

## SG POWER LIMITED ANNUAL REPORT 2004

### Board of Directors

Mr. S. M. Ahmed	Chairman
Mr. Asim Ahmed	Chief Executive
Mst. Zubaida Khatoon	Director
Mr. Sohail Ahmed	Director
Mrs. Saba Sohail	Director
Mr. M. Rafiq Dawood	Director
Mr. Rafiq Ahmed	Director

### Company Secretary

Mr. Muneer Ahmed

### Audit Committee

Mr. Sohail Ahmed	Chairman
Mr. M. Rafiq Dawood	Secretary
Mr. Rafiq Ahmed	Member

### Bankers

Soneri Bank Limited  
Habib Bank Limited

### Auditors

M/s. M. Yousuf Adil Saleem & Co.  
(Chartered Accountants)

### Registered Office

B-40, S.I.T.E. Karachi.

### CHAIRMAN'S<sup>1</sup> REVIEW

On behalf of the Board of Directors I welcome you to the 11th Annual General Meeting of the company to present Annual Report for the year ended 30th June 2004 and the Auditors report thereon. Your company has posted an after tax profit of Rs.18,373,583. The sales revenue has increased reciprocating the increase in actual generation of electricity. But on the other hand Generation cost and Administrative & selling expenses have slightly increased. This is mainly due to requirement of special technical services and maintenance of Generators.

The generators are now almost 10 years old. In recent past two mishaps happened which caused heavy losses to the company. In order to overcome these difficulties we have to be extra cautious and generators require constant periodical overhauling and service. The senior technical staff of sister concern are providing technical assistance and services in almost all areas for proper maintenance and running of the generators. Your company is bearing about 20% of the salaries of the senior technical staff members, of its sister concern M/s. S. G. Fibre Limited of following departments for the technical services, guidance & surveillance being provided by them:

This year there have been some problems and Interruptions in gas supply. The gas supply was either totally or partially shut off atleast 16 times during the year. As a result generators were also shut off and power supply was also interrupted. To overcome these problem the management has decided to have some back up support of Diesel engines .

This year, the Company has capitalized one generator set which was leased out from PICIC, after making full & final payment for the same.

As mentioned in last report that we had lodged a claim of Rs.1.2 m with Sui Southern Gas Company Limited, for the oil filter imported and installed as per their advise. We had lengthy negotiations with them, ultimately Sui Gas Company has refused to entertain the claim.

### FUTURE OUTLOOK

Your management is taking appropriate measures to reduce the company's overheads. Other administrative expenses are also being reviewed in order to further bring them down.

With the increase of exports of S.G. Fibre Limited it is hoped that the generators would be run on optimum level and achievement of desire results would be continued.

### ACKNOWLEDGEMENT

The board would like to extend its appreciation to the management, officers and workers of the Company for the meritorious performance throughout the year, and whose commitment to work, experience and expertise, have gone a long way to strengthen the company.

We also acknowledge the support and cooperation received from shareholders and related parties for their continued support which has been an important factor in the company's success.

## DIRECTORS' REPORT

## MATERIAL CHANGES AND COMMITMENTS :

No material changes and commitments affecting the financial position of the Company have occurred between the end of financial year of the Company to which the balance sheet relates and the date of the report.

## AUDIT COMMITTEE:

The Audit Committee operates according to the Term of Reference in accordance with the requirements of Code of Corporate Governance, issued by the Securities & Exchange Commission of Pakistan. The Audit Committee comprises following members, of which there are non executive directors including the chairman. The Audit committee held six meetings during the year.

## Key Operating and Financial Data of last six years of S.G Power Ltd

Earning and Distribution	2004	2003	2002	2001	2000	1999
Sales	191,862,245	181,242,703	163,576,738	126,635,250	130,254,750	165,227,084
Profit / (Loss) before	16,449,527	22,792,391	3,964,037	-16,162,605	24,574,719	42,867,435
Taxes Net	12,918	358,000	2,714,149	2,147,086	3,833,551	3,961,747
Earnings	16,436,609	22,434,391	1,249,888	-18,309,691	20,741,168	38,905,688
Dividend Retained		26,749,901			26,749,901	
Break up value per share	19.38	17.58	16.66	16.59	17.62	17.95
Financial Position Share Capital	178,332,670	178,332,670	178,332,670	178,332,670	178,332,670	178,332,670
Capital & Revenue Reserve Shareholders Equity	135,167,189	118,771,045	117,521,157	135,830,848	141,839,581	167,199,499
Long term deposits	5,340,470	30,675,670	91,092,000	47,200,000	4,678,689	3,756,800
Net Current Assets	162,814,020	111,209,596	40,904,297	85,227,451	114,348,612	198,966,904

## SHAREHOLDING

The pattern of shareholding as on June 30, 2004 is also annexed herewith.

## AUDITORS

Subject to permission from Securities and Exchange Commission of Pakistan the Board of Directors and Boards Audit Committee have recommended there-appointment of M/s. Yousuf Adil Saleer & Company as statutory auditors, for the year ended 30th June 2005.

## DIRECTORS' REPORT

The board of Directors of S. G. Power Limited is pleased to present the Annual Report and Audited Financial Statement of the Company together with Auditors' Report for the year ended 30th June 2004.

## FINANCIAL RESULTS

The performance of your company during the year under review has been satisfactory and the desired possible result have been achieved. Net sale for the year ended June 30th 2004, was Rs. 191,862,245 compared to Rs 181,242,704 in the last financial year. Slightly higher sale was due to more consumption by the associated undertaking reciprocating to their large export orders. Electricity generation has increased by 5.82 % likewise sales has increased by 5.54%.

During the year under review your company has posted a pretax profit of Rs. 18,373,583

The salient features of the Plant Capacity and its actual production are as under:

	2004	2003
Annual Capacity	91,419,360	91,419,360
Actual Generation	66,984,082	62,869,822

## BOARD OF DIRECTORS

There has been no change in the constitution of the Board of Directors since the annual report of 2003.

During the year five meetings of the Board of Directors were held. Attendance by each director is as follows:

Name of Directors	No. of Meeting Attended	
Mr. S. M. Ahmed	Chairman	5
Mst. Zubaida Khatoon	Director	5
Mr. Sohail Ahmed	Executive Director	5

Mr. Asim Ahmed	Chief Executive	5
Mrs. Saba Sohail	Director	5
Mr. M.Rafiq Dawood	Director	5
Mr. Rafiq Ahmed i	Director	5

#### STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance

I. The Board comprises 07 Directors including Chief Executive. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes 04 non-executive directors.

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

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBFIs or being a member of a stock exchange has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred in the Board during the current year.

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged one orientation course for its directors during the year to apprise them of their duties and responsibilities.

10. The Chief Financial Officer and the Company Secretary were appointed prior to the implementation of the Code of Corporate Governance, Remuneration, terms and conditions in case of future appointments on these positions will be approved by the Board. However, the appointment of head of internal audit and terms and conditions of his employment have been approved

by the Board.

II. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

#### REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of S. G. POWER LIMITED to comply with the relevant Listing Regulations of the Karachi and Islamabad Stock Exchanges where the Company is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the company for the year ended June 30, 2004.

#### BALANCE SHEET AS AT JUNE 30, 2004

	Notes	2004 Rupees	2003 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised			
20,000,000 (2003 - 20,000,000) Ordinary shares of Rs.10/= each		200,000,000	200,000,000
Issued, subscribed and paid up 17,833,267 (2003 - 17,833,267)			
Ordinary shares of Rs.10/- each fully paid in cash		178,332,670	178,332,670
Capital Reserve			
Share premium		89,116,330	89,116,330
Unappropriated profit		69,320,183	46,050,859
		336,769,183	313,499,859
<b>LIABILITY AGAINST ASSET SUBJECT TO FINANCE L</b>	3		5,326,339
<b>DEFERRED LIABILITY</b> Staff gratuity	4	1,039,814	869,113
<b>CURRENT LIABILITIES</b>			
Current portion of lease liability		-	4,973,267
Creditors, accrued and other liabilities	5	45,382,496	41,146,060
Taxation		2,842,388	2,842,388
Unclaimed dividend		1,272,368	990,764
Proposed dividend		10,699,960	26,749,901
		60,197,212	76,702,380
<b>CONTINGENCIES AND COMMITMENTS</b>	6		
Total Shareholders' Equity and Liabilities		398,006,209	396,397,691
<b>OPERATING FIXED ASSETS</b>	7	144,453,012	151,540,821
<b>LONG TERM DEPOSITS</b>	8	3,756,800	5,340,470
<b>CURRENT ASSETS</b>			
Stores and spares		8,721,357	9,153,993
Debtor	9	194,497,933	198,658,855
Advances and prepayments	10	3,027,010	2,307,970
Other receivables	11	28,764,055	28,814,660
Cash and bank balances	12	14,786,042	580,922
		249,796,397	239,516,400
<b>Total Assets</b>		398,006,209	396,397,691

#### AUDITORS<sup>1</sup> REPORT TO THE MEMBERS

We have audited the annexed balance sheet of S.G. POWER LIMITED as at June 30, 2004 and the Slated profit and loss account, cash flow statement and statement of changes in equity and together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a just basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

In our opinion:

i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii. the expenditure incurred during the year was for the purpose of the Company's business; and

iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2004 and of the profit, cash flows and its changes in equity for the year then ended; and

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

Without qualifying our opinion, we wish to draw your attention to Note. 6.2 to the financial statements which explains in detail the reason for reversal of provision of Workers Profit Participation Fund to shareholders equity.

#### CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2004

	2004 Rupees	2003 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	18,373,583	22,792,391
Adjustment to reconcile profit to net cash provided by operating activities:		
Depreciation	16,109,287	16,911,561
Financial charges	1,187,375	2,460,901
Provision for gratuity	191,503	203.92
	17,488,165	19,576,382
Cash from operating activities before working capital change	35,861,748	42,368,773
Changes in working capital (Increase)/Decrease in current assets:		
Stores and spares	432,636	(2,205,421)
Debtor	4,160,922	(65,085,674)
Advances and prepayments	-504,548	(610,151)
Other receivables	50,605	-583,068
	4,139,615	-68,484,314
Increase/(Decrease) in current liabilities Creditors, accrued and other liabilities	-3,013,564	11,153,947
	36,987,799	-14,961,594
Tax paid	(214,492)	-1,390,740
Financial charges paid	(1,187,375)	-2,460,901
Gratuity paid	(20,802)	-210,276
Net cash from/(used in) operating activities	35,565,130	-19,023,511
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	-1,771,478	-2,058,859
Long term deposits		1,135,200
Advance to associated undertaking	-	24,200,000
Net cash (used in)/from investing activities	-1,771,478	23,276,341
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of lease liability	-8,715,936	(4,111,336)
Dividend paid	-10,872,596	-8,750
Net cash used in financing activities	-19,588,532	-4,120,086
Net increase in cash and cash equivalents (A+B+C)	14,205,120	132,744
Cash and bank balances at the beginning of the year	580,922	448,178
Cash and bank balances at the end of the year	14,786,042	580,922

#### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2004

	Notes	2004 Rupees	2003 Rupees
Revenue	13	191,862,245	181,242,704
Generation cost	14	-161,169,803	-150,161,168

Gross profit		30,692,442	31,081,536
Administration expenses	15	-11,211,705	-6,926,076
		19,480,737	24,155,460
Other income	16	80,221	1,097,832
		19,560,958	25,253,292
Financial charges	17	-1,187,375	-2,460,901
Profit before taxation		18,373,583	22,792,391
Taxation Current		-	-358,000
Profit after taxation		18,373,583	22,434,391
Unappropriated profit brought forward		61,646,560	50,366,369
Profit available for appropriation		80,020,143	72,800,760
Appropriation Proposed cash dividend		-10,699,960	-26,749,901
Unappropriated profit carried forward		69,320,183	46,050,859
Earnings per share	18	1.03	1.26

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2004

STATUS OF THE COMPANY

The Company is limited by shares incorporated in Pakistan on February 10, 1994 under the Companies Ordinance, 1984 and listed on Karachi and Islamabad Stock Exchanges. The business of the Company is generation and supply of electric power. The project is a captive power plant which is located at S.I.T.E. Karachi in the province of Sindh.

SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These financial statements have been prepared under historical cost convention'.

2.2 Basis of Preparation

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

2.3 **Staff retirement benefits**

The Company operates an unfunded gratuity scheme covering all its employees. Provision is made annually based on management estimates which are adjusted periodically to agree with actuarial estimates. The actuarial valuations is normally carried out once in every three years. Actuarial gain and losses are recognized on a straight line basis over a period of 3 years. As per actuarial valuation carried out as at June 30, 2002, the value of scheme's liabilities was Rs.875,469/-. The project Unit Credit Method of valuation was used to generate actuarial values. The discount rate was taken as 4% (2003 - 11%) and salary increased were assumed to average 5% (2003 -10%).

2.4 Taxation

Profits and gains derived by the Company from electric power generation project are exempt from tax under clause 132 of Part-I of the Second Schedule to the Income Tax Ordinance, 2001.

The company is also exempt from minimum tax on turnover under section 113 as per clause 15 of the Part-IV of Second Schedule to the Income Tax Ordinance, 2001.

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2004

	Issued, Share Premium Subscribed Paidup Capital ----- R upees -----	Unappropriated <b>Profit</b>	Total	
Balance as at July 01, 2002	178,332,670	89,116,330	50,366,369	317,815,369
Profit after taxation for the year ended June 30, 2003	-	-	22,434,391	22,434,391
Proposed cash dividend @ Rs. 1.5 per share	-	-	(26,749,901)	-26,749,901
Balance as at June 30, 2003	178,332,670	89,116,330	46,050,859	313,499,859
Reversal of dividend payable to sponsor directors (Refer Note below)	~	~	15,595,701	15,595,701

Adjusted balance as at July 01, 2003	178,332,670	89,116,330	61,646,560	329,095,560
Profit after taxation for the year ended June 30, 2004	-	-	18,373.58	18,373.58
Proposed cash dividend @ Rs. 0.6 per share			-10,699,960	-10,699,960
Balance as at June 30, 2004	178,332,670	89,116,330	69,320,183	336,769,183

## NOTES TO THE ACCOUNTS

transactions i.e. sales/purchases of goods and services with the related parties are priced on an arm's length basis determined in accordance with Comparable Uncontrolled Price Method.

## 2.14 Revenue Recognition

Revenue from supply of electricity is recognised on issue of bills on monthly basis.

Profit on bank deposits is recognised on accrual basis.

## 3. LIABILITY AGAINST ASSET SUBJECT TO FINANCE LEASE

During the year company has settled all its obligations under the lease agreements.

			2004 Rupees	2003 Rupees
Within one year	lease payment	Present Value	5,935,616	4,973,267
After one year but not more than five years			5,531,273	5,326,339
Total minimum lease payments	-	-	11,466,889	10,299,606
Less : Amount representing finance charges	-	-	-1,167,283	-
Present value of minimum lease payer			10,299,606	10,299,606
Less : Current portion	-	-	-4,973,267	-4,973,267

		2004 Rupees	2003 Rupees
STAFF GRATUITY			
Present value of defined benefit obligation		1,342,180	875,469
Actuarial (Losses) / Gains to be recognized in later periods		-302,366	-6,356
Liability at the beginning of the year		1,039,814	869,113
Charge for the year		869,113	875,469
Benefits paid during the year		191,503	203,920
Liability at the end of the year		-20,802	(21 0,276)
1,039,814		1,039,814	869,113
CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors (5.1)		23,532,335	17,136,026
Accrued expenses (5.2)		21,448,797	23,212,111
Sales tax		247,385	784,590
Withholding tax		153,979	13,333
		45,382,496	41,146,060

## ADVANCES AND PREPAYMENTS

Advances - Considered good:	47,912	-
Staff	1,338,444	989,104
Suppliers	1,424,330	1,209,838
Income tax	41,829	107,728
Prepayments	174,495	1,300
Others	3,027,010	2,307,970

## OTHER RECEIVABLES

Considered good		
Interest on loan to associated undertaking - S.G.Fibre Limited	28,694,388	28,694,388
Interest on deposits	69,667	120,272
	28,764,055	28,814,660

## NOTES TO THE ACCOUNTS

	Note	2004 Rupees	2003 Rupees
15.1 Auditor's remuneration			
Audit fee		75,000	75,000
Half yearly review fee		30,000	30,000
Other service		40,000	

Out of pocket	12,500	10,000
	157,500	
OTHER INCOME		
Interest on advance to associated undertaking	–	736,745
Return on deposits	80,221	361,087
	80,221	1,097,832
FINANCIAL CHARGES		
Lease finance charges	701,633	1,980,655
Bank charges	485,742	480,246
	1,187,375	2,460,901

## EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company which is based on:

<b>Profit after taxation</b>	18,373,583	22,434,391
Average number of ordinary shares outstanding during the year	17,833,267	17,833,267
Earnings per share	1.03	1.26-

	2004	2003
	Rupees	Rupees
Sale of electricity and steam	191,862,245	181,242,704
Advance	-	-24,200,000
Interest on advance	-	736,745
Rent of premises	3,000,000	2,100,000
Contribution towards expenses incurred by associated undertaking	9,600,000	6,000,000
Payment for the services of associate's technical staff	1,884,000	-
Purchase of water	2,455,524	2,260,880
Purchase of stores and spares	702,650	2,273,111
Purchase of fixed assets	7,250,000	

	Note	2004	2003
		Rupees	Rupees
CASH AND BANK BALANCES			
Instruments in hand		1,500,000	–
Cash at banks			
In current accounts		13,286,042	580,922
		14,786,042	580,922

## GENERATION COST

		2004	2003
		Rupees	Rupees
Gas		123,780,159	112,250,540
Oil and lubricants		3,803,405	3,485,010
Salaries, wages and benefits	13.1	5,975,817	3,681,927
Stores and spares		2,998,666	4,061,731
Repairs and maintenance		486,020	2,772,581
Rent		3,000,000	2,100,000
Water		2,455,524	2,260,880
Depreciation		16,003,171	16,778,915
Insurance		2,667,041	2,769,584
		161,169,803	150,161,168

		2004	2003
		Rupees	Rupees
ADMINISTRATION EXPENSES			
Contribution towards expenses incurred by associated undertaking		9,600,000	6,000,000
Postage		88,384	41,433
Printing and stationery		81,311	46,580
Rent, rates and taxes		92,120	159,333
Fees and subscription		69,725	104,300
Legal and professional		275,000	95,000
Auditor's remuneration		157,500	115,000
Vehicles running		131,339	133,490
Advertisement		18,000	13,400
Entertainment		27,478	9,894
Depreciation		106,117	132,646
Balances written off		182,222	-
Others		382,509	75,000
		11,211,705	6,926,076

Concentration of credit risk



Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company credit exposure is Rs.241,852,742 (2003 : Rs.233,394,907/-) out of the total financial assets of Rs.241,852,742/- (2003 : Rs.233,394,907; The management monitors and limits company exposure of credit risk through monitoring of client credit exposure review and conservative estimates of provision for doubtful receivable. The management is of the view that it is not exposed to significant concentration of credit risk

#### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to any interest rate risk. The rate of financing and the maturity period has been disclosed in the relevant notes.

#### Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company management closely monitors the company's liquidity and cash flow position.

#### 23. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 6th October, 2004 by the Board Directors of the Company.

#### 24. NUMBER OF EMPLOYEES

Number of permanent employees as at year end were 36(2003 - 29 ).

	2004 Rupees	2003 Rupees
NON CASH TRANSACTIONS		
Purchase of fixed assets from associated undertaking.	7,250,000	-

#### NOTES TO THE ACCOUNTS

	2004 Rupees	2003 Rupees
REMUNERATION TO EXECUTIVES		
Basic salary	816,121	753,762
House allowance	363,668	335,239
Utilities	130,529	125,183
	1,310,318	1,214,184

#### PLANT CAPACITY AND ACTUAL PRODUCTION

	Steam Kgs.		2004	2003
	2004	2003	2004	2003
Electricity KWH				
Annual Capacity	91,419,360	91,419,360	50,280,648	50,280,648
Actual Generation	66,984,082	62,869,822	36,953,200	38,507,700

#### FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arms length transaction. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

#### DETAIL OF CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2004

Particulars	No. of Share Holders	Share Held
National Investment Trust	1	656,480
Investment Companies	2	
Aims Investment Advisory Co.(Pvt) Ltd		3,500
Investment Corporation of Pakistan		34,000
		37,500
Financial Institutions	4	
Franklin Investment Bank		500
Pak Libya Holding Co.(Pvt) Ltd		300,000
Crescent Investment Bank		219,500
Guardian Leasing Modaraba		27,500
		547,500
Directors,CEO,Their Spouses & Mino	7	

Mr.S.M.Ahmed		3,164,146
Mst. Zubaida Khatoon		2,364,069
Mr.Sohail Ahmed		2,494,069
Mr.Asim Ahmed		2,373,350
Mrs.Saba Sohail		500
Mr.M.Rafiq Dawood		500
Mr.Rafiq Ahmed		500
		10,397,134
Foreign Investors	3	
Cora Limited		1,189,551
Granada Limited		1,189,551
Pasfom International Corporation		1,189,551
		3,568,653
Individuals	2,084	2,626,000
Grand Total	2,101	17,833,267

Shareholders Holding 10% or More Voting Interest in the Company  
As at June 30, 2004

DIRECTORS.CEO, THEIR SPOUSES AND MINOR CHILDREN	Shares Held	Percentage
MR S.M.AHMED	3,164,146	17.74
MR. SOHAIL AHMED	2,494,069	13.98
MR. ASIM AHMED	2,373,350	13.31
MST. ZUBAIDA KHATOON	2,364,069	13.26

PATTERN OF SHARE HOLDING  
AS AT JUNE 30, 2004

Number of Share Holders	Share Holdings		Total Shares Held
	From	To	
226	1	100	22.6
1,504	101	500	747.2
115	501	1000	112.2
162	1001	5000	447.7
41	5001	10000	333
18	10001	15000	238.5
7	15001	20000	125
6	20001	25000	136.9
2	25001	30000	57.5
2	30001	35000	66.5
1	35001	40000	35.5
2	40001	45000	88.4
2	45001	50000	100
2	55001	60000	112.5
1	65001	70000	69.5
1	215001	220000	219.5
1	295001	300000	300
1	655001	6600000	656.48
3	1185001	1190000	3,568.65
1	2360001	2365000	2,364.07
1	2370001	2375000	2,373.35
1	2490001	2495000	2,494.07
1	3160001	3165000	3,164.15
2,101			17,833.27

Categories of Shareholders	Number of Share Holder	Shares Held	Percentage
Directors.CEO.Their Spouses & Minor Children	7	10,397,134	58.30%
Foreign Investors	3	3,568,653	20.01%
Individuals	2084	2,626,000	14.73%
National Investment Trust	1	656,480	3.68%
Financial Institutions	4	547,500	3.07%
Investment Companies	2	37,500	0.21%
Total	2101	17,833,267	100%