fee for the review of half yearly financial information	135,000	96,500
Other Certifications	60,875	30,000
Out of pocket expenses	84,000	117,500
	1,404,875	1,369,000

27.2 Donations were not made to any donee in which the Group or a director or his spouse had any interest.

28. Other operating expenses

	Note	2019 Rupees	2018 Rupees
Balances Written off		-	1,225,066
Loss on sale of disposal of operating asset/ CWIP		21,547,752	-
		21,547,752	1,225,066

	Note	2019 Rupees	2018 Rupees
29. Finance cost			
Interest / mark-up on :			
Liabilities against assets subject to finance lease		83,552	259,022
Long term financing		3,271,972	-
Short term bank borrowings		145,730,824	119,477,182
Bank charges and commission		3,635,618	4,451,016
		152,721,966	124,187,220
30. Provision for taxation			
Current			
For the year	30.1	1,201,973	-
For prior years'		1,793,228	180,000
Deferred		-	-
		2,995,201	180,000

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

30.2 Deferred tax asset after considering tax losses available for adjustment works out to Rs. 2,257,430/- (2018 : Rs.2,624,223/-). This is not recognized in these financial statements due to uncertain future results.

	2019 Rupees	2018 Rupees
31. Earnings per share - Basic and diluted		
(Loss) for the year attributable to shareholders of the Parent (Rupees)	(187,207,437)	(83,273,900)
Weighted average number of ordinary shares	19,092,000	19,092,000
(Loss) per share - Basic and diluted (Rupees)	(9.81)	(4.36)

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

32. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2019			2018		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
	---Rupees---					
Remuneration	13,254,545	-	7,559,345	13,254,545	4,254,545	5,139,045
Medical allowance	1,325,455	-	755,935	1,325,455	425,455	513,904
Perquisites	2,000,000	-	-	3,350,000	815,000	160,214
Contribution to provident fund	-	-	122,652	-	-	248,050
	16,580,000	-	8,437,932	17,930,000	5,495,000	6,061,213
Number of persons	1	-	3	1	1	3

32.1 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. 1,038,642/- (2018: Rs. 3,197,412/-). The Directors have waived off their meeting fee.

33. TRANSACTIONS WITH RELATED PARTIES

The Group in the normal course of business carries out transactions with various related parties which comprise of associated undertakings, directors of the Group, key management personnel and post employment benefit plan. Amounts due from and 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 32. Other significant transactions with related parties are as follows:

Name of the related party	Relationship and Percentage	Transactions during the year	2019 Rupees	2018 Rupees
Sitara Chemtek (Private) Limited	Associated company by virtue of common directorship	Sale of electricity	459,170	459,170
Sitara Fabrics Limited	Associated company by virtue of common directorship	Sale of electricity and steam	170,116,336	170,116,336
Sitara Energy Limited Staff Provident Fund Trust	Other related party	Contribution for the year	2,806,240	2,806,240
S.A pharmaceutical (Private) limited	Associated company by virtue of common directorship	Purchase of land	71,762,000	-

34. PLANT CAPACITY AND ACTUAL PRODUCTION

	2019	2018
Number of generators installed	25	25
Number of generators worked	15	18
Installed energy generation capacity (Mega watt hours)	769,303	769,303
Actual energy generation (Mega watt hours)	69,721	212,259
Actual average load (Mega watt)	7.96	24.23

Reasons for low generation:

- Installed generators include four standby generators and closure of six generators due to major overhauling.
- Adjustment in planned optimum capacity utilisation level.
- Extra capacity for future growth.

35. DISCLOSURE WITH REGARDS TO PROVIDENT FUND

		2019	2018
Size of the fund	(Rupees)	28,175,867	34,908,494
Cost of investments made	(Rupees)	14,120,000	14,120,000
Percentage of investments made	(% age)	50.11%	40.45%
Fair value of investments	(Rupees)	22,002,437	28,491,031

35.1 The figures for 2019 are based on the un-audited financial statements of the provident fund. Investment has been made in Defense Saving Certificates and mutual fund in accordance with the provisions of section 218 of the Companies Act 2017 and conditions specified thereunder.

36. NUMBER OF EMPLOYEES

	2019	2018
Total number of employees as at June 30,	106	205
Average number of employees during the year	139	264

37. 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.

	2019 Rupees	2018 Rupees

37.1 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets at amortised cost:

	2019 Rupees	2018 Rupees
Deposits	31,525,800	32,361,750
Trade debts	561,032,586	755,557,956
Loans and advances	1,102,010	2,805,013
Other receivables	101,647,232	97,850,465
Cash and bank balances	222,092,282	56,418,278
	917,399,910	944,993,462

Financial liabilities at amortised cost:

	2019 Rupees	2018 Rupees
Liabilities against assets subject to finance lease	-	2,460,908
Trade and other payables	628,203,737	708,922,264
Interest / markup payable	75,875,863	29,640,690
Short term bank borrowings	982,313,899	1,058,327,348
	1,686,393,499	1,799,351,210

37.2 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:

37.2.1 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 M/S Sitara Chemical Industries Limited, M/S Sitara Peroxide Limited and M/S Sitara Spinning Mills Limited. The trade debts receivable from these customers constitute 75% (2018: 69%) of total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2019 Rupees	2018 Rupees
Deposits	31,525,800	32,361,750
Trade debts	561,032,586	755,557,956
Other receivables	101,647,232	97,850,465
Bank balances	199,499,221	7,319,844
	893,704,839	893,090,015

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

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

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

	2019 Rupees	2018 Rupees
Sitara Chemical Industries Limited	107,456,358	180,180,147
Sitara Peroxide Limited	171,786,486	198,117,010
Sitara Spinning Mills Limited	144,184,634	143,532,643
Other industrial users	137,605,108	233,728,156
	561,032,586	755,557,956

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

	2019 Rupees	2018 Rupees
Not past due	122,596,310	501,216,074
Past due		
4 to 6 months	81,024,393	86,528,528
7 to 12 months	245,308,476	69,097,568
More than 1 year	112,103,407	98,715,786
	438,436,276	254,341,882
	561,032,586	755,557,956
Not past due		
Related parties	20,105,502	157,092,569
Others	102,490,808	344,123,505
	122,596,310	501,216,074
Past due		
Related parties	65,784,119	109,187,346
Others	372,652,157	145,154,536
	438,436,276	254,341,882
	561,032,586	755,557,956

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.

37.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's approach to manage liquidity is to maintain sufficient level of liquidity of the Group on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of statement of financial position liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2019 and 2018:

	2019				
	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	41,667	50,801	15,531	11,364	23,906
Liabilities against assets subject to finance lease	-	-	-	-	-
Trade and other payables	633,400	633,400	633,400	-	-
Short term bank borrowings	982,314	1,144,838	237,884	906,954	-
	1,657,381	1,829,039	886,815	918,318	23,906

	2018				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	--------------------------Rupees in thousand----------------------------				
Financial liabilities:					
Liabilities against assets subject to finance lease	2,461	2,525	1,324	1,201	-
Trade and other payables	715,642	715,642	715,642	-	-
Short term bank borrowings	1,058,327	1,173,096	187,307	985,789	-
	1,776,430	1,891,263	904,273	986,990	-

The contractual cash flows relating to mark up on 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. 968.236 million (2018: Rs. 969.053 million) and unavailed short term borrowing facilities of Rs.591.686 million (2018: Rs.565.673 million) as at the year end.

37.2.3 Market risk management

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

i) Interest rate risk

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

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

Sensitivity analysis

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

Had the interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, loss for the year and equity would have been lower / higher by Rs.10.42 million (2018: Rs. 10.51 million).

ii) Currency risk

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

iii) Equity price risk

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

37.3 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.

37.4 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 ('liabilities against assets subject to finance lease' and 'short term bank borrowings' as shown in the statement of financial position). Total capital comprises shareholders' equity as shown in the statement of financial position under 'share capital and reserves' and net debt (Debt less cash and cash equivalents).

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

	Note	**2019 Rupees**	2018 Rupees
Total Debt	6 & 9	982,313,899	1,060,788,256
Less: Cash and cash equivalents	23	222,092,282	56,418,278
Net Debt		760,221,617	1,004,369,978
Total equity		1,681,905,237	1,872,108,036
Total capital		2,442,126,854	2,876,478,014
Gearing ratio		31.13%	34.92%

38. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Group and authorised for issue on October 02, 2019.

39. GENERAL

39.1 RE-ARRANGEMENTS

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

Sitara Spinning Mills Limited is not the related party of the company this year. So balance of Sitara Spinning Mills limited of Rs, 143,532,643/- previously show separately is under the head "trade debts" is now grouped in others under the same head.

Gain on disposal of operating assets and non operating land of Rs. 18,148,505/- and 13,458,100/- respectively was separately disclosed under the head other income. This is now disclosed as "Gain on disposal of Property, plant and equipment - net" under the same head.

Advance for purchase of land of Rs. 24,971,988/- was previously disclosed under the head Non-operating land is now disclosed under the head "Property, plant and equipment" as separate line item.

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

CHIEF EXECUTIVE OFFICER | DIRECTOR | CHIEF FINANCIAL OFFICER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@jamapunji_pk

FORM OF PROXY
ANNUAL GENERAL MEETING

I/We ______________________________ S/o/D/o/W/o ______________________________
of ____ being a member
of **SITARA ENERGY LIMITED** and holder of ____________________ Ordinary Shares as per Share Register
Folio No. __________ and/or CDC Participant ID No. ____________________ and Account / Sub-account
No. __________ do hereby appoint Mr./Mrs./Miss ______________________________
______________ Folio No./CDC No. ______________ of ______________ failing him/her,
Mr./Mrs./Miss ______________________________ Folio No./CDC No. ______________ of
______________ as my/our proxy to attend, act and vote for me/us on my/our behalf at Annual General Meeting of the Company to be held on Saturday, October 26, 2019 at 3:30 pm at the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.

____
Signature of Shareholder
Folio / CDC A/C No.

____
Signature of Proxy

Five Rupees Revenue Stamp

Dated this __________ day of __________ 2019

Witness:

1. Signature ______________________
   Name ______________________
   Address ______________________
   ____
   CNIC or ______________________
   Passport No. ______________________

Witness:

2. Signature ______________________
   Name ______________________
   Address ______________________
   ____
   CNIC or ______________________
   Passport No. ______________________

Notes:

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

2. If a member is unable to attend the meeting. He/She may complete and sign this form and send it to the Company's Share Registrar M/s. THK Associates (Pvt) Limited 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi so as to reach not less than 48 hours before the time appointed for holding the Meeting.

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

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

Sitara Energy Limited

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THK Associates (Pvt) Limited
1st Floor, 40-C, Block-6, P.E.C.H.S.,
Karachi

ستارہ انرجی لمیٹڈ

پراکسی فارم

اجلاسِ عام

میں / ہم ____________________

ستارہ انرجی لمیٹڈ کے ممبر / ممبران رجسٹرڈ فولیو نمبر / شرکاء کی آئی ڈی / سی ڈی سی سب اکاؤنٹ نمبر کے مطابق عمومی شیئرز ____________

____________ رکھتے ہیں بذریعہ ہذا ____________ کو تقرر کرتے ہیں۔ رجسٹرڈ فولیو نمبر / شرکاء کی

آئی ڈی / سی ڈی سی سب اکاؤنٹ نمبر ____________ یا اُس کے شرکت نہ کرنے کی صورت میں ____________

____________ رجسٹرڈ فولیو نمبر / شرکاء کی آئی ڈی / سی ڈی سی سب اکاؤنٹ نمبر کو بطور پراکسی 26 اکتوبر 2019 بوقت 03:30 بجے دوپہر

بمقام انسٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان چارٹرڈ اکاؤنٹنٹس ایونیو کلفٹن، کراچی کمپنی کے منعقد ہونے والے اجلاس عام اور اُس کے کسی التواء تک میری / ہماری جانب سے ووٹ دینا اور اجلاس میں شرکت کے کا حق دیتا ہوں۔

ریونیو اسٹامپ -/5 روپے	____________ دستخط پراکسی	____________ دستخط شیئر ہولڈر

بتاریخ ____________ ۲۰۱۹ء

گواہان	گواہان
دستخط ____________	دستخط ____________
نام ____________	نام ____________
ایڈریس ____________	ایڈریس ____________
____________	____________
شناختی کارڈ ____________	شناختی کارڈ ____________
پاسپورٹ ____________	پاسپورٹ ____________

نوٹس:

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

(2) اگر کوئی رکن اجلاس میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مکمل اور تصدیق شدہ کمپنی کے شیئر رجسٹرار میسرز THK ایسوسیٹس، پہلی منزل، C-40 بلاک 6، پی۔ای۔سی۔ایچ۔ایس کراچی کو اجلاس کے منعقد ہونے سے 48 گھنٹے قبل بھجوائیں۔

(3) CDC اکاؤنٹ ہولڈرز / کارپوریٹ انٹیٹیز مندرجہ بالا کے علاوہ مذکورہ شقوں پر عمل کریں۔

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

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

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

Sitara Energy Limited

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1st Floor, 40-C, Block-6, P.E.C.H.S.,
Karachi

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