

Annual Report 2024



SITARA ENERGY LIMITED

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COMPANY INFORMATION

BOARD OF DIRECTORS

Ms. Noureen Javed (Chairperson)
Mr. Javed Iqbal (Chief Executive Officer)
Mr. Shahid Hameed Sheikh
Mr. Tahir Ibraheem
Ms. Haniah Javed
Mr. Mubashir Ahmed Zareen
Mr. Sheikh Javaid Islam

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
Plot No. 32-C, Jami Commercial Street 2,
D.H.A. Phase VII, Karachi
UAN : +92 (21) 111-000-322
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. Sheikh Javaid Islam
Mr. Tahir Ibrahim

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Mubashir Ahmed Zareen (Chairman)
Mr. Javed Iqbal
Ms. Haniah 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
Bank Makramah Limited
Habib Bank Limited

WEB SITE

<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 Annual General Meeting ("AGM") of Sitara Energy Limited (the "Company") will be held on Monday, October 28, 2024 at 3:00 pm at 6th Floor, Business Centre, Mumtaz Hasan Road, Karachi in person and via video link to transact the following business:

ORDINARY BUSINESS

- i. To confirm the minutes of the Annual General Meeting held on October 28, 2023.
- ii. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2024 together with the Reports of Directors and Auditors thereon.
- iii. To appoint Auditors and to fix their remuneration for the year ending June 30, 2025. 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

September 30, 2024

NOTES:

CLOSURE OF SHARE TRANSFER BOOKS

The Share Transfer Books of the Company will remain closed from October 22, 2024 to October 28, 2024 (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 21, 2024 will be treated in time for the purpose to attend 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

NOTICE OF ANNUAL GENERAL MEETING

their original Computerized National Identity Card (CNIC), or Original Passport at the time of attending the meeting.

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

b) For appointing proxies:

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

SUBMISSION OF COPIES OF CNIC NOT PROVIDED EARLIER

Individual Shareholders are once again reminded to submit a copy of their valid CNIC, if not provided earlier to the Company's Share Registrar, M/s. THK Associates (Private) Limited. In case of non-availability of a valid copy of the shareholders' CNIC in the records of the Company, the company shall withhold the dividend under the provisions of Section 243 of the Companies Act, 2017 and Regulation 6 of The Companies (Distribution of Dividend) Regulations 2017.

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).

NOTICE OF ANNUAL GENERAL MEETING

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.

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 via video link 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.agm@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 2:30 p.m. on the date of AGM till the end of the meeting.

PLACEMENT OF FINANCIAL STATEMENTS:

The audited financial statements of the Company for the year ended June 30, 2024 have been placed at the Company's website: www.sitara.pk.

Members are requested to promptly notify any change in their addresses.

CODE OF CONDUCT

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

Salient Features of the Code for the Directors

1. Conflict of Interest

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

2. Corporate Opportunities

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

3. Confidentiality

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

4. Honesty, Integrity and Fair Dealing

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

5. Compliance with Laws, Rules and Regulations

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

6. Encouraging the Reporting of Any Possible Illegal or Unethical Behavior

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

7. Trading in Company Shares

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

8. Compliance Procedures

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

Salient Features of the Code for Employees

1. Conflict of Interests

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

CODE OF CONDUCT

2. Confidentiality and Disclosure of Information

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

3. Political Contribution

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

4. Bribes and Commercial Payments

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

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

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

6. Agreements with Agents, Sales Representatives or Consultant

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

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

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

8. Health, Safety & Environment (HSE) Policy

Every employee / trainee at work must take reasonable care for the health and safety of him / her and others including visitors who may be affected by his / her acts or omissions at work and cooperate 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.

CODE OF CONDUCT

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 the Order of the Board



JAVED IQBAL

Chief Executive Officer

CHAIRPERSON'S REVIEW

I am pleased to welcome you on 34th Annual General Meeting of your Company and present, on behalf of the Board of Directors, audited financial statements for the year ended 30th June 2024 along with my review on the overall performance of the Board of Directors.

The performance of the Board of Directors is satisfactory as evident from the operational results of the Company. The Board has been able to turn continuous losses into profits during financial year 2023-24 through its effective role and guidance to the management of the Company. Moreover, the management of the Company has managed rescheduling/restructuring at competitive terms as a step towards viability of the Company in the long run.

The Board complied with the requirements as set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 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 has been carried out and found satisfactory.

The overall performance of the Board remained up to mark under the given circumstances. The Board is endeavoring hard for the achievement of Company's objectives, including its Vision and Mission Statements. The Board also 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 in such difficult circumstances.

Faisalabad
September 30, 2024



Ms. Noureen Javed
Chairperson

DIRECTORS' REPORT

The Board of Directors of Sitara Energy Limited feels pleasure in submitting Annual Report along with audited Financial Statements and Auditors' Report thereon for the financial year ended June 30, 2024.

Financial Results

The sales revenue of the Company decreased to Rs. 916.056 million in financial year 2024 in comparison with Rs 1,067.686 million in financial year 2023 due to our higher electricity rate resulting into fall in demand by our Bulk Power Consumers (BPCs). The key factor was higher electricity cost on account of comparatively elevated prices of RFO during financial year 2024 leading to higher electricity tariff which was not acceptable by our BPCs. Accordingly, the gross profit of the Company decreased to Rs 7.270 million in financial year 2024 as compared with Rs 48.822 million in financial year 2023.

During the current financial year 2024, the Company disposed of certain investment properties for the purpose repayment of rescheduled/restructured credit facilities and earned capital gain of Rs 180.700 million. The rescheduling/restructuring of credit facilities has been done at cost of fund along with waiver of Rs 105.496 million from respective financial institutions.

SBP policy rate remained at 22% from July 2023 to 9th June 2024 and thereafter reduced to 20.50% on 10th June 2024 in comparison with gradual increase in SBP policy rate from 15% in July 2022 to 22% in June 2023 during the last financial year. The negotiations for rescheduling/restructuring are still in process with one of the financial institutions at cost of fund.

Accordingly, the Company earned net profit of Rs 41.991 million during current financial year 2024 as compared with net loss of Rs. 103.282 million during last financial year 2023. The Company made Earning Per Share of Rs 2.20 during the current financial year as against Loss Per Share of Rs 5.41 during the last financial year.

Financial results for the year ended June 30, 2024 are summarized below

Description	2024		2023	
	SEL	Consolidated	SEL	Consolidated
	Rupees in thousand			
Sales	916,056	916,056	1,067,686	1,067,686
Gross profit	7,270	7,270	48,822	48,822
Profit / (Loss) before taxation	68,973	68,386	(100,850)	(101,097)
Provision for taxation	26,972	32,481	2,432	2,432
Profit / (Loss) after taxation	41,991	34,825	(103,282)	(103,529)
Unappropriated profit brought forward	(174,343)	(161,228)	(71,061)	(57,699)
(Loss) available for appropriation	(132,352)	(126,403)	(174,343)	(161,228)
Profit / (Loss) per share - Basic	Rs. 2.20	Rs 1.82	Rs. (5.41)	Rs (5.42)

Corporate and Financial Reporting Framework

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

- a) The financial statements have been drawn up in conformity with the requirements of the Companies Act, 2017 and present fairly its state of affairs, operating results, cash flow statement and statement of changes in equity.
- b) Proper books of accounts have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.

DIRECTORS' REPORT

- 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 has been no material departure from the best practices of Code of Corporate Governance, as detailed in listing regulations.
- g) Summary of key operating and financial data for the last ten years is annexed.
- h) Cost of investments of Staff Provident Fund Trust as at June 30, 2024 was Rs. 4.603 million.
- i) During the year four meetings of the Board of Directors were held. Attendance by each director was as follow: -

Name	Designation	Meetings Attended
Mrs. Noreen Javed	Chairperson	4
Mr. Javed Iqbal	Chief Executive Officer	4
Ms. Haniah Javed	Director	4
Mr. Shahid Hameed Sheikh	Director	4
Mr. Sheikh Javaid Islam	Director	4
Mr. Mubashir Ahmed Zareen	Director	4
Mr. Tahir Ibrahim	Director	4
Mr. Ijaz Ahmad Babar	Chief Financial Officer	4
Mr. Mazhar Ali Khan	Company Secretary	4

- j) During the year, four meetings of the Audit Committee were held. Attendance by each member was as follow: -

Name	Designation	Meetings Attended
Mr. Shahid Hameed Sheikh	Chairman	4
Mr. Sheikh Javaid Islam	Member	4
Mr. Tahir Ibrahim	Member	4

- k) During the year, two meetings of the Human Resource and Remuneration Committee were held. Attendance by each member was as follow: -

Name	Designation	Meetings Attended
Mr. Mubashir Ahmed Zareen	Chairman	2
Mr. Javed Iqbal	Member	2
Ms. Haniah Javed	Member	2

- l) Pattern of Shareholding as at June 30, 2024 is annexed.
- m) Following persons have shareholding of 5% and above in the company.

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

DIRECTORS' REPORT

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 2023-24.

- n) Statement of compliance with Code of Corporate Governance is also annexed.
- o) All transactions with related parties and associated undertakings are carried out at arm's length price determined in accordance with comparable uncontrolled price method.

Directors'/Chief Executive Officer Remuneration

There is no change in Chief Executive Officer Remuneration from last year. The complete information on remuneration and perquisites is given in Note No. 34 to 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 2024, the Company has donated Rs. 617,350 (2023: Rs 445,375) to the welfare institution operating in the fields of education.

Future Prospects and Outlook

The profitability of the Company during financial year 2024-25 will again depends upon viable prices of fuels (RFO & RLNG) and offering of competitive tariff to our BPCs. Moreover, the Company is adding solar power plant in its generation facilities and will continue its addition during succeeding years subject to conducive regulatory frame work. Addition of solar power plant will help in the reduction of cost of generation and viable tariff for BPCs in the long run.

In the past years, NEPRA rendered its decision on December 19, 2019 in respect of Review Petition filed by the Company in May 2017 (Review Petition Determination) against Power Acquisition Determination of April 14, 2017. Being aggrieved with Review Petition Determination, the Company filed a Writ Petition in Islamabad High Court, Islamabad and a stay has been granted by Islamabad High Court Islamabad in March 2020. On 19.01.2024, Islamabad High Court remitted the Writ Petition to the Appellate Tribunal (NEPRA) for further proceedings. Appellate Tribunal (NEPRA) vide its decision dated 13.06.2024 set aside the impugned decisions passed by NEPRA Authority with the direction decide the same afresh within statutory period, in accordance with law and rules. The management of the Company is confident for a favorable decision.

DIRECTORS' REPORT

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 and all employees who served the Company with great passion and zeal in difficult times.



Javed Iqbal
Chief Executive Officer



Sheikh Javaid Islam
Director

September 30, 2024

Faisalabad

تعمیراتی

تعمیراتی شعبہ کی طرف سے جاری کیے گئے کاموں کی تفصیلات درج ذیل ہیں۔

تعمیراتی

تعمیراتی شعبہ کی طرف سے جاری کیے گئے کاموں کی تفصیلات درج ذیل ہیں۔

تعمیراتی

تعمیراتی شعبہ کی طرف سے جاری کیے گئے کاموں کی تفصیلات درج ذیل ہیں۔

تعمیراتی

تعمیراتی شعبہ کی طرف سے جاری کیے گئے کاموں کی تفصیلات درج ذیل ہیں۔

تعمیراتی

تعمیراتی شعبہ کی طرف سے جاری کیے گئے کاموں کی تفصیلات درج ذیل ہیں۔

تعمیراتی شعبہ کی طرف سے جاری کیے گئے کاموں کی تفصیلات درج ذیل ہیں۔

تعمیراتی شعبہ کی طرف سے جاری کیے گئے کاموں کی تفصیلات درج ذیل ہیں۔

تعمیراتی شعبہ کی طرف سے جاری کیے گئے کاموں کی تفصیلات درج ذیل ہیں۔

تعمیراتی شعبہ کی طرف سے جاری کیے گئے کاموں کی تفصیلات درج ذیل ہیں۔

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تعمیراتی

تعمیراتی شعبہ کی طرف سے جاری کیے گئے کاموں کی تفصیلات درج ذیل ہیں۔

Handwritten signature and stamp

Handwritten signature and stamp

Handwritten signature and stamp

بیلنس شیٹ کے اہم اجزاء کی تفصیلات

تفصیلات	2019	2018
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000

بیلنس شیٹ کے اہم اجزاء کی تفصیلات

تفصیلات	2019	2018
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000

بیلنس شیٹ کے اہم اجزاء کی تفصیلات

تفصیلات	2019	2018
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000

بیلنس شیٹ کے اہم اجزاء کی تفصیلات

بیلنس شیٹ کے اہم اجزاء کی تفصیلات

تفصیلات	2019	2018
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000
پیسے	1,000,000	1,000,000

بیلنس شیٹ کے اہم اجزاء کی تفصیلات

بیلنس شیٹ کے اہم اجزاء کی تفصیلات

بیلنس شیٹ کے اہم اجزاء کی تفصیلات

ہم نے اپنی ذمہ داریاں ادا کرنے کے لیے تمام اہم امور کو مدنظر رکھ کر اپنی رپورٹ تیار کی ہے۔

پیشکش

ہم نے اپنی ذمہ داریاں ادا کرنے کے لیے تمام اہم امور کو مدنظر رکھ کر اپنی رپورٹ تیار کی ہے۔

ہم نے اپنی ذمہ داریاں ادا کرنے کے لیے تمام اہم امور کو مدنظر رکھ کر اپنی رپورٹ تیار کی ہے۔

ہم نے اپنی ذمہ داریاں ادا کرنے کے لیے تمام اہم امور کو مدنظر رکھ کر اپنی رپورٹ تیار کی ہے۔

ہم نے اپنی ذمہ داریاں ادا کرنے کے لیے تمام اہم امور کو مدنظر رکھ کر اپنی رپورٹ تیار کی ہے۔

پیشکش

2022		2021		نوٹس
2022	2021	2022	2021	
پیشکش				
1,000,000	1,000,000	1,000,000	1,000,000	
1,000	1,000	1,000	1,000	
10,000	10,000	10,000	10,000	
10,000	10,000	1,000	1,000	
10,000	10,000	10,000	10,000	
10,000	10,000	10,000	10,000	
10,000	10,000	10,000	10,000	
1,000	1,000	10,000	10,000	Share and Share Premium

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PATTERN OF SHAREHOLDINGS

As at June 30, 2024

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
569	1	100	9713
364	101	500	168888
91	501	1000	86730
134	1001	5000	377080
24	5001	10000	187947
7	10001	15000	92500
2	15001	20000	37246
4	20001	25000	90916
2	25001	30000	52402
1	30001	35000	31200
2	35001	40000	76000
2	40001	45000	87749
2	55001	60000	116500
1	60001	65000	60800
1	65001	70000	66500
1	75001	80000	80000
1	80001	85000	83000
1	140001	145000	142500
2	145001	150000	294500
1	195001	200000	200000
1	230001	235000	232117
1	260001	265000	263151
1	355001	360000	356500
1	410001	415000	414500
1	595001	600000	600000
1	655001	660000	656000
1	670001	675000	670661
1	730001	735000	732360
1	1070001	1075000	1073237
1	1545001	1550000	1550000
1	1625001	1630000	1628500
1	1895001	1900000	1895500
1	6675001	6680000	6677303
1225			19,092,000

PATTERN OF SHAREHOLDINGS

As at June 30, 2024

	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
Ms. Haniah Javed	1	1,000	0.01
Mr. Tahir Ibrahim	1	500	0.00
Mr. Mubashir Ahmad Zareen	1	5,000	0.03
Mr. Shahid Hameed Sheikh	1	500	0.00
Sheikh Javaid Islam	1	100	0.00
NIT AND ICP			
Investment Corporation of Pakistan	1	500	0.00
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies	4	1,594,644	8.35
Mutual Funds	1	1,628,500	8.53
Mutual Funds	2	495,268	2.59
Foreign Companies	1	1,000	0.01
Joint Stock Companies	6	1,110,162	5.81
General Public (Local)	1177	5,782,237	30.29
General Public (Foreign)	23	41,812	0.22
Others	2	24,237	0.13
	1,225	19,092,000	100.00

Detail of Purchase/Sale of company's shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses/minor children during 2023-2024.

NIL

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	1,550,000
5	Mrs. Naureen Javed, Chairperson	1,073,237

KEY OPERATING AND FINANCIAL DATA FOR THE LAST TEN YEARS

PARTICULARS	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
-----Rupees in thousand-----											
FINANCIAL POSITION											
Paid up capital	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920	190,920
Share premium	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190	143,190
General reserve	970,000	970,000	970,000	970,000	970,000	970,000	970,000	970,000	920,000	920,000	820,000
Fixed assets at cost	2,194,180	2,177,746	2,176,601	2,177,437	2,252,688	2,377,007	2,378,647	2,387,252	2,427,988	2,360,966	2,270,025
Accumulated depreciation	1,566,722	1,548,268	1,523,247	1,496,964	1,497,806	1,499,634	1,472,349	1,443,573	1,416,939	1,326,594	1,232,748
Current assets	1,456,542	2,282,053	2,154,386	2,184,938	2,113,831	2,024,518	2,065,888	2,092,220	1,850,913	1,461,309	1,337,901
Current liabilities	1,855,067	2,204,888	2,052,511	1,949,297	1,814,410	1,715,607	1,808,698	1,816,238	1,464,328	1,143,122	1,219,313
INCOME											
Sales - net	916,056	1,067,686	482,312	512,635	958,056	1,036,691	2,412,173	2,116,462	3,074,266	3,658,739	5,035,627
Other income	302,696	46,332	12,722	6,091	18,385	77,896	109,920	11,934	15,875	120,831	73,659
Pre tax profit / (loss)	68,963	(100,850)	(153,529)	(147,495)	(142,357)	(189,473)	(81,858)	(96,561)	162,421	104,975	203,674
Provision for taxation	26,972	2,432	1,367	1,988	1,457	2,338	-	-	-	-	(853)
STATISTICS AND RATIOS											
Pre tax profit / (loss) to sales %	7.53	(9.45)	(31.83)	(28.77)	(14.86)	(18.28)	(3.39)	(4.56)	5.28	2.87	4.04
Pre tax profit / (loss) to capital %	20.64	(30.18)	(45.95)	(44.15)	(42.61)	(56.71)	(24.50)	(28.90)	48.61	31.42	60.96
Current ratio	0.79	1.03	1.05	1.12	1.17	1.18	1.14	1.15	1.26	1.28	1.10
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
Profit / (Loss) after tax per share (Rs.)	2.20	(5.41)	(8.11)	(7.83)	(7.53)	(10.05)	(4.29)	(5.06)	8.51	5.50	10.71
Cash dividend %	-	-	-	-	-	-	-	-	20.00	12.50	20.00
Break up value per share (Rs.)	61.37	59.17	64.58	72.70	80.53	88.06	98.11	102.39	109.45	102.19	98.70

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company: **SITARA ENERGY LIMITED**

Year Ended: **June 30, 2024**

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	5
Female	2

2. The composition of the Board of Directors is as follows:

Category	Names
Independent Director	Mr. Shahid Hameed Sheikh Mr. Mubashir Ahmed Zareen Mr. Sheikh Javaid Islam
Non-Executive Director	Mr. Tahir Ibrahim
Executive Director	Mr. Javed Iqbal
Female Director	Mrs. Naureen Javed Ms. Haniah Javed

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 Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board;
8. The board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. Six (06) directors have already completed directors' training program in prior years. The remaining One(01) director 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;

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

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. Sheikh Javaid Islam, Independent Director (Member)
 - Mr. Tahir Ibrahim, Non- Executive Director (Member)
- b. Human Resource & Remuneration Committee**
- Mr.Mubashir Ahmed Zareen, Independent Director (Chairman)
 - Mr.Javed Iqbal, Chief Executive (Member)
 - Ms.Haniah 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 meetings during the financial year ended June 30, 2024
 - b. HR and Remuneration Committee: Two meetings during the financial year ended June 30, 2024
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, 33 and 36 of the Regulations have been complied with.
19. Explanation for non-compliance with requirement, other than regulations 3,6,7,8,27,32,33 and 36 are below:

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Sr. No	Non-Mandatory Requirement	Explanation	Regulation No.
1	Role of the Board and its members to address sustainability risk and opportunities. The Board is responsible for setting the Company's sustainability strategies, priorities, and targets to create long term corporate value. The Board may establish a dedicated sustainability committee.	At present the Board provides governance and oversight in relation to Company's initiatives on Environmental, Social and Governance (ESG) matters. Nevertheless, the requirements introduced recently by SECP through notification dated June 12, 2024, will be complied with in due course.	10(A)
2	Certification under Directors Training Program It is encouraged that by June 30, 2022 all the directors on their Boards 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.	Presently, Six out of Seven directors on Board have got certified under director's training program. The remaining One (01) director shall obtain certification under the DTP in due course of time;	19(1)
3	Nomination Committee The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors as it may deem appropriate in its circumstances.	Currently, the Board has not constituted a separate Nomination Committee and the functions are being performed by the management itself.	29(1)
4	Risk Management Committee The Board may constitute the Risk Management committee of such number and class of directors as it may deem appropriate in its circumstances to carry out a review of effectiveness of risk management procedures and present are port to the Board.	Currently, the Board has not constituted a risk management committee and the company's Internal Auditor, performs there requisite functions and appraises the Board accordingly.	30(1)
5	The Company may post on its website key elements of its significant policies including DE&I and protection against harassment at workplace as advised by SECP vide its SRO 920 (1)/2024 dated 12 June 2024.	As per the regulations, the Company has disclosed key elements of its significant policies and intends to add the gist of its policy on diversity, equity and inclusion and protection against harassment at the workplace.	35(1)



Faisalabad

Dated: 30 September 2024

Ms. Naureen Javed
Chairperson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SITARA ENERGY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Sitara Energy Limited (the Company), which comprise the statement of financial position as at 30 June 2024, 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 material accounting policy information 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, 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 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, 2024 and of the profit and other comprehensive income, 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, indicates 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:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SITARA ENERGY LIMITED

Key Audit Matter	How our audit addressed the key audit matter
Contingencies	
<p>Refer to note 10 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 Islamabad High court and Appellate Tribunal Inland Revenue (ATIR).</p> <p>Matters under litigation require management to make judgments 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>Due to significance of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgment and estimates to assess the same including related financial impacts, we considered litigation matters relating to contingencies as a key audit matter.</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; • 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 19 to the financial statements</p> <p>The Company had made investment in subsidiary in shape of interest free loan of Rs. 611.17 million. The subsidiary was formed with the object to carry out textile and real estate business.</p> <p>The company had made investment to diversify.</p> <p>The subsidiary in the year under consideration has discharged the entire liability of loans towards its holding company through combination of consideration both in cash and non - cash modes (i.e; swapping of land held by it).</p> <p>The company has determined the fair value of respective land that is exchanged based on independent external valuations.</p> <p>Given the significance of the amount of loan advanced and respective adjustment of loan in the overall context of the financial statements and use of significant management judgements in estimating the fair value of land, we considered this as a key audit matter.</p>	<p>In this respect, we performed following audit procedures:</p> <p>We have inspected and verified amount of loan paid as a cash consideration through supporting documents comprising banking instruments;</p> <p>We have verified the ownership of the respective land in the name of subsidiary company through land ownership deeds;</p> <p>We have assessed the methodologies (basis) used by the external valuer to estimate values of the land that was received as a non cash consideration;</p> <p>We have evaluated the independent external valuer's competence, capabilities and objectivity;</p> <p>We have checked the reasonableness, accuracy and relevance of the input data provided by management to the external valuer;</p> <p>We have checked the reasonableness, accuracy and relevance of the input data provided by management to the external valuer;</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SITARA ENERGY LIMITED

Key Audit Matter	How our audit addressed the key audit matter
	<p>We have obtained relevant underlying supportings for the disclosures and assessed their appropriateness for the sufficient audit evidence;</p> <p>We have verified the supporting evidence for the additional disclosure and ensured appropriateness of the disclosures made; and</p> <p>We have reviewed the disclosures made related to adjustment of loan in the financial statements where ever required.</p>

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of Directors is 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SITARA ENERGY LIMITED

- 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: 02 October 2024

UDIN: AR202410194zAlsxwmuq

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, 2024 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, 2024.

Further, we highlight below instance(s) of non compliances with the requirement(s) of Regulations as reflected in the paragraph(s) referred below where these are stated in the Statement of compliance:

Paragraph 5	Section 10(A) of the regulations state that the Board is responsible for setting the Company's sustainability strategies, priorities, and targets to create long term corporate value. The Board may establish a dedicated sustainability committee. However, during the course of review it was observed no such committee was constituted.
9	Section 19 of the regulations state that it is encouraged that by June 30, 2022 all 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. However, during the course of review it was observed that one director has not attended the training program.
19	Section 29 of the regulations state that the Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances. However, during the course of review it was observed no such committee was constituted.
19	Section 30 of the regulations state that the Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board. However, during the course of review it was observed no such committee was constituted.
19	Section 35 of the regulations state that the company may post on its website key elements of its significant policies including DE&I and protection against harassment at workplace as advised by SECP vide its SRO 920 (1)/2024 dated 12 June 2024. However, during the course of review it was observed no such policies were posted on the company's website.



RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Faisalabad

Date: 02 October 2024

UDIN: CR202410194qoPMtcJjb

STATEMENT OF FINANCIAL POSITION

As at June 30, 2024

		2024	2023			2024	2023
	Note	Rupees	Rupees		Note	Rupees	Rupees
SHARE CAPITAL AND RESERVES				NON-CURRENT ASSETS			
Authorised capital 30,000,000 ordinary shares of Rs. 10/- each.		300,000,000	300,000,000	Property, plant and equipment	11	662,725,303	661,977,597
Issued, subscribed and paid up capital	4	190,920,000	190,920,000	Investment property	12	1,348,280,501	403,755,899
Capital reserve - share premium		143,190,000	143,190,000	Investment in subsidiary	13	50,000,000	50,000,000
Revenue reserves	5	837,648,011	795,656,765	Long term loan	14	1,000,000	1,000,000
		1,171,758,011	1,129,766,765	Long term deposits	15	1,511,200	1,511,200
						2,063,517,004	1,118,244,696
NON-CURRENT LIABILITIES				CURRENT ASSETS			
Long term financing	6	258,853,840	43,749,333	Stores, spares and loose tools	16	307,689,077	277,809,668
Deferred interest / markup	6.5	234,379,237	21,893,551	Stock of oil and lubricants	17	130,724,490	100,845,919
		493,233,077	65,642,884	Trade debts	18	497,611,743	674,356,750
CURRENT LIABILITIES				Loans and advances	19	7,235,853	619,235,218
Trade and other payables	7	856,593,190	753,377,584	Deposits and prepayments	20	33,589,991	26,692,236
Unclaimed dividend		3,702,824	3,702,824	Other receivables	21	131,345,236	205,164,347
Interest / mark up payable	8	376,068,385	533,063,544	Tax refunds due from			
Short term bank borrowings	9	431,656,021	883,950,807	Government	22	58,528,327	74,545,706
Current portion of:				Short term investments	23	256,130	-
Long term financing	6	160,065,255	29,166,667	Cash and bank balances	24	289,560,682	303,402,848
Provision for taxation - income tax	31&32	26,981,770	1,626,313			1,456,541,529	2,282,052,692
		1,855,067,445	2,204,887,739				
CONTINGENCIES AND COMMITMENTS							
	10	-	-				
		3,520,058,533	3,400,297,388				

The annexed notes 1 to 41 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, 2024

	Note	2024 Rupees	2023 Rupees
Sales - net	25	916,055,711	1,067,685,691
Cost of generation	26	908,785,395	1,018,864,041
Gross profit		7,270,316	48,821,650
Other income	27	302,696,518	46,331,800
		309,966,834	95,153,450
Operating expenses	28	73,815,533	48,919,684
Other operating expenses	29	3,942,533	5,273,519
Finance cost	30	163,235,543	141,872,789
		240,993,609	196,003,713
Profit / (Loss) for the year before income tax and final tax		68,973,225	(100,850,263)
Levies	31	9,905	-
Profit / (Loss) for the year before income tax		68,963,320	(100,850,263)
Provision for taxation	32	26,972,074	2,431,683
Profit / (Loss) for the year		41,991,246	(103,281,946)
Profit / (Loss) per share - Basic and diluted	33	2.20	(5.41)

The annexed notes 1 to 41 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, 2024

	2024	2023
	Rupees	Rupees
Profit / (Loss) for the year	41,991,246	(103,281,946)
Other comprehensive income for the year	-	-
Total comprehensive profit / (loss) for the year	<u>41,991,246</u>	<u>(103,281,946)</u>

The annexed notes 1 to 41 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, 2024

	Issued, subscribed and paid up capital	Capital reserve	Revenue reserves			Total
		Share premium	General reserve	Accumulated (loss)	Sub total	
----- Rupees -----						
Balance as at July 01, 2022	190,920,000	143,190,000	970,000,000	(71,061,289)	898,938,711	1,233,048,711
Total comprehensive (loss) for the year						
(Loss) for the year	-	-	-	(103,281,946)	(103,281,946)	(103,281,946)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	(103,281,946)	(103,281,946)	(103,281,946)
Balance as at June 30, 2023	190,920,000	143,190,000	970,000,000	(174,343,235)	795,656,765	1,129,766,765
Total comprehensive profit for the year						
Profit for the year	-	-	-	41,991,246	41,991,246	41,991,246
Other comprehensive income	-	-	-	-	-	-
	-	-	-	41,991,246	41,991,246	41,991,246
Balance as at June 30, 2024	190,920,000	143,190,000	970,000,000	(132,351,989)	837,648,011	1,171,758,011

The annexed notes 1 to 41 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, 2024

	2024 Rupees	2023 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) for the year before levies and income tax	68,973,225	(100,850,263)
Adjustments for:		
Depreciation of property, plant and equipment	18,453,565	25,020,981
Depreciation of investment property	22,732,247	2,109,904
Provision for staff retirement benefits	959,525	961,685
Provision for doubtful receivable	312,363	5,273,519
(Gain) on disposal of :		
Investment property	(180,700,759)	(9,531,550)
Reversal of provision for slow moving and obsolete items	(296,681)	(1,432,773)
Balances written back - net	(105,496,726)	(26,775,363)
Dividend Income	(66,036)	-
Finance cost	163,235,543	141,872,789
Operating cash flows before working capital changes	(11,893,734)	36,648,929
Changes in working capital		
(Increase) / Decrease in current assets		
Stores, spares and loose tools	(29,582,728)	(3,009,033)
Stock of oil and lubricants	(29,878,571)	6,928,306
Trade debts	(292,520,606)	(192,564,631)
Loans and advances	1,349,408	6,180,015
Deposits and prepayments	(6,897,755)	1,190,000
Other receivables	9,599,111	21,878,027
Tax refunds due from government - sales tax	15,920,703	43,718,881
Increase in current liabilities		
Trade and other payables	104,766,861	150,881,542
	(227,243,577)	35,203,107
Cash (used in) / generated from operating activities	(239,137,311)	71,852,036
Income tax paid	(2,048,479)	(1,529,846)
Staff retirement benefits paid	(955,901)	(914,469)
Finance cost paid	(3,803,169)	(2,604,746)
Net cash (used in) / generated from operating activities	(245,944,860)	66,802,975

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2024

	2024	2023
	Rupees	Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(19,201,271)	(1,145,230)
Advance paid against purchase of vehicles	-	(16,000,000)
Addition in short-term investments	(256,130)	
Proceeds from disposal of		
Investment property	272,962,000	-
Loan to subsidiary recovered	84,823,750	-
Dividend Income	66,036	-
Net cash generated from / (used in) investing activities	<u>338,394,385</u>	<u>(17,145,230)</u>
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing paid	(96,291,691)	(35,417,346)
(Decrease) in short term bank borrowings	(10,000,000)	(10,000,000)
Net cash (used in) financing activities	<u>(106,291,691)</u>	<u>(45,417,346)</u>
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(13,842,166)	4,240,399
Cash and cash equivalents at the beginning of the year	303,402,848	299,162,449
Cash and cash equivalents at the end of the year	<u><u>289,560,682</u></u>	<u><u>303,402,848</u></u>

The annexed notes 1 to 41 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, 2024

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. Sheikhpura 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 is suffering operational losses only due to unviable prices of RLNG and furnace oil which remained higher during the current financial year as well. The average price of furnace oil remained higher in comparison with last financial year while average prices of RLNG was slightly higher than last financial year. Moreover, finance cost also remained at its historical highest level throughout the year.

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 positive steps taken by the company and their impacts is as under:

The company has been successful in finalizing rescheduling and restructuring with the financial institutions at cost of funds which will provide comfort to the company to a greater extent. The company has also disposed of investment properties to repay the installments as per the repayment schedules agreed with the financial institutions. The disposal of investment properties resulted in improvement in liquidity as well as earning capital gain which helped in the reduction of finance cost.

The rescheduling/restructuring with financial institutions has clearly defined the road map for reducing financial exposure/burden, reduction in finance cost and curtailment of overall operational expenses of the company. The company has also started the implementation of solar power plant through own sources which will help in production of cheaper electricity and attracting our Bulk Power Consumers. On the other hand, the electricity tariff is being increased by our competitor distribution company which in turn will attract more consumers.

Our company is moving gradually towards viability in the succeeding years and will be able to continue as going concern.

2. BASIS OF PREPARATION

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, 2023 and therefore, have been applied in preparing these financial statements.

- Amendments to IAS1 - Disclosure of Accounting Policies

IAS 1 is amended to change the requirements with regard to disclosure of accounting policies. The amendments replace the term 'significant' accounting policies with 'material' accounting policies.

Accounting information is material, if when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

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the primary users of general purpose financial statements make on the basis of those financial statements.

The IAASB has also developed guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments may require to disclose policy information relating to material transactions.

- **Amendments to IAS 8 - Definition of Accounting Estimates**

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

The amendments have no 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 introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The amendments have no material impact on the company's financial statements.

- **IAS 12 Application Guidance on Accounting for Minimum taxes and Final tax**

The Institute of Chartered Accountants of Pakistan has developed application guidance on accounting for Minimum taxes and final taxes. The guidance is made in the context of provisions of Income Tax Ordinance, 2001 to be applied by entities obligated to use accounting and reporting standards as applicable in Pakistan other than those entities which apply AFRS for SSEs.

The purpose of the guidance is to provide guidelines on accounting of minimum tax and final taxes under the requirements of relevant IFRS Accounting Standards and provide appropriate approaches to account for minimum taxes and final taxes in compliance with the requirements of IFRS Accounting Standards.

The subject matter of TR-27 is adequately covered in the guidance, the Council of the Institute, accordingly has withdrawn TR-27.

The amendments have impact on the current company's financial statements only.

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, 2023 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, 2024 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:

- **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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

The amendments states 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 have 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 Non-current and Non-current Liabilities with Covenants**

Amendments to IAS 1 are made to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer settlement must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right

The amendments are effective for the annual periods beginning on or after January 01, 2024.

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

- **Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback**

The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for the annual periods beginning on or after January 01, 2024.

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

- **Amendments to IAS 7 and IFRS 7 - Disclosures: Supplier Finance Arrangements**

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity's suppliers.

The amendments are effective for the annual periods beginning on or after January 01, 2024.

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

- **Accounting Standard - Non-Going Concern Basis of Accounting**

The Institute of Chartered Accountants of Pakistan (ICAP) has issued accounting standards to specify the basis of accounting for a non-going concern entity.

The basis of accounting establishes principles and requirements for how the non-going concern entity shall account for and present effects of transactions, other events and conditions in its financial statements. This will enable users of the financial statements in evaluating the nature and financial effects of non-going concern position, financial performance and cashflows.

The standard establishes principles and requirements that how a reporting entity when preparing financial statements on an assumption other than going concern should:

- a. Recognizes and measures in its financial statements, assets, liabilities, income and expense; and
- b. Discloses information

The amendments are effective for the annual periods beginning on or after January 01, 2024.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

- Amendments to IAS 21 - Lack of exchangeability

The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date.

The amendments are effective for the annual periods beginning on or after January 01, 2025.

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

- Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments

The amendments clarifies that a financial liability is derecognised on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

The amendments clarifies how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.

The amendments clarifies the treatment of non-recourse assets and contractually linked instruments.

The amendments requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

The amendments are effective for the annual periods beginning on or after January 01, 2026.

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

- IFRS 18 - Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 Presentation in Financial Statements. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

An entity will be required to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations.

IFRS 18 introduces the concept of a management-defined performance measure (MPM) which it defines as a subtotal of income and expenses that an entity uses in public communications outside financial statements, to communicate management's view of an aspect of the financial performance of the entity as a whole to users. IFRS 18 requires disclosure of information about all of an entity's MPMs within a single note to the financial statements and requires several disclosures to be made about each MPM.

IFRS 18 differentiates between 'presenting' information in the primary financial statements and 'disclosing' it in the notes.

IFRS 18 requires aggregation and disaggregation of information to be performed with reference to similar and dissimilar characteristics.

The amendments are effective for the annual periods beginning on or after January 01, 2027.

The amendments may have a material impact on the company's financial statements in future periods.

- IFRS 19 - Subsidiaries without Public Accountability: Disclosures

IFRS 19, allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards.

The amendments are effective for the annual periods beginning on or after January 01, 2027.

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

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

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

2.3 Basis of measurement

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

- short term investments valued at fair value through profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION

3.1 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.

3.2 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.

3.3 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.

3.4 Provision for taxation

- Current

Tax Liability is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax on turnover or Alternate Corporate Tax whichever is higher in accordance with the provisions of Income Tax Ordinance 2001.

The amount calculated on taxable income using the notified rate of taxation after taking into account tax credits and rebates available, if any is recognized as "current income tax expense".

Final taxes based on revenue or other basis other than taxable income are classified as levy.

Minimum taxes in excess over the amount designated as income tax is then recognized as levy falling under the scope of IAS 37.

- Deferred

Deferred tax is provided, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of recognised or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the date of statement of financial position.

3.5 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

3.6 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. 5 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.

3.7 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.

3.8 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.

3.9 Investment in subsidiary

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

3.10 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

3.11 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.

3.12 Trade debts and other receivables

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

3.13 Short term investments

Short term investments are carried at fair value through profit or loss. Fair value gain or loss on short term investment is recognised in profit or loss in the period in which it arises. Any gain or loss on disposal is recognised in profit or loss in the period in which it arises.

3.14 Cash and cash equivalents

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

3.15 Foreign currency translation

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

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

3.16 Financial instruments

3.16.1 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 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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and derecognition 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 derecognition of the investment.

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

The company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through 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.

3.16.2 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.

3.17 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.

3.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Revenue is recognized at the point of time or over the period of time, whichever is applicable, as and when related performance obligation is satisfied.
- Dividend income is recognised as and when company is entitled to receive.
- Rental income is recognised on time proportionate basis.

3.19 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.

3.20 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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

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, short-term investments, 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.

4. Issued, subscribed and paid up capital

2023	2024		2024	2023
			Rupees	Rupees
Number of shares				
<u>19,092,000</u>	<u>19,092,000</u>	Ordinary shares of Rs. 10/- each		
		fully paid in cash.	<u>190,920,000</u>	<u>190,920,000</u>

4.1 656,000 (2023: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

	Note	2024 Rupees	2023 Rupees
5. Revenue reserves			
General reserve	5.1	970,000,000	970,000,000
(Accumulated loss)			
Opening balance		(174,343,235)	(71,061,289)
Total comprehensive profit / (loss) for the year		41,991,246	(103,281,946)
		(132,351,989)	(174,343,235)
		<u>837,648,011</u>	<u>795,656,765</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

		2024	2023
	Note	Rupees	Rupees
6. Long term financing			
Secured			
From banking company			
Under mark up arrangements			
Term finance	6.1	72,916,000	100,000,000
Demand Finance	6.2	289,700,433	-
Diminishing Musharakah	6.3	152,594,353	-
		515,210,786	100,000,000
Less: Paid during the year		(96,291,691)	(27,084,000)
	6.4	418,919,095	72,916,000
Less: Current portion			
Instalments due		(18,550,000)	-
Payable within one year		(141,515,255)	(29,166,667)
		(160,065,255)	(29,166,667)
		<u>258,853,840</u>	<u>43,749,333</u>

6.1 It represents the re-structuring of short term - Term finance. It is secured against first exclusive charge over fixed assets of the company. It is further secured against first joint charge over current assets of the company ranking pari passu with the charges created in respect of diminishing musharakah, demand finance and running finances in short term borrowings and also by personal guarantee of chief executive of the company.

It is subject to mark up at the fixed rate of 4.76% per annum (2023: 4.76% per annum). Interest/markup past due till the date of re-structuring, along with future accrued markup is repayable in four equal quarterly installments commencing from March 31, 2026 and ending on December 31, 2026.

Effective mark up rate charged during the year is 4.76% per annum (2023: 4.76% per annum).

6.2 It represents the re-structuring of short term - running finance. It is secured against specific charge over investment property owned by the company and its wholly owned subsidiary. It is further secured against first joint charge over current assets of the company ranking pari passu with the charges created in respect of diminishing musharakah, term finance and running finances in short term borrowings, first ranking charge over fixed assets, and by personal guarantees of two directors of the company.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

It is subject to mark up at the fixed rate of 10.72% per annum. Interest/markup past due till the date of re-structuring, along with future accrued markup is repayable in four equal quarterly installments commencing from June 30, 2027 and ending on March 31, 2028.

Effective rate of mark up charged during the year is 10.72 % per annum.

- 6.3** It represents the re-structuring of short term - morabaha finance-I and running finance. It is secured against first joint charge over current assets of the company ranking pari passu with the charges created in respect of term finance, demand finance and running finances in short term borrowings. It is further secured against first joint charge over fixed assets of the company ranking pari passu with the charges created in respect of demand finance and running finances in short term borrowings and by personal guarantees of two directors of the company.

It is subject to mark up at the fixed charges 9.25% per annum. Interest/markup past due till the date of re-structuring, along with future accrued rentals is repayable in two equal quarterly installments commencing from September 15, 2028 and ending on December 15, 2028.

Effective rate of mark up charged during the year is 9.25 % per annum.

- 6.4** The loan is repayable as follows:

Nature of loan	Balance rupees	No of instalments		Payment rest	Commencement Date	Ending date
		Total	Outstanding			
Term Finance	43,748,000	12	6	Quarterly	31-Mar-23	31-Dec-25
Demand Finance	222,576,742	14	12	Quarterly	31-Dec-23	31-Mar-27
Diminishing Musharakah	152,594,353	16	16	Quarterly	15-Sep-24	15-Jun-28
	418,919,095					

	2024 Rupees	2023 Rupees
6.5 Deferred interest / markup		
Opening balance	21,893,551	-
Mark-up on Long term financing - rescheduled	185,510,332	19,455,000
	207,403,883	19,455,000
Accrued for the year	26,975,354	2,438,551
	234,379,237	21,893,551

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	Note	2024 Rupees	2023 Rupees
7. Trade and other payables			
Creditors		571,279,397	527,796,832
Accrued liabilities		206,683,842	157,256,083
Provident fund - related party		181,334	177,710
Withholding taxes		66,307,892	60,509,354
Worker's profit participation fund		3,630,170	-
Other		8,510,555	7,637,605
		<u>856,593,190</u>	<u>753,377,584</u>
8. Interest / mark up payable			
Interest / mark up on secured:			
Long term financing		1,692,296	1,692,296
Short term bank borrowings		374,376,089	531,371,248
		<u>376,068,385</u>	<u>533,063,544</u>
9. Short term bank borrowings			
Secured - under mark up arrangements			
Running finances	9.1	431,656,021	431,656,021
Running Finance	9.2	289,700,433	289,700,433
Transferred to long term financing- Demand Finance		(289,700,433)	-
		-	289,700,433
Morabaha finance I	9.3	114,000,000	114,000,000
Transferred to long term financing - Diminishing Musharakah		(114,000,000)	-
		-	114,000,000
Running Finance	9.4	48,594,353	48,594,353
Transferred to long term financing- Diminishing Musharakah		(48,594,353)	-
		-	48,594,353
		<u>431,656,021</u>	<u>883,950,807</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

- 9.1** The aggregate unavailed short term financing facilities available to the company are Rs. 28.344 million (2023: Rs. 90.049 million). Total available limits are Rs. 460 million which are expired and renewable.

It is subject to mark up at the rate of 3 months KIBOR plus 2.00% per annum (2023: 3 months KIBOR plus 2.00% per annum) with a prompt payment rebate of 0.25% per annum. It is secured against joint charge over fixed assets of the company ranking pari passu with the charges created in respect of demand finance (Refer note 6.2) and diminishing musharakah (Refer Note 6.3). It is further secured against token registered mortgage of Rs. 4.3 million and equitable mortgage of personal properties of directors and land owned by the company. It is also secured by personal guarantee of two directors of the company.

Effective mark up rate is charged during the year at 23.90% to 25.11% per annum (2023: 17.38% to 24.44% per annum).

- 9.2** It is re-structured during the year and converted to long term loan as Demand Finance (Refer Note 6.2).

It was subject to mark up at the rate of 3 months KIBOR plus 2.00% per annum.

Effective mark up rate charged during the year till rescheduling was 10.72% per annum. (2023: 5.77% to 10.72% per annum).

- 9.3** It is re-structured during the year and converted to long term loan as Diminishing Musharakah (Refer Note 6.3).

It was subject to mark up at the rate of 6 months KIBOR plus 2.75% per annum (2023: 6 months KIBOR plus 2.75% per annum) payable quarterly in arrears.

Effective mark up rate charged during the year till rescheduling was ranged from 10.84% to 13.60% per annum (2023: 10.84% to 13.60% per annum).

- 9.4** It is re-structured during the year and converted to long term loan as Diminishing Musharakah (Refer Note 6.3).

It was subject to mark up at the rate of 3 months KIBOR plus 2.75% per annum (2023: 3 months KIBOR plus 2.75% per annum) payable quarterly in arrears.

Effective mark up rate charged during the year till rescheduling ranged from 24.21% to 25.65% per annum. (2023: 18.07% to 24.83% per annum).

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Bank guarantees issued in favour of Sui Northern Gas Pipelines Limited for supply of gas aggregate Rs. 42,609,000/- (2023 : Rs. 132,609,000/-).

10.1.2 The order of Commissioner Appeals in favour of the company regarding disputed demand of Income tax for the tax years 2004 to 2006 amounting Rs. 1,313,929/- (2023: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

10.1.3 Demand of gas infrastructure development cess amounting Rs. 128,150,602/- (2023: Rs. 128,150,602/-) not acknowledged. The Honourable Supreme Court of Pakistan has passed a judgement on August 13, 2020 holding that GIDC is payable in 24 instalments 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.

10.1.4 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 an appeal before Islamabad High Court against which stay is granted. On January 19, 2024 the Islamabad High Court remanded back the case to the Appellate Tribunal (NEPRA), Islamabad. On June 13, 2024 the Appellate Tribunal (NEPRA), Islamabad passed an order in which the matter was remanded to NEPRA (Being the authority) with a direction to hear and decide the matter afresh. 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 favour of the company. Pending the outcome of the matter, no provision has been made in these financial statements.

10.1.5 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/- (2023: Rs. 5,505,105/-). Being aggrieved by the order the company filed appeal before the CIR(A). The CIR(A), Karachi has passed an order against the company. The company has filed the second appeal before ATIR, Karachi. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favour of the company. Pending the outcome of the matter, no provision has been made in these financial statements.

10.1.6 The assessing officer of Inland Revenue passed an order in respect of tax year 2016 u/s 161 of the Income Tax Ordinance, 2001, and created demand of Rs. 128,195,734/- (2023: 128,195,734/-). Being aggrieved by the order, the company filed an appeal before the CIR(A) Karachi. The CIR(A) remanded back the case via order dated January 18, 2024. Later, the company has filed second appeal before the Honorable Appellate Tribunal Inland Revenue, Karachi against the order of CIR(A), Karachi. Currently, the case is pending for adjudication before ATIR. The management, based on opinion of its legal

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

advisor believes that there is reasonable probability that the matter will be decided in favour of the company. Pending the outcome of the matter, no provision has been made in these financial statements.

- 10.1.7** The assessing officer of Inland Revenue passed an order in respect of tax year 2017 u/s 122(5A) of the Income Tax Ordinance,2001 and created demand of Rs. 2,401,297/- (2023: 2,401,297/-). Being aggrieved by the order, the company filed an appeal before the CIR(A), Karachi.The CIR(A) has confirmed the demand of Rs.2,401,297/- via order dated October 13, 2023. Later, the company has filed second appeal before the Honorable Appellate Tribunal Inland Revenue, Karachi against the order of CIR (A), Karachi. Currently, the case is pending for adjudication before ATIR.The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favour of the company. Pending the outcome of the matter, no provision has been made in these financial statements.
- 10.1.8** The assessing officer of Inland Revenue passed an order in respect of tax year 2018 u/s 122(1) of the Income Tax Ordinance,2001 and created demand of Rs. 172,924,958/-.Being aggrieved by the order, the company has filed an appeal before the Appellate Tribunal Inland Revenue, Karachi which is pending for adjudication. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favour of the company. Pending the outcome of the matter, no provision has been made in these financial statements.
- 10.1.9** The assessing officer of Inland Revenue passed an order in respect of tax period(s) from July 2019 till June 2020 and tax period(s) from July 2020 till June 2021 under section 25 read with section 11 of the Sales Tax Act,1990 dated 28 June, 2024 and created demands of Rs. 1,158,282/- and Rs. 2,317,756/- respectively. Being aggrieved by the orders, the company has filed appeals before CIR (A), Karachi subsequent to financial statement date which is pending for adjudication. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favour of the company. Pending the outcome of the matter, no provision has been made in these financial statements.
- 10.1.10** Late payment surcharges on short term borrowings are not accounted for in the financial statement. At this stage it is difficult to ascertain the outcome of the matter till further proceeding as the matter is under negotiation with the banks.

	2024	2023
	Rupees	Rupees
10.2 Commitments		
Against installation of solar panels	4,703,200	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	Note	2024 Rupees	2023 Rupees
11.2 Depreciation for the year has been allocated as under:			
Cost of generation	26	11,490,248	17,211,387
Operating expenses	28	6,963,317	7,809,594
		<u>18,453,565</u>	<u>25,020,981</u>

11.2.1 Actual Depreciation on Plant and Machinery based on unit of production method amounts to Rs 0.28 million (2023:Rs. 2.31 million). The excess amount is charged to cover obsolescence.

11.3 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 foot)
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	9,210
c)	Office # 606 and 608, Sixth Floor Business Centre, Mumtaz Hasan Road, Karachi, 74000	Office	2.24	610.95

11.4 Disposal of property, plant and equipment

No assets were disposed off during the year(s) ended June 30,2024 and June 30,2023 respectively.

12. Investment property

	Freehold land	Building on freehold land	Total
	----- Rupees -----		
At July 01, 2022			
Cost	387,710,214	46,204,099	433,914,313
Accumulated depreciation	-	(25,105,060)	(25,105,060)
Net book value	<u>387,710,214</u>	<u>21,099,039</u>	<u>408,809,253</u>
Year ended June 30, 2023			
Opening net book value	387,710,214	21,099,039	408,809,253
Disposals during the year	(2,943,450)	-	(2,943,450)
Depreciation charge	-	(2,109,904)	(2,109,904)
Closing net book value	<u>384,766,764</u>	<u>18,989,135</u>	<u>403,755,899</u>

NOTES TO THE FINANCIAL STATEMENTS

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	Freehold land	Building on freehold land	Total
----- Rupees -----			
At June 30, 2023			
Cost	384,766,764	46,204,099	430,970,863
Accumulated depreciation	-	(27,214,964)	(27,214,964)
Net book value	384,766,764	18,989,135	403,755,899
At July 01, 2023			
Cost	384,766,764	46,204,099	430,970,863
Accumulated depreciation	-	(27,214,964)	(27,214,964)
Net book value	384,766,764	18,989,135	403,755,899
Year ended June 30, 2024			
Opening net book value	384,766,764	18,989,135	403,755,899
Additions	12.4 & 12.5 809,518,090	250,000,000	1,059,518,090
Disposals during the year	(92,261,241)	-	(92,261,241)
Depreciation charge	-	(22,732,247)	(22,732,247)
Closing net book value	1,102,023,613	246,256,888	1,348,280,501
At June 30, 2024			
Cost	1,102,023,613	296,204,099	1,398,227,712
Accumulated depreciation	-	(49,947,211)	(49,947,211)
	1,102,023,613	246,256,888	1,348,280,501
Annual rate of depreciation (%)	-	10	

12.1 This includes land worth Rs. 91.735 million (2023: Rs. 140.655 million) not in the name of the Company. The land is in the name of the subsidiary. As per agreement the Company is entitled to get the land transferred in its own name or in the name of any nominee. Legal formalities for transfer of land in the name of the Company are pending.

12.2 The fair value of investment property is approximately Rs. 1,842.29 million as at June 30, 2024 (2023: Rs. 838.44 million), valuation has been carried out by independent valuers M/s Empire Enterprises (Pvt.) Limited. The valuation is based on the unobservable inputs - level 3 classification.

12.3 The forced sale value of investment property is approximately Rs. 1,565.94 million as at June 30, 2024 (2023: Rs. 712.67 million).

12.4 These investment properties (Land) amounting to Rs. 526,344,840/- and Rs. 283,173,250/- (Aggregating to Rs. 809,518,090/-) respectively are obtained against adjustment of loan and balances receivables from subsidiary Sitara International (Private) Limited and from associated undertaking Sitara Fabrics Limited respectively. The land is still not transferred in the name of the company. The legal formalities for transfer of land to the name of the company are in progress.

12.5 This investment property of Rs. 250,000,000/- is obtained against receivable balances on account of sale of generators and electricity from Sitara Spinning Mills Limited. The property is still not transferred in the name of the company. The legal formalities for transfer of property to the name of the company are in progress.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

12.6 Disposal of Investment Property

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Particulars of buyers	Relationship with buyers
	59,733,981	-	59,733,981	115,962,000	56,228,019	M/S Niagara Mills (Pvt.) Limited	None
Investment Property - Land (Sold by negotiation)	16,263,630	-	16,263,630	78,500,000	62,236,370	Muhammad Zahid s/o Bashir Ahmed, House no. 175-C, Street no. 1/1, Raza Town, Faisalabad	None
	16,263,630	-	16,263,630	78,500,000	62,236,370	Muhammad Nazir Nasir s/o Bashir Ahmed, House no. 175-D, Street no. 1/1, Raza Town, Faisalabad	None
2024	92,261,241	-	92,261,241	272,962,000	180,700,759		

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Particulars of buyers	Relationship with buyers
	834,129	-	834,129	3,500,000	2,665,871	Muhammad Bilal s/o Muhammad Jamal, House# P-5, Street#1, Al-Masoom Town, Faisalabad	None
Investment Property - Land (Sold by negotiation)	1,275,192	-	1,275,192	5,475,000	4,199,808	Saima Kafil w/o Adeel Ahmed, House# 21, Street#8, Block Z, Madina Town, Faisalabad	None
	834,129	-	834,129	3,500,000	2,665,871	Mustafa Kamal s/o Muhammad Jamal, House# 29, Street# 1, Al-Masoom Town, Faisalabad	None
2023	2,943,450	-	2,943,450	12,475,000	9,531,550		

12.7 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	1,379	N/A
c) Chak # 193 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	340	N/A
d) Chak # 197 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	796	N/A
e) Chak # 198 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	414	N/A
f) Chak # 200 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	6,093	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	60	N/A
j) Chak # 61 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	1,378	N/A
k) Ground floor, Sitara Tower situated at Bilal Square, New Civil Lines, Faisalabad.	held for earning rentals	18	5031.61
l) 318, 3rd Floor Siddique Trade Centre, Main Boulevard, Gulberg, Lahore.	held for earning rentals	3	818

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	2024 Rupees	2023 Rupees
13. Investment in subsidiary		
Sitara International (Private) Limited 5,000,000 (2023: 5,000,000) ordinary shares of Rs. 10/- each fully paid in cash. Ownership interest 100% (2023: 100%)	<u>50,000,000</u>	<u>50,000,000</u>

13.1 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.

	2024 Rupees	2023 Rupees
14. Long term deposits		
Considered good Due from executive	<u>1,000,000</u>	<u>1,000,000</u>

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

14.2 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.

	2024 Rupees	2023 Rupees
15. Long term deposits		
Security deposits	<u>1,511,200</u>	<u>1,511,200</u>
16. Stores, spares and loose tools		
Stores	25,445,946	15,266,643
Spares	294,231,354	274,985,943
Loose tools	1,756,976	1,598,962
	<u>321,434,276</u>	<u>291,851,548</u>
Less: Provision for slow moving and obsolete items	(13,745,199)	(14,041,880)
	<u>307,689,077</u>	<u>277,809,668</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	Note	2024 Rupees	2023 Rupees
17. Stock of oil and lubricants			
Furnace oil			
In hand		28,624,402	23,727,848
In transit		92,788,719	67,651,273
Diesel oil		6,616,797	4,932,462
Lube oil		2,640,534	4,480,298
Wastes		54,038	54,038
		<u>130,724,490</u>	<u>100,845,919</u>
18. Trade debts			
Unsecured			
Considered good			
Related parties			
Sitara Fabrics Limited	18.1	-	67,566,941
Others		497,611,743	606,789,809
Considered doubtful - Others		312,363	-
Less: Provision for doubtful receivable		(312,363)	-
		<u>497,611,743</u>	<u>674,356,750</u>

18.1 The maximum aggregate amount due from associated undertaking Sitara Fabrics Limited at the end of any month during the year was Rs. 248,173,250/- (2023: Rs. 94,010,381/-).

	Note	2024 Rupees	2023 Rupees
19. Loans and advances			
Considered good			
Loans to staff		107,538	281,450
Loan to subsidiary	19.1	-	611,168,590
Advances			
Income tax		2,048,479	1,529,846
Suppliers		4,993,187	4,490,332
For purchases / expenses		86,649	1,765,000
		<u>7,128,315</u>	<u>7,785,178</u>
		<u>7,235,853</u>	<u>619,235,218</u>

19.1 It was 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 any month during the year is Rs.611,168,590/- (2023: Rs.611,168,590/-). The loan balances is adjusted against acquisition of land held by subsidiary (Refer 12.4).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	2024 Rupees	2023 Rupees
20. Deposits and prepayments		
Considered good		
Deposits		
Guarantee margin	30,782,700	26,521,800
Prepayments		
Insurance	2,797,386	170,436
Income tax	9,905	-
	<u>33,589,991</u>	<u>26,692,236</u>
21. Other receivables		
Considered good		
Receivable against:		
Sale of investment property	73,966,161	86,477,073
Rent	3,691,304	905,080
Gas Infrastructure Development Cess	53,562,194	53,562,194
Others	125,577	64,220,000
Considered doubtful - Rent	5,273,519	5,273,519
Less: Provision for doubtful receivable	(5,273,519)	(5,273,519)
	<u>131,345,236</u>	<u>205,164,347</u>
22. Tax refunds due from government		
Sales tax	18,652,483	34,573,186
Income tax	39,875,844	39,972,520
	<u>58,528,327</u>	<u>74,545,706</u>
23. Short term investments		
Investment- at Fair value through profit or loss		
Investment in mutual fund		
Meezan Daily Income Fund		
5122.6 units of Rs.50/- each (2023:Nil)	256,130	-

23.1 Effective rate of profit during the year was 18.1% per annum.

23.2 The fair value of the quoted securities is determined based on the quoted prices (unadjusted) in active market for identical assets. It represents Level 1 hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	Note	2024 Rupees	2023 Rupees
24. Cash and bank balances			
Cash in hand		1,590,083	5,571,910
Cash at banks			
In current accounts		287,970,599	297,830,938
		<u>289,560,682</u>	<u>303,402,848</u>
25. Sales - net			
Electricity		1,091,755,197	1,252,480,653
Steam		-	15,688,277
		1,091,755,197	1,268,168,930
Less: Sales tax		166,538,929	189,939,551
		925,216,268	1,078,229,379
Less: Electricity duty		9,160,557	10,543,688
		<u>916,055,711</u>	<u>1,067,685,691</u>
26. Cost of generation			
Cost of oil and lubricants		854,273,737	967,434,235
Salaries, wages and benefits		32,471,528	21,962,109
Staff retirement benefits		562,477	618,309
Stores, spares and loose tools		3,355,851	2,551,559
Travelling and conveyance		133,416	175,150
Vehicles running and maintenance		1,466,483	1,514,889
Insurance		1,082,585	3,939,530
Repairs and maintenance		2,250,295	2,027,878
Entertainment		251,674	310,259
Depreciation	11.2	11,490,248	17,211,387
Other		1,447,101	1,118,736
		<u>908,785,395</u>	<u>1,018,864,041</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	Note	2024 Rupees	2023 Rupees
27. Other income			
Income from financial assets:			
Dividend Income		66,036	-
Income from assets other than financial assets:			
Sale of scrap and waste		8,193,575	1,581,245
Rental Income		7,942,741	7,010,869
Gain on disposal of Investment property		180,700,759	9,531,550
Balances written back - net		105,496,726	26,775,363
Reversal of provision for slow moving and obsolete items		296,681	1,432,773
		<u>302,696,518</u>	<u>46,331,800</u>
28. Operating expenses			
Directors' remuneration		7,800,000	7,800,000
Salaries and benefits		12,972,313	12,537,249
Staff retirement benefits		397,048	343,376
Postage and telephone		1,078,829	1,618,665
Vehicles running and maintenance		2,815,559	2,916,136
Travelling and conveyance		1,383,210	475,238
Printing and stationery		955,147	970,939
Entertainment		654,868	500,420
Legal and professional		4,002,853	1,967,440
Fee, subscription and periodicals		6,572,474	4,303,478
Rent, rates and taxes		795,445	463,395
Advertisement		159,042	143,138
Insurance		105,084	280,782
Auditors' remuneration	28.1	1,440,000	1,309,875
Repairs and maintenance		806,880	1,121,748
Donations	28.2	617,350	445,375
Depreciation on property, plant and equipment	11.2	6,963,317	7,809,594
Depreciation on investment property	12	22,732,247	2,109,904
Utilities		1,234,683	1,528,695
Other		329,184	211,958
		<u>73,815,533</u>	<u>48,857,405</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

		2024	2023
		Rupees	Rupees
28.1	Auditors' remuneration		
	Audit fee	1,155,000	1,050,000
	Fee for the review of half yearly financial information	126,500	115,000
	Other Certifications	66,100	60,875
	Out of pocket expenses	92,400	84,000
		<u>1,440,000</u>	<u>1,309,875</u>
28.2	The directors or their spouses had no interest in the institutions/funds to whom donations were made.		
		2024	2023
		Rupees	Rupees
29.	Other operating expenses		
	Provision for doubtful receivables	312,363	5,273,519
	Worker's profit participation fund	3,630,170	-
		<u>3,942,533</u>	<u>5,273,519</u>
30.	Finance cost		
	Interest / mark-up on :		
	Long term financing	17,112,835	6,658,415
	Short term bank borrowings	144,995,910	133,113,777
	Bank charges and commission	1,126,798	2,100,597
		<u>163,235,543</u>	<u>141,872,789</u>
31.	Levies		
	Final tax	9,905	-
31.1	This represents final tax paid under section 150 of Income Tax Ordinance, 2001, representing levy in terms of requirements of IFRIC 21/IAS 37.		
		2024	2023
		Rupees	Rupees
32.	Provision for taxation		
	Current		
	For the year	32.1 26,971,865	1,626,313
	For prior years	209	805,370
	Deferred	32.4 -	-
		<u>26,972,074</u>	<u>2,431,683</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

32.1 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 and capital gain which is subject to tax under separate block income.

32.2 Reconciliation of current tax charged as per tax laws for the year, with current tax recognised in the profit and loss account, is as follows:

	2024 Rupees	2023 Rupees
Current tax liability for the year as per applicable tax laws	26,981,770	1,626,313
Portion of current tax liability as per tax laws: representing income tax under IAS 12	(26,971,865)	(1,626,313)
representing levy in terms of requirements of IFRIC 21/IAS 37	(9,905)	-
Difference	-	-

32.2.1 The aggregate of final tax and normal tax amounting to Rs 26,991,675/- (2023: Rs. 1,626,313/-) represents tax liability of the company calculated under the relevant provisions of the Income Tax Ordinance, 2001.

	2024 Rupees	2023 Rupees
32.3 Relationship between tax expense and accounting profit / (loss)		
Profit / (Loss) for the year before taxation	68,973,225	(100,850,263)
Tax on accounting profit at the applicable tax rate of 29% (Exempt)	-	-
Tax effect of:		
Separate block of rental income	2,300,471	2,032,891
Expenses that are admissible in earning rental income	(460,094)	(406,578)
Capital gain	25,131,488	-
	26,971,865	1,626,313
Prior year adjustment	209	805,370
Final tax	9,905	-
31 & 32	26,981,979	2,431,683

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	2024 Rupees	2023 Rupees
33. Earnings per share - Basic and diluted		
Profit / (Loss) for the year (Rupees)	41,991,246	(103,281,946)
Weighted average number of ordinary shares	19,092,000	19,092,000
Profit / (Loss) per share - Basic and diluted (Rupees)	2.20	(5.41)

33.1 There is no dilutive effect on the basic profit / (loss) per share of the company.

34. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND EXECUTIVES

	2024		2023	
	Chief Executive Officer	Executives	Chief Executive Officer	Executives
	-----Rupees-----			
Remuneration	6,545,455	5,922,982	6,545,455	5,922,982
Medical allowance	654,545	592,298	654,545	592,298
Perquisites	600,000	-	600,000	-
Contribution to provident fund	-	312,732	-	249,372
	<u>7,800,000</u>	<u>6,828,012</u>	<u>7,800,000</u>	<u>6,764,652</u>
Number of persons	1	2	1	2

34.1 The Chief Executive Officer is entitled to free use of company maintained car and other perquisites. One executive is entitled to conveyance facility. The monetary value of these benefits approximates Rs. 2,323,892/- (2023: 2,708,385/-). The Directors have waived off their meeting fee.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

35. 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 and Executives is disclosed in Note 34. Other significant transactions with related parties are as follows:

Name of the related party	Relationship and Percentage	Transactions during the year	2024 Rupees	2023 Rupees
Sitara Fabrics Limited	Associated company by virtue of common directorship	Sale of electricity and steam	-	69,226,595
		Adjustment of receivable balances against land	283,173,250	-
		Receipt from the sale of gas generators	-	10,300,000
		Organisational expenses recovered	-	2,400,000
Sitara Energy Limited Staff Provident Fund Trust	Other related party	Company's Contribution for the year	959,525	961,685
Sitara International (Pvt.) Limited	Subsidiary company	Recovery of loan	84,823,750	-
		Adjustment of loan against land	526,344,840	-

	2024	2023
36. PLANT CAPACITY AND ACTUAL PRODUCTION		
Number of generators installed	20	20
Number of generators worked	6	6
Installed energy generation capacity (Mega watt hours)	683,893	683,893
Actual energy generation (Mega watt hours)	23,315	33,105
Actual average load (Mega watt)	2.66	3.78

Reasons for low generation: - Installed generators include three standby generators.
- Planned utilisation as per demand.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

		2024	2023
37.	DISCLOSURE WITH REGARDS TO PROVIDENT FUND		
	Size of the fund (Rupees)	9,392,700	10,838,751
	Cost of investments made (Rupees)	4,603,435	7,103,435
	Percentage of investments made (% age)	49.01%	74.76%
	Fair value of investments (Rupees)	7,926,337	8,923,923

37.1 The figures for 2024 are based on the un-audited financial statements of the provident fund. Investment has been made in mutual fund in accordance with the provisions of section 218 of the Companies Act 2017 and conditions specified thereunder.

		2024	2023
38.	NUMBER OF EMPLOYEES		
	Total number of employees as at June 30,	83	75
	Total number of generation plant / factory employees as at June 30,	76	68
	Average number of employees during the year	75	72
	Average number of generation plant / factory employees during the year	68	65

39. 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.

		2024 Rupees	2023 Rupees
39.1	FINANCIAL INSTRUMENTS BY CATEGORY		
	Financial assets at amortised cost:		
	Long term loan	1,000,000	1,000,000
	Long term deposits	1,511,200	1,511,200
	Trade debts	497,611,743	674,356,750
	Loans and advances	107,538	611,450,040
	Deposits and prepayments	30,782,700	26,521,800
	Other receivables	77,783,042	151,602,153
	Cash and bank balances	289,560,682	303,402,848
		<u>898,356,905</u>	<u>1,769,844,791</u>
	Financial assets at fair value through profit and loss:		
	Short term investments	256,130	-
	Financial liabilities at amortised cost:		
	Long term financing	418,919,095	72,916,000
	Unclaimed dividend	3,702,824	3,702,824
	Trade and other payables	786,655,128	692,868,230
	Interest / markup payable	610,447,622	554,957,095
	Short term bank borrowings	431,656,021	883,950,807
		<u>2,251,380,690</u>	<u>2,208,394,956</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

39.2 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:

39.2.1 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 and M/S Sitara Peroxide Limited. The trade debts receivable from these customers constitute 90.13% (2023: 89.93%) of total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2024 Rupees	2023 Rupees
Long term loan	1,000,000	1,000,000
Long term deposits	1,511,200	1,511,200
Trade debts	497,611,743	674,356,750
Loans and advances	107,538	611,450,040
Deposits and prepayments	30,782,700	26,521,800
Other receivables	77,783,042	151,602,153
Short term investments	256,130	-
Bank balances	287,970,599	297,830,938
	<u>897,022,952</u>	<u>1,764,272,881</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 monitors and reviews customers credit exposure.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	2024 Rupees	2023 Rupees
Sitara Chemical Industries Limited	186,033,238	98,092,508
Sitara Peroxide Limited	262,456,104	273,518,788
Sitara Spinning Mills Limited	-	234,866,151
Other industrial users	49,122,401	67,879,303
	<u>497,611,743</u>	<u>674,356,750</u>

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

	2024 Rupees	2023 Rupees
Not past due	177,577,480	250,063,716
Past due		
4 to 6 months	-	71,547,699
7 to 12 months	5,444,160	115,652,221
More than 1 year	314,590,103	237,093,114
	<u>320,034,263</u>	<u>424,293,034</u>
	<u>497,611,743</u>	<u>674,356,750</u>
Not past due		
Related parties	-	40,531,668
Others	177,577,480	209,532,048
	<u>177,577,480</u>	<u>250,063,716</u>
Past due		
Related parties	-	27,035,273
Others	320,034,263	397,257,761
	<u>320,034,263</u>	<u>424,293,034</u>
	<u>497,611,743</u>	<u>674,356,750</u>

Appropriate provisions have been made in respect of trade debts and other receivables considered doubtful. The credit risk exposure is limited in respect of bank balances and short term investments as these are placed with local banks having good credit rating from international and local credit rating agencies.

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For the Year Ended June 30, 2024

The bank balances along with credit rating is as follows.

	2024	2023
	Rupees	Rupees
Credit Rating		
AAA	268,910,227	116,275,089
AA+	50,601	287,208
A+	16,013,719	58,052,961
Others	2,996,052	123,215,680
	<u>287,970,599</u>	<u>297,830,938</u>

The analysis of credit rating of investees' in relation to short term investment is as follows:

	2024	2023
	Rupees	Rupees
Credit Rating		
A-1+	<u>256,130</u>	<u>-</u>

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

39.2.2 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, 2024 and 2023:

	2024				
	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	418,919	418,919	89,305	70,758	258,856
Unclaimed dividend	3,703	3,703	3,703	-	-
Trade and other payables	786,655	786,655	786,655	-	-
Short term bank borrowings	431,656	537,152	52,748	484,404	-
Interest / mark up payable	610,448	610,448	376,068	-	234,380
	<u>2,251,381</u>	<u>2,356,877</u>	<u>1,308,479</u>	<u>555,162</u>	<u>493,236</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	2023				
	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	72,916	72,916	14,583	14,583	43,750
Unclaimed dividend	3,703	3,703	3,703	-	-
Trade and other payables	692,868	692,868	692,868	-	-
Short term bank borrowings	883,951	1,080,674	217,207	863,467	-
Interest / mark up payable	554,957	554,958	533,064	-	21,894
	2,208,395	2,405,119	1,461,425	878,050	65,644

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.895.99 million (2023: 1,821 million) and unavailed short term borrowing facilities of Rs. 28.34 million (2023: Rs. 90.05 million) as at the year end.

39.2.3 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

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 9.4 million (2023: Rs. 9.80 million).

ii) Currency risk

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

iii) Equity price risk

Equity price risk is the risk of unfavorable changes in the fair value of the equity securities as a result of changes in the levels of Stock Exchange indexes and the value of individual shares (including the units of mutual funds). The equity price risk exposure arises from the company's short term investments for which prices in the future are uncertain. The company's policies to manage price risk through diversification and selection of securities within specified limits set by the internal risk management guidelines.

As at June 30, 2024, the company is exposed to price risk of Rs. 0.26 million (2023: Nil).

An increase or decrease of 10% in the fair values of the company's equity securities, with all other variables held constant, would result in increase / decrease of profit for the year by Rs.0.03 million (2023: Nil). This level of change is considered to be reasonably possible based on observation of current market conditions.

39.3 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

39.4 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 and short 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	2024 Rupees	2023 Rupees
Total Debt	6 & 9	850,575,116	956,866,807
Less: Cash and cash equivalents	24	289,560,682	303,402,848
Net Debt		561,014,434	653,463,959
Total equity		1,171,758,011	1,129,766,765
Total capital		1,732,772,445	1,783,230,724
Gearing ratio		32.38%	36.64%

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the company and authorised for issue on 30 September 2024.

41. GENERAL

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



Chief Executive Officer



Director



Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS



REPORT OF THE DIRECTORS

ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors have pleasure in presenting the Audited Financial Statement of the Sitara Energy Limited (the parent) and Sitara International (Pvt.) Limited (the Subsidiary) for the year ended June 30, 2024.

The Company holds 100% shares in the Subsidiary which is trading in different commodities.

The consolidated financial are as follows:

	30.06.2024	30.06.2023
	(Rs. '000s)	(Rs. '000s)
Sales - net	916,056	1,067,686
Gross Profit	7,270	48,822
Profit / (Loss) before taxation	68,386	(101,098)
Profit / (Loss) after taxation	34,825	(103,529)
Profit / (Loss) per share - Basic and diluted	1.82	(5.42)



Javed Iqbal

Chief Executive Officer



Sheikh Javaid Islam

Director

September 30, 2024

Faisalabad

ڈائریکٹرز رپورٹ مجموعی مالیاتی گوشوارے

ڈائریکٹرز رپورٹ مجموعی مالیاتی گوشوارے

بورڈ آف ڈائریکٹرز ستارہ انرجی لمیٹڈ (ہیئرٹ) اور ستارہ انٹرنیشنل پرائیویٹ لمیٹڈ (سبسڈیری) ختم ہونے والے مالی سال 30 جون 2024ء کے مالیاتی گوشوارے پیش کرتے ہوئے انتہائی مسرت محسوس کر تا ہے۔ آپ کی کمپنی سبسڈیری کے 100% شیئرز کی ملکیت رکھتی ہے جو کہ ریئل اسٹیٹ کے کاروبار سے منسلک ہے۔

مجموعی مالیاتی گوشواروں کی تفصیلات درج ذیل ہے

ڈائریکٹرز رپورٹ مجموعی مالیاتی گوشوارے

تفصیل	30 جون 2024ء	30 جون 2023ء
فروخت - نٹ	916,056	1,067,686
مجموعی منافع	7,270	48,822
نیکسیشن سے قبل (نقصان)	68,386	(101,098)
نیکسیشن کے بعد (نقصان)	34,825	(103,529)
فی شیئر منافع (نقصان) (Basic and Diluted)	1.82	(5.42)



شیخ جاوید اسلام
ڈائریکٹر

30 ستمبر 2024ء
فیصل آباد



جاوید اقبال
چیف ایگزیکٹو آفیسر

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SITARA ENERGY LIMITED

Report on the audit of consolidated financial statements

Opinion

We have audited the annexed consolidated financial statements of Sitara Energy Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 30 June 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the 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 Parent Company suffered financial and operational difficulties. These conditions as set forth in Note 1.4 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Parent 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SITARA ENERGY LIMITED

Key Audit Matter	How our audit addressed the key audit matter
Contingencies	
<p>Refer to note 11 to the financial statements.</p> <p>The parent 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 Islamabad High court 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>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.</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 parent'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 parent's external legal and tax counsels for their views on legal cases; • 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 parent; and • Reviewed disclosures made in respect of these litigations in the financial statements.

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

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SITARA ENERGY LIMITED

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 the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated financial statements or, if such disclosures are

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SITARA ENERGY LIMITED

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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

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: 02 October 2024

UDIN: AR202410194OHA4FuRZP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2024

	Note	2024 Rupees	2023 Rupees		Note	2024 Rupees	2023 Rupees
SHARE CAPITAL AND RESERVES				NON-CURRENT ASSETS			
Authorised capital 30,000,000 ordinary shares of Rs. 10/- each.		300,000,000	300,000,000	Property, plant and equipment	12	662,739,907	661,993,823
Issued, subscribed and paid up capital	5	190,920,000	190,920,000	Investment property	13	1,328,696,661	403,755,899
Capital reserve				Long term loan	14	1,000,000	1,000,000
Share premium		143,190,000	143,190,000	Long term deposits	15	1,511,200	1,511,200
Revenue reserves	6	843,596,715	808,771,986			1,993,947,768	1,068,260,922
		1,177,706,715	1,142,881,986				
NON-CURRENT LIABILITIES				CURRENT ASSETS			
Long term financing	7	258,853,840	43,749,333	Stores, spares and loose tools	16	307,689,077	277,809,668
Deferred interest / markup	7.5	234,379,237	21,893,551	Stocks	17	259,270,744	729,999,269
		493,233,077	65,642,884	Trade debts	18	538,994,247	715,739,254
CURRENT LIABILITIES				Loans and advances	19	41,843,036	32,836,003
Trade and other payables	8	982,023,302	847,961,308	Deposits and prepayments	20	33,589,991	26,692,236
Unclaimed dividend		3,702,824	3,702,824	Other receivables	21	131,345,236	271,838,097
Interest / mark up payable	9	376,068,385	533,063,544	Tax refunds due from Government	22	60,402,685	76,420,064
Short term bank borrowings	10	431,656,021	883,950,807	Short term investments	23	256,130	-
Current portion of: Long term financing		160,065,255	29,166,667	Cash and bank balances	24	290,677,746	308,400,820
Provision for taxation - income tax	31&32	33,561,081	1,626,313			1,664,068,892	2,439,735,411
		1,987,076,868	2,299,471,463				
CONTINGENCIES AND COMMITMENTS							
	11	-	-				
		3,658,016,660	3,507,996,333				
						3,658,016,660	3,507,996,333

The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year Ended June 30, 2024

	Note	2024 Rupees	2023 Rupees
Sales - net	25	916,055,711	1,067,685,691
Cost of generation	26	908,785,395	1,018,864,041
Gross profit		7,270,316	48,821,650
Other income	27	302,696,518	46,331,800
		309,966,834	95,153,450
Operating expenses	28	74,399,955	49,104,543
Other operating expenses	29	3,942,533	5,273,519
Finance cost	30	163,238,327	141,872,789
		241,580,815	196,250,851
Profit / (Loss) for the year before income tax and minimum tax differential / final tax		68,386,019	(101,097,401)
Levies	31	1,079,849	-
Profit / (Loss) for the year before income tax		67,306,170	(101,097,401)
Provision for taxation	32	32,481,441	2,431,683
Profit / (Loss) for the year		34,824,729	(103,529,084)
Attributable to: Shareholders of the Parent		34,824,729	(103,529,084)
Profit / (Loss) per share - Basic and diluted Attributable to the shareholders of the Parent	33	1.82	(5.42)

The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended June 30, 2024

	2024	2023
	Rupees	Rupees
Profit / (Loss) for the year	34,824,729	(103,529,084)
Other Comprehensive income for the year	-	-
Total comprehensive Profit / (Loss) for the year	<u>34,824,729</u>	<u>(103,529,084)</u>
Attributable to:		
Shareholders of the Parent	<u>34,824,729</u>	<u>(103,529,084)</u>

The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended June 30, 2024

	Capital and reserves					Total
	Issued, subscribed and paid up capital	Capital reserve	Revenue reserves			
		Share premium	General reserve	Accumulated (loss)	Sub total	
----- Rupees -----						
Balance as at July 01, 2022	190,920,000	143,190,000	970,000,000	(57,698,930)	912,301,070	1,246,411,070
Total comprehensive (loss) for the year						
(Loss) for the year	-	-	-	(103,529,084)	(103,529,084)	(103,529,084)
Other Comprehensive income	-	-	-	-	-	-
	-	-	-	(103,529,084)	(103,529,084)	(103,529,084)
Balance as at June 30, 2023	190,920,000	143,190,000	970,000,000	(161,228,014)	808,771,986	1,142,881,986
Total comprehensive profit for the year						
Profit for the year	-	-	-	34,824,729	34,824,729	34,824,729
Other Comprehensive income	-	-	-	-	-	-
	-	-	-	34,824,729	34,824,729	34,824,729
Balance as at June 30, 2024	190,920,000	143,190,000	970,000,000	(126,403,285)	843,596,715	1,177,706,715

The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2024

	2024 Rupees	2023 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) for the year before levies and income tax	68,386,019	(101,097,401)
Adjustments for:		
Depreciation of property, plant and equipment	18,455,187	25,022,784
Depreciation of investment property	22,732,247	2,109,904
Provision for staff retirement benefits	959,525	961,685
Provision for doubtful receivable	312,363	5,273,519
Finance cost	163,238,327	141,872,789
(Gain) on disposal of:		
Investment property	(180,700,759)	(9,531,550)
Reversal of provision for slow moving and obsolete items	(296,681)	(1,432,773)
Balances written back - net	(105,496,726)	(26,775,363)
Dividend Income	(66,036)	-
Operating cash flows before working capital changes	(12,476,534)	36,403,594
Changes in working capital		
(Increase) / Decrease in current assets		
Stores, spares and loose tools	(29,582,728)	(3,009,033)
Stocks	(36,032,475)	6,928,306
Trade debts	(292,520,606)	(192,564,631)
Loans and advances	65,832,533	6,180,015
Deposits and prepayments	(6,897,755)	1,190,000
Other receivables	9,599,111	21,878,027
Tax refunds due from government	15,920,703	43,718,881
Increase in current liabilities		
Trade and other payables	135,613,249	151,033,466
	(138,067,968)	35,355,031
Cash (used in) / generated from operating activities	(150,544,502)	71,758,625
Income tax refund paid	(9,695,662)	(1,529,846)
Staff retirement benefits paid	(955,901)	(914,469)
Finance cost paid	(3,805,953)	(2,604,746)
Net cash (used in) / generated from operating activities	(165,002,018)	66,709,564

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2024

	2024 Rupees	2023 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(19,201,271)	(1,145,230)
Advance against purchase of vehicle	-	(16,000,000)
Additions in short term investments	(256,130)	-
Proceeds from disposal of :		
Investment property	272,962,000	-
Dividend Income	66,036	-
Net cash generated from / (used in) investing activities	253,570,635	(17,145,230)
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing paid	(96,291,691)	(35,417,346)
(Decrease) in short term bank borrowings	(10,000,000)	(10,000,000)
Net cash (used in) financing activities	(106,291,691)	(45,417,346)
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(17,723,074)	4,146,988
Cash and cash equivalents at the beginning of the year	308,400,820	304,253,832
Cash and cash equivalents at the end of the year	290,677,746	308,400,820

The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

1. GROUP STATUS AND ACTIVITIES

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

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

The Subsidiary is incorporated in Pakistan as a private limited company under the repealed Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act 2017 on May 30, 2017). The principal activity of the Subsidiary is trading in real estate business. The registered office of the Subsidiary is situated at 601-602 Business centre, Mumtaz Hasan Road, Karachi in the province of Sindh.

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

1.4 The group is suffering operational losses only due to unviable prices of RLNG and furnace oil which remained higher during the current financial year as well. The average price of furnace oil remained higher in comparison with last financial year while average prices of RLNG was slightly higher than last financial year. Moreover, finance cost also remained at its historical highest level throughout the year.

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

The positive steps taken by the group and their impacts is as under:

The group has been successful in finalizing rescheduling and restructuring with the financial institutions at cost of funds which will provide comfort to the group to a greater extent. The group has also disposed of investment properties to repay the installments as per the repayment schedules agreed with the financial institutions. The disposal of investment properties resulted in improvement in liquidity as well as earning capital gain which helped in the reduction of finance cost.

The rescheduling/restructuring with financial institutions has clearly defined the road map for reducing financial exposure/burden, reduction in finance cost and curtailment of overall operational expenses of the group. The group has also started the implementation of solar power plant through own sources which will help in production of cheaper electricity and attracting our Bulk Power Consumers. On the other hand, the electricity tariff is being increased by our competitor distribution company which in turn will attract more consumers.

The group is moving gradually towards viability in the succeeding years and will be able to continue as going concern.

2. BASIS OF CONSOLIDATION

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

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

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

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

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

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the group for the periods beginning on or after July 01, 2023 and therefore, have been applied in preparing these financial statements.

- Amendments to IAS1 - Disclosure of Accounting Policies

IAS 1 is amended to change the requirements with regard to disclosure of accounting policies. The amendments replace the term 'significant' accounting policies with 'material' accounting policies.

Accounting information is material, if when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The IAASB has also developed guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments may require to disclose policy information relating to material transactions.

- Amendments to IAS 8 - Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

The amendments have no material impact on the group's financial statements.

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

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The amendments have no material impact on the group's financial statements.

- IAS 12 Application Guidance on Accounting for Minimum taxes and Final tax

The Institute of Chartered Accountants of Pakistan has developed application guidance on accounting for Minimum taxes and final taxes. The guidance is made in the context of provisions of Income Tax Ordinance, 2001 to be applied by entities obligated to use accounting and reporting standards as applicable in Pakistan other than those entities which apply AFRS for SSEs.

The purpose of the guidance is to provide guidelines on accounting of minimum tax and final taxes under the requirements of relevant IFRS Accounting Standards and provide appropriate approaches to account for minimum taxes and final taxes in compliance with the requirements of IFRS Accounting Standards.

The subject matter of TR-27 is adequately covered in the guidance, the Council of the Institute, accordingly has withdrawn TR-27.

The amendments have impact on the current group's financial statements only.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

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

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the group beginning on or after July 01, 2023 but are considered not to be relevant to the group's operations and are, therefore, not disclosed in these financial statements.

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

There are certain standards, amendments to the IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after July 1, 2024 but are considered not to be relevant or to have any significant effect on the group's operations and are, therefore, not detailed in these financial statements, except for the following:

- 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 states 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 have 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 groups's financial statements.

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

Amendments to IAS 1 are made to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer settlement must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right

The amendments are effective for the annual periods beginning on or after January 01, 2024.

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

- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for the annual periods beginning on or after January 01, 2024.

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

- Amendments to IAS 7 and IFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity's suppliers.

The amendments are effective for the annual periods beginning on or after January 01, 2024.

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

- Accounting Standard - Non-Going Concern Basis of Accounting

The Institute of Chartered Accountants of Pakistan (ICAP) has issued accounting standards to specify the basis of accounting for a non-going concern entity.

The basis of accounting establishes principles and requirements for how the non-going concern entity shall account for and present effects of transactions, other events and conditions in its financial statements. This will enable users of the financial statements in evaluating the nature and financial effects of non-going concern position, financial performance and cash flows.

The standard establishes principles and requirements that how a reporting entity when preparing financial statements on an assumption other than going concern should:

- a. Recognizes and measures in its financial statements, assets, liabilities, income and expense; and
- b. Discloses information

The amendments are effective for the annual periods beginning on or after January 01, 2024.

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

- Amendments to IAS 21 - Lack of exchangeability

The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date.

The amendments are effective for the annual periods beginning on or after January 01, 2025.

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

- Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments

The amendments clarifies that a financial liability is derecognised on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

The amendments clarifies how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.

The amendments clarifies the treatment of non-recourse assets and contractually linked instruments.

The amendments requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

The amendments are effective for the annual periods beginning on or after January 01, 2026.

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

- IFRS 18 - Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 Presentation in Financial Statements. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

An entity will be required to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations.

IFRS 18 introduces the concept of a management-defined performance measure (MPM) which it defines as a subtotal of income and expenses that an entity uses in public communications outside financial statements, to communicate management's view of an aspect of the financial performance of the entity as a whole to users. IFRS 18 requires disclosure of information about all of an entity's MPMs

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

within a single note to the financial statements and requires several disclosures to be made about each MPM.

IFRS 18 differentiates between 'presenting' information in the primary financial statements and 'disclosing' it in the notes.

IFRS 18 requires aggregation and disaggregation of information to be performed with reference to similar and dissimilar characteristics.

The amendments are effective for the annual periods beginning on or after January 01, 2027.

The amendments may have a material impact on the group's financial statements in future periods.

- IFRS 19 - Subsidiaries without Public Accountability: Disclosures

IFRS 19, allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards.

The amendments are effective for the annual periods beginning on or after January 01, 2027.

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

3.2.4 Standards, amendments to standards and interpretations becoming effective in future 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 group's operations, therefore, not disclosed in these financial statements.

3.3 Basis of measurement

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

- short term investments valued at fair value through profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION

4.1 Staff retirement benefits

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

4.2 Trade and other payables

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

4.3 Provisions

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

4.4 Provision for taxation

Current

Tax Liability is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax on turnover or Alternate Corporate Tax whichever is higher in accordance with the provisions of Income Tax Ordinance 2001.

The amount calculated on taxable income using the notified rate of taxation after taking into account tax credits and rebates available, if any is recognized as "current income tax expense".

Final taxes based on revenue or other basis other than taxable income are classified as levy.

Minimum taxes in excess over the amount designated as income tax is then recognized as levy falling under the scope of IAS 37.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

Deferred

Deferred tax is provided, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of recognised or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the date of statement of financial position.

4.5 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.

4.6 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. 5 million to cover obsolescence.

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

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

Capital work in progress

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

4.7 Impairment

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

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

4.8 Investment property

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

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

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

4.9 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.

4.10 Stocks

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

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

4.11 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.

4.12 Short term investments

Short term investments are carried at fair value through profit or loss. Fair value gain or loss on short term investment is recognised in profit or loss in the period in which it arises. Any gain or loss on disposal is recognised in profit or loss in the period in which it arises.

4.13 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.

4.14 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.

4.15 Financial instruments

4.15.1 Financial assets

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

a) Financial assets at amortised cost

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

b) Financial assets at fair value through other comprehensive income

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

c) Financial assets at fair value through profit or loss

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

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

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

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

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

4.15.2 Financial liabilities

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

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

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

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

4.16 Offsetting of financial asset and financial liability

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

4.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- The Group recognize revenue when it transfer control of product to a customer.
- Revenue from sale of land is recognised when the full payment is received or possession is handed over to the buyer whichever is earlier.
- Dividend income is recognised as and when group is entitled to received.
- Rental income is recognised on time proportionate basis.

4.18 Transactions with related parties

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

the seller. The power is sold to related parties at the rates determined by National Electric Power Regulatory Authority.

4.19 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, short-term investments, 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.

5. Issued, subscribed and paid up capital

2023	2024		2024	2023
Number of shares			Rupees	Rupees
<u>19,092,000</u>	<u>19,092,000</u>	Ordinary shares of Rs. 10/- each		
		fully paid in cash.	<u>190,920,000</u>	<u>190,920,000</u>

5.1 656,000 (2023: 656,000) shares are held by an associated undertaking - Sitara Fabrics Limited.

	Note	2024 Rupees	2023 Rupees
6. Revenue reserves			
General reserve	6.1	970,000,000	970,000,000
(Accumulated loss)			
Opening balance		(161,228,014)	(57,698,930)
Total comprehensive profit / (loss) for the year		34,824,729	(103,529,084)
		(126,403,285)	(161,228,014)
		<u>843,596,715</u>	<u>808,771,986</u>

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	Note	2024 Rupees	2023 Rupees
7. Long term financing			
Secured			
From banking company			
Under mark up arrangements			
Term finance	7.1	72,916,000	100,000,000
Demand Finance	7.2	289,700,433	-
Diminishing Musharakah	7.3	152,594,353	-
		515,210,786	100,000,000
Less: Paid during the year		(96,291,691)	27,084,000
	7.4	418,919,095	72,916,000
Less: Current portion			
Instalments due		(18,550,000)	-
Payable within one year		(141,515,255)	(29,166,667)
		(160,065,255)	(29,166,667)
		258,853,840	43,749,333

7.1 It represents the re-structuring of short term - Term finance. It is secured against first exclusive charge over fixed assets of the company. It is further secured against first joint charge over current assets of the company ranking pari passu with the charges created in respect of diminishing musharakah, demand finance and running finances in short term borrowings and also by personal guarantee of chief executive of the company.

It is subject to mark up at the fixed rate of 4.76% per annum (2023: 4.76% per annum). Interest/markup past due till the date of re-structuring, along with future accrued markup is repayable in four equal quarterly installments commencing from March 31, 2026 and ending on December 31, 2026.

Effective mark up rate charged during the year is 4.76% per annum (2023: 4.76% per annum).

7.2 It represents the re-structuring of short term - running finance. It is secured against specific charge over investment property owned by the company and its wholly owned subsidiary. It is further secured against first joint charge over current assets of the company ranking pari passu with the charges created in respect of diminishing musharakah, term finance and running finances in short term borrowings, first ranking charge over fixed assets, and by personal guarantees of two directors of the company.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

It is subject to mark up at the fixed rate of 10.72% per annum. Interest/markup past due till the date of re-structuring, along with future accrued markup is repayable in four equal quarterly installments commencing from June 30, 2027 and ending on March 31, 2028.

Effective rate of mark up charged during the year is 10.72 % per annum.

- 7.3** It represents the re-structuring of short term - morabaha finance-I and running finance. It is secured against first joint charge over current assets of the company ranking pari passu with the charges created in respect of term finance, demand finance and running finances in short term borrowings. It is further secured against first joint charge over fixed assets of the company ranking pari passu with the charges created in respect of demand finance and running finances in short term borrowings and by personal guarantees of two directors of the company.

It is subject to mark up at the fixed charges 9.25% per annum. Interest/markup past due till the date of re-structuring, along with future accrued rentals is repayable in two equal quarterly installments commencing from September 15, 2028 and ending on December 15, 2028.

Effective rate of mark up charged during the year is 9.25 % per annum.

- 7.4** The loan is repayable as follows:

Nature of loan	Balance rupees	No of instalments		Payment rest	Commencement Date	Ending date
		Total	Outstanding			
Term Finance	43,748,000	12	6	Quarterly	31-Mar-23	31-Dec-25
Demand Finance	222,576,742	14	12	Quarterly	31-Dec-23	31-Mar-27
Diminishing Musharakah	152,594,353	16	16	Quarterly	15-Sep-24	15-Jun-28
	418,919,095					

	2024	2023
	Rupees	Rupees
6.5 Deferred interest / markup		
Opening balance	21,893,551	-
Mark-up on Long term financing - rescheduled	185,510,332	19,455,000
	207,403,883	19,455,000
Accrued for the year	26,975,354	2,438,551
	234,379,237	21,893,551

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	Note	2024 Rupees	2023 Rupees
7. Trade and other payables			
Creditors		689,124,779	622,267,682
Accrued liabilities		214,268,572	157,361,083
Provident fund - related party		181,334	177,710
Withholding taxes		66,307,892	60,517,228
Worker's profit participation fund		3,630,170	-
Other		8,510,555	7,637,605
		<u>982,023,302</u>	<u>847,961,308</u>
9. Interest / mark up payable			
Interest / mark up on secured:			
Long term financing		1,692,296	1,692,296
Short term bank borrowings		374,376,089	531,371,248
		<u>376,068,385</u>	<u>533,063,544</u>
10. Short term bank borrowings			
Secured - under mark up arrangements			
Running finances	10.1	431,656,021	431,656,021
Running Finance	10.2	289,700,433	289,700,433
Transferred to long term financing- Demand Finance		(289,700,433)	-
		-	289,700,433
Morabaha finance I	10.3	114,000,000	114,000,000
Transferred to long term financing - Diminishing Musharakah		(114,000,000)	-
		-	114,000,000
Running Finance	10.4	48,594,353	48,594,353
Transferred to long term financing- Diminishing Musharakah		(48,594,353)	-
		-	48,594,353
		<u>431,656,021</u>	<u>883,950,807</u>

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

- 10.1** The aggregate unavailed short term financing facilities available to the parent company are Rs. 28.344 million (2023: Rs. 90.049 million). Total available limits are Rs. 460 million which are expired and renewable.

It is subject to mark up at the rate of 3 months KIBOR plus 2.00% per annum (2023: 3 months KIBOR plus 2.00% per annum) with a prompt payment rebate of 0.25% per annum. It is secured against joint charge over fixed assets of the parent company ranking pari passu with the charges created in respect of demand finance (Refer note 7.2) and diminishing musharakah (Refer Note 6.3). It is further secured against token registered mortgage of Rs. 4.3 million and equitable mortgage of personal properties of directors and land owned by the parent company. It is also secured by personal guarantee of two directors of the parent company.

Effective mark up rate is charged during the year at 23.90% to 25.11% per annum (2023: 17.38% to 24.44% per annum).

- 10.2** It is re-structured during the year and converted to long term loan as Demand Finance (Refer Note 7.2).

It was subject to mark up at the rate of 3 months KIBOR plus 2.00% per annum.

Effective mark up rate charged during the year till rescheduling was 10.72% per annum. (2023: 5.77% to 10.72% per annum).

- 10.3** It is re-structured during the year and converted to long term loan as Diminishing Musharakah (Refer Note 7.3).

It was subject to mark up at the rate of 6 months KIBOR plus 2.75% per annum (2023: 6 months KIBOR plus 2.75% per annum) payable quarterly in arrears.

Effective mark up rate charged during the year till rescheduling was ranged from 10.84% to 13.60% per annum (2023: 10.84% to 13.60% per annum).

- 10.4** It is re-structured during the year and converted to long term loan as Diminishing Musharakah (Refer Note 7.3).

It was subject to mark up at the rate of 3 months KIBOR plus 2.75% per annum (2023: 3 months KIBOR plus 2.75% per annum) payable quarterly in arrears.

Effective mark up rate charged during the year till rescheduling ranged from 24.21% to 25.65% per annum. (2023: 18.07% to 24.83% per annum).

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

- 11.1.1** Bank guarantees issued in favour of Sui Northern Gas Pipelines Limited for supply of gas aggregate Rs. 42,609,000/- (2023 : Rs. 132,609,000/-).

- 11.1.2** The order of Commissioner Appeals in favour of the parent company regarding disputed demand of Income tax for the tax years 2004 to 2006 amounting Rs.1,313,929/- (2023: Rs.1,313,929/-) was vacated by the Appellate Tribunal. The parent 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.

- 11.1.3** Demand of gas Infrastructure development cess amounting Rs.128,150,602/- (2023: Rs.128,150,602/-) not acknowledged. The Honourable Supreme Court of Pakistan

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

has passed a judgement on August 13, 2020 holding that GIDC is payable in 24 instalments without late payment surcharge. The parent 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. The parent 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 parent 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.

- 11.1.4** The Parent 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 parent company filed review petition before NEPRA which was dismissed by the Authority. The parent company filed an appeal before Islamabad High Court against which stay is granted. On January 19, 2024 the Islamabad High Court remanded back the case to the Appellate Tribunal (NEPRA), Islamabad. On June 13, 2024 the Appellate Tribunal (NEPRA), Islamabad passed an order in which the matter was remanded to NEPRA (Being the authority) with a direction to hear and decide the matter afresh. 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 favour of the parent company. Pending the outcome of the matter, no provision has been made in these financial statements.
- 11.1.5** 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/- (2023: Rs. 5,505,105/-). Being aggrieved by the order the parent company filed an appeal before the CIR(A). The CIR(A) has passed an order against the parent company. The parent 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 favour of the parent company. Pending the outcome of the matter, no provision has been made in these financial statements.
- 11.1.6** The assessing officer of Inland Revenue passed an order in respect of tax year 2016 u/s 161 of the Income Tax Ordinance, 2001, and created demand of Rs. 128,195,734/- (2023: 128,195,734/-). Being aggrieved by the order, the parent company filed an appeal before the CIR(A), Karachi. The CIR(A) remanded back the case via order dated January 18, 2024. Later, the parent company has filed second appeal before the Honorable Appellate Tribunal Inland Revenue, Karachi against the order of CIR(A), Karachi. Currently, the case is pending for adjudication before ATIR. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favour of the parent company. Pending the outcome of the matter, no provision has been made in these financial statements.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

- 11.1.7** The assessing officer of Inland Revenue passed an order in respect of tax year 2017 u/s 122(5A) of the Income Tax Ordinance,2001 and created demand of Rs. 2,401,297/- (2023: 2,401,297/-). Being aggrieved by the order, the parent company filed an appeal before the CIR(A), Karachi. The CIR(A) has confirmed the demand of Rs.2,401,297/- via order dated October 13, 2023. Later, the parent company has filed second appeal before the Honorable Appellate Tribunal Inland Revenue, Karachi against the order of CIR (A), Karachi. Currently, the case is pending for adjudication before ATIR.The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favour of the parent company. Pending the outcome of the matter, no provision has been made in these financial statements.
- 11.1.8** The assessing officer of Inland Revenue passed an order in respect of tax year 2018 u/s 122(1) of the Income Tax Ordinance,2001 and created demand of Rs. 172,924,958/- .Being aggrieved by the order, the parent company has filed an appeal before the Appellate Tribunal Inland Revenue, Karachi which is pending for adjudication. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favour of the parent company. Pending the outcome of the matter, no provision has been made in these financial statements.
- 11.1.9** The assessing officer of Inland Revenue passed an order in respect of tax period(s) from July 2019 till June 2020 and tax period(s) from July 2020 till June 2021 under section 25 read with section 11 of the Sales Tax Act,1990 dated 28 June, 2024 and created demands of Rs. 1,158,282/- and Rs. 2,317,756/- respectively. Being aggrieved by the orders, the parent company has filed appeals before CIR (A), Karachi subsequent to financial statement date which is pending for adjudication. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favour of the parent company. Pending the outcome of the matter, no provision has been made in these financial statements.
- 11.1.10** Late payment surcharges on short term borrowings are not accounted for in the financial statement. At this stage it is difficult to ascertain the outcome of the matter till further proceeding as the matter is under negotiation with the banks.

	2024	2023
	Rupees	Rupees
11.2 Commitments		
Against installation of solar panels	<u>4,703,200</u>	<u>-</u>

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

12. Property, plant and equipment

	Note	2024 Rupees	2023 Rupees
Operating assets	12.1	627,472,907	629,493,823
Capital work in progress- Electric installations		18,767,000	-
Advance for purchase of land		16,500,000	16,500,000
Advance for purchase of vehicles		-	16,000,000
		<u>662,739,907</u>	<u>661,993,823</u>

12.1 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		Arms and ammunitions	Vehicles									
At July 01, 2022																					
Cost		40,772,399	223,827,224	1,620,830,131	169,920,812	4,297,647	10,689,230	6,802,670	15,878,183	29,625	83,662,496	2,176,710,417									
Accumulated depreciation		-	(185,906,295)	(1,122,959,193)	(136,217,110)	(3,808,412)	(7,989,899)	(5,220,188)	(12,860,058)	(24,320)	(48,353,565)	(1,523,399,040)									
Net book value		40,772,399	37,920,929	497,870,938	33,703,702	489,235	2,699,331	1,582,482	3,018,125	5,305	35,308,931	653,371,377									
Year ended June 30, 2023																					
Opening net book value		40,772,399	37,920,929	497,870,938	33,703,702	489,235	2,699,331	1,582,482	3,018,125	5,305	35,308,931	653,371,377									
Additions		-	-	-	-	-	1,145,230	-	-	-	-	-	1,145,230	-	-	-	-	-	-	-	-
Depreciation charge		-	(3,792,093)	(10,000,000)	(3,370,370)	(48,924)	(289,020)	(158,248)	(301,812)	(531)	(7,061,786)	(25,022,784)									
Closing net book value		40,772,399	34,128,836	487,870,938	30,333,332	440,311	3,555,541	1,424,234	2,716,313	4,774	28,247,145	629,493,823									
At June 30, 2023																					
Cost		40,772,399	223,827,224	1,620,830,131	169,920,812	4,297,647	11,834,460	6,802,670	15,878,183	29,625	83,662,496	2,177,855,647									
Accumulated depreciation		-	(189,696,388)	(1,132,959,193)	(139,587,480)	(3,857,336)	(8,278,919)	(5,378,436)	(13,161,870)	(24,851)	(55,415,351)	(1,548,361,824)									
Net book value		40,772,399	34,128,836	487,870,938	30,333,332	440,311	3,555,541	1,424,234	2,716,313	4,774	28,247,145	629,493,823									
At July 01, 2024																					
Cost		40,772,399	223,827,224	1,620,830,131	169,920,812	4,297,647	11,834,460	6,802,670	15,878,183	29,625	83,662,496	2,177,855,647									
Accumulated depreciation		-	(189,696,388)	(1,132,959,193)	(139,587,480)	(3,857,336)	(8,278,919)	(5,378,436)	(13,161,870)	(24,851)	(55,415,351)	(1,548,361,824)									
Net book value		40,772,399	34,128,836	487,870,938	30,333,332	440,311	3,555,541	1,424,234	2,716,313	4,774	28,247,145	629,493,823									
Year ended June 30, 2024																					
Opening net book value		40,772,399	34,128,836	487,870,938	30,333,332	440,311	3,555,541	1,424,234	2,716,313	4,774	28,247,145	629,493,823									
Additions		-	-	-	-	-	-	100,000	124,500	-	16,209,771	16,434,271									
Depreciation charge	12.2.1	-	(3,412,884)	(5,000,000)	(3,033,333)	(44,031)	(355,554)	(145,756)	(276,894)	(477)	(6,186,258)	(18,455,187)									
Closing net book value		40,772,399	30,715,952	482,870,938	27,299,999	396,280	3,199,987	1,378,478	2,563,919	4,297	38,270,658	627,472,907									
At June 30, 2024																					
Cost		40,772,399	223,827,224	1,620,830,131	169,920,812	4,297,647	11,834,460	6,902,670	16,002,663	29,625	99,872,267	2,194,289,918									
Accumulated depreciation		-	(193,111,272)	(1,137,959,193)	(142,620,813)	(3,901,367)	(8,634,473)	(5,524,192)	(13,438,764)	(25,328)	(61,601,609)	(1,566,817,011)									
Net book value		40,772,399	30,715,952	482,870,938	27,299,999	396,280	3,199,987	1,378,478	2,563,919	4,297	38,270,658	627,472,907									
Annual rate of depreciation (%)		-	10	-	10	10	10	10	10	10	10	10									

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	Note	2024 Rupees	2023 Rupees
12.2 Depreciation for the year has been allocated as under:			
Cost of generation	26.1	11,490,248	17,211,387
Operating expenses	28	6,964,939	7,811,397
		<u>18,455,187</u>	<u>25,022,784</u>

12.2.1 Actual Depreciation on Plant and Machinery based on unit of production method amounts to Rs 0.28 million (2023:Rs. 2.31 million). The excess amount is charged to cover obsolescence.

12.3 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 foot)
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	9,210
c) Office # 606 and 608, Sixth Floor Business Centre, Mumtaz Hasan Road, Karachi, 74000	Office	2.24	610.95

12.4 Disposal of property, plant and equipment

No assets were disposed off during the year(s) ended June 30,2024 and June 30,2023 respectively.

13. Investment property

	Freehold land	Building on freehold land	Total
	----- Rupees -----		
At July 01, 2022			
Cost	387,710,214	46,204,099	433,914,313
Accumulated depreciation	-	(25,105,060)	(25,105,060)
Net book value	<u>387,710,214</u>	<u>21,099,039</u>	<u>408,809,253</u>
Year ended June 30, 2023			
Opening net book value	387,710,214	21,099,039	408,809,253
Disposals during the year	(2,943,450)	-	(2,943,450)
Depreciation charge	-	(2,109,904)	(2,109,904)
Closing net book value	<u>384,766,764</u>	<u>18,989,135</u>	<u>403,755,899</u>

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	Freehold land	Building on freehold land	Total
	----- Rupees -----		
Note			
At June 30, 2023			
Cost	384,766,764	46,204,099	430,970,863
Accumulated depreciation	-	(27,214,964)	(27,214,964)
Net book value	<u>384,766,764</u>	<u>18,989,135</u>	<u>403,755,899</u>
At July 01, 2023			
Cost	384,766,764	46,204,099	430,970,863
Accumulated depreciation	-	(27,214,964)	(27,214,964)
Net book value	<u>384,766,764</u>	<u>18,989,135</u>	<u>403,755,899</u>
Year ended June 30, 2024			
Opening net book value	384,766,764	18,989,135	403,755,899
Additions	809,518,090	250,000,000	1,059,518,090
Adjustment of unrealized profit	(19,583,840)	-	(19,583,840)
	<u>789,934,250</u>	<u>250,000,000</u>	<u>1,039,934,250</u>
Disposals during the year	(92,261,241)	-	(92,261,241)
Depreciation charge	-	(22,732,247)	(22,732,247)
Closing net book value	<u>1,082,439,773</u>	<u>246,256,888</u>	<u>1,328,696,661</u>
At June 30, 2024			
Cost	1,082,439,773	296,204,099	1,378,643,872
Accumulated depreciation	-	(49,947,211)	(49,947,211)
	<u>1,082,439,773</u>	<u>246,256,888</u>	<u>1,328,696,661</u>
Annual rate of depreciation (%)	-	10	

- 13.1** This includes land worth Rs. 91.735 million (2023: Rs. 140.655 million) not in the name of the parent. The land is in the name of the subsidiary. As per agreement the parent 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 parent are pending.
- 13.2** The fair value of investment property is approximately Rs. 1,842.29 million as at June 30, 2024 (2023: Rs. 838.44 million), valuation has been carried out by independent valuers M/s Empire Enterprises (Pvt.) Limited. The valuation is based on the unobservable inputs - level 3 classification.
- 13.3** The forced sale value of investment property is approximately Rs. 1,565.94 million as at June 30, 2024 (2023: Rs. 712.67 million).
- 13.4** These investment properties (Land) amounting to Rs. 526,344,840/- and Rs. 283,173,250/- (Aggregating to Rs. 809,518,090/-) respectively are obtained against adjustment of loan and balances receivables from subsidiary Sitara International (Private) Limited and from associated undertaking Sitara Fabrics Limited respectively. The land is still not transferred in the name of the parent company. The legal formalities for transfer of land to the name of the parent company are in progress.
- 13.5** This investment property of Rs. 250,000,000/- is obtained against receivable balances on account of sale of generators and electricity from Sitara Spinning Mills Limited. The property is still not transferred in the name of the parent company. The legal formalities for transfer of property to the name of the parent company are in progress.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

13.6 Disposal of Investment Property

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Particulars of buyers	Relationship with buyers
	59,733,981	-	59,733,981	115,962,000	56,228,019	M/S Niagara Mills (Pvt.) Limited	None
Investment Property - Land (Sold by negotiation)	16,263,630	-	16,263,630	78,500,000	62,236,370	Muhammad Zahid s/o Bashir Ahmed, House no. 175-C, Street no. 1/1, Raza Town, Faisalabad	None
	16,263,630	-	16,263,630	78,500,000	62,236,370	Muhammad Nazir Nasir s/o Bashir Ahmed, House no. 175-D, Street no. 1/1, Raza Town, Faisalabad	None
2024	92,261,241	-	92,261,241	272,962,000	180,700,759		

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Particulars of buyers	Relationship with buyers
	834,129	-	834,129	3,500,000	2,665,871	Muhammad Bilal s/o Muhammad Jamal, House# P-5, Street#1, Al-Masoom Town, Faisalabad	None
Investment Property - Land (Sold by negotiation)	1,275,192	-	1,275,192	5,475,000	4,199,808	Saima Kafil w/o Adeel Ahmed, House# 21, Street#8, Block Z, Madina Town, Faisalabad	None
	834,129	-	834,129	3,500,000	2,665,871	Mustafa Kamal s/o Muhammad Jamal, House# 29, Street# 1, Al-Masoom Town, Faisalabad	None
2023	2,943,450	-	2,943,450	12,475,000	9,531,550		

13.7 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	1,379	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	796	N/A
e) Chak # 198 R.B, Tehsil Faisalabad, District Faisalabad.	Plots	414	N/A
f) Chak # 200 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	6,093	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	60	N/A
j) Chak # 61 R.B, Tehsil Jaranwala, District Faisalabad.	Plots	1,378	N/A
k) Ground floor, Sitara Tower situated at Bilal Square, New Civil Lines, Faisalabad.	held for earning rentals	18	5031.61
l) 318, 3rd Floor Siddique Trade Centre, Main Boulevard, Gulberg, Lahore.	held for earning rentals	3	818

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	2024 Rupees	2023 Rupees
14. Long term deposits		
Considered good		
Due from executive	1,000,000	1,000,000

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

14.2 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.

	2024 Rupees	2023 Rupees
15. Long term deposits		
Security deposits	1,511,200	1,511,200
16. Stores, spares and loose tools		
Stores	25,445,946	15,266,643
Spares	294,231,354	274,985,943
Loose tools	1,756,976	1,598,962
	321,434,276	291,851,548
Less: Provision for slow moving and obsolete items	(13,745,199)	(14,041,880)
	307,689,077	277,809,668

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	Note	2024 Rupees	2023 Rupees
17. Stock of oil and lubricants			
Furnace oil			
In hand		28,624,402	23,727,848
In transit		92,788,719	67,651,273
Diesel oil		6,616,797	4,932,462
Lube oil		2,640,534	4,480,298
Waste		54,038	54,038
Land		128,546,254	629,153,350
		<u>259,270,744</u>	<u>729,999,269</u>
18. Trade debts			
Unsecured			
Considered good			
Related parties			
Sitara Fabrics Limited	18.1	-	67,566,941
Others		538,994,247	648,172,313
Considered doubtful - Others		312,363	-
Less: Provision for doubtful receivable		(312,363)	-
		-	-
		<u>538,994,247</u>	<u>715,739,254</u>

18.1 The maximum aggregate amount due from associated undertaking Sitara Fabrics Limited at the end of any month during the year was Rs. 248,173,250/- (2023: Rs. 94,010,381/-).

	Note	2024 Rupees	2023 Rupees
19. Loans and advances			
Considered good			
Loans to staff		107,538	281,450
Advances			
Income tax		9,695,662	1,529,846
Suppliers	19.1	31,953,187	29,259,707
For purchases / expenses		86,649	1,765,000
		41,735,498	32,554,553
		<u>41,843,036</u>	<u>32,836,003</u>

19.1 This includes advance of Rs.15,460,000/- (2023: 10,460,000/-) given to associated undertaking - Sitara Chemtek private Limited.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	2024 Rupees	2023 Rupees
20. Deposits and prepayments		
Considered good		
Deposits		
Guarantee margin	30,782,700	26,521,800
Prepayments		
Insurance	2,797,386	170,436
Income tax	9,905	-
	33,589,991	26,692,236
21. Other receivables		
Considered good		
Receivable against:		
Sale of investment property	73,966,161	86,477,073
Rent	3,691,304	905,080
Gas Infrastructure Development Cess	53,562,194	53,562,194
Others	125,577	64,220,000
	131,345,236	205,164,347
22. Tax refunds due from government		
Sales tax	18,652,483	34,573,186
Income tax	41,750,202	41,846,878
	60,402,685	76,420,064
23. Short term investments		
Investment- at Fair value through profit or loss		
Investment in mutual fund		
Meezan Daily Income Fund		
5122.6 units of Rs.50/- each (2023:Nil)	256,130	-
	256,130	-

23.1 Effective rate of profit during the year was 18.1% per annum.

23.2 The fair value of the quoted securities is determined based on the quoted prices (unadjusted) in active market for identical assets. It represents Level 1 hierarchy.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	Note	2024 Rupees	2023 Rupees
24. Cash and bank balances			
Cash in hand		1,608,109	6,389,436
Cash at banks			
In current accounts		289,069,637	302,011,384
		<u>290,677,746</u>	<u>308,400,820</u>
25. Sales - net			
Electricity		1,091,755,197	1,252,480,653
Steam		-	15,688,277
		1,091,755,197	1,268,168,930
Less: Sales tax		166,538,929	189,939,551
		925,216,268	1,078,229,379
Less: Electricity duty		9,160,557	10,543,688
		<u>916,055,711</u>	<u>1,067,685,691</u>
26. Cost of generation			
Cost of generation	26.1	908,785,395	1,018,864,041
26.1 Cost of generation			
Cost of oil and lubricants		854,273,737	967,434,235
Salaries, wages and benefits		32,471,528	21,962,109
Staff retirement benefits		562,477	618,309
Stores, spares and loose tools		3,355,851	2,551,559
Travelling and conveyance		133,416	175,150
Vehicles running and maintenance		1,466,483	1,514,889
Insurance		1,082,585	3,939,530
Repairs and maintenance		2,250,295	2,027,878
Entertainment		251,674	310,259
Depreciation	12.2	11,490,248	17,211,387
Other		1,447,101	1,118,736
		<u>908,785,395</u>	<u>1,018,864,041</u>

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	Note	2024 Rupees	2023 Rupees
27. Other income			
Income from financial assets:			
Dividend Income		66,036	-
Income from assets other than financial assets:			
Sale of scrap and waste		8,193,575	1,581,245
Rental Income		7,942,741	7,010,869
Gain on disposal of Investment property		180,700,759	9,531,550
Balances written back - net		105,496,726	26,775,363
Reversal of provision for slow moving and obsolete items		296,681	1,432,773
		<u>302,696,518</u>	<u>46,331,800</u>
28. Operating expenses			
Directors' remuneration		7,800,000	7,800,000
Salaries and benefits		13,372,313	12,537,249
Staff retirement benefits		397,048	343,376
Postage and telephone		1,078,829	1,620,000
Vehicles running and maintenance		2,815,559	2,916,136
Travelling and conveyance		1,383,210	484,238
Printing and stationery		955,147	970,939
Entertainment		654,868	500,420
Legal and professional		4,002,853	1,967,440
Fee, subscription and periodicals		6,640,274	4,433,478
Rent, rates and taxes		795,445	463,395
Advertisement		159,042	143,138
Insurance		105,084	280,782
Auditors' remuneration	28.1	1,555,000	1,414,875
Repairs and maintenance		806,880	1,121,748
Donations	28.2	617,350	445,375
Depreciation on property, plant and equipment	12.2	6,964,939	7,811,397
Depreciation on investment property	13	22,732,247	2,109,904
Utilities		1,234,683	1,528,695
Other		329,184	211,958
		<u>74,399,955</u>	<u>49,104,543</u>

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

		2024 Rupees	2023 Rupees
28.1 Auditors' remuneration			
Audit fee		1,240,000	1,125,000
Fee for the review of half yearly financial information		156,500	145,000
Other Certifications		66,100	60,875
Out of pocket expenses		92,400	84,000
		1,555,000	1,414,875
28.2	The directors or their spouses had no interest in the institutions/funds to whom donations were made.		
		2024 Rupees	2023 Rupees
29. Other operating expenses	Note		
Provision for doubtful receivables		312,363	5,273,519
Worker's profit participation fund		3,630,170	-
		3,942,533	5,273,519
30. Finance cost			
Interest / mark-up on :			
Long term financing		17,112,835	6,658,415
Short term bank borrowings		144,995,910	133,113,777
Bank charges and commission		1,129,582	2,100,597
		163,238,327	141,872,789
31. Levies			
Minimum tax differential	31.1	1,069,944	-
Final tax	31.2	9,905	-
		1,079,849	-
31.1	This represents portion of minimum tax paid under section 113 of Income Tax Ordinance, 2001, representing levy in terms of requirements of IFRIC 21/IAS 37.		
31.2	This represents final tax paid under section 150 of Income Tax Ordinance, 2001, representing levy in terms of requirements of IFRIC 21/IAS 37.		
		2024 Rupees	2023 Rupees
32. Provision for taxation	Note		
Current			
For the year	32.1	32,481,232	1,626,313
For prior years'		209	805,370
Deferred	32.2	-	-
		32,481,441	2,431,683

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

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

32.2 Reconciliation of current tax charged as per tax laws for the year, with current tax recognised in the profit and loss account, is as follows:

	2024 Rupees	2023 Rupees
Current tax liability for the year as per applicable tax laws	33,561,081	1,626,313
Portion of current tax liability as per tax laws: representing income tax under IAS 12	(32,481,232)	(1,626,313)
representing levy in terms of requirements of IFRIC 21/IAS 37	(1,079,849)	-
Difference	<u>-</u>	<u>-</u>

32.2.1 The aggregate of minimum tax, final tax and normal tax amounting to Rs 33,561,081/- (2023: Rs. 1,626,313/-) represents tax liability of the company calculated under the relevant provisions of the Income Tax Ordinance, 2001.

	Note	2024 Rupees	2023 Rupees
32.3 Relationship between tax expense and accounting profit / (loss)			
Profit / (Loss) for the year before taxation		68,386,019	(101,097,401)
Add: Tax effect of unrealized profit on inter group sales		5,679,314	-
Add: Inadmissible expenses		470	-
Less: Admissible expenses		(170,417)	-
Tax effect of :			
Separate block of rental income		2,300,471	2,032,891
Expenses that are admissible in earning rental income		(460,094)	(406,578)
Capital gain		25,131,488	-
		<u>32,481,232</u>	<u>1,626,313</u>
Effect of:			
Prior year adjustment		209	805,370
Minimum Tax		1,069,944	-
Final tax		9,905	-
	31 & 32	<u>33,561,290</u>	<u>2,431,683</u>

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

32.4 Deferred taxation

Deferred tax asset after considering tax losses and tax credits available for adjustment works out to Rs.1,961,489/- (2023: Rs.1,252,251/-). This is not recognized in these financial statements due to uncertain future results.

	2024 Rupees	2023 Rupees
33. Earnings per share - Basic and diluted		
Profit / (Loss) for the year attributable to shareholders of the Parent (Rupees)	34,824,729	(103,529,084)
Weighted average number of ordinary shares	19,092,000	19,092,000
Profit / (Loss) per share - Basic and diluted (Rupees)	1.82	(5.42)

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

34. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND EXECUTIVES

	2024		2023	
	Chief Executive Officer	Executives	Chief Executive Officer	Executives
	-----Rupees-----			
Remuneration	6,545,455	5,922,982	6,545,455	5,922,982
Medical allowance	654,545	592,298	654,545	592,298
Perquisites	600,000	-	600,000	-
Contribution to provident fund	-	312,732	-	-
	<u>7,800,000</u>	<u>6,828,012</u>	<u>7,800,000</u>	<u>6,515,280</u>
Number of persons	1	2	1	2

34.1 The Chief Executive Officer is entitled to free use of company maintained car and other perquisites. One executive is entitled to conveyance facility. The monetary value of these benefits approximates Rs. 2,323,892/- (2023: 2,708,385/-). The Directors have waived off their meeting fee.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

35. TRANSACTIONS WITH RELATED PARTIES

The group in the normal course of business carries out transactions with various related parties which comprise of associated undertakings, directors of the group, key management personnel and post employment benefit plan. Amounts due from and due to related parties are shown under the relevant notes to the financial statements. Remuneration to Chief Executive Officer and Executives of the parent is disclosed in Note 34. Other significant transactions with related parties are as follows:

Name of the related party	Relationship and Percentage	Transactions during the year	2024 Rupees	2023 Rupees
Sitara Fabrics Limited	Associated company by virtue of common directorship	Sale of electricity and steam	-	69,226,595
		Adjustment of receivable balances against land	283,173,250	-
		Receipt from the sale of gas generators	-	10,300,000
		Organisational expenses recovered	-	2,400,000
Sitara Energy Limited Staff Provident Fund Trust	Other related party	Company's Contribution for the year	959,525	961,685
Sitara International (Pvt.) Limited	Subsidiary company	Repayment of loan	84,823,750	-
		Adjustment of loan against land	526,344,840	-

	2024	2023
36. PLANT CAPACITY AND ACTUAL PRODUCTION		
Number of generators installed	20	20
Number of generators worked	6	6
Installed energy generation capacity (Mega watt hours)	683,893	683,893
Actual energy generation (Mega watt hours)	23,315	33,105
Actual average load (Mega watt)	2.66	3.78

Reasons for low generation: - Installed generators include three standby generators.
- Planned utilisation as per demand.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

		2024	2023
37.	DISCLOSURE WITH REGARDS TO PROVIDENT FUND		
	Size of the fund (Rupees)	9,392,700	10,838,751
	Cost of investments made (Rupees)	4,603,435	7,103,435
	Percentage of investments made (% age)	49.01%	74.76%
	Fair value of investments (Rupees)	7,926,337	8,923,923

37.1 The figures for 2024 are based on the un-audited financial statements of the provident fund. Investment has been made in mutual fund in accordance with the provisions of section 218 of the Companies Act 2017 and conditions specified thereunder.

		2024	2023
38.	NUMBER OF EMPLOYEES		
	Total number of employees as at June 30,	84	75
	Total number of generation plant / factory employees as at June 30,	76	65
	Average number of employees during the year	76	72
	Average number of generation plant / factory employees during the year	68	65

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

		2024 Rupees	2023 Rupees
39.1	FINANCIAL INSTRUMENTS BY CATEGORY		
	Financial assets at amortised cost:		
	Long term loan	1,000,000	1,000,000
	Long term Deposits	1,511,200	1,511,200
	Trade debts	538,994,247	715,739,254
	Loans and advances	107,538	281,450
	Deposits and prepayments	30,782,700	26,521,800
	Other receivables	77,783,042	218,275,903
	Cash and bank balances	290,677,746	308,400,820
		<u>940,856,473</u>	<u>1,271,730,427</u>
	Financial assets at fair value through profit and loss:		
	Short term investments	256,130	-
	Financial liabilities at amortised cost:		
	Long term financing	418,919,095	72,916,000
	Trade and other payables	912,085,240	847,961,308
	Unclaimed dividend	3,702,824	3,702,824
	Interest / markup payable	610,447,622	533,063,544
	Short term bank borrowings	431,656,021	883,950,807
		<u>2,376,810,802</u>	<u>2,341,594,483</u>

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

39.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

39.2.1 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 Parent is exposed to concentration of credit risk towards the major customers M/S Sitara Chemical Industries Limited and M/S Sitara Peroxide. The trade debts receivable from these customers constitute 83.21% (2023: 84.73%) of total receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2024 Rupees	2023 Rupees
Long term loan	1,000,000	1,000,000
Long term Deposits	1,511,200	1,511,200
Trade debts	538,994,247	715,739,254
Loans and advances	107,538	281,450
Deposits and prepayments	30,782,700	26,521,800
Other receivables	77,783,042	218,275,903
Short term investments	256,130	-
Bank balances	289,069,637	302,011,384
	<u>939,504,494</u>	<u>1,265,340,991</u>

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

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

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

	2024 Rupees	2023 Rupees
Sitara Chemical Industries Limited	186,033,238	98,092,508
Sitara Peroxide Limited	262,456,104	273,518,788
Sitara Spinning Mills Limited	-	234,866,151
Other industrial users	90,504,905	109,261,807
	<u>538,994,247</u>	<u>715,739,254</u>

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

	2024 Rupees	2023 Rupees
Not past due	177,577,480	250,063,716
Past due		
4 to 6 months	-	71,547,699
7 to 12 months	5,444,160	115,652,221
More than 1 year	355,972,607	278,475,618
	<u>361,416,767</u>	<u>465,675,538</u>
	<u>538,994,247</u>	<u>715,739,254</u>
Not past due		
Related parties	-	40,531,668
Others	177,577,480	209,532,048
	<u>177,577,480</u>	<u>250,063,716</u>
Past due		
Related parties	-	27,035,273
Others	361,416,767	438,640,265
	<u>361,416,767</u>	<u>465,675,538</u>
	<u>538,994,247</u>	<u>715,739,254</u>

Appropriate provision has been made in respect of trade debts and other receivables considered doubtful. The credit risk exposure is limited in respect of bank balances and short term investments as these are placed with local banks having good credit rating from international and local credit rating agencies.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

The bank balances along with credit rating is as follows.

	2024	2023
	Rupees	Rupees
Credit Rating		
AAA	269,861,887	117,226,747
AA+	59,171	295,778
A	16,013,719	58,052,961
Others	3,134,860	126,435,898
	<u>289,069,637</u>	<u>302,011,384</u>

The analysis of credit rating of investees' in relation to short term investment is as follows:

	2024	2023
	Rupees	Rupees
Credit Rating		
A-1+	<u>256,130</u>	<u>-</u>

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

39.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's approach to manage liquidity is to maintain sufficient level of liquidity of the Group on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of statement of financial position liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2024 and 2023:

	2024				
	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	418,919	418,919	89,305	70,758	258,856
Unclaimed dividend	3,703	3,703	3,703	-	-
Trade and other payables	912,085	912,085	912,085	-	-
Short term bank borrowings	431,656	537,152	52,748	484,404	-
Interest / mark up payable	610,448	610,448	376,068	-	234,380
	<u>2,376,811</u>	<u>2,482,307</u>	<u>1,433,909</u>	<u>555,162</u>	<u>493,236</u>

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

Carrying amount	Contractual cash flows	2023			
		Six months or less	Six to twelve months	Two to five years	
-----Rupees in thousand-----					
Long term financing	72,916	72,916	14,583	14,583	43,750
Unclaimed dividend	3,703	3,703	3,703	-	-
Trade and other payables	847,961	847,961	847,961	-	-
Short term bank borrowings	883,951	1,080,674	217,207	863,467	-
Interest / mark up payable	554,957	554,958	533,064	-	21,894
	2,363,488	2,560,211	1,616,518	878,050	65,644

Financial liabilities:

Long term financing	72,916	72,916	14,583	14,583	43,750
Unclaimed dividend	3,703	3,703	3,703	-	-
Trade and other payables	847,961	847,961	847,961	-	-
Short term bank borrowings	883,951	1,080,674	217,207	863,467	-
Interest / mark up payable	554,957	554,958	533,064	-	21,894
	2,363,488	2,560,211	1,616,518	878,050	65,644

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 Group will manage the liquidity risk from its own source through equity and working capital management. The Group has liquid assets of Rs. 992.1 million (2023: Rs.1,322.5 million) and unavailed short term borrowing facilities of Rs.28.34 million (2023: Rs.90.05 million) as at the year end.

39.2.3 Market risk management

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

i) Interest rate risk

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

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

Sensitivity analysis

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

Fair value sensitivity analysis for fixed rate instruments

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

Cash flow sensitivity analysis for variable rate instruments

Had the interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year and equity would have been lower / higher by 9.04 million (2023: Rs. 9.80 million).

ii) Currency risk

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

iii) Equity price risk

Equity price risk is the risk of unfavorable changes in the fair value of the equity securities as a result of changes in the levels of Stock Exchange indexes and the value of individual shares (including the units of mutual funds). The equity price risk exposure arises from the company's short term investments for which prices in the future are uncertain. The company's policies to manage price risk through diversification and selection of securities within specified limits set by the internal risk management guidelines.

As at June 30, 2024, the company is exposed to price risk of Rs. 0.26 million (2023: Nil).

An increase or decrease of 10% in the fair values of the company's equity securities, with all other variables held constant, would result in increase / decrease of profit for the year by Rs.0.03 million (2023: Nil). This level of change is considered to be reasonably possible based on observation of current market conditions.

39.3 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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

39.4 Capital management

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

The Group manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('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 Group was as follows:

	Note	2024 Rupees	2023 Rupees
Total Debt	7 & 10	850,575,116	883,950,807
Less: Cash and cash equivalents	24	290,677,746	308,400,820
Net Debt		559,897,370	575,549,987
Total equity		1,177,706,715	1,142,881,986
Total capital		1,737,604,085	1,718,431,973
Gearing ratio		32.22%	33.49%

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Group and authorised for issue on 30 September 2024.

41. GENERAL

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



Chief Executive Officer



Director



Chief Financial Officer

SITARA ENERGY LIMITED

CIRCULATION OF ANNUAL AUDITED ACCOUNTS

The Company Secretary
Sitara Energy Limited
601-602, Business Centre,
Mumtaz Hasan Road,
Karachi

Subject : Circulation of Annual Audited Accounts via Email or any other Media

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its SRO No. 470(I)/2016 dated 31ST May, 2016, that have allowed companies to circulate their Annual Audited Accounts (i.e. Annual Balance Sheet and Profit and Loss Accounts, Auditor’s Report and Directors’ Report etc (“Annual Report”) along with the Notice of Annual General Meeting (“Notice”) to its shareholders through Email or any other Electronic Media at the registered addresses.

Shareholders who wish to receive the hardcopy of Financial Statements shall have to fill the below form and send us to Company address.

I/We hereby consent Option 1 or Option 2 to the above SROs for Audited Financial Statements and Notice of General Meeting(s) delivered to me hard from instead Email or any other Electronic Media.

Option 1 – Via Email

Name of the Members/Shareholders

CNIC NO.

Folio / CDC Account Number

Valid Email Address

(to receive Financial Statements alongwith
Notice of General Meetings instead of
hardcopy/CD/DVD/USB)

Option 2 – Via Hard copy

Name of the Members/Shareholders

CNIC NO.

Folio / CDC Account Number

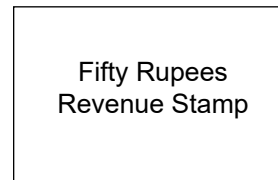
Mailing Address

(to receive Financial Statements alongwith
Notice of General Meetings instead of
Email/CD/DVD/USB and other Electronic Media)

I/We hereby confirm that the above mentioned information is correct and in case of any change thereon, I/We will immediately intimate to the Company’s Share Registrar. I/we further confirm that the transmission of Company’s Annual Audited Financial Statements and Notice of General Meeting(s) through my/our above address would be taken as compliance with the Companies Act, 2017.

**FORM OF PROXY
ANNUAL GENERAL MEETING**

I/We _____ S/o/D/o/W/o _____ of _____ being a member of SITARA ENERGY LIMITED and holder of _____ Ordinary Shares as per Share Register Folio No. _____ and/or CDC Participant ID No. _____ and Account / Sub-account No. _____ do hereby appoint Mr./Mrs./Miss _____ of _____ failing him/her, Mr/Mrs./Miss _____ of _____ as my/our proxy to attend, act and vote for me/us on my/our behalf at Annual General Meeting of the Company to be held on Monday October 28, 2024 at 3:00 pm at 6th Floor, Business Centre, Mumtaz Hasan Road, Karachi in person and via Zoom video link and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.



Signature of Shareholder
Folio / CDC A/C No.

Signature of Proxy

Dated this _____ day of _____ 2024

Witness:

Witness:

1. Signature _____
Name _____
Address _____

CNIC or _____
Passport No. _____

2. Signature _____
Name _____
Address _____

CNIC or _____
Passport _____

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on member's behalf.
2. If a member is unable to attend the meeting. He/She may complete and sign this form and send it to the Company's Share Registrar M/s. THK Associates (Pvt) Limited, Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase VII, Karachi so as to reach not less than 48 hours before the time appointed for holding the Meeting.
3. For CDC Account Holders / Corporate Entities; in addition to the above, the following requirements have to be met:
 - (a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers be stated on the form.
 - (b) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
 - (c) The proxy shall produce his original CNIC or original passport at the time of the meeting. In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Affix
Correct
Postage

M/s THK Associates (Pvt) Limited
Plot No. 32-C, Jami Commercial
Street 2, D.H.A. Phase VII,
Karachi -75500

ستارہ انرجی لمیٹڈ

پراکسی فارم

اجلاس عام

میں رہم _____ ستارہ انرجی لمیٹڈ کے ممبر ممبران رجسٹرڈ فولیو نمبر / شرکاء

کی آئی ڈی سی ڈی سب اکاؤنٹ نمبر _____ کے مطابق _____ عمومی شیئرز رکھتے ہیں۔

بذریعہ ہذا _____ یا ان کی عدم موجودگی کی صورت میں _____

پراکسی 28 اکتوبر 2024 بروز سوموار کو سہ پہر 3:00 بجے 6 فلور، بزنس سینٹر، ممتاز حسن روڈ، کراچی ذاتی طور پر اور زوم ویڈیو لنک کے ذریعے منعقد ہونے

والے اجلاس عام اور اس کے کسی التواء تک میری / ہماری جانب سے ووٹ دینا اور اجلاس میں شرکت کرنے کا حق دیتا ہوں / دیتے ہیں۔

ریونیو اسٹامپ

50/-

دستخط پراکسی _____ دستخط شیئر ہولڈر _____

بتاریخ _____ سہ 2024

گواہان:

دستخط	دستخط
نام	نام
ایڈریس	ایڈریس
شناختی کارڈ	شناختی کارڈ
پاسپورٹ	پاسپورٹ

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

۲۔ اگر کوئی رکن اجلاس عام میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مکمل اور تصدیق شدہ کمپنی کے شیئر رجسٹرار میسرز THK ایسوسی ایٹس پلاٹ نمبر: C-32 جی کمرشل سٹریٹ 2، ڈی۔ ایچ۔ اے۔ 7 فیروز کراچی۔ 75500 کو اجلاس کے منعقد ہونے سے 48 گھنٹے قبل بھجوائیں۔

۳۔ CDC اکاؤنٹ ہولڈرز / Corporate Entity مندرجہ بالا کے علاوہ مندرجہ ذیل شقوں پر عمل کریں:

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

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

(c) پراکسی کے لیے لازم ہے کہ وہ اجلاس کے وقت اپنا اصل قومی شناختی کارڈ یا پاسپورٹ تصدیق کے لیے فراہم کرے۔ Corporate Entity کی

صورت میں بورڈ آف ڈائریکٹرز کی تصدیق شدہ قرارداد کی نقل بشمول Power of Attorney دستخط کے ساتھ (بجز اگر پہلے ہی جمع کرا دی گئی ہے۔) پراکسی

فارم کے ہمراہ کمپنی کے شیئر رجسٹرار کو جمع کروائے۔

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801-808 Business Centre

Muramba Road, Kigali-7000

Tel: 001-02429420-02429444

Fax: 001-024294402