



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Sitara Energy Limited

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(Sitara Energy Ltd and Its Subsidiary Company)

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Board of Directors

Ms. Noreen Javed (Chairperson)
Mr. Javed Iqbal (Chief Executive Officer)
Mr. Abdullah Javed
Mr. Shahid Hameed Sheikh
Mst. Naseem Akhter
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., Sheikhpura Road, Faisalabad

Audit Committee

Mr. Shahid Hameed 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 31st Annual General Meeting of the shareholders of Sitara Energy Limited (the "Company") will be held on Wednesday, 27th day of October 2021 at 4:00 p.m. via videolink, to transact the following business:

ORDINARY BUSINESS:

- i To confirm the minutes of the Annual General Meeting held on October 26, 2020.
- ii To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2021 together with the Reports of Directors and Auditors thereon.
- iii To appoint Auditors and to fix their remuneration for the year ending June 30, 2022. The present auditors, M/s. RSM Avais Hyder Liaquat Nauman, Chartered Accountants, have retired and being eligible, have offered themselves for re-appointment. The Board of Directors recommends, based on the recommendation of Board Audit Committee, appointment of M/s. RSM Avais Hyder Liaquat Nauman as auditors for the ensuing year.
- iv To transact any other ordinary business with the permission of the Chair.

By order of the Board

MAZHAR ALI KHAN
Company Secretary

Karachi:
October 01, 2021

NOTES:

CORONA VIRUS CONTINGENCY PLANNING FOR ANNUAL GENERAL MEETING OF SHAREHOLDERS

Due to current COVID-19 situation, as per the advice of the Government and directives of the Securities and Exchange Commission of Pakistan ("SECP") in terms of its Circular No.4 of 2021 dated February 15, 2021 and subsequent Circular No.6 of 2021 dated March 3, 2021, the company intends to convene this AGM virtually via video conference facility while ensuring compliance with the quorum requirements and request to the Members to consolidate their attendance and voting at the AGM through proxies.

Accordingly, the company has made arrangements to ensure that all participants, including shareholders, can now participate in the AGM proceedings via video link. Those members who are willing to attend and participate in the AGM are requested to register themselves by sending an email along with following particulars and valid copy of both sides of Computerized National Identity Card (CNIC) at reg.agm2021@sitara.pk with subject of 'Registration for AGM' not less than 48 hours before the time of the meeting:

Name of Shareholder	CNIC Number	CDC Account No./Folio No.	Cell Number	Email Address



Members who will be registered, after necessary verification as per the above requirement, will be provided a password protected video link by the Company via email. The said link will remain open from 3:30 p.m. on the date of AGM till the end of the meeting.

Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address **comments.agm2021@sitara.pk**.

Members are therefore, encouraged to attend the AGM through video link or by consolidating their attendance through proxies.

CLOSURE OF SHARE TRANSFER BOOKS.

The Share Transfer Books of the Company will remain closed from October 21, 2021 to October 27, 2021 (both days inclusive). Transfers received in order at the office of Share Registrar M/s. THK Associates (Pvt.) Limited, Plot no. 32-C, Jami Commercial Street 2, D.H.A Phase VII, Karachi before the close of business on October 20, 2021 will be treated in time for the purpose to attend and vote 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, Plot no. 32-C, Jami Commercial Street 2, D.H.A Phase VII, 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 provide 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.



- 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

CONVERSION OF PHYSICAL SHARES INTO BOOK ENTRY FORM

The Securities and Exchange Commission of Pakistan (SECP) through its letter No.CSD/ED/Misc/2016-639-640 dated March 26, 2021 has advised the Listed Companies to adhere with the provision of the Section 72 of the companies Act, 2017 (the Act) by replacing shares issued by them in Physical Form with the shares to be issued in the Book-Entry Form. Sitara Energy Limited (the "Company"), being a listed company is also required to comply with aforesaid provision of Act.

The shareholders of Sitara Energy Limited having physical folios/share certificates are requested to convert their shares from Physical Form into Book Entry Form as soon as possible. The shareholders may contact their Broker, a PSX Member, CDC Participant or CDC Investor Account Service provider for assistance in opening CDS Account and subsequent induction of the physical shares into Book Entry Form.

It would facilitate the shareholders in many ways including safe custody of shares, no loss of shares, avoidance of formalities required for the issuance of duplicate shares and readily available for sale and purchase in open market at better rates. The shareholders of Company may contact the Share Registrar and Transfer Agent of the Company, namely M/s. THK Associates (Pvt.) Limited, Plot No. 32-C, Jami Commercial Street 2, D.H.A Phase VII, Karachi for the conversion of Physical Shares into Book-Entry Form.

ELECTRONIC CIRCULATION OF ANNUAL REPORTS VIA EMAIL OR CD/DVD:

Pursuant to the provision of Companies Act, 2017, annual reports are being sent to the shareholders electronically (Email or CD/DVD).

However, shareholders who wish to receive hardcopy of Financial Statements shall have to fill the attached standard request form (also available on the company's website www.sitara.pk) and send at the Company's address.

PLACEMENT OF FINANCIAL STATEMENTS:

The audited financial statements of the Company for the year ended June 30, 2021 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 Director

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 may be 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 the 31st Annual General Meeting of your company and present on behalf of the Board of Directors, the Audited Statement of Accounts for the year ended 30th June 2021 along with my review on the performance of your company.

The company declared net loss of Rs 149.484 million during year 2020-21 as compared with net loss of Rs. 143.814 million during year 2019-20. Accordingly, loss per share is Rs. 7.83 in financial year 2020-21 in comparison with loss per share of Rs 7.53 in year 2019-20 mainly due to increase in cost of generation.

Further, the government is still continuing subsidized tariff of gas and electricity to erstwhile zero rated sectors. Our customers base, being dominated by export oriented textile sector, would hardly demand supply from our company in the presence of concessional tariff.

Increasing trend of RFO and RLNG prices in the international market, coupled with depreciation of Pak Rupee, is another adverse factor against our company leading to higher cost of production. However, the management of the company rationalized all sorts of expenses to keep the loss at sustainable level.

The profitable operation of the company are dependent viable fuel costs, increase in tariff and conducive regulatory framework for power producers.

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 remained satisfactory under the given circumstances and is endeavoring hard for the achievement of company's objectives, including Vision and Mission Statements. The board meets frequently to discharge its responsibilities in a timely manner.

On my behalf and on behalf of the Board of Directors of the company, I take this opportunity to acknowledge the dedicated and sincere services of employees of the company. I am also grateful to our financial institutions, shareholders, vendors and valued customers who are reposing confidence even in such difficult circumstances.

Faisalabad
October 01, 2021

Ms. Noreen 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, 2021.

Financial Results

The net sales revenue for the year decreased to Rs. 512.635 million in year 2021 as compared with Rs 958.056 million in 2020 due to lower load demand by Bulk Power Consumers (BPCs). The first factor for such decline in sales revenue is the unviable tariff on account of overall higher level of RFO and RLNG prices during the current year. The another factor is the textile package announced by the Government of Pakistan for export oriented textile sector to supply subsidized gas @ \$ 6.5/MMBTU for industries by SNGPL and to supply subsidized electricity @ 7.5 Cents/Kwh by the competitor DISCO. Moreover, the government introduced discount in tariff on incremental consumption basis for industrial consumers with effect from November 2020.

Gross profit for the year decreased to Rs 23.153 million in 2021 as compared with Rs 83.486 million in 2020 due to decrease in sales volume and resultant increase in cost of generation. However, the management rationalized operating expenses to minimize the loss for the year. SBP policy rate remained stable at 7% in year 2021 as compared with the range of 13.25% to 7% during 2020 which helped in reduction of finance cost.

The net loss slightly increased to Rs 149.484 million in 2021 as compared with Rs. 143.814 million in 2020. Under the prevailing circumstances, the management is trying its utmost to keep the loss at its minimum possible level.

Financial results for the year ended June 30, 2021 are summarized below:

Description	2021		2020	
	SEL	Consolidated	SEL	Consolidated
	Rupees in Thousands			
Sales	512,635	763,555	958,056	958,056
Gross profit	23,153	32,089	83,486	83,487
(Loss) before taxation	(147,495)	(135,452)	(142,357)	(138,947)
Provision for taxation	1,988	4,036	1,457	1,457
Net (Loss) after taxation	(149,484)	(139,487)	(143,814)	(140,403)
Unappropriated profit brought forward	233,318	237,391	377,132	377,794
Profit available for appropriation	83,834	97,904	233,318	237,391
(Loss) per share - Basic	Rs. (7.83)	(7.09)	(7.53)	(6.85)

Corporate and Financial Reporting Framework

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

- 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, statement of cash flows and statement of changes in equity.
- Proper books of accounts have been maintained.
- 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 read with observation given in Note No. 1.3
- 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, 2021 was Rs. 5.803 million.
- j) During the year, four meetings of the Board of Directors were held. Attendance by each director was as follows-

Name	Designation	Meetings attended
Mrs. Noreen Javed	Chairperson	4
Mr. Javed Iqbal	Chief Executive Officer	4
Mr. Abdullah Javed	Director	4
Mr. Shahid Hameed Sheikh	Director	4
Mr. Mubashir Ahmed Zareen	Director	4
Ms. Haniah Javed	Director	4
Mst. Naseem Akhtar	Director	4
Mr. Ijaz A Babar	Chief Financial Officer	4
Mr. Mazhar Ali Khan	Company Secretary	4

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

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

- 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, 2021 is annexed.
- n) Following persons have shareholding of 5% and above in the company.

Name of Person	Shareholding
Mr. Javed Iqbal, CEO	6,677,303
Mrs. Nazia Aamir	1,895,500
State Life Insurance Corporation of Pakistan	1,628,500
National Bank of Pakistan	1,550,144
Mrs. Naureen Javed, Chairperson	1,073,237

No trade in the shares of the company was carried out by its directors, CEO, CFO Company Secretary and their spouses and minor children during the year 2020-2021.

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



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

Directors' / Chief Executive Officer Remuneration

There is no change in the remuneration of Chief Executive Officer since last four years. The complete information on remuneration and perquisites is given in Note No. 31 to the Financial Statements.

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 with 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 2021, the company has donated Rs. 300,000/- (2020: Rs 3,110,000/-) to the welfare institution operating in the fields of education.

Future Prospects and Outlook

The profitability of the company during the financial year 2021-22 will largely depends upon affordable prices of RFO/RLNG, increase in the electricity tariff and load demand by our customers.

NEPRA rendered its decision on December 19, 2019 in respect of Review Petition filed by SEL in May 2017 against Power Acquisition Determination of April 14, 2017 by NEPRA (Review Petition Determination). Being aggrieved with Review Petition Determination, SEL filed a Writ Petition in Islamabad High Court, Islamabad and a stay has been granted by Islamabad High Court Islamabad in March 2020 and is still continuing. The company has a good prima facie case and hope for a favorable eventual outcome.

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 its dedicated team of professionals who served the company with great passion and zeal. The board also appreciate the cooperative role of the lenders in this difficult time.

by order of the Board

JAVED IQBAL
Chief Executive Officer

October 01, 2021
Faisalabad



چیف ایگزیکٹو آفیسر کا معاوضہ

چیف ایگزیکٹو آفیسر کے معاوضے میں پچھلے تین سال سے کوئی تبدیلی نہیں لائی گئی۔ معاوضے اور پیکوزٹس کی مکمل اطلاع فنانشنل سٹیٹمنٹ کے نوٹ نمبر 32 میں دے دی گئی ہیں۔

ویب ریفرنس

ایس ای سی پی کے جاری کردہ SRO 634(1)/2014 بتاریخ جولائی 10، 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۔

ریٹیلڈ پارٹیز:

ریٹیلڈ پارٹیز کے درمیان لین دین آرم لیگتھ پر کی گئی ہے جو کہ کمپیئر اسٹیل ان کنٹرولڈ پرائسز میٹھڈ (Comparable uncontroled price method) کے تحت ہیں کمپنی نے ٹرانسفر پرائسنگ کے بیسٹ پریکٹس پر مکمل عمل درآمد کیا گیا ہے جو کہ پاکستان اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز میں درج ہیں۔

ہیومن ریسورسز کے انتظامات

بہترین پرفیمنس جو کہ ہمارا نصب العین ہے اور اس کی وجہ سے ہم ترقی کی راہ پر گامزن ہیں۔ اور تہی 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 تاکہ معاشرہ کو بہتر بنانے اور قوم کی فلاح و بہبود میں اپنا حصہ ڈالے۔ مالی سال 2020ء کمپنی میں 3,110,000 روپے (2019ء 77,500 روپے) فلاحی اداروں کو بطور عطیہ دیئے اور کوویڈ-19 COVID-19 کے دوران راشن بیگ تقسیم کیے۔

مستقبل کے امکانات

مالی سال 2021-22ء میں کمپنی کا منافع بہت حد تک فرنل اسٹاک / مانع قدرتی گیس (RLNG) کی مناسب قیمتوں کے ساتھ ساتھ بجلی کے ٹیرف میں اضافہ اور بلک پاور (BPCs) کنزرویٹو کی طرف سے بجلی کی طلب میں اضافہ پر منحصر ہے۔

نمبر 14 کے 14 اپریل 2017ء کے فیصلے کے خلاف کمپنی نے مئی 2017ء کو نیپرا (NEPRA) میں ایک عملدراری کی درخواست دائر کی جس پر نمبر 19 دسمبر 2019ء کو اپنے فیصلے کو برقرار رکھا۔ Review Petition Determination کا متاثر ہونے پر کمپنی نے اسلام آباد ہائی کورٹ میں عملدراری کی درخواست جمع کروائی جس کے نتیجے میں اسلام آباد ہائی کورٹ نے مارچ 2020ء میں سٹے گرانٹ کیا۔ کمپنی ایک اچھا بادی النظر نظر یہ رکھتی ہے۔ اور امید رکھتی ہے کہ کمپنی کے حق میں فیصلہ آئے گا۔

آڈیٹرز

کمپنی کے موجودہ آڈیٹرز آریس ایم اولیس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹینٹس جو کہ ریٹائر ہو رہے ہیں، اہل ہونے پر اپنے آپ کو دوبارہ تقرری کے لیے پیش کیا ہے۔ جس کے آڈٹ کمپنی نے دوبارہ تقرری کے لیے شفا کر کے لیے۔

قدروان

بورڈ آف ڈائریکٹرز اپنے تمام سٹیک ہولڈرز کے قدردان ہیں کہ انھوں نے کمپنی پر مکمل بھروسہ کرتے ہوئے اس کی حمایت کی۔ بورڈ اس بات کو بھی تسلیم کرتا ہے کہ جس طرح پیشہ وارانہ ماہرین نے اپنی مکمل تہی اور جوش و جذبہ کے ساتھ کمپنی کی ترقی میں اپنا کردار ادا کیا وہ قابل تحسین ہے۔ ان مشکل حالات میں بورڈ اپنے تمام Lender کا انتہائی مشکور ہے۔

بجٹ بورڈ
جاوید اقبال
چیف ایگزیکٹو آفیسر

یکم اکتوبر 2021ء
فیصل آباد



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	4
جناب شاہد حمید شیخ	4
چیف فنانشل آفیسر اور کمپنی سیکرٹری کا نام	
جناب اعجاز احمد بابر (چیف فنانشل آفیسر)	4
جناب مظہر علی خان (کمپنی سیکرٹری)	4

k۔ اس سال آڈٹ کمپنی کا کل چار میٹنگ منعقد ہوئیں ہر فری حاضری کی تفصیل مندرجہ ذیل ہے:

ممبر کا نام	میٹنگ حاضری / اسٹیشن
جناب شاہد حمید شیخ	4
جناب عبداللہ جاوید	4
جناب مبشر احمد زرین	4

l۔ اس سال انسانی مسائل اور معاوضہ کمپنی کی کل چار میٹنگ منعقد ہوئی جس کی تفصیل مندرجہ ذیل ہیں:

ممبر کا نام	میٹنگ حاضری / اسٹیشن
جناب مبشر احمد زرین	4
جناب جاوید اقبال	4
جناب عبداللہ جاوید	4

m۔ 30 جون 2020ء کا شیئر ہولڈنگ پیٹرن منسلک ہے۔

n۔ مندرجہ ذیل افراد کی کمپنی میں شیئر ہولڈنگ %5 اور اس سے زیادہ ہے:

افراد کا نام	شیئر ہولڈنگ
جناب جاوید اقبال	سی۔ ای۔ او 6,677,0303
محترمہ نازیہ عامر	1,895,500
سٹیٹ لائف انشورنس کارپوریشن آف پاکستان	1,628,500
نیشنل بینک آف پاکستان	1,550.144
محترمہ نورین جاوید	چیئر پرسن 1,073,273

سال 2019-20ء کے دوران کمپنی کے شیئرز میں ڈائریکٹرز سی۔ ای۔ او، سی ایف او، کمپنی سیکرٹری اور ان کی بیگمات اور چھوٹے بچوں کی طرف سے کاروبار نہیں ہوا۔

o۔ کوڈ آف کارپوریٹ گورننس کی تعمیل کا اسٹیٹس منسلک ہے۔

p۔ تمام ریلینڈ پارٹیز اور ایسوسی ایشن اینڈ کمپنیز کے ساتھ اولین دین آرم لینگتھ پرائس (Arms Length Price) کے مطابق طے کیا جاتا ہے۔



ستارہ انرجی لمیٹڈ کا بورڈ آف ڈائریکٹر کمپنی کی سالانہ رپورٹ بمعہ آڈٹ شدہ مالیاتی گوشوارے اور آڈیٹر کی رپورٹ مالی سال 30 جون 2021ء کو پیش کرتے ہوئے خوش محسوس کرتا ہے۔ مالی نتائج:

سال 2021ء میں فروخت آمدنی کم ہو کر 512.635 ملین روپے ہو گئی ہے۔ جبکہ یہ فروخت آمدنی 2020ء میں 958.056 ملین روپے تھی۔ جس کی وجہ بیک پاور (BPCs) کنزرویوٹر کی طرف سے ڈیمانڈ کا کم ہونا ہے۔ موجودہ مالی سال میں فروخت آمدنی میں کمی کی وجہ فرانس آئل اور RLNG کی قیمتوں میں بہت زیادہ اضافے کی وجہ سے غیر مناسب ٹیرف ہے۔ دوسری وجہ گورنمنٹ آف پاکستان کی طرف سے اعلان کردہ ٹیکسٹائل/ایکسپورٹ انڈسٹری کے لیے رعایتی نرخ پر (\$6.5/MMBTU @) گیس کی فراہمی DISCO کی طرف سے بجلی 7.5 Cent/Kwh کا رعایتی ٹیکس پر ہے۔ اس کے علاوہ گورنمنٹ کی طرف سے نومبر 2020ء سے انڈسٹری کو اضافی Consumption پر رعایتی ٹیرف (Tariff) کا متعارف کرانا ہے۔ سال 2021ء میں مجموعی منافع کم ہو کر 23.153 ملین روپے ہو گیا ہے، جبکہ گزشتہ سال 2020ء میں 83.486 ملین روپے تھا۔ اس کی کمی کی بڑی وجہ فروخت آمدنی میں کمی اور پتہ پیدواری لاگت میں اضافہ ہے تاہم کمپنی کی انتظامیہ نے نقصان کو کم کرنے کے لیے آپریشنل لاگت میں کمی کی ہے۔ سال 2021ء میں سٹیٹ بینک آف پاکستان کی طرف سے پالیسی ریٹ 7% کا مستحکم ہونا ہے۔ جبکہ پچھلے سال 2020ء میں 13.25% سے 7% تھا۔ اس کی وجہ سے فنانس لاگت میں کمی ہوئی ہے۔

سال 2021ء میں صافی نقصان معمولی سے اضافے کے ساتھ 149.484 ملین روپے جبکہ سال 2020ء میں 143.814 ملین روپے تھا۔ موجودہ حالت میں انتظامیہ نقصان کو کم کرنے کے لیے اپنی پوری کوشش کر رہی ہے۔

مالی سال 2020ء		مالی سال 2021ء		تفصیل
کنسولیدٹڈ لمیٹڈ	ستارہ انرجی	کنسولیدٹڈ لمیٹڈ	ستارہ انرجی	
پاکستانی روپے ہزاروں میں				
958,056	958,056	763,555	512,635	فروخت آمدنی
83,487	83,486	32,089	23,153	مجموعی منافع
(138,947)	(142,357)	(135,452)	(147,495)	ٹیکسیشن سے قبل (نقصان)
1,457	1,457	4,036	1,988	ٹیکسیشن
(140,403)	(143,814)	(139,487)	(149,484)	ٹیکسیشن کے بعد نقصان
377,794	377,132	237,391	233,318	غیر مختص منافع آگے آیا
237,391	233,318	97,904	83,834	تقسیم کے لیے دستیاب منافع اپروپری ایشن
(6.85)	(7.53)	(7.09)	(7.83)	فی شیئر (نقصان) (Basic and diluted)

کارپوریٹ اور مالیاتی رپورٹنگ کا ڈھانچہ

کوڈ آف کارپوریٹ گورننس کی تعمیل کرتے ہوئے کارپوریٹ اور مالیاتی رپورٹنگ ڈھانچہ کی تفصیل مندرجہ ذیل ہے:

- مالیاتی گوشوارے کیپٹیز ایکٹ 2017ء کی ضروریات کے مطابق تیار کیے گئے ہیں جو کہ منصفانہ مالی حالت، آپریٹنگ نتائج، کیش فلو اور ایکویٹی میں تبدیل کو پیش کرتے ہیں۔
- کمپنی کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- 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۔
- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اس کے مؤثر طریقے سے علمدآمد اور نگرانی کی جاتی ہے۔
- نوٹ نمبر 1.3 کے جائزے کے ساتھ کمپنی کو گونگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہے۔
- ضابطہ کارپوریٹ گورننس، بمطابق لسٹنگ ریگولیشن میں سے کسی خاطر خواہ شق سے انحراف نہیں ہو رہا ہے۔
- اسٹاف پروویڈنٹ فنڈ کی سرمایہ کاری کی لاگت مالی سال 30 جون 2020ء میں 7.104 ملین روپے رہی ہے۔



AS AT JUNE 30, 2021

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
502	1	100	6,854
373	101	500	175,361
105	501	1,000	101,279
128	1,001	5,000	376,468
28	5,001	10,000	218,147
7	10,001	15,000	89,000
3	15,001	20,000	58,000
5	20,001	25,000	115,162
3	25,001	30,000	85,400
1	30,001	35,000	34,000
2	35,001	40,000	76,000
1	50,001	55,000	51,500
2	60,001	65,000	129,500
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	230,001	235,000	234,117
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	670,661
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
1,181			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. Shahid Hameed 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	497,268	2.60
Foreign Companies	1	1,000	0.01
Joint Stock Companies	8	1,141,162	5.98
General Public (Local)	1,131	5,701,117	29.86
General Public (Foreign)	24	131,532	0.69
Others	2	24,237	0.12
	1,181	19,092,000	100.00

No trade in the shares of the company was carried out by its Directors, CEO, CFO, Company Secretary and their spouses and minor children during 2020-2021.

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	Rupees in thousand										
PARTICULARS											
FINANCIAL POSITION											
Paid up capital	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920	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	970,000	970,000	920,000	920,000	820,000	720,000	620,000	590,000
Fixed assets at cost	2,177,437	2,252,688	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
Accumulated depreciation	1,496,964	1,497,806	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
Current assets	2,184,938	2,113,831	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
Current liabilities	1,949,297	1,814,410	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
INCOME											
Sales	512,635	958,056	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
Other income	6,091	18,385	77,896	109,920	11,934	15,875	120,831	73,659	1,805	96,523	9,841
Pre tax profit /(loss)	(147,495)	(142,357)	(189,473)	(81,858)	(96,561)	162,421	104,975	203,674	249,313	251,916	91,527
Taxation	1,988	1,457	2,338	-	-	-	-	(853)	-	448	487
STATISTICS AND RATIOS											
Pre tax profit / (loss) to sales %	(28.77)	(14.86)	(18.28)	(3.39)	(4.56)	5.28	2.87	4.04	4.81	5.18	2.44
Pre tax profit / (loss) to capital %	(44.15)	(42.61)	(56.71)	(24.50)	(28.90)	48.61	31.42	60.96	74.62	75.40	27.39
Current ratio	1.12	1.17	1.18	1.14	1.15	1.26	1.28	1.10	1.16	0.66	0.52
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.)	(7.83)	(7.53)	(10.05)	(4.29)	(5.06)	8.51	5.50	10.71	13.06	13.17	4.77
Cash dividend %	-	-	-	-	-	20.00	12.50	20.00	10.00	10.00	10.00
Break up value per share (Rs.)	72.70	80.83	88.06	98.11	102.39	109.45	102.19	98.70	88.98	76.93	64.75



Statement of Compliance With Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company: **SITARA ENERGY LIMITED**
 Year Ended: **June 30, 2021**

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 is as follows:

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

* As per section 6 (1) of COCG regulations 2019, the requirement for minimum 2.33 independent director would be applicable from the completion of existing term. The existing Board will complete its 3 year term in April 2022. Therefore, the company is compliant as regards to the requirement of independent directors with 2 independent directors.

- 3 The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
- 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. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the company;
- 6 All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the 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 Chairperson and, in her 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 has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
- 9 Four(04) directors have already completed directors' training program in prior years. The remaining Three(03) directors shall obtain certification under the DTP in due course of time;



10. The board has approved appointment of Chief Financial Officer, 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. Chief Financial Officer and Chief Executive Officer 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. Shahid Hameed 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 (quarterly/half yearly/yearly) of the committee were as per following:
 - a. Audit Committee: Four quarterly meetings during the financial year ended June 30, 2021
 - b. HR and Remuneration Committee: Four quarterly meetings during the financial year ended June 30, 2021
15. The board has set up an effective internal audit function which is 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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
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 requirements of the regulations 3, 6, 7, 8, 27, 32 and 36 of the Regulations have been complied with.

Mrs. Naureen Javed
Chairperson

Faisalabad
October 01, 2021



INDEPENDENT AUDITORS 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 2021, and the statement of profit or loss, the statement of 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 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, 2021 and 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
Contingencies	
<p>Refer to note 9 to the financial statements.</p> <p>The Company has litigation cases in respect of Gas Infrastructure Development Cess, power purchase agreement with Faisalabad Electric Supply Company and income tax matters, which are pending at various forums including Honorable Lahore High Court Lahore and High Court of Sindh and Appellate Tribunal Inland Revenue (ATIR).</p> <p>Matters under litigation require management to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, the probability of outcome and financial impact, if any, on the Company for disclosure and recognition and measurement of any provisions that may be required against such litigation matters. Further, management also has a practice of consulting its legal and tax experts on the matters before deciding on the significant litigation matters.</p>	<p>In this respect, we performed following audit procedures:</p> <ul style="list-style-type: none"> Obtained and reviewed details of the pending litigations and discussed the same with the Company's management; Reviewed judgments of the courts and assessment orders passed by the tax authorities in relation to the issues involved; Obtained confirmations from the Company's external legal and tax counsels for their views on legal cases;



Key Audit Matters	How our audit addressed the key audit matter
Due to significance of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgement and estimates to assess the same including related financial impacts, we considered litigation matters relating to contingencies as a key audit matter.	<ul style="list-style-type: none"> Assessed management's conclusions on contingent liabilities to evaluate the consistency of such conclusions with the views of the management and external legal advisors engaged by the Company; and Reviewed disclosures made in respect of these litigations in the financial statements.
Loan to subsidiary	
<p>Refer Note 18 to the financial statements</p> <p>The Company has made investment in subsidiary in shape of interest free loan of Rs. 611.169 million. The subsidiary was formed with the object to carryout textile and real estate business.</p> <p>The company has made investment to diversify.</p> <p>The company carried out impairment assessment of the carrying value and assessed the recoverable amount equal to carrying value based on the valuation analysis of assets of the subsidiary.</p> <p>Given the significance of the amount of loan in the overall context of the financial statements and judgments made by the management. We considered this as a key audit matter.</p>	<p>Our audit procedures include the following</p> <p>Obtained understanding of Company's plan and business rationale for loan to subsidiary and review of minutes of Board of Directors' meetings.</p> <p>Evaluated appropriateness of company's methodology for assessing recoverability of loan.</p> <p>Assessed whether carrying amount of loan to subsidiary may be impaired by reviewing market value of subsidiary's assets.</p> <p>Inspected and verified amount of loan given through supporting documents comprising banking instruments.</p> <p>Circulated external confirmation and assessed the reply received.</p> <p>Reviewed Disclosures made related to loan in the financial statements.</p>

Information Other than the Financial Statements and Auditors 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 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 Hamid Masood.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Faisalabad
Date: October 01, 2021



**Independent Auditor's Review Report
to the members of Sitara Energy Limited**

Review Report on the statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the listed companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Sitara Energy Limited (the Company) for the year ended June 30, 2021 in accordance with the requirements of regulations 36 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 requirements 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 a part of our audit of the 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 controls or to form an opinion on the 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. 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.

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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2021.

Further, we highlight below instance of non compliance with the requirement of Regulations as reflected in the paragraph referred below where it is stated in the Statement of compliance:

Paragraph	Section 19 of Regulation state that it is encouraged that by June 30, 2021 atleast 75% of the directors on the Board have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the commission and approved by it.
18	However, during the course of review it was observed that four directors have acquired the relevant certification. Remaining directors have not attended the training program due to Covid-19 Pandemic.

**RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS**

Place: Faisalabad
Date: October 01, 2021



Statement of Financial Position as at June 30, 2021

	Note	2021 Rupees	2020 Rupees (Restated)		Note	2021 Rupees	2020 Rupees (Restated)
SHARE CAPITAL AND RESERVES				NON-CURRENT ASSETS			
Authorised capital				Property, plant and equipment	10	696,973,049	778,381,569
30,000,000 ordinary shares				Investment property	11	411,153,591	411,286,511
of Rs. 10/- each.		300,000,000	300,000,000	Investment in subsidiary	12	50,000,000	49,995,000
				Long term loan	13	1,000,000	1,000,000
Issued, subscribed				Long term deposits	14	1,511,200	1,511,200
and paid up capital	3	190,920,000	190,920,000			1,160,637,840	1,242,174,280
Capital reserve - share premium		143,190,000	143,190,000				
Revenue reserves	4	1,053,834,854	1,203,318,551				
		1,387,944,854	1,537,428,551				
NON-CURRENT LIABILITIES							
Long term financing	5	8,333,346	4,166,665				
CURRENT LIABILITIES				CURRENT ASSETS			
Trade and other payables	6	578,638,352	548,960,895	Stores, spares and loose tools	15	273,898,201	273,128,896
Unclaimed dividend		3,702,824	3,702,824	Stock of oil and lubricants	16	31,348,530	19,384,985
Interest / mark up payable	7	321,904,300	221,382,158	Trade debts	17	539,777,922	516,749,670
Short term bank borrowings	8	1,026,950,807	1,013,750,876	Loans and advances	18	618,962,193	639,671,245
Current portion of:				Deposits and prepayments	19	32,834,263	35,221,595
Long term financing	5	16,666,652	25,000,000	Other receivables	20	339,146,767	221,983,614
Provision for taxation - income tax	29	1,434,380	1,613,587	Tax refunds due from			
				Government	21	114,794,565	133,048,804
		1,949,297,315	1,814,410,340	Cash and bank balances	22	234,175,234	274,642,467
CONTINGENCIES AND COMMITMENTS						2,184,937,675	2,113,831,276
	9	-	-				
		3,345,575,515	3,356,005,556			3,345,575,515	3,356,005,556

The annexed notes 1 to 38 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, 2021

	Note	2021 Rupees	2020 Rupees (Restated)
Sales - net	23	512,634,512	958,056,228
Cost of generation	24	489,481,792	874,569,678
Gross profit		23,152,720	83,486,550
Other income	25	6,090,558	18,385,065
		29,243,278	101,871,615
Operating expenses	26	58,312,506	68,754,563
Other operating expenses	27	11,921,121	6,740,105
Finance cost	28	106,504,962	168,733,946
		176,738,589	244,228,614
(Loss) for the year before taxation		(147,495,311)	(142,356,999)
Provision for taxation	29	1,988,386	1,456,800
(Loss) for the year		(149,483,697)	(143,813,799)
(Loss) per share - Basic and diluted	30	(7.83)	(7.53)

The annexed notes 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER



Statement of Comprehensive Income for the Year Ended June 30, 2021

	2021 Rupees	2020 Rupees (Restated)
(Loss) for the year	(149,483,697)	(135,628,985)
Other comprehensive income for the year	-	-
Total comprehensive (Loss) for the year	<u>(149,483,697)</u>	<u>(135,628,985)</u>

The annexed notes 1 to 38 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, 2021

	2021 Rupees	2020 Rupees (Restated)
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) for the year before taxation	(147,495,311)	(142,356,999)
Adjustments for:		
Depreciation of property, plant and equipment	25,228,428	25,700,213
Depreciation of investment property	2,604,820	2,619,589
Provision for staff retirement benefits	931,095	972,481
Provision for doubtful advances	-	5,000,000
Loss / (Gain) on disposal of:	-	-
Property, plant and equipment - net	11,921,121	1,618,471
Investment property	-	(11,434,795)
Balances written off	-	121,634
Finance cost	106,504,962	168,733,946
Operating cash flows before working capital changes	(304,885)	50,974,540
Changes in working capital		
(Increase) / Decrease in current assets		
Stores, spares and loose tools	(769,305)	3,326,150
Stock of oil and lubricants	(11,963,545)	2,771,734
Trade debts	(23,028,252)	44,282,916
Loans and advances	12,121,828	(14,491,883)
Deposits and prepayments	2,387,332	(1,957,124)
Other receivables	(75,733,153)	(120,336,382)
Sales Tax refunds due from government	16,549,150	42,075,992
Increase / (Decrease) in current liabilities		
Trade and other payables	29,685,465	(83,220,842)
Cash (used in) operating activities	(51,055,365)	(76,574,899)
Income tax (paid) / Refund Received	(1,410,280)	9,792,938
Staff retirement benefits paid	(939,103)	(1,249,446)
Finance cost paid	(5,982,820)	(23,227,651)
Net cash (used in) operating activities	(59,387,568)	(91,259,058)



Statement of Cash Flows for the Year Ended June 30, 2021

	2021 Rupees	2020 Rupees (Restated)
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(24,212,929)	-
Proceeds from disposal of		
Property, plant and equipment	23,570,000	95,280,982
Investment property	1,000,000	36,842,000
Increase in Investment in subsidiary	(5,000)	-
Recovery of advances given for purchase of land	-	8,471,988
Advance for purchase of vehicle	-	(7,000,000)
Increase in long term deposits	-	(1,000,000)
Net cash generated from investing activities	<u>352,071</u>	<u>132,594,970</u>
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in bank borrowings - net	9,033,264	18,936,97
Loan to subsidiary recovered	9,535,000	-
Net cash generated from financing activities	<u>18,568,264</u>	<u>18,936,976</u>
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(40,467,233)	60,272,888
Cash and cash equivalents at the beginning of the year	274,642,467	214,369,579
Cash and cash equivalents at the end of the year	<u><u>234,175,234</u></u>	<u><u>274,642,467</u></u>

The annexed notes 1 to 38 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, 2021

	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, 2019	190,920,000	143,190,000	970,000,000	377,132,350	1,347,132,350	1,681,242,350
Total comprehensive (loss) for the year						
(Loss) for the year	-	-	-	(135,628,985)	(135,628,985)	(135,628,985)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	(135,628,985)	(135,628,985)	(135,628,985)
Effect of correction of prior period error (Note 2.23)	-	-	-	(8,184,814)	(8,184,814)	(8,184,814)
Balance as at June 30, 2020 -Restated	190,920,000	143,190,000	970,000,000	233,318,551	1,203,318,551	1,537,428,551
Total comprehensive (loss) for the year						
(Loss) for the year	-	-	-	(149,483,697)	(149,483,697)	(149,483,697)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	(149,483,697)	(149,483,697)	(149,483,697)
Balance as at June 30, 2021	190,920,000	143,190,000	970,000,000	83,834,854	1,053,834,854	1,387,944,854

The annexed notes 1 to 38 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, 2021

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. 149.484 million during the year, energy generation decreased upto 46% 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.

The Company is suffering losses due to unviable fuels prices in comparison with prevailing tariff being offered by our competitor DISCO. The government has allowed subsidized electricity tariff to export oriented sector all over Pakistan which is another set-back for our company.

The action steps and their impact is as under

- The company is curtailing operating and administration costs including salaries and wages cost at sustainable level. The company is further making all possible efforts to improve operational efficiency with minimum operation and maintenance cost.
- In order to reduce burden of finance cost the company is pursuing the banks for restructuring/rescheduling of the credit facilities at concessional markup rate and is hopeful for favourable consideration, which will improve the operating results.
- The management is making all out efforts to dispose off the non core assets such as investment property. The company is planning to add solar power plant in the coming years through disposal of investment properties to make the company's project viable. The government policies are also very favourable for the installation of solar power plants.

All these factors indicate 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, 2020 and therefore, have been applied in preparing these financial statements.

- Amendments to IAS 1 and IAS 8 - Definition of Material

The amendments are made to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements

The concept of "obscuring" material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from "Could influence" to "Could reasonably be expected to influence".

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments have no material impact on the disclosures or on the amounts reported in the company's financial statements

- Amendments to IFRS 3 - Definition of a Business

The amendments relates to the definition of a "business" in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not.

The amendments clarify that to be considered a "business", an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and asset is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in single identifiable asset or group of similar assets.



The amendments are applicable to transactions that are either business combinations or asset acquisitions.

The application of amendments have no material impact on the financial statements of the company.

- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments are applicable to transactions that are either business combinations or asset acquisitions.

The application of amendments have no material impact on the financial statements of the company.

- Amendments to IFRS 16 Leases: - Covid – 19 related rent concessions

These amendments make it easier for lessees to account for covid-19-related rent concessions such as rent holidays and temporary rent reductions.

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19 related rent concessions that reduce lease payments due on or before 30 June 2021.

The amendments have no material impact on the disclosure or on the amounts reported in the company's financial statements.

- The Amendments to References to the Conceptual Framework for Financial Reporting

The Company has adopted amendments to References to the conceptual framework in IFRS,s. The amendments are intended to replace reference to a previous version of the IASB,s conceptual framework with a reference to the current version.

The amendments have no material impact on the disclosure or on the amounts reported in the company's financial statements.

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

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2020 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, 2021 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 17 Insurance Contracts**

IFRS 17 Insurance Contracts is a new accounting standard for insurance contracts. The standard covers recognition, measurement, presentation and disclosure of insurance contracts. Once effective, the standard will replace IFRS 4 Insurance Contracts.

The standard applies to all types of insurance contracts. Overall objective of the standard is to provide an accounting model for insurance contracts covering all relevant accounting aspects.

The standard is effective for reporting periods starting on or after January 01, 2023.

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

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly risk-free interest rate.

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognized. If they are not substantial, the updated effective interest rate is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognized in profit or loss.

The amendments are effective for the annual periods beginning on or after January 01, 2021.

The amendments are not expected to have any material impact on company's financial statements.

- **Amendments to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021**

The relief of covid related rent concessions was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022 in another amendment to IFRS 16 (the 2021 amendment). If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment.

The 2021 amendment is effective for annual reporting periods beginning on or after April 01, 2021.

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



- **Amendments to IAS 16 - Property, Plant and Equipment.**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for the annual periods beginning on or after January 01, 2022.

The amendments are not expected to have any material impact on company's financial statements financial statements.

Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities - General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.

The amendments are effective for accounting periods beginning on or after 1 January 2022.

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

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments deal with situation where there is a sale or contribution of assets between investor and its associate or joint venture

The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

The effective date of the amendments has yet to be set by the Board, however earlier application of the amendments is permitted. The amendments are not expected to have any material impact on the company's financial statements.

Amendments to IAS 1 - Classification of Liabilities as Current or Noncurrent

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counter party of cash, equity instruments, other assets or services.



The amendments are effective for the annual periods beginning on or after January 01, 2023.

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

Amendments to IAS 1 - Disclosure of Accounting Policies

In February 2021, the Board issued amendments to IAS 1 the amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for the annual periods beginning on or after January 01, 2023.

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

Amendments to IAS 8 - Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for the annual periods beginning on or after January 01, 2023

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

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgment is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

The amendments are effective for the annual periods beginning on or after January 01, 2023.

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

Annual improvements to IFRS – 2018 – 2020

- IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.



- IFRS 9 Financial Instruments

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- IAS 41 Agriculture

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

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

The amendments are effective for the annual periods beginning on or after January 01, 2022.

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 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.

2.5 Trade and other payables

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

2.6 Provisions

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

2.7 Provision for taxation

Current

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

Deferred

Deferred tax is provided using the liability method for all temporary differences at the 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.

2.8 Dividend and other appropriations

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

2.9 Property, plant and equipment

Operating assets

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

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

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

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

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

Capital work in progress

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

2.10 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.

**2.11 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.

2.12 Investment in subsidiary

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

2.13 Stores, spares and loose tools

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

2.14 Stock of oil and lubricants

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

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

2.15 Trade debts and other receivables

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

2.16 Cash and cash equivalents

Cash and cash equivalents are carried in the 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.

2.17 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.

**2.18 Financial instruments****2.18.1 Financial assets**

The Company classifies its financial assets at amortised cost, fair value through 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 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 comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the de recognition 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 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.



2.18.2 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.

2.19 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.

2.20 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.

2.21 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.

2.22 Critical accounting estimates and judgments

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

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

Significant areas requiring the use of management estimates in these financial statements relate to the contingencies, investment property valuation, useful life of depreciable assets, provision for taxation, 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.



2.23 Correction of prior period error

In annual financial statements of 2020, minimum charge of depreciation on plant and machinery in line with the policy was omitted. Now the financial statements of 2020 have been restated to correct this error.

The correction of the error is accounted for retrospectively as per IAS 8, and the corresponding figures have been restated. The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

Effect on statement of financial position	At as June 30, 2020	(Decrease)	As at July 1, 2020 (Restated)
	----- Rupees -----		
Property, plant and equipment - operating assets	763,066,383	(8,184,814)	754,881,569
Total effect on Equity	763,066,383	(8,184,814)	754,881,569
Effect on statement of profit or loss	At as June 30, 2020	Increase	As at July 1, 2020 (Restated)
	----- Rupees -----		
Cost of generation	866,384,864	8,184,814	874,569,678
Total effect on Loss	866,384,864	8,184,814	874,569,678

3. Issued, subscribed and paid up capital

2020	2021		2021 Rupees	2020 Rupees
Number of shares				
19,092,000	19,092,000	Ordinary shares of Rs. 10/- each fully paid in cash.	190,920,000	190,920,000

3.1 656,000 (2020: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

4. Revenue reserves	Note	2021 Rupees	2020 Rupees (Restated)
General reserve		970,000,000	970,000,000
Unappropriated profit			
Opening balance		233,318,551	377,132,350
Total comprehensive loss for the year		(149,483,697)	(143,813,799)
		83,834,854	233,318,551
		1,053,834,854	1,203,318,551

4.1. The general reserve is an appropriation from accumulated profits and transferred to unappropriated profit for distribution as and when required.



		2021 Rupees	2020 Rupees
5.	Long term financing		
	Secured		
	From banking company		
	Under mark up arrangements		
	Demand finance I	5.1	24,999,998
	Less: Current portion		
	Installments due	-	(8,333,333)
	Payable within one year	(16,666,652)	(16,666,667)
		(16,666,652)	(25,000,000)
		8,333,346	4,166,665
5.1	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 instalments commenced from December 31, 2018 and ending on October 01, 2022. It is subject to mark up at the rate of 3 months KIBOR plus 4.20% per annum.		
	Repayment schedule of demand finance is revised and instalments of four quarters starting from April 01, 2020 are deferred to January 01, 2021.		
	Effective mark up rate charged during the year ranges from 11.45% to 11.79% per annum. (2020: 15.39% to 18.06% per annum)		
	Note	2021 Rupees	2020 Rupees
6.	Trade and other payables		
	Creditors	449,851,758	448,786,468
	Accrued liabilities	92,954,101	90,050,333
	Provident fund - related party	144,282	152,290
	Withholding taxes	28,050,606	9,275,869
	Other	7,637,605	695,935
		578,638,352	548,960,895
7.	Interest / mark up payable		
	Interest / mark up on secured:		
	Long term financing	734,856	1,087,462
	Short term bank borrowings	321,169,444	220,294,696
		321,904,300	221,382,158
8.	Short term bank borrowings		
	Secured - under mark up arrangements		
	Morabaha finance I	8.2	114,000,000
	Term finance	8.3	100,000,000
	Running finances	8.4	812,950,807
		1,026,950,807	1,013,750,876



8.1 The aggregate unavailed short term financing facilities available to the Company are Rs. 147.049 million (2020: Rs. 560.249 million). Total availed limits are Rs. 1,174 million which are expired and renewable.

8.2 It is subject to mark up at the rate of 6 months KIBOR plus 2.75% per annum (2020: 6 months KIBOR plus 2.75% 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 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 10.84% to 13.60% per annum (2020: 10.84% to 13.60% per annum).

8.3 It is subject to mark up at the rate of 1 month KIBOR plus 2.5% per annum (2020: 1 month KIBOR plus 2.5% 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 9.81% to 10.03% per annum (2020: 10.83% to 16.31% 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 (2020: 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. 4.3 million 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 9.59% to 11.20% per annum (2020: 13.22% to 16.61% 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. 132,609,000/- (2020 : Rs. 154,809,000/-)

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/- (2020 : 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.128,150,602/- (2020 : Rs.137,952,501/-) not acknowledged. The Honorable Supreme Court of Pakistan has passed a judgement on August 13, 2020 holding that GIDC is payable in 24 installments without late payment surcharge. The Company has challenged the levy from year 2011 to 2015 before the Honourable Lahore High Court Lahore on the ground that GIDC cannot be recovered on the basis of section 8 of GIDC Act, 2015. Company has paid instalments of Rs. 42,716,867/- as per court order. Based on the opinion of the legal advisor there is every possibility that the petition may be decided in favour of the company to the extent of total amount of arrears.

In view of the above pending appeal no provision has been made in the financial statement.

9.1.4 The Company had executed Power Purchase Agreement (PPA) with Faisalabad Electric Supply Company (FESCO) which was expired in 2011, and was due for regularisation as per NEPRA rules. FESCO filed Power Acquisition Request (PAR) in 2011. NEPRA approved reduced fuel cost in 2017 and ordered to recover excess amount. Being aggrieved by the orders Company filed review petition before NEPRA which was dismissed by the Authority. The Company filed appeal before Islamabad High Court against which stay is granted. The quantum of liability cannot be determined at this stage. The management believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.

9.1.5 The assessing officer of Inland Revenue passed order in respect of tax periods from 2004 to 2008 and created demand of Rs. 5,505,105/- (2020: Rs. 5,505,105/-). Being aggrieved by the order the company filed appeal before the CIR(A). The CIR(A) has passed an order against the company. The company has filed the second appeal before ATIR. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.



10. Property, plant and equipment

Operating assets
Advance for purchase of land
Advance for purchase of vehicle

	Note	2021 Rupees	2020 Rupees (Restated)
	10.1	680,473,049	754,881,569
		16,500,000	16,500,000
		-	7,000,000
		<u>686,973,049</u>	<u>778,381,569</u>

10.1 Operating assets

Note	Company owned										Total
	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Electric Appliances	Furniture and fixtures	Office equipment	Vehicles		

At July 01, 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
Accumulated depreciation	-	(172,561,858)	(1,143,735,589)	(123,688,024)	(3,626,542)	(7,027,401)	(4,631,913)	(11,684,119)	(32,678,251)	(1,499,633,697)
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	23,492,963	877,373,235

Year ended June 30, 2020 (Restated)

Opening 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	23,492,963	877,373,235
Additions	-	-	-	-	-	-	-	-	108,000	108,000

Disposals:

Cost	-	-	(121,656,400)	-	-	-	-	-	-	(121,656,400)
Accumulated depreciation	-	-	26,038,492	-	-	-	-	-	-	26,038,492
	-	-	(95,617,908)	-	-	-	-	-	-	(95,617,908)

Depreciation charge

Closing net book value	40,772,399	49,562,518	595,792,059	41,609,509	603,994	3,193,339	1,953,681	3,710,372	17,683,698	754,881,569
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At June 30, 2020

Cost	40,772,399	227,631,323	1,723,489,156	169,920,812	4,297,647	10,575,556	6,802,670	15,797,755	53,400,276	2,252,687,594
Accumulated depreciation	-	(178,068,805)	(1,127,697,097)	(128,311,303)	(3,693,653)	(7,382,217)	(4,848,989)	(12,087,383)	(35,716,578)	(1,497,806,025)
Net book value	40,772,399	49,562,518	595,792,059	41,609,509	603,994	3,193,339	1,953,681	3,710,372	17,683,698	754,881,569

At July 01, 2020

Cost	40,772,399	227,631,323	1,723,489,156	169,920,812	4,297,647	10,575,556	6,802,670	15,797,755	53,400,276	2,252,687,594
Accumulated depreciation	-	(178,068,805)	(1,127,697,097)	(128,311,303)	(3,693,653)	(7,382,217)	(4,848,989)	(12,087,383)	(35,716,578)	(1,497,806,025)
Net book value (Restated)	40,772,399	49,562,518	595,792,059	41,609,509	603,994	3,193,339	1,953,681	3,710,372	17,683,698	754,881,569

Year ended June 30, 2021

Opening net book value	40,772,399	49,562,518	595,792,059	41,609,509	603,994	3,193,339	1,953,681	3,710,372	17,683,698	754,881,569
Additions	-	-	-	-	-	-	-	-	-	-
Transferred to Investment Property	-	-	-	-	-	-	-	-	-	-

11

Cost	-	(3,804,099)	-	-	-	-	-	-	-	-	(3,804,099)
Accumulated depreciation	-	1,332,199	-	-	-	-	-	-	-	-	1,332,199
	-	(2,471,900)	-	-	-	-	-	-	-	-	(2,471,900)

Disposals:

Cost	-	-	(102,659,025)	-	-	-	-	-	-	-	(102,659,025)
Accumulated depreciation	-	-	24,737,904	-	-	-	-	-	-	-	24,737,904
	-	-	(77,921,121)	-	-	-	-	-	-	-	(77,921,121)

10.2.1

Depreciation charge	-	(4,956,252)	(10,000,000)	(4,160,951)	(60,399)	(319,334)	(195,368)	(371,037)	(5,165,087)	(25,228,428)
Closing net book value	40,772,399	42,134,366	507,870,938	37,448,558	543,595	2,874,005	1,758,313	3,339,335	43,731,540	680,473,049

At June 30, 2021

Cost	40,772,399	223,827,224	1,620,830,131	169,920,812	4,297,647	10,575,556	6,802,670	15,797,755	84,613,205	2,177,437,399
Accumulated depreciation	-	(181,692,858)	(1,112,959,193)	(132,472,254)	(3,754,052)	(7,701,551)	(5,044,357)	(12,458,420)	(40,881,665)	(1,496,964,350)
Net book value	40,772,399	42,134,366	507,870,938	37,448,558	543,595	2,874,005	1,758,313	3,339,335	43,731,540	680,473,049

Annual rate of depreciation (%)

	-	10	-	10	10	10	10	10	10	20
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10.2 Depreciation for the year has been allocated as under:

Cost of generation
Operating expenses

	Note	2021 Rupees	2020 Rupees (Restated)
24		19,177,602	20,197,337
26		6,050,826	5,502,876
		<u>25,228,428</u>	<u>25,700,213</u>

10.2.1 Actual Depreciation on Plant and Machinery based on unit of production method amounts to Rs 5.67 million (2020:Rs. 1.82 million). The excess amount is charged to cover obsolescence.



10.3 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Location	Usage of immovable property	Total Area (in marlas)	Covered Area (in square feet)
a) 33-K.M.Sheikhupura Road, Chak # 61 R.B / 53 G.B, Tehsil Jaranwala, District Faisalabad.	Generation Plant	7,821	151,337
b) 3rd Floor, Sitara Tower, Bilal Square, New Civil Lines, Faisalabad	Head Office	33.83	9210
c) Office # 606 and 608, Sixth Floor Business Centre, Mumtaz Hasan Road, Karachi, 74000	Office	2.24	610.95

10.4 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	(Loss)	Particulars of buyers
Operating assets						
Plant and machinery	54,283,079	14,794,880	39,488,199	33,000,000	(6,488,199)	Sitara Spinning Mills Limited 601-602 Business Centre, Mumtaz Hasan Road, Karachi
(Sold by negotiation)	48,375,946	9,943,024	38,432,922	33,000,000	(5,432,922)	Sitara Spinning Mills Limited 601-602, Business Centre, Mumtaz Hasan Road, Karachi
2021	102,659,025	24,737,904	77,921,121	66,000,000	(11,921,121)	

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	(Loss) / Gain	Particulars of buyers
Operating assets						
Plant and machinery	55,443,347	11,320,612	44,122,735	34,000,000	(10,122,735)	Sitara Spinning Mills Limited 601-602 Business Centre, Mumtaz Hasan Road, Karachi
(Sold by negotiation)	35,009,490	10,868,363	24,141,127	28,205,128	4,064,001	Sitara Fabrics Limited Associated company by virtue of common directorship 601-602, Business Centre, Mumtaz Hasan Road, Karachi
	31,203,563	3,849,517	27,354,046	31,623,932	4,269,886	Sitara Fabrics Limited Associated company by virtue of common directorship 601-602, Business Centre, Mumtaz Hasan Road, Karachi
Vehicles	2,770,938	1,489,393	1,281,545	1,451,922	170,377	Ahsan Majeed Khan House # 313, N - Block, Phase # 8, Defence Housing Authority, Lahore
(Sold by negotiation)						
2020	124,427,338	27,527,885	96,899,453	95,280,982	(1,618,471)	


11. Investment property

	Freehold land	Building on freehold land	Total
	-----Rupees-----		
At July 01, 2019			
Cost	413,117,419	42,400,000	455,517,419
Accumulated depreciation	-	(16,204,114)	(16,204,114)
Net book value	413,117,419	26,195,886	439,313,305
Year ended June 30, 2020			
Opening net book value	413,117,419	26,195,886	439,313,305
Disposals during the year	(25,407,205)	-	(25,407,205)
Depreciation charge	-	(2,619,589)	(2,619,589)
Closing net book value	387,710,214	23,576,297	411,286,511
At June 30, 2020			
Cost	387,710,214	42,400,000	430,110,214
Accumulated depreciation	-	(18,823,703)	(18,823,703)
Net book value	387,710,214	23,576,297	411,286,511
At July 01, 2020			
Cost	387,710,214	42,400,000	430,110,214
Accumulated depreciation	-	(18,823,703)	(18,823,703)
Net book value	387,710,214	23,576,297	411,286,511
Year ended June 30, 2021			
Opening net book value	387,710,214	23,576,297	411,286,511
Transferred from Building freehold Land	10.1	2,471,900	2,471,900
Depreciation charge	-	(2,604,820)	(2,604,820)
Closing net book value	387,710,214	23,443,377	411,153,591
At June 30, 2021			
Cost	387,710,214	44,871,900	432,582,114
Accumulated depreciation	-	(21,428,523)	(21,428,523)
	387,710,214	23,443,377	411,153,591
Annual rate of depreciation (%)	-	10	

- 11.1** This includes land worth Rs. 140.655 million (2020: 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. 769.848 million as at June 30, 2021 (2020: Rs. 723.818 million), valuation has been carried out by independent valuers 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. 654.371 million as at June 30, 2021 (2020: Rs. 615.245 million).


11.4 Disposal of investment property

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (Loss)	Particulars of buyers
2021	-	-	-	-	-	
Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Particulars of buyers
Investment property-Land	12,062,700	-	12,062,700	16,575,000	4,512,300	Muhammad Zahid S/o Bashir Ahmad House # 175-C Street # 1/1 Raza Town Canal Road Faisalabad
(Sold by negotiation)	12,062,700	-	12,062,700	16,575,000	4,512,300	Nazir Nasir S/o Bashir Ahmad House # 1235 Block # 40 Bismillahpur Samanabad Faisalabad
	648,805	-	648,805	892,000	243,195	Umar Daraz S/o Khalid Mehmood House # 6 Green Village Chak # 204 Faisalabad
	633,000	-	633,000	2,800,000	2,167,000	Rukhsana W/o Muhammad Afzal House # P-20 Asif Street Civil Lines Bilal Road Faisalabad
2020	25,407,205	-	25,407,205	36,842,000	11,434,795	

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 feet)
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	639	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



Location	Usage of immovable property	Total Area (in marlas)	Covered Area (in square feet)
k) Ground floor, Sitara Tower situated at Bilal Square, New Civil Lines, Faisalabad	held for earning rentals	18	5031-61
i) 318, 3rd Floor Siddique Trade Centre, Main Boulevard, Gulberg, Lahore	held for earning rentals	3	818
		2021 Rupees	2020 Rupees

12. Investment in subsidiary

Sitara International (Private) Limited
 4,999,500 (2020: 4,999,500) ordinary shares of
 Rs. 10/- each fully paid in cash.
 Ownership interest 100% (2020: 99.99%)

50,000,000	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.

2021 Rupees	2020 Rupees
------------------------	------------------------

13. Long term loan

Considered good
 Due from executive

1,000,000	1,000,000
-----------	-----------

13.1 The interest free loan is given to executive of the Company for personal use in accordance with his terms of employment.

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

2021 Rupees	2020 Rupees
------------------------	------------------------

14. Long term deposits

Security deposits

1,511,200	1,511,200
-----------	-----------

15. Stores, spares and loose tools

Stores
 Spares
 Loose tools

15,943,828	16,080,806
271,359,603	271,300,945
2,070,344	1,622,223
289,373,775	289,003,974
(15,475,574)	(15,875,078)
273,898,201	273,128,896

Less: Provision for slow moving and obsolete items

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



	Note	2021 Rupees	2020 Rupees
16. Stock of oil and lubricants			
Furnace oil		26,131,771	13,816,388
Diesel oil		1,813,681	2,787,524
Lube oil		3,332,694	2,711,747
Wastes		70,384	69,326
		<u>31,348,530</u>	<u>19,384,985</u>

17. Trade debts

Unsecured

Considered good

Related parties

Sitara Chemtek (Private) Limited

17.1

Sitara Fabrics Limited

17.2

Others

-	751,722
67,757,675	55,065,271
67,757,675	55,816,993
472,020,247	460,932,677
<u>539,777,922</u>	<u>516,749,670</u>

17.1 The maximum aggregate amount due from Sitara Chemtek (Private) Limited at the end of any month during the year was Rs. 751,722/- (2020: Rs. 1,726,344/-)

17.2 The maximum aggregate amount due from Sitara Fabrics Limited at the end of any month during the year was Rs. 68,740,106/- (2020: Rs. 84,230,777/-)

	Note	2021 Rupees	2020 Rupees
18. Loans and advances			
Considered good			
Loans to staff		333,260	108,000
Loan to subsidiary	18.1	611,168,590	620,703,590
Advances			
Income tax		1,410,281	462,505
Suppliers		4,031,717	7,594,508
For purchases / expenses		2,018,345	2,832,116
Letters of credit fee and expenses		-	7,970,526
		<u>7,460,343</u>	<u>18,859,655</u>
Suppliers - Considered doubtful		-	5,000,000
Less: Provision for doubtful advances		-	(5,000,000)
		<u>618,962,193</u>	<u>639,671,245</u>

18.1 It is unsecured, repayable on demand, interest free and given to meet the working capital requirements. The objective of formation of subsidiary was to diversify. The subsidiary is engaged in real state business. Maximum aggregated amount outstanding at the end of every month during the year is Rs.620,703,590/- (2020: Rs.620,503,590/-)

[illegible]



		2021	2020
	Note	Rupees	Rupees (Restated)
24. Cost of generation			
Cost of gas, oil and lubricants	24.1	421,356,000	804,505,588
Salaries, wages and benefits		23,394,891	28,352,775
Staff retirement benefits		619,018	621,460
Stores, spares and loose tools		15,017,470	9,526,873
Travelling and conveyance		325,283	1,544,353
Vehicles running and maintenance		1,836,959	1,392,788
Insurance		3,292,694	3,438,069
Repairs and maintenance		2,960,798	3,278,087
Entertainment		617,822	676,571
Depreciation	10.2	19,177,602	20,197,337
Other		883,255	1,035,777
		489,481,792	874,569,678
24.1 Cost of gas, oil and lubricants			
Gas		198,152,677	26,115,172
Oil and lubricants		223,203,323	778,390,416
		421,356,000	804,505,588
25. Other income	Note	2021 Rupees	2020 Rupees
Income from assets other than financial assets:			
Sale of scrap and waste		341,058	603,249
Rental Income		5,749,500	6,347,021
Gain on disposal of Investment property		-	11,434,795
		6,090,558	18,385,065
26. Operating expenses			
Director's remuneration		18,580,000	15,880,000
Salaries and benefits		10,393,282	14,568,470
Staff retirement benefits		312,077	351,021
Postage and telephone		1,190,255	1,298,432
Vehicles running and maintenance		1,591,459	2,714,676
Travelling and conveyance		611,995	892,701
Printing and stationery		937,183	1,198,079
Entertainment		839,031	1,004,771
Legal and professional		3,565,150	5,584,004
Fee, subscription and periodicals		3,014,705	2,972,783
Rent, rates and taxes		351,323	484,906
Advertisement		192,296	96,200
Insurance		524,584	641,644
Auditors' remuneration	26.1	1,299,875	1,299,875
Repairs and maintenance		1,031,097	2,639,503
Donations	26.2	300,000	3,110,000
Depreciation on property, plant and equipment	10.2	6,050,826	5,502,876
Depreciation on investment property	11	2,604,820	2,619,589
Utilities		4,058,796	4,848,049
Other		863,752	1,046,984
		58,312,506	68,754,563



	2021 Rupees	2020 Rupees
26.1 Auditors' remuneration		
Audit fee	1,050,000	1,050,000
Fee for the review of half yearly financial information	105,000	105,000
Other Certifications	60,875	60,875
Out of pocket expenses	84,000	84,000
	<u>1,299,875</u>	<u>1,299,875</u>

26.2 The directors or their spouses had no interest in the institutions/funds to whom donations were made.

	Note	2021 Rupees	2020 Rupees
27. Other operating expenses			
Balances Written off		-	121,634
Loss on disposal of Property, plant and equipment - net		11,921,121	1,618,471
Provision for doubtful advances		-	5,000,000
		<u>11,921,121</u>	<u>6,740,105</u>
28. Finance cost			
Interest / mark-up on :			
Long term financing		3,240,834	5,898,014
Short term bank borrowings		100,874,745	158,944,823
Bank charges and commission		2,389,383	3,891,109
		<u>106,504,962</u>	<u>168,733,946</u>
29. Provision for taxation			
Current			
For the year	29.1	1,434,380	1,613,587
For prior years		554,006	(156,787)
		<u>1,988,386</u>	<u>1,456,800</u>

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.

	2021 Rupees	2020 Rupees (Restated)
30. Earnings per share - Basic and diluted		
(Loss) for the year (Rupees)	(149,483,697)	(143,813,799)
Weighted average number of ordinary shares	19,092,000	19,092,000
(Loss) per share - Basic and diluted (Rupees)	<u>(7.83)</u>	<u>(7.53)</u>

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

	2021		2020	
	Chief Executive Officer	Executives	Chief Executive Officer	Executives
	----- Rupees -----			
Remuneration	13,254,545	5,890,718	13,254,545	5,740,718
Medical allowance	1,325,455	589,072	1,325,455	574,072
Perquisites	4,000,000	-	1,300,000	-
Contribution to provident fund	-	122,652	-	120,949
	18,580,000	6,602,442	15,880,000	6,435,739
Number of persons	1	2	1	2

31.1 The Chief Executive Officer and Director are entitled to free use of Company maintained cars. One executive is entitled to conveyance facility. The monetary value of these benefits approximates Rs. 813,303/- (2020: Rs. 989,209/-). 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	2021 Rupees	2020 Rupees
Sitara International (Private) Limited	Subsidiary Company by holding 100% shares (2020 : 99.99%)	Loan Repaid	9,535,000	-
Sitara Fabrics Limited	Associated company by virtue of common directorship	Sale of electricity and steam	72,118,760	26,055,629
		Organisational expenses charged	3,200,000	-
		Sale of gas generators	-	70,000,000
Mr. Abdullah Javed	Director	Shares purchased	5,000	-
Sitara Energy Limited Staff Provident Fund Trust	Other related party	Contribution for the year	931,095	972,481

**2021****2020****33. PLANT CAPACITY AND ACTUAL PRODUCTION**

Number of generators installed	20	22
Number of generators worked	14	16
Installed energy generation capacity (Mega watt hours)	683,893	718,057
Actual energy generation (Mega watt hours)	30,917	57,193
Actual average load (Mega watt)	3.53	6.53

Reasons for low generation:

- Installed generators include four standby generators and closure of two (2020: two) generators due to major overhauling.
- Adjustment in planned optimum capacity utilisation level as per demand
- Extra capacity for future growth.

2021**2020****34. DISCLOSURE WITH REGARDS TO PROVIDENT FUND**

Size of the fund	(Rupees)	18,934,958	17,474,250
Cost of investments made	(Rupees)	5,803,435	7,103,435
Percentage of investments made	(% age)	30.65%	40.65%
Fair value of investments	(Rupees)	6,041,912	12,954,857

34.1 The figures for 2021 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.

2021**2020****35. NUMBER OF EMPLOYEES**

Total number of employees as at June 30,	74	113
Average number of employees during the year	98	102

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.


36.1 FINANCIAL INSTRUMENTS BY CATEGORY
Financial assets at amortised cost:

	2021 Rupees	2020 Rupees
Long term loan	1,000,000	1,000,000
Long term deposits	1,511,200	1,511,200
Trade debts	539,777,922	516,749,670
Loans and advances	611,501,850	620,811,590
Deposits and prepayments	31,375,800	31,375,800
Other receivables	285,584,573	221,983,614
Cash and bank balances	234,175,234	274,642,467
	<u>1,704,926,579</u>	<u>1,668,074,341</u>

Financial liabilities at amortised cost:

Long term financing	24,999,998	29,166,665
Trade and other payables	550,587,746	539,532,736
Interest / markup payable	321,904,300	221,382,158
Short term bank borrowings	1,026,950,807	1,013,750,876
	<u>1,924,442,851</u>	<u>1,803,832,435</u>

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 82.63% (2020: 76%) of total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2021 Rupees	2020 Rupees
Long term loan	1,000,000	1,000,000
Long term deposits	1,511,200	1,511,200
Trade debts	539,777,922	516,749,670
Loans and advances	611,501,850	620,811,590
Deposits and prepayments	31,375,800	31,375,800
Other receivables	285,584,573	221,983,614
Bank balances	233,296,881	232,597,286
	<u>1,704,048,226</u>	<u>1,626,029,160</u>

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



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

The Company's most significant customers are 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:

	2021 Rupees	2020 Rupees
Sitara Chemical Industries Limited	110,730,610	80,848,783
Sitara Peroxide Limited	122,933,120	158,138,901
Sitara Spinning Mills Limited	212,332,023	184,720,500
Other industrial users	93,782,169	93,041,486
	539,777,922	516,749,670

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

	2021 Rupees	2020 Rupees
Not past due	13,963,094	203,034,265
Past due		
4 to 6 months	118,337,482	38,136,192
7 to 12 months	303,374,261	132,028,716
More than 1 year	104,103,085	143,550,497
	525,814,828	313,715,405
	539,777,922	516,749,670
Not past due		
Related parties	2,642,785	20,651,854
Others	11,320,309	182,382,411
	13,963,094	203,034,265
Past due		
Related parties	65,114,890	35,165,139
Others	460,699,938	278,550,266
	525,814,828	313,715,405
	539,777,922	516,749,670

The credit risk exposure is limited in respect of bank balances as these are placed with local banks having good credit rating from international and local credit rating agencies.

The bank balances along with credit rating is as follows.

Credit Rating	2021 Rupees	2020 Rupees
AAA	125,677,307	129,500,365
AA+	4,040,281	20,021,146
A	25,702,461	34,529,019
Others	77,876,832	48,546,757
	233,296,881	232,597,286



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, 2021 and 2020:

2021				
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	25,000	29,350	14,681	9,779	4,890
Trade and other payables	550,588	550,588	550,588	-	-
Short term bank borrowings	1,026,951	1,123,859	165,607	-	-
Interest / mark up payable	321,904	321,904	321,904	-	-
	1,924,443	2,025,701	1,052,780	968,031	4,890

2020				
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	29,167	35,251	20,160	10,739	4,352
Trade and other payables	539,533	539,533	539,533	-	-
Short term bank borrowings	1,013,751	1,285,845	201,234	1,084,611	-
Interest / mark up payable	221,382	221,382	221,382	-	-
	1,803,833	2,082,011	982,309	1,095,350	4,352

The contractual cash flows relating to mark up on short term bank borrowings 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. 1,756 million (2020: 1,146 million) and unavailed short term borrowing facilities of Rs. 147.05 million (2020: Rs. 560.249 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.10.47 million (2020: Rs. 10.33 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 ('long term financing' 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	2021 Rupees	2020 Rupees (Restated)
Total Debt	5 & 8	1,051,950,805	1,042,917,541
Less: Cash and cash equivalents	22	234,175,234	274,642,467
Net Debt		817,775,571	768,275,074
Total equity		1,387,944,854	1,537,428,551
Total capital		2,205,720,425	2,305,703,625
Gearing ratio		37.08%	33.32%

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 01, 2021.

38. GENERAL

38.1 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