

Annual Report **2010**



KOHINOOR
ENERGY LIMITED

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CORPORATE INFORMATION

Board of Directors

Mr. M. Naseem Saigol

Chairman

Mr. Toshio Nakanishi

Chief Executive Officer

Mr. Hiroshige Uga

Mr. Shinichi Ushijima

Mr. Sheikh Muhammad Shakeel

Mr. Ghazanfar Ali Zaidi

Nominee of

Tomen Power (Singapore) Pvt. Limited

Mr. Ghazanfar Ali Khan

Nominee of Wartsila Finland Oy

Company Secretary

Mr. Muhammad Asif

Audit Committee

Mr. Hiroshige Uga

Chairman

Mr. Sheikh Muhammad Shakeel

Mr. Ghazanfar Ali Khan

Management

Mr. Toshio Nakanishi

Chief Executive Officer

Mr. Sheikh Muhammad Shakeel

Chief Operating Officer

Mr. Ghazanfar Ali Zaidi

General Manager Technical

Mr. Muhammad Ashraf

Chief Financial Officer

Auditors

A. F. Ferguson & Co.

Chartered Accountants

Bankers

On Shore Trustee

Standard Chartered Bank [Pakistan] Limited

Others

Faysal Bank Limited

Royal Bank of Scotland

Bank Alfalah Limited

Deutsche Bank

MCB Bank Limited

Registered Office

1404, 14th Floor, Green Trust Tower,

Blue Area

Islamabad, Pakistan.

Tel : +92-51-2828941

Fax : +92-51-2273858

Project/Head Office

Post Office Raja Jang, Near Tablighi Ijtima,

Raiwind Bypass,

Lahore, Pakistan.

UAN : +92-42-111-111-535

Tel : +92-42-35392317

Fax : +92-42-35393415-7

Shares Registrar

M/s. Corplink (Pvt) Ltd.

Wings Arcade, 1-K, Commercial, Model Town

Lahore, Pakistan.

Tel: +92 42 35839182, 35887262, 35916719

Fax: +92 42 35869037

Lahore Office

17-Aziz Avenue, Unit # 4, Canal Bank,

Gulberg V, Lahore, Pakistan.

Tel : +92-42-35717861-2

Fax : +92-42-35715090

Website

www.kel.com.pk

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventeenth Annual General Meeting of shareholders of Kohinoor Energy Limited will be held on October 27, 2010 (Wednesday) at 10:30 A.M at Lahore Office of the Company situated at 17-Aziz Avenue, Canal bank, Gulberg V, Lahore to transact the following business:

1. To confirm minutes of the Annual General Meeting held on October 29, 2009.
2. To receive and adopt the Annual Audited Accounts of the Company for the financial year ended June 30, 2010 alongwith Directors' and Auditors' Reports thereon.
3. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.
4. To approve final dividend @ 15% i.e. Rs. 1.50 per share as recommended by the Board of Directors in addition to the interim dividend already paid @10% i.e. Re. 1.00 per share making a total dividend @ 25% i.e. Rs. 2.50 per share for the financial year 2009-2010.
5. Any other business with the permission of the Chair of the Board of Directors.

By order of the Board

Lahore:
September 29, 2010

(Muhammad Asif)
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from October 27, 2010 to November 02, 2010 (both days inclusive). Transfers received at our Share Registrar Office situated at CORPLINK (PVT) LIMITED Wings Arcade, 1-K, Commercial, Model Town, Lahore upto the close of business hours on October 26, 2010 will be treated in time for the purpose of entitlement of cash dividend to the transferees and for determination of entitlement to attend and vote at the meeting.
2. A member entitled to attend and vote at this meeting may appoint a proxy. Proxies in order to be effective, must be received at Head Office/Shares Department of the Company at plant site at Raiwind by pass Raiwind, Lahore , not less than forty eight hours before the time of the meeting and must be duly stamped, signed and witnessed.
3. The Central Depository Company's Account Holders/Corporate Entities shall also meet the following requirements:
 - (i) Attested copies of CNIC or the passport of the beneficial owners shall be provided with the proxy form
 - (ii) 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) alongwith proxy form to the Company
 - (iii) The proxy shall produce his original CNIC or original passport together with the Account No. and Participant's ID at the time of attending the meeting
4. Members are requested to notify the Company for change in their addresses, if any.

DIRECTORS' REPORT

The Directors are pleased to present the Annual Report together with the audited financial statements of Kohinoor Energy Limited for the financial year ended June 30, 2010.

Principal Activities

The primary business objective of the Company is to own, operate, generate and maintain a furnace oil power station with a net capacity of 124 MW (gross capacity of 131.44 MW).

Financial Results

We report that during the year, total sales revenue of the Company has been increased to Rs. 9.47 billion as compared to Rs. 8.33 billion recorded in the last financial year. The Company earned a profit after tax of Rs. 687 million as compared to Rs. 905 million earned in the last financial year. The financial results have demonstrated the Earning Per Share of Rs. 4.06 against Rs. 5.34 in the previous year.

During the year, WAPDA has disputed the eligibility of indexation of the Non-Escalable Component (NEC) of the Capacity Purchase Price relating to the period subsequent to the repayment of foreign currency loans. WAPDA has taken the stance that under the Power Purchase Agreement (PPA), NEC can only be indexed upto the repayment of the foreign currency loans, and since the loans were fully repaid in September 2008, therefore the continued indexation of NEC could not be allowed from September 2008 onwards. WAPDA had earlier paid Rs. 430.517 million relating to the period from September 2008 to September 2009 in respect of such amount but subsequently withheld this amount in the month of June 2010 against the invoices pertaining to the month of April 2010. An amount of Rs. 228.582 million under this head relating to the period from October 2009 to June 2010 has not been paid by WAPDA.

On the basis of independent legal advice, the management of your Company is of the view that WAPDA has not disputed the invoices within the time frame agreed in the PPA and therefore WAPDA has waived its right to seek revision of such invoices in terms of section 9.7 (d) of the PPA and cannot adjust this amount from subsequent invoices.

We intend to submit this dispute to arbitration under the provisions of the PPA. We and our legal advisors are confident that the matter will be decided in the Company's favour and consequently the Company has not provided for the said amount of Rs. 430.517 million in these financial statements. The Company being prudent has not recognized the remaining amount of Rs. 228.582 million, as mentioned above, as revenue pending resolution of the dispute.

The decrease in the base tariff applicable for the year, non-recognition of indexation amount of Rs. 228.582 million and non-availability of Steam Turbine on account of five years maintenance have been the major reasons of reduction in profit of the Company. The financial results of the Company for the year ended June 30, 2010, are summarized as follows:



	2010	2009
	(Rupees in thousand)	
Profit before taxation	707,315	918,241
Taxation	(20,023)	(13,185)
Profit after taxation	687,292	905,056
Un-appropriated profit brought forward	5,008,754	4,866,263
Available for appropriations	5,696,046	5,771,319
Final Dividend 2008-2009 @10%		
(Final Dividend 2007-08 @10% paid during FY 2008-09)	169,459	169,459
Interim Dividend 2009-10 @10%		
(1st Interim Dividend 2007-08 @20% paid during FY 2008-09)	169,459	338,918
2nd Interim Dividend 2008-09 @ 15%	-	254,188
Un-appropriated profit carried forward	5,357,128	5,008,754
Earnings per share	Rupees	
	4.06	5.34

Operations

The power plant responding to load demand of WAPDA, in overall delivered 899,545 MWh of electricity as compared to 872,630 MWh delivered during the previous financial year. The overall capacity factor of the power complex remained at 82.81% as against 80.33% of the last financial year.

During the financial year under review three engines surpassed 60,000 running hours and two engines 52,000 running hours consequently all of the five engines have been overhauled under major maintenance program. We report that all of the engines and their auxiliary equipment are in healthy condition for smooth and safe operations.

Dividend Distribution

The Board of Directors takes pleasure to recommend, to the shareholders of the Company for approval in the ensuing Annual General Meeting, a final dividend at the rate of Rs. 1.50 per ordinary share of Rs. 10/- each (i.e. @15%) which will be paid to those shareholders whose names would appear on members' register on the date as mentioned in the notice of AGM. This final dividend, together with the interim dividend which has already been paid @10% in March 2010, shall make the cumulative dividend distribution for the financial year 2009-2010 at the rate of 25%.

Statements in compliance to the Code of Corporate Governance

The Directors state that:

- o The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity
- o Proper books of account of the Company have been maintained
- o Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- o International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- o The system of internal control is sound in design and has been effectively implemented and monitored.
- o There are no significant doubts upon the Company's ability to continue as a going concern
- o There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations
- o The key operating and financial data of last six years is attached to the report
- o During the financial year under review the Board of Directors met for five times and the attendance of the directors was as follows:

Name of Director	No. of Meetings Attended	Name of Director	No. of Meetings Attended
Mr. M. Naseem Saigol	–	Mr. Shinichi Ushijima	–
Mr. Muneki Udaka	5	Mr. Ghazanfar Ali Zaidi	5
Mr. Sheikh Muhammad Shakeel	5	Mr. Ghazanfar Ali Khan	3
Mr. Hiroshige Uga	5		

The Board granted leaves of absence to the members who could not attend the meeting(s)

- o The Chief Executive Officer, Directors, Chief Financial Officer, Company Secretary and their spouse and minor children have made no sale/purchase of Company's shares during the year July 01, 2009 to June 30, 2010

- o The Company has established Employees Gratuity Fund and has got registered with the concerned authority. Annual provision has been made on the basis of actuarial valuation to cover obligation under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period. The value of the investments of Gratuity Fund as on June 30, 2010 was Rs. 51,700,000
- o The Board has formed an audit committee. It comprises of three members, of whom two are non-executive directors. A non-executive director is the Chairman of the committee

Change in the Board

Since the last annual general meeting held on October 29, 2009 Mr. Muneki Udaka relinquished the office of the Director/Chief Executive of the Company and in his place Mr. Toshio Nakanishi joined the Board as Director/Chief Executive of the Company.

Social Responsibility and Community Welfare

We take pleasure to report that being socially responsible, your Company is contributing to the neighboring society through Community Welfare programs focusing on two areas which are free medical treatment facility, and free education for children of the people living in the vicinity of the power plant.

Medical Facility


The Company while serving the neighboring community of the power plant is providing medical treatment facility for free of cost through two medical centers. Qualified doctor along with his experienced medical staff is taking care of the facility. We pleurably report that during the year 28,000 patients have been provided with the medical treatment at a cost of Rs. 4.35 million.

Education

The second community welfare program comprises of free education facility for the deserving children in the vicinity of the power plant. The said facility includes teaching, and provision of textbooks, stationary and uniform all for free of any charge to the students. Presently total 247 students are studying in nursery, and class 1 to 4. Initially for admission to new class for nursery level, the age group and low-income level of the parents is considered while thereafter the final selection is made purely on merit based on the written test and interview. We therefore believe that our mission 'To Raise the Community by Putting Our Share in Value Based Education' truly speaks our practical role in uplifting the living standard of the society.

Auditors

The present statutory auditors of the Company M/s A.F. Ferguson & Co. Chartered Accountants retire and being eligible, offer themselves for reappointment. The Audit Committee and the Board of Directors of the



Company have endorsed their re-appointment for shareholders consideration in the forthcoming Annual General Meeting.

Pattern of Shareholding

A statement of pattern of shareholding and additional information as at June 30, 2010 is annexed to the Annual Report.

Acknowledgement

The Board of Directors appreciates the valued shareholders, WAPDA, PPIB, financial institutions and the lenders, Wartsila, Pakistan State Oil and other business partners for their trust and continued support to the Company.

The Board also recognizes the contribution made by a very dedicated team of professionals and engineers who served KEL with full enthusiasm. We appreciate all of our employees for demonstrating their commitment and responsibility to ensure and maintain safe and reliable operations of the power complex and we believe that the same spirit of devotion shall remain intact in the future ahead to the Company to achieve successful results for the Company and its shareholders.

For and on behalf of the Board

Lahore
September 29, 2010

Toshio Nakanishi
Chief Executive

FINANCIAL DATA

	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005
DISPATCH LEVEL (%)	82.81%	80.33%	81.19%	74.16%	66.35%	41.86%
DISPATCH (MWH)	899,545	872,630	881,894	805,527	707,974	440,051
REVENUE (Rs. 000)						
ENERGY FEE	8,468,638	6,950,971	6,260,816	4,118,646	3,584,841	1,519,156
CAPACITY FEE	998,756	1,383,370	1,127,041	1,214,460	1,399,367	1,399,427
TOTAL REVENUE	9,467,394	8,334,341	7,387,857	5,333,106	4,984,208	2,918,583
COST OF SALES	8,629,255	7,239,966	6,432,159	4,180,586	3,749,585	1,879,009
GROSS PROFIT	838,139	1,094,375	955,698	1,152,520	1,234,623	1,039,574
PROFITABILITY (Rs. 000)						
PROFIT/(LOSS) BEFORE TAX	707,315	918,241	659,693	843,782	1,023,059	813,309
PROVISION FOR INCOME TAX	20,023	13,185	5,000	7,100	9,800	7,900
PROFIT/(LOSS) AFTER TAX	687,292	905,056	654,693	836,682	1,013,259	805,409
FINANCIAL POSITION (Rs. 000)						
NON CURRENT ASSETS	4,167,689	4,376,297	4,608,052	4,800,977	4,686,883	4,827,978
CURRENT ASSETS	3,329,102	2,544,811	2,745,322	2,391,987	2,045,877	1,943,522
LESS CURRENT LIABILITIES	435,082	208,096	783,730	763,080	949,688	1,143,316
NET WORKING CAPITAL	2,894,020	2,336,715	1,961,592	1,628,907	1,096,189	800,206
CAPITAL EMPLOYED	7,061,709	6,713,012	6,569,644	6,429,884	5,783,072	5,628,184
LESS LONG TERM LOANS & DEFERRED LIABILITIES	9,995	9672	8,795	100,081	289,951	809,404
SHARE HOLDERS EQUITY	7,051,714	6,703,340	6,560,849	6,329,803	5,493,121	4,818,780
REPRESENTED BY (Rs. 000)						
SHARE CAPITAL	1,694,586	1,694,586	1,694,586	1,694,586	1,694,586	1,694,586
UNAPPROPRIATED PROFIT BEFORE APPROPRIATION	5,696,046	5,771,319	5,289,910	4,635,217	4,137,453	3,547,840
APPROPRIATION / DIVIDENDS	338,918	762,565	423,647	-	338,918	423,646
UNAPPROPRIATED PROFIT BROUGHT FORWARD	5,357,128	5,008,754	4,866,263	4,635,217	3,798,535	3,124,194
	7,051,714	6,703,340	6,560,849	6,329,803	5,493,121	4,818,780
SHARE PRICES AS ON JUNE 30,	26.49	29.00	27.15	37.50	25.85	26.00
EARNING PER SHARE	4.06	5.34	3.86	4.94	5.98	4.75
RATIOS:						
RETURN ON ASSETS	0.09	0.13	0.09	0.12	0.15	0.12
PRICE EARNING RATIO	6.53	5.43	7.03	7.60	4.32	5.47
BREAK UP VALUE PER SHARE OF Rs. 10 EACH	41.61	39.56	38.72	37.35	32.42	28.44
CURRENT RATIO	7.65	12.23	3.50	3.13	2.15	1.70
NET PROFIT/(LOSS) TO SALES (%AGE)	7.26%	10.86%	8.86%	15.69%	20.33%	27.60%

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. The Board of the Company comprises of three non-executive and four executive directors. At present there is no representation of independent non-executive director and director representing minority shareholders.
2. 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 DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring in the Board on August 01, 2010 was filled up within the same day.
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/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors, have been taken by the Board.
8. 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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors were apprised of their duties and responsibilities through orientation course.
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, as determined by the Chief Executive Officer.
11. The directors' report for this year 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 Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, of whom two are non executive directors. A non-executive director is the Chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function, members of which are considered suitably qualified and experienced for the purpose and are conversant with the policies and the procedures of the Company. The internal audit function is being headed by the Company secretary.
18. 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Lahore
September 29, 2010

Toshio Nakanishi
Chief Executive

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 Kohinoor Energy Limited to comply with the Listing Regulation No. 35 of the Karachi, Lahore 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.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi, Lahore and Islamabad Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price regarding proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2010.

Lahore
September 29, 2010

A.F. Ferguson & Co.
Chartered Accountants

Imran Farooq Mian
Partner

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Kohinoor Energy Limited as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes in accounting policies as stated in note 2.2.1 to the annexed financial statements with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2010 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.
- (e) Without qualifying our opinion, we draw attention to note 10.1.1 to the financial statements. During the year WAPDA withheld certain amounts relating to capacity purchase price which amounts it had already paid. The company intends to refer this dispute for arbitration under the Power Purchase Agreement (PPA) with WAPDA. Pending the outcome of this dispute, the company has not made any provision against such amounts withheld by WAPDA as the management, in consultation with its legal advisors, is confident that in light of the PPA the matter will be settled in the company's favour.

Lahore
September 29, 2010

A.F. Ferguson & Co.
Chartered Accountants

Imran Farooq Mian
Partner

BALANCE SHEET

	Note	2010 (Rupees in thousand)	2009
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 170,000,000 (2009: 170,000,000) ordinary shares of Rs 10 each		<u>1,700,000</u>	<u>1,700,000</u>
Issued, subscribed and paid up capital 169,458,614 (2009: 169,458,614) ordinary shares of Rs 10 each	5	1,694,586	1,694,586
Unappropriated profit		5,357,128	5,008,754
		<u>7,051,714</u>	<u>6,703,340</u>
NON-CURRENT LIABILITIES			
Staff retirement benefits	6	9,995	9,672
CURRENT LIABILITIES			
Finances under mark up arrangements - secured	7	200,000	-
Trade and other payables	8	118,776	107,098
Accrued finance cost	9	392	69
Provision for taxation		115,914	100,929
		435,082	208,096
CONTINGENCIES AND COMMITMENTS	10		
		<u>7,496,791</u>	<u>6,921,108</u>

Chief Executive

AS AT JUNE 30, 2010



	Note	2010 (Rupees in thousand)	2009
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	4,153,382	4,363,430
Intangible assets	12	3,889	3,658
Long term loans and deposits	13	10,418	9,209
		<u>4,167,689</u>	<u>4,376,297</u>
CURRENT ASSETS			
Stores, spares and loose tools	14	390,431	366,072
Stock-in-trade	15	168,240	311,234
Trade debts	16	1,926,050	963,309
Loans, advances, deposits, prepayments and other receivables	17	457,695	240,122
Short term investments	18	76,762	-
Cash and bank balances	19	309,924	664,074
		<u>3,329,102</u>	<u>2,544,811</u>
		<u><u>7,496,791</u></u>	<u><u>6,921,108</u></u>

The annexed notes 1 to 36 form an integral part of these financial statements.

Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 (Rupees in thousand)	2009
Sales	20	9,467,394	8,334,341
Cost of sales	21	<u>(8,629,255)</u>	<u>(7,239,966)</u>
Gross profit		838,139	1,094,375
Administrative expenses	22	(184,249)	(182,523)
Other operating income	23	<u>58,970</u>	<u>54,185</u>
Profit from operations		712,860	966,037
Finance costs	24	<u>(5,545)</u>	<u>(47,796)</u>
Profit before taxation		707,315	918,241
Taxation	25	<u>(20,023)</u>	<u>(13,185)</u>
Profit for the year		<u><u>687,292</u></u>	<u><u>905,056</u></u>
Earnings per share	32	<u><u>4.06</u></u>	<u><u>5.34</u></u>

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2010

	2010 (Rupees in thousand)	2009
Profit for the year	687,292	905,056
Other comprehensive income	-	-
Total comprehensive income for the year	<u>687,292</u>	<u>905,056</u>

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 (Rupees in thousand)	2009
Cash flows from operating activities			
Cash generated from operations	26	(93,364)	1,936,033
Employee benefits paid		(18,591)	(19,301)
Mark up on borrowings paid		(1,431)	(52,461)
Taxes paid		(5,038)	(9,526)
Net cash (used in)/ from operating activities		(118,424)	1,854,745
Cash flows from investing activities			
Purchase of property, plant and equipment		(69,297)	(20,426)
Purchase of intangible assets		(1,000)	-
Purchase of short term investments		(236,747)	-
Proceeds from sale of short term investments		161,746	-
Interest/mark-up income received		40,214	35,022
Net (increase)/decrease in long term loans and deposits		(1,209)	1,151
Proceeds from sale of property, plant and equipment		7,585	4,611
Net cash (used in)/ from investing activities		(98,708)	20,358
Cash flows from financing activities			
Repayment of long term loans (net)		-	(118,222)
Dividend paid		(337,018)	(761,497)
Net cash used in financing activities		(337,018)	(879,719)
Net (decrease)/increase in cash and cash equivalents		(554,150)	995,384
Cash and cash equivalents at the beginning of the year		664,074	(331,310)
Cash and cash equivalents at the end of the year	27	109,924	664,074

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2010

	Share capital	Un-appropriated profit (Rupees in thousand)	Total
Balance as on July 01, 2008	1,694,586	4,866,263	6,560,849
Final dividend for the year ended June 30, 2008 at the rate of Rs 1.00 per share	-	(169,459)	(169,459)
Interim dividend for the year ended June 30, 2009 at the rate of Rs 2.00 per share	-	(338,918)	(338,918)
Interim dividend for the year ended June 30, 2009 at the rate of Rs 1.50 per share	-	(254,188)	(254,188)
Total comprehensive income for the year	-	905,056	905,056
Balance as on June 30, 2009	1,694,586	5,008,754	6,703,340
Final dividend for the year ended June 30, 2009 at the rate of Rs 1.00 per share	-	(169,459)	(169,459)
Interim dividend for the year ended June 30, 2010 at the rate of Rs 1.00 per share	-	(169,459)	(169,459)
Total comprehensive income for the year	-	687,292	687,292
Balance as on June 30, 2010	<u>1,694,586</u>	<u>5,357,128</u>	<u>7,051,714</u>

The annexed notes 1 to 36 form an integral part of these financial statements.



NOTES TO AND FORMING PART

OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1. Legal status and nature of business

Kohinoor Energy Limited ('the company') was incorporated in Pakistan on April 26, 1994 as a public limited company under the Companies Ordinance, 1984. The company is listed on the Karachi, Islamabad and Lahore Stock Exchanges. The principal activities of the company are to own, operate and maintain a power station of 124 MW capacity in Lahore. The registered office of the company is located in Islamabad.

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Ordinance, provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS or IFAS, the requirements of the Ordinance or the requirements of the said directives prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards

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

The following amendments and interpretations to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

- IAS 1 (Revised), 'Presentation of Financial Statements' is effective for accounting periods beginning on or after January 01, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income). Comparative information is required to be re-presented so that it is in conformity with the revised standards.

The company has preferred to present two statements; a profit and loss account and a statement of comprehensive income. Comparative information has also been re-presented so it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

- Certain amendments to IAS 23 (Revised), 'Borrowing Costs' were published that are effective for accounting periods beginning on or after January 01, 2009. Adoption of these amendments

require the company to capitalise the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs has been removed. Its adoption has no impact on the company's financial statements.

2.2.2 Standards, amendments and interpretations to published standards applicable to the company not yet effective

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

- IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' is applicable for periods beginning on or after January 01, 2006, however, Independent Power Producers (IPPs), whose letter of intent has been signed on or before June 30, 2010, have been exempted from its application by the Securities and Exchange Commission of Pakistan (SECP). This interpretation provides guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for as a lease in accordance with International Accounting Standard (IAS) 17, 'Leases'.

Consequently, the company is not required to account for a portion of its Power Purchase Agreement (PPA) with Water and Power Development Authority (WAPDA) as a lease under IAS - 17. If the company were to follow IFRIC - 4 and IAS - 17, the effect on the financial statements would be as follows:

	2010	2009
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(3,947,184)	(4,145,185)
Recognition of lease debtor	717,174	885,788
Decrease in unappropriated profit at the beginning of the year	(3,259,397)	(3,159,766)
Increase / (decrease) in profit for the year	29,388	(99,631)
Decrease in unappropriated profit at the end of the year	<u>(3,230,009)</u>	<u>(3,259,397)</u>

2.2.3 Standards, amendments and interpretations to published standards effective in the current period not relevant to the company

The other standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 are considered not to be relevant or to have any significant impact on the financial reporting and operations.

2.2.4 Standards, amendments and interpretations to existing standards that are not relevant to the

company and not yet effective

Standards or Interpretation

Effective date (accounting periods beginning on or after)

IAS 1 (Amendment) Presentation of Financial Statements	January 01, 2010
IAS 24 (Revised) Related party disclosures	January 01, 2011
IAS 32 (Amendment) Financial instruments: presentation on classification of right issues	February 01, 2010
IFRS 2 Group cash-settled share-based payment transactions	January 01, 2010
IFRS 5 (Amendment) Measurement of non-current assets (or disposal groups) classified as Held-for-sale.	January 01, 2010
IFRS 9 Financial Instruments	January 01, 2013
IFRIC 14 (Amendment) Prepayment of a minimum funding requirement	January 01, 2011

3. Basis of measurement

- 3.1** These financial statements have been prepared under the historical cost convention, modified by capitalisation of exchange differences in previous years, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.


The company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Retirement benefits

The company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.2.

b) Provision for taxation

The company takes into account the current income tax law and the decisions taken by



appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

c) Useful lives and residual values of property, plant and equipment

The company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Taxation

Current

The profits and gains of the company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. However, full provision is made in the profit and loss account on income from sources not covered under the above clause at current rates of taxation after taking into account, tax credits and rebates available, if any.

Deferred

Deferred tax has not been provided in these financial statements as the company's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains of the company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

4.2 Employee retirement benefits

The main features of the schemes operated by the company for its employees are as follows:

Defined benefit plans

- (a) The company operates an approved funded defined benefit gratuity scheme for all employees according to the terms of employment subject to a minimum qualifying period of service. The contribution to the fund is made on the basis of actuarial valuation to cover obligations

under the scheme for all employees eligible to gratuity benefits. The latest actuarial valuation for the scheme was carried out as at June 30, 2010 and the actual return on plan assets during the year was Rs. 4.746 million (2009: Rs 5.829 million). The actual return on plan assets represents the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

Projected Unit Credit Method, using the following significant assumptions, is used for valuation of this scheme:

- Discount rate	12% per annum
- Expected rate of increase in salary level	11% per annum
- Expected rate of return	12% per annum

The company is expected to contribute Rs. 12.800 million to the gratuity fund in the next financial year.

The company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 'Employee Benefits'.

(b) Accumulating compensated absences

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to profit and loss account.

4.3 Property, plant and equipment

4.3.1 Operating fixed assets

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery comprises historical cost, exchange differences capitalised in previous years and interest referred to in note 4.14.

Depreciation on all operating fixed assets is charged to profit on the straight line method so as to write off the cost of an asset over its estimated useful life at the annual rates mentioned in note 11.1 after taking into account their residual values.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if the impact on depreciation is significant. The company's estimate of the residual value of its operating fixed assets as at June 30, 2010 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to operating fixed assets is charged from the month in which the asset

is available for use, while no depreciation is charged for the month in which the asset is disposed off.

The net exchange difference relating to an asset, at the end of each year, is amortised in equal installments over its remaining useful life.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.5).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

4.3.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

4.4 Intangible assets


Expenditure incurred to acquire intangible assets is stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method over its estimated useful life at the annual rate mentioned in note 12.

Amortisation on additions to intangible assets is charged from the month in which an asset is available for use while no amortisation is charged for the month in which the asset is disposed off.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.5).

4.5 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation/amortisation and are tested annually for impairment. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.



The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.6 Leases

The company is the lessee:

4.6.1 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight line basis over the lease term.

4.7 Stores, spares and loose tools

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

4.8 Stock-in-trade

Stock-in-trade except for those in transit and furnace oil are valued principally at lower of moving average cost and net realisable value. Furnace oil is valued at lower of cost based on FIFO and net realisable value.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

4.9 Investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital, are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

4.10 Financial instruments

4.10.1 Financial assets

The company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits and other receivables and cash and cash equivalents in the balance sheet.


All financial assets are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date - the date on which the company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. 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 the risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the company's right to receive payments is established.

The company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. If any such evidence exists, the recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the income statement. Impairment testing of trade debts and other receivable is described in note 4.11.

4.10.2 Financial liabilities

All financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument.



A financial liability is derecognised when the obligation under the liability is discharged or 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 or 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 and loss account.

4.10.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.11 Trade debts and other receivables

Trade debts and other receivables are recognised initially at invoice value, which approximates fair value, and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognised in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

4.12 Cash and cash equivalents


Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

4.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

4.14 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the



period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the profit and loss account in the period in which they arise.

4.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

4.16 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.17 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the company and the revenue can be measured reliably.

Revenue on account of energy is recognised on transmission of electricity to WAPDA, whereas on account of capacity is recognised when due. Profit on deposits with banks is recognised on a time proportion basis by reference to the amounts outstanding and the applicable rates of return.

4.18 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

4.19 Dividend

Dividend distribution to the company's members is recognised as a liability in the period in which the dividends are approved.

5. Issued, subscribed and paid up capital

2010 (Number of shares)	2009		2010 (Rupees in thousand)	2009
130,352,780	130,352,780	ordinary shares of Rs 10 each fully paid in cash	1,303,528	1,303,528
39,105,834	39,105,834	ordinary shares of Rs 10 each issued as fully paid bonus shares	391,058	391,058
<u>169,458,614</u>	<u>169,458,614</u>		<u>1,694,586</u>	<u>1,694,586</u>

5.1 33,891,722 (2009:33,891,722) ordinary shares of the company are held by an associated undertaking, Toyota Tsusho Corporation.

		2010 (Rupees in thousand)	2009
6. Staff retirement benefits			
Gratuity	- note 6.1	1,396	1,699
Leave salary		8,599	7,973
		<u>9,995</u>	<u>9,672</u>

6.1 This represents staff gratuity and the amounts recognised in the balance sheet are as follows:

Fair value of plan assets	(53,788)	(37,512)
Present value of defined benefit obligation	69,756	54,265
Unrecognised actuarial losses	(14,572)	(15,054)
Liability as at June 30	<u>1,396</u>	<u>1,699</u>
Net liability as at July 1	1,699	4,226
Charge to profit and loss account	11,889	11,790
Contribution by the company	(12,192)	(14,317)
Liability as at June 30	<u>1,396</u>	<u>1,699</u>

The movement in the present value of defined benefit obligation is as follows:

Present value of defined benefit obligation as at July 1	54,265	51,059
Current service cost	9,191	8,164

Interest cost	6,512	6,127
Benefits paid	(662)	(11,268)
Experience loss	450	183
Present value of defined benefit obligation as at June 30	<u>69,756</u>	<u>54,265</u>

The movement in fair value of plan assets is as follows:

Fair value as at July 1	37,512	28,634
Expected return on plan assets	4,502	3,436
Contribution by the company	12,192	14,317
Benefits paid	(662)	(11,268)
Experience gain	244	2,393
Fair value as at June 30	<u>53,788</u>	<u>37,512</u>

Plan assets comprise of cash and bank balances.

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of the gratuity fund are as follows:

	2010	2009	2008	2007	2006
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligation	69,756	54,265	51,059	44,283	36,315
Fair value of plan assets	<u>53,788</u>	<u>37,512</u>	<u>28,634</u>	<u>25,561</u>	<u>23,607</u>
Loss	<u>15,968</u>	<u>16,753</u>	<u>22,425</u>	<u>18,722</u>	<u>12,708</u>
Experience adjustment arising on obligation (gain) / losses	450	183	1,779	6,806	2,324
Experience adjustment arising on plan assets gain / (losses)	244	2,393	(2,412)	1,430	(1,972)
				2010	2009
				(Rupees in thousand)	

7. Finances under mark up arrangements - secured

Finances under mark up arrangements - secured	- note 7.1	<u>200,000</u>	<u>-</u>
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7.1 Short term running finances available from commercial banks under mark up arrangements amount to Rs 2,568 million (2009: Rs 1,528 million). The aggregate running finances are secured by a first pari passu charge over fixed assets (excluding land and building) and current assets of the company. The

rates of mark up range from 13.27% to 14.76% per annum on the balances outstanding. The security and other agreements, negotiable instruments and documents to be executed by the company in favour of the bank shall be in the form and substance satisfactory to the bank. The company shall execute or cause to be executed all such instruments, deeds or documents, which the bank may in its sole discretion require.

		2010	2009
		(Rupees in thousand)	
8. Trade and other payables			
Trade creditors	- note 8.1	34,508	32,279
Accrued liabilities		2,601	1,276
Withholding tax payable		2,665	1,385
Workers' profit participation fund	- note 8.2	35,366	45,912
Workers' welfare fund		14,147	18,365
Sales tax payable		17,383	-
Unclaimed dividend		7,086	5,186
Other payables		5,020	2,695
		<u>118,776</u>	<u>107,098</u>

8.1 Trade creditors include amount due to related parties of Rs 0.022 million (2009: Rs Nil).

8.2 Workers' Profit Participation Fund (WPPF)

		2010	2009
		(Rupees in thousand)	
Opening balance		45,912	33,020
Provision for the year	- note 17.2	35,366	45,912
Interest for the year	- note 24	-	547
		<u>81,278</u>	<u>79,479</u>
Less: Payments made during the year		45,912	33,567
Closing balance		<u>35,366</u>	<u>45,912</u>

		2010	2009
		(Rupees in thousand)	
9. Accrued finance cost			
Mark-up accrued on finances under mark-up arrangement		<u>392</u>	<u>69</u>

10. Contingencies and commitments

10.1 Contingencies

10.1.1 During the year, WAPDA has disputed the eligibility of indexation of non-escalable component of capacity purchase price relating to the period subsequent to the repayment of foreign currency loan taking the stance that under the Power Purchase Agreement (PPA) indexation is allowed until the repayment of foreign currency loan, and since loan was fully repaid in September 2008, therefore no indexation was to be allowed from September 2008 onwards. WAPDA had earlier paid Rs. 430.517 million relating to the period from September 2008 to September 2009 but subsequently withheld this amount in the month of June 2010 against the invoices of April 2010.

The management of the company is of the view that under the terms of the PPA the invoice receiving party may serve a dispute notice to the other party at any time prior to 180 days of receipt of such invoice. Since the invoices for the period from September 2008 to September 2009 were not disputed within the prescribed period of 180 days therefore WAPDA has waived its right to seek revision of such invoices in terms of section 9.7 (d) of the PPA.

The company intends to refer this dispute for arbitration under International Chamber of Commerce (ICC) Rules. The company and its legal advisors are confident that the matter will be settled in company's favour and consequently the company has not provided for Rs. 430.517 million in these financial statements.

10.1.2 The company has issued the following guarantees in favour of:

- (i) WAPDA on account of liquidated damages, in case, the company fails to make available electricity to WAPDA on its request, amounting to Rs 155 million (2009: Rs 215 million).
- (ii) Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 4.25 million (2009: Rs 4.25 million).

10.2 Commitments

- (i) Letters of credit other than capital expenditure Rs 41.72 million (2009: Rs 5.66 million).
- (ii) The amount of future payments under non-cancellable operating leases and the period in which these payments will become due are as follows:

	2010	2009
	(Rupees in thousand)	
Not later than one year	2,524	1,538
Later than one year and not later than five years	2,382	-
	4,906	1,538

11. Property, plant and equipment

Operating fixed assets	- note 11.1	4,151,240	4,357,803
Capital work-in-progress	- note 11.2	2,142	5,627
		<u>4,153,382</u>	<u>4,363,430</u>

11.1 Property, plant and equipment

		(Rupees in thousand)									
		Freehold land	Buildings on freehold land	Plant and machinery	Office appliances and equipment	Laboratory equipment	Electric appliances and equipment	Computers	Furniture and fixtures	Vehicles	Total
Net carrying value basis											
Year ended June 30, 2010											
	Opening net book value (NBV)	99,590	388,052	3,824,388	3,190	197	6,721	7,802	1,787	26,076	4,357,803
	Additions (at cost)	-	-	58,657	31	-	470	1,060	-	12,564	72,782
	Disposals (at NBV)	-	-	-	-	-	-	-	-	(4,991)	(4,991)
	Depreciation charge	-	(21,574)	(238,840)	(579)	(197)	(1,275)	(4,113)	(731)	(7,045)	(274,354)
	Closing net book value (NBV)	99,590	366,478	3,644,205	2,642	-	5,916	4,749	1,056	26,604	4,151,240
Gross carrying value basis											
As at June 30, 2010											
	Cost	99,590	633,224	6,610,076	6,653	2,576	16,569	49,814	9,153	48,135	7,475,790
	Accumulated depreciation	-	(266,746)	(2,965,871)	(4,011)	(2,576)	(10,653)	(45,065)	(8,097)	(21,531)	(3,324,550)
	Net book value (NBV)	99,590	366,478	3,644,205	2,642	-	5,916	4,749	1,056	26,604	4,151,240
	Depreciation rate % per annum	-	4.00 - 6.00	4.55 - 18.18	10	10	10	10 - 35	10	20	
Net carrying value basis											
Year ended June 30, 2009											
	Opening net book value (NBV)	99,590	407,839	3,976,443	3,746	439	6,557	11,492	2,582	29,249	4,537,937
	Additions (at cost)	-	2,089	68,260	61	-	1,348	654	-	7,722	80,134
	Disposals (at NBV)	-	-	-	-	-	-	-	-	(3,761)	(3,761)
	Depreciation charge	-	(21,876)	(220,315)	(617)	(242)	(1,184)	(4,344)	(795)	(7,134)	(256,507)
	Closing net book value (NBV)	99,590	388,052	3,824,388	3,190	197	6,721	7,802	1,787	26,076	4,357,803
Gross carrying value basis											
As at June 30, 2009											
	Cost	99,590	633,224	6,551,419	6,622	2,576	16,099	48,754	9,153	44,951	7,412,388
	Accumulated depreciation	-	(245,172)	(2,727,031)	(3,432)	(2,379)	(9,378)	(40,952)	(7,366)	(18,875)	(3,054,585)
	Net book value (NBV)	99,590	388,052	3,824,388	3,190	197	6,721	7,802	1,787	26,076	4,357,803
	Depreciation rate % per annum	-	4.00 - 6.00	4.55 - 18.18	10	10	10	10 - 35	10	20	
11.1.1	Additions to buildings on freehold land and plant and machinery include exchange loss on foreign currency loans amounting to Rs nil (2009; Rs 9,419 million)										
11.1.2	The cost of fully depreciated assets which are still in use as at June 30, 2010 is Rs 20,419 million (2009; Rs 17,562 million)										
11.1.3	The depreciation charge for the year has been allocated as follows:										
	Cost of sales										
	Administrative expenses - Depreciation								- note 21	265,413	246,260
	Administrative expenses - Community welfare expenses								- note 22	8,696	9,830
										245	417
										274,354	256,507

11.1.4 Disposal of operating fixed assets

(Rupees in thousand)

Detail of fixed assets sold during the year is as follows:

2010

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposals
Vehicles						
Outsiders						
	Muhammad Aslam	1,248	705	723	1,120	Negotiation
	Malik Abdul Hameed	1,487	714	773	1,025	-do-
	M/s EFU General Insurance Company Limited	1,019	407	612	950	Insurance claim
		<u>3,934</u>	<u>1,826</u>	<u>2,108</u>	<u>3,095</u>	
Employee						
	Sagheer Hussain	1,531	955	576	1,125	Negotiation
	Jaweria Zaheer	1,017	339	678	920	-do-
	Ammanullah Qaisar	1,016	339	677	890	-do-
	Sagheer Hussain	631	261	370	525	-do-
	Muhammad Moazzam Khan	635	271	364	540	-do-
	Fayyaz Hussain	616	398	218	490	-do-
		<u>5,446</u>	<u>2,563</u>	<u>2,883</u>	<u>4,490</u>	
		<u>9,380</u>	<u>4,389</u>	<u>4,991</u>	<u>7,585</u>	

Detail of fixed assets sold during the year is as follows:

2009

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposals
Vehicles						
Outsiders						
	Muhammad Yousaf Iqbal	1,360	559	801	830	Negotiation
	Shahid Mehmood	1,001	334	667	951	-do-
	Fazal Karim	1,018	244	774	1,030	-do-
	M/s Panthers	1,017	176	841	900	-do-
		<u>4,396</u>	<u>1,313</u>	<u>3,083</u>	<u>3,711</u>	
Employee						
	Muhammad Ashraf	1,378	700	678	900	Negotiation
		<u>5,774</u>	<u>2,013</u>	<u>3,761</u>	<u>4,611</u>	



2010 **2009**
(Rupees in thousand)

11.2 Capital work-in-progress

Plant and machinery	2,142	-
Advances to suppliers - considered good	-	5,627
	2,142	5,627

12. Intangible assets

Computer software **Others** **Total**
(Rupees in thousand)

Net carrying value basis

Year ended June 30, 2010

Opening net book value (NBV)	3,658	-	3,658
Additions at cost	-	1,000	1,000
Amortisation charge	713	56	769
Closing net book value (NBV)	2,945	944	3,889

Gross carrying value basis

As at June 30, 2010

Cost	16,502	1,000	17,502
Accumulated amortisation	13,557	56	13,613
Net book value (NBV)	2,945	944	3,889
Amortisation rate % per annum	5.56	10	

Net carrying value basis

Year ended June 30, 2009

Opening net book value (NBV)	4,545	-	4,545
Additions at cost	-	-	-
Amortisation charge	887	-	887
Closing net book value (NBV)	3,658	-	3,658

Gross carrying value basis

As at June 30, 2009

Cost	16,502	–	16,502
Accumulated amortisation	12,844	–	12,844
Net book value (NBV)	<u>3,658</u>	<u>–</u>	<u>3,658</u>
Amortisation rate % per annum	5.56	10	

2010 **2009**
(Rupees in thousand)

12.1 The amortisation charge for the year has been allocated as follows:

Cost of sales	- note 21	192	365
Administrative expenses	- note 22	577	522
		<u>769</u>	<u>887</u>

12.2 The cost of fully amortised assets which are still in use as at June 30, 2010 is Rs 9.362 million (2009: Rs 4.183 million)

2010 **2009**
(Rupees in thousand)

13. Long term loans and deposits

Loans to employees - considered good			
- Executives	- note 13.1	5,502	4,982
- Others	- note 13.1	11,974	8,693
Loan to others - secured	- note 13.1.1	<u>1,300</u>	<u>2,020</u>
		18,776	15,695
Less: Current portion included in current assets			
- Loans to employees - executives	- note 13.1	2,658	1,979
- Loans to employees - others	- note 13.1	5,402	4,209
- Loan to others - secured	- note 13.1.1	720	720
		<u>8,780</u>	<u>6,908</u>
		9,996	8,787
Security deposits		<u>422</u>	<u>422</u>
		<u>10,418</u>	<u>9,209</u>

13.1 These represent interest free loans to executives and other employees for purchase of residential plot, construction of house, purchase of motor cars, motor cycles etc and are repayable in monthly instalments over a period of 24 to 60 months. Loans for purchase of residential plots and construction of house are secured against staff retirement benefits of employees. Loans for purchase of motor cars and motor cycles are secured by registration of motor cars in the name of the company and open transfer letters signed by the employees in the case of motor cycles.

13.1.1 This represents an interest free loan issued to a contract employee of the company for improvements at his residential house. This loan is secured by charge over residential property duly registered with the housing society. The loan is repayable in monthly instalments over a period of 36 months.

2010 **2009**
(Rupees in thousand)

13.2 Reconciliation of carrying amount of loans to executives

Opening balance	4,982	4,953
Disbursements	3,372	4,592
	8,354	9,545
Less: Repayments	2,852	4,563
Closing balance	5,502	4,982

13.3 The maximum amount outstanding at the end of any month from executives aggregated Rs 5.761 million (2009: Rs 5.901 million).

2010 **2009**
(Rupees in thousand)

14. Stores, spares and loose tools

Stores	10,422	7,210
Spares including in transit Rs. 33.026 million (2009: Rs 8.762 million)	388,798	367,486
Loose tools	475	640
	399,695	375,336
Less : Provision for obsolete items	- note 14.2	9,264
	390,431	366,072

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

2010 **2009**
(Rupees in thousand)

14.2 Provision for obsolete stores and spares

Opening balance	9,264	-
Provision for the year	-	9,264
Closing balance	9,264	9,264

15. Stock-in-trade

Furnace oil	160,948	306,227
Diesel	607	357
Lubricating oil	6,685	4,650
	168,240	311,234

16. Trade debts

Trade receivables from WAPDA - secured		
- Considered good	1,926,050	963,309
- Considered doubtful	6,966	6,966
	- note 16.1 1,933,016	970,275
Less: Provision for doubtful debts	- note 16.2 6,966	6,966
	1,926,050	963,309

16.1 This includes an overdue amount of Rs 986.829 million (2009: Rs 325.879 million) receivable from WAPDA. The trade debts are secured by a guarantee from the Government of Pakistan under the Implementation Agreement. These are in the normal course of business and interest free, however, a penal mark-up at the rate of six months treasury bill plus 2% per annum is charged in case the amounts are not paid within due dates. The penal mark-up rate charged during the year ranges from 14.5% to 16% per annum.

2010 **2009**
(Rupees in thousand)

16.2 Provision for doubtful debts

Opening balance		6,966	2,685
Provision for the year	- note 22	-	4,281
Closing balance		6,966	6,966

17. Loans, advances, deposits, prepayments and other receivables

Current portion of long term loans to 'employees'	- note 13	8,060	6,188
Current portion of long term loans to 'others'	- note 13	720	720
Advances - considered good			
- To employees	- note 17.1	3,007	1,633
- To suppliers		372,455	108,173
Prepayments		23,281	35,682
Sales tax recoverable		-	9,250
Profit receivable on bank deposits		659	2,753
Claims recoverable from WAPDA for pass through items:			
- Workers' Profit Participation Fund	- note 17.2	35,366	45,912
- Workers' Welfare Fund	- note 17.2	14,147	18,365
Other receivables - considered good		-	11,446
		<u>457,695</u>	<u>240,122</u>

17.1 Included in advances to employees are amounts due from executives Rs 1.488 million (2009: Rs 0.003 million).

17.2 Workers' Profit Participation Fund (WPPF) and Workers' Welfare Fund (WWF)

	2010	2009	2010	2009
	(Rupees in thousand)			
	WPPF		WWF	
Opening balance	45,912	32,985	18,365	-
Provision for the year - note 8.2	<u>35,366</u>	<u>45,912</u>	<u>14,147</u>	<u>18,365</u>
	81,278	78,897	32,512	18,365
Less: Receipts during the year	<u>45,912</u>	<u>32,985</u>	<u>18,365</u>	-
Closing balance	<u>35,366</u>	<u>45,912</u>	<u>14,147</u>	<u>18,365</u>

Under section 14.2(a) of Part III of Schedule 6 to the Power Purchase Agreement (PPA) with WAPDA, payments to Workers' Profit Participation Fund and Workers' Welfare Fund are recoverable from WAPDA as a pass through item.

2010 **2009**
(Rupees in thousand)

18. Short term investments

Investments at fair value through profit and loss

NAFA Government Securities Liquid Fund units	56,512	-
Faysal Savings Growth Fund units	<u>20,234</u>	<u>-</u>
	76,746	-
Add: Adjustment in fair value of investments	<u>16</u>	<u>-</u>
	<u>76,762</u>	<u>-</u>

- 18.1** These represent investments in 5,501,562.656 (2009: nil) units of NAFA Government Securities Liquid Fund and 196,251.595 (2009: nil) units of Faysal Savings Growth Fund having a net assets value of Rs. 10.274 per unit and Rs. 103.120 per unit respectively as at June 30, 2010.

2010 **2009**
(Rupees in thousand)

19. Cash and bank balances

Balance at banks on:			
Current accounts		1,092	279
Special account related to dividend payable		3,424	1,398
Deposit accounts	- note 19.1	-	475,000
Savings accounts	- note 19.1	304,839	186,911
		309,355	663,588
Cash in hand		569	486
		<u>309,924</u>	<u>664,074</u>

- 19.1** The balances in deposit and savings bank accounts bear mark-up at rates ranging from 5.00% to 10.50% per annum.

2010 **2009**
(Rupees in thousand)

20. Sales

Energy purchase price		8,468,638	6,950,971
Capacity purchase price		998,756	1,383,370
		<u>9,467,394</u>	<u>8,334,341</u>

Energy purchase price is exclusive of sales tax of Rs. 1,349.354 million (2009: Rs 1,105.485 million).

2010 **2009**
(Rupees in thousand)

21. Cost of sales

Raw material consumed		7,820,801	6,392,309
Salaries, wages and benefits	- note 21.1	91,256	77,257
Fee for Produce of Energy (FPE)		43,933	93,871
Stores and spares consumed		315,740	340,151
Depreciation on operating fixed assets	- note 11.1.3	265,413	246,260
Amortisation on intangible assets	- note 12.1	192	365
Insurance		54,620	39,663

Travelling, conveyance and entertainment	9,554	7,687
Repairs and maintenance	15,177	29,330
Communication charges	1,891	2,485
Electricity consumed in-house	925	1,606
Rent, rate and taxes	604	554
Miscellaneous	9,149	8,428
	<u>8,629,255</u>	<u>7,239,966</u>

21.1 Salaries, wages and other benefits

Salaries, wages and other benefits include following in respect of gratuity:

Current service cost	4,891	3,894
Interest cost for the year	3,466	2,923
Expected return on plan assets	(2,396)	(1,639)
Recognition of loss	366	446
	<u>6,327</u>	<u>5,624</u>

In addition to the above, salaries, wages and other benefits include Rs 3.286 million (2009: Rs 4.383 million) in respect of accumulating compensated absences.

2010 **2009**
(Rupees in thousand)

22. Administrative expenses

Salaries, wages and benefits	- note 22.1	102,097	82,967
Printing and stationery		358	299
Communication charges		2,505	2,500
Depreciation on operating fixed assets	- note 11.1.3	8,696	9,830
Amortisation on intangible assets	- note 12.1	577	522
Insurance		2,560	2,378
Travelling, conveyance and entertainment		22,489	21,874
Repairs and maintenance		5,779	6,224
Legal and professional charges	- note 22.2	6,493	7,398
Community welfare expenses		10,339	8,820
Donations	- note 22.3	50	5,722
Rents, rates and taxes		3,390	3,030
Fee and subscription		1,449	1,935
Provision for doubtful debts	- note 16.2	-	4,281
Provision for obsolete stores and spares	- note 14.2	-	9,264
Advances written off		-	286
Miscellaneous	- note 22.4	17,467	15,193
		<u>184,249</u>	<u>182,523</u>

2010 **2009**
(Rupees in thousand)

22.1 Salaries, wages and other benefits

Salaries, wages and other benefits include following in respect of gratuity:

Current service cost	4,300	4,269
Interest cost for the year	3,046	3,204
Expected return on plan assets	(2,106)	(1,797)
Recognition of loss	322	490
	5,562	6,166

In addition to above, salaries, wages and other benefits include Rs 3.789 million (2009: Rs 4.005 million) in respect of accumulating compensated absences.

2010 **2009**
(Rupees in thousand)

22.2 Legal and professional charges

Legal and professional charges include the following in respect of auditors' services for:

Statutory audit	1,000	745
Half yearly review, foreign reporting and sundry services	335	315
Out of pocket expenses	191	119
	1,526	1,179

22.3 None of the directors and their spouses has any interest in the donee.

22.4 Includes an amount of Rs 0.221 million (2009: Rs 0.309 million) on account of advertisement expense to Red Communication Arts (Private) Limited, a related party.

2010 **2009**
(Rupees in thousand)

23. Other operating income

Income from financial assets:

Income on bank deposits

- On shore	38,120	37,516
- Off shore	-	154
	38,120	37,670
Gain on sale of short-term investments	1,745	-
Gain on change in fair value of short-term investments	16	-



	1,761	-
Income from non-financial assets:		
Scrap sales	16,495	11,328
Profit on disposal of property, plant and equipment	2,594	850
	19,089	12,178
Exchange gain	-	2,837
Liability no longer payable written back	-	1,500
	<u>58,970</u>	<u>54,185</u>

2010 **2009**
(Rupees in thousand)

24. Finance cost

Interest on long term loans:		
- secured	-	1,808
- unsecured	-	167
Mark up on finances under mark up arrangements - secured	1,754	37,024
Lender's consultancy charges	253	3,747
Loan administration fee	-	385
Bank guarantee and commission	2,213	3,812
Interest on Workers' Profit Participation Fund	-	547
	-	-
Exchange loss	962	-
Others	363	306
	<u>5,545</u>	<u>47,796</u>

25. Taxation

This represents the provision for current taxation for the year.

25.1 Tax charge reconciliation

Profit before tax	<u>707,315</u>	<u>918,241</u>
Tax @ 35% (2009: 35%)	247,560	321,384
Tax effect of exempt income referred to in note 4.1	(227,537)	(308,199)
Tax charge	<u>20,023</u>	<u>13,185</u>

2010 **2009**
(Rupees in thousand)

26. Cash generated from operations

Profit before taxation	707,315	918,241
Adjustment for:		
- Depreciation on property, plant and equipment	274,354	256,507
- Amortisation on intangible assets	769	887
- Gain on disposal of property, plant and equipment	(2,594)	(850)
- Income on bank deposits	(38,120)	(37,670)
- Employee retirement benefits accrued	18,914	20,178
- Gain on sale of short term investments	(1,745)	-
- Gain on change in fair value of short term investments	(16)	-
- Finance cost	1,754	38,999
- Liability no longer payable written back	-	(1,500)
- Advances written off	-	286
- Provision for doubtful debts	-	4,281
- Provision for obsolete stores and spares	-	9,264
Profit before working capital changes	<u>960,361</u>	<u>1,208,623</u>
Effect on cash flow due to working capital changes		
- (Increase) / decrease in stores and spares	(24,359)	7,556
- Decrease / (increase) in inventory	142,994	(225,674)
- (Increase) / decrease in trade debts	(962,741)	972,225
- Increase in loans, advances, deposits, prepayments and other receivables	(219,667)	(40,003)
- Increase in trade and other payables	9,778	13,306
	<u>(1,053,995)</u>	<u>727,410</u>
	<u>(93,364)</u>	<u>1,936,033</u>

2010 **2009**
(Rupees in thousand)

27. Cash and cash equivalents

Cash and bank balances	309,924	664,074
Finances under mark up arrangements	(200,000)	-
	<u>109,924</u>	<u>664,074</u>

28. Remuneration of Chief Executive, Directors and Executives

- 28.1** The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, full time working directors including alternate directors and executives of the company is as follows:



	(Rupees in thousand)					
	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
Managerial remuneration and allowances	6,584	5,346	19,850	17,411	14,967	8,676
Housing	2,958	2,401	8,918	7,656	6,666	3,716
Retirement benefits	981	796	2,188	1,846	2,338	1,334
Medical expenses	135	-	30	47	450	285
Bonus	2,023	1,622	5,593	4,174	4,544	2,325
Utilities	657	534	1,982	1,701	1,481	826
Club expenses	70	77	129	127	-	52
Others	5,077	3,961	13,066	8,925	8,415	3,707
	<u>18,485</u>	<u>14,737</u>	<u>51,756</u>	<u>41,887</u>	<u>38,861</u>	<u>20,921</u>
Number of persons	1	1	3	3	15	9

The company also provides the Chief Executive with residential house and some of the Directors and Executives with free transport and residential telephones.

28.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 3 directors is Rs 0.080 million (2009: Rs 0.110 million).

29. Transactions with related parties

The related parties comprise associated undertakings, other related companies, key management personnel and post retirement benefit plan. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of key management personnel is disclosed in note 28. Other significant transactions with related parties are as follows:

Description		2010	2009
		(Rupees in thousand)	
Relationship with the company	Nature of transaction		
i. Associated undertaking	Loan repayments	-	25,795
	Interest expense	-	167
ii. Other related party	Purchase of goods and services	813	404
iii. Post retirement benefit plan	Expense charged	11,889	11,790

All transactions with related parties are carried out on commercial terms and conditions. Interest is charged between related parties on the basis of mutually agreed terms.

30. Capacity and production

	2010 MWH	2009 MWH
Installed capacity (Based on 8,760 hours)	1,086,240	1,086,240
Actual energy delivered	899,545	872,630

Under utilisation of available capacity is due to less demand by WAPDA.

31. Financial risk management

31.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the finance department under the principles and policies approved by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Euro and Swiss Francs (CHF). Currently, the company's foreign exchange risk exposure is restricted to bank balances, the amounts receivable / payable from / to the foreign entities. The company's exposure to currency risk is as follows:

	2010	2009
Trade and other payables - USD	(666)	(9,621)
Trade and other payables - Euro	(16,736)	(3,223)
Trade and other payables - CHF	-	(45,985)

The following significant exchange rates were applied during the year:

Rupees per USD		
Average rate	84.20	78.89
Reporting date rate	85.60	81.30
Rupees per Euro		
Average rate	116.29	107.99
Reporting date rate	104.58	114.82
Rupees per CHF		
Average rate	79.22	72.83
Reporting date rate	79.10	75.26

If the functional currency, at reporting date, had fluctuated by 5% against the USD, Euro and CHF with all other variables held constant, the impact on profit after taxation for the year would have been Rs 0.090 million (2009: Rs 0.230 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is not exposed to any significant equity price risk since there are no investments in equity securities. Since the company has made investments in mutual funds, therefore, it is not possible to measure the impact of increase / decrease in the stock exchange indices on the company's profit after taxation for the year. The company is also not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

(iii) Interest rate risk

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

The company has no significant long-term interest-bearing assets. The company's interest rate risk arises from long term and short term borrowings. Borrowings obtained at variable rates expose the company to cash flow interest rate risk.

At the balance sheet date, the interest rate profile of the company's interest bearing financial instruments was:

	2010	2009
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Bank balances - deposit accounts	-	475,000
Bank balances - savings accounts	304,839	186,911
Net exposure	<u>304,839</u>	<u>661,911</u>
Floating rate instruments		
Financial assets		
Trade debts - overdue	986,829	325,879
Financial liabilities		
Finances under mark up arrangements - secured	(200,000)	-
Net exposure	<u>786,829</u>	<u>325,879</u>

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 rate at the balance sheet date would not affect profit or loss of the company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on finances under mark up arrangements, at the year end, fluctuate by 1% higher/lower with all other variables held constant, profit after tax would have been Rs. 0.011 thousands (2009: nil) higher/lower, mainly as a result of higher/lower interest expense on floating rate finances.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks and other receivables.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2010	2009
	(Rupees in thousand)	
Long term loans and deposits	10,418	9,209
Trade debts	1,933,016	970,275
Loans, advances, deposits, prepayments and other receivables	58,952	85,384
Short term investments	76,762	-
Balances with banks	309,355	663,588
	<u>2,388,503</u>	<u>1,728,456</u>

The age of trade receivables and related impairment loss at balance sheet date is as follows:

The age of trade receivables

	2010	2009
	(Rupees in thousand)	
- Not past due	946,187	644,396
- Past due 0 - 180 days	979,863	318,913
- Past due 181 - 365 days	-	-
- 1 - 2 years	-	4,281
- More than 2 years	6,966	2,685
	<u>1,933,016</u>	<u>970,275</u>

The age of impairment loss against trade receivables

- Not past due	-	-
- Past due 0 - 180 days	-	-
- Past due 181 - 365 days	-	-
- 1 - 2 years	-	4,281
- More than 2 years	6,966	2,685
	<u>6,966</u>	<u>6,966</u>

The movement in provision for impairment of receivables is as follows:

Opening balance	6,966	2,685
Provision for the year	-	4,281
Closing balance	<u>6,966</u>	<u>6,966</u>

(ii) Credit quality of major financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating Agency	2010	2009
	Short term	Long term		(Rupees in thousand)	
WAPDA	Not Available			1,982,528	1,034,552
Banks					
Bank Alfalah Limited	A-1	AA	PACRA	4,951	9,445
Standard Chartered Bank	A1+	AAA	PACRA	302,361	308,118
Royal Bank of Scotland	A1+	AA	PACRA	170	236
Faysal Bank Limited	A1+	AA	PACRA	97	180,687
MCB Bank Limited	A1+	AA+	PACRA	216	164,443
Deutsche Bank	A-1	A+	Standard and Poors	468	659
Mutual funds					
		Rating	Rating Agency		
NAFA Government Securities Liquid Fund		AA+	PACRA	56,524	-
Faysal Savings Growth Fund		A	JCR	20,238	-
				<u>2,367,553</u>	<u>1,698,140</u>

After giving due consideration to the strong financial standing of the banks and Government guarantee in case of WAPDA, management does not expect non-performance by these counter parties on their obligations to the company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2010, the company had Rs 2,577 million available borrowing limits from financial institutions and Rs 309.924 million cash and bank balances.

The following are the contractual maturities of financial liabilities as at June 30, 2010:



	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Finances under mark up arrangements	200,000	200,000	-	-
Trade and other payables	66,598	66,598	-	-
Accrued finance cost	392	392	-	-
	<u>266,990</u>	<u>266,990</u>	<u>-</u>	<u>-</u>

The following are the contractual maturities of financial liabilities as at June 30, 2009:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Finances under mark up arrangements	-	-	-	-
Trade and other payables	41,436	41,436	-	-
Accrued finance cost	69	69	-	-
	<u>41,505</u>	<u>41,505</u>	<u>-</u>	<u>-</u>

31.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

31.3 Financial instruments by categories

	At fair value through profit and loss		Loans and receivables		Total	
	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)					
Assets as per balance sheet						
Long term loans and deposits	-	-	10,418	9,209	10,418	9,209
Trade debts	-	-	1,933,016	970,275	1,933,016	970,275
Loans, advances, deposits, prepayments and other receivables	-	-	58,952	85,384	58,952	85,384
Short term investments	76,762	-	-	-	76,762	-
Cash and bank balances	-	-	309,355	663,588	309,355	663,588
	<u>76,762</u>	<u>-</u>	<u>2,311,741</u>	<u>1,728,456</u>	<u>2,388,503</u>	<u>1,728,456</u>

Financial liabilities at amortised cost

	2010	2009
	(Rupees in thousand)	
Liabilities as per balance sheet		
Finances under mark up arrangements	200,000	-
Trade and other payables	66,598	41,436
Accrued finance cost	392	69
	<u>266,990</u>	<u>41,505</u>

31.4 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order 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, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings, less cash and bank balances as disclosed in note 19. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The company's strategy, which is unchanged from last year, is to maintain a gearing ratio of 30% debt and 70% equity. The gearing ratio as at June 30, 2010 and June 30, 2009 is as follows:

	2010	2009
	(Rupees in thousand)	
Borrowings - note 7	200,000	-
Less: Cash and bank balances - note 19	309,924	664,074
Net debt	(109,924)	(664,074)
Total equity	7,051,714	6,703,340
Total capital	6,941,791	6,039,266
Gearing ratio	Percentage	-

32. Earnings per share

		2010	2009
32.1 Basic earnings per share			
Net profit for the year	Rupees in thousand	687,292	905,056
Weighted average number of ordinary shares	Number	169,458,614	169,458,614
Earnings per share	Rupees	4.06	5.34

32.2 Diluted earnings per share

A diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at June 30, 2010 and June 30, 2009 which would have any effect on the earnings per share if the option to convert is exercised.

33. Date of authorization for issue

These financial statements were authorised for issue on September 29, 2010 by the Board of Directors of the company.

34. Events after the balance sheet date

The Board of Directors have proposed a final dividend for the year ended June 30, 2010 of Rs 1.5 (2009: Rs 1.0) per share, amounting to Rs 254.189 (2009: Rs 169.459 million) at their meeting held on September 29, 2010 for approval of the members at the Annual General Meeting to be held on October 27, 2010. These financial statements do not reflect this dividend payable.

35. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

36. General

Figures have been rounded off to the nearest thousand of Rupees unless otherwise specified.

Chief Executive

Director

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2010

NO. OF SHAREHOLDERS	FROM	SHAREHOLDING TO	TOTAL SHARES HELD
79	1	100	3,456
132	101	500	45,976
107	501	1,000	91,254
187	1,001	5,000	572,471
85	5,001	10,000	675,571
32	10,001	15,000	417,970
26	15,001	20,000	467,832
7	20,001	25,000	167,000
15	25,001	30,000	430,450
3	30,001	35,000	103,000
11	35,001	40,000	424,713
2	40,001	45,000	87,478
11	45,001	50,000	548,000
5	50,001	55,000	261,250
7	55,001	60,000	415,083
5	60,001	65,000	315,399
1	65,001	70,000	66,500
2	75,001	80,000	152,500
2	80,001	85,000	165,112
6	95,001	100,000	597,500
1	100,001	105,000	100,500
2	105,001	110,000	219,000
1	110,001	115,000	111,000
1	125,001	130,000	130,000
1	130,001	135,000	131,755
1	135,001	140,000	140,000
2	140,001	145,000	285,428
1	145,001	150,000	145,500
1	150,001	155,000	152,500
2	160,001	165,000	324,134
1	185,001	190,000	185,250
1	195,001	200,000	200,000
2	210,001	215,000	426,900
1	225,001	230,000	230,000
3	245,001	250,000	747,500
1	250,001	255,000	255,000
1	270,001	275,000	271,500
1	275,001	280,000	276,769
1	280,001	285,000	285,000
1	295,001	300,000	300,000
1	305,001	310,000	310,000
1	340,001	345,000	341,500
1	365,001	370,000	370,000
1	370,001	375,000	375,000
2	395,001	400,000	800,000
1	400,001	405,000	404,500
1	415,001	420,000	416,500
1	465,001	470,000	465,425
1	480,001	485,000	485,000
3	495,001	500,000	1,500,000
1	550,001	555,000	550,198
1	560,001	565,000	564,499
2	595,001	600,000	1,200,000
1	620,001	625,000	623,610
1	650,001	655,000	655,000
1	685,001	690,000	686,763
1	690,001	695,000	693,500
1	715,001	720,000	717,000
1	765,001	770,000	766,201
1	930,001	935,000	934,600
1	935,001	940,000	939,500
1	995,001	1,000,000	1,000,000
1	1,045,001	1,050,000	1,048,500
1	1,070,001	1,075,000	1,071,257
1	1,100,001	1,105,000	1,102,453
1	1,295,001	1,300,000	1,300,000
1	2,995,001	3,000,000	3,000,000
1	3,385,001	3,390,000	3,389,171
1	3,735,001	3,740,000	3,739,730
1	7,715,001	7,720,000	7,717,749
1	7,770,001	7,775,000	7,771,244
1	13,525,001	13,530,000	13,526,621
1	13,725,001	13,730,000	13,726,620
1	25,335,001	25,340,000	25,335,122
1	27,110,001	27,115,000	27,113,378
1	33,890,001	33,895,000	33,891,722
791			169,458,614

Note :The slabs not applicable have not been shown.

CATEGORIES OF SHAREHOLDERS**NO. OF SHAREHOLDERS** **TOTAL SHARES HELD** **PERCENTAGE****DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSES AND MINOR CHILDREN**

MR. M. NASEEM SAIGOL	2	14,126,621	8.3363
MRS. SEHYR SAIGOL (W/O Mr.M.Naseem Saigol)	2	7,902,999	4.6637
MR. MUNEKI UDAKA	1	500	0.0003
MR. HIROSHIGE UGA	1	500	0.0003
MR. SHINICHI USHIJIMA	1	500	0.0003
MR. SHEIKH MUHAMMAD SHAKEEL	1	650	0.0004
MR. GHAZANFAR ALI KHAN (Nomination Wartsila Finland Oy)	1	500	0.0003

9 **22,032,270****EXECUTIVES**

- - -

ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

TOYOTA TSUSHO CORPORATION	1	33,891,722	20.0000
TOMEN POWER (SINGAPORE) (PRIVATE) LTD. *(RELATED PARTIES)	1	27,113,378	16.0000

61,005,100

NIT AND ICP, NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.	2	1,078,097	0.6362
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BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.14 **28,581,093** 16.8661**INSURANCE COMPANIES**5 **741,269** 0.4374**MODARABA AND MUTUAL FUNDS**8 **3,815,572** 2.2516**GENERAL PUBLIC**

a. Local	689	42,141,516	24.8683
b. Foreign (Excluded the shareholders appearing in Associated Companies)	7	3,404,051	2.0088

45,545,567

OTHERS (Joint Stock Companies)	55	6,659,646	3.9300
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791 **169,458,614** **100.000****SHAREHOLDERS HOLDING 10% OR MORE**

MR. AND MRS. M NASEEM SAIGOL	2	22,029,620	13.0000
MR. AND MRS. M. AZAM SAIGOL	2	22,029,619	13.0000
INTERNATIONAL FINANCE CORPORATION	1	25,418,792	15.0000
TOYOTA TSUSHO CORPORATION	1	33,891,722	20.0000
TOMEN POWER (SINGAPORE) (PRIVATE) LTD.	1	27,113,378	16.0000

130,483,131*** RELATED PARTIES**

MR. AND MRS. M NASEEM SAIGOL	2	22,029,620	13.0000
MR. AND MRS. M. AZAM SAIGOL	2	22,029,619	13.0000

44,059,239

PROXY FORM

Ledger Folio/CDC A/C No.

Shares Held

I/We
of being member(s) of Kohinoor Energy Limited
hereby appoint
of or failing him
of as my/our Proxy in my/our absence to attend and vote
for me/us and on my/our behalf at the seventeenth Annual General Meeting of the Company to be held
on October 27, 2010 at 10:30 am and/or at any adjournment thereof.
As witness my/our hand(s) this day of 2010
signed by
in the presence of

Signed by the said

.....

Witness:
Name

NIC No.

Address

.....

.....

Witness:
Name

NIC No.

Address

.....

.....



Notes

A member entitled to attend and vote at this meeting may appoint a proxy. Proxies, in order to be effective, must be received at Head Office/Shares Department of the Company situated at plant site Near Tablighi Ijtima, Raiwind Bypass, Lahore not less than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

For CDC Account Holders/Corporate Entities
In addition to the above, the following requirements be met :

- (i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- (ii) 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) alongwith proxy form to the Company
- (iii) The proxy shall produce his original NIC or original passport at the time of attending the meeting.



Contribution to Social Welfare
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