TABLE OF CONTENTS

KOHINOOR ENERGY LIMITED

CORPORATE INFORMATION

Board of Directors

Mr. M. Naseem Saigol
Chairman
Mr. Toshio Nakanishi
Chief Executive Officer
Mr. Sheikh Muhammad Shakeel
Mr. Hiroshige Uga
Mr. Shinichi Ushijima
Mr. Ghazanfar Ali Zaidi
Nominee of Tomen Power (Singapore) Pvt. Ltd.
Mr. Ghazanfar Husain Mirza
Nominee of Wartsila Finland Oy

Company Secretary
Mr. Muhammad Asif

Audit Committee
Mr. Hiroshige Uga
Chairman
Mr. Sheikh Muhammad Shakeel
Mr. Ghazanfar Husain Mirza

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
Barclays Bank PLC
Askari Bank Limited
MCB Bank Limited

Registered Office
1404, 14th Floor, Green Trust Tower,
Blue Area
Islamabad, Pakistan.
Tel : +92-51-2813021-2
Fax : +92-51-2813023

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

KOHINOOR
ENERGY LIMITED

Notice is hereby given that the Eighteenth Annual General Meeting of shareholders of Kohinoor Energy Limited will be held on September 29, 2011 (Thursday) 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 27, 2010.

2. To receive and adopt the Annual Audited Accounts of the Company for the financial year ended June 30, 2011 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 2010-2011

5. Any other business with the permission of the Chair of the Board of Directors

By order of the Board

Lahore:
August 26, 2011

(Muhammad Asif)
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from September 29, 2011 to October 05, 2011 (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 September 28, 2011 will be treated in time for the purpose of entitlement of cash dividend to the transferees.

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 situated near Tablighi Ijtima, Raiwind Bypass, 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, 2011.

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 2010-11 the total sales revenue of the Company surged to Rs. 10.90 billion compared with the turnover of Rs. 9.47 billion recorded in the previous financial year. The Company posted a net profit after tax Rs. 629 million as against Rs. 687 million earned in the last financial year. The net profits of the Company demonstrated the Earning Per Share of Rs. 3.71 as against Rs. 4.06 earned per share in the previous financial year. The decrease in the base tariff applicable for the year and non-recognition of indexation has been the major reasons of reduction in profit of the Company. The financial results of the Company for the year ended June 30, 2011, are summarized as follows:

		2011	**2010**
		(Rupees in thousand)	
Profit before taxation		641,920	707,315
Taxation		(12,456)	(20,023)
Profit after taxation		629,464	687,292
Un-appropriated profit brought forward		5,357,128	5,008,754
Available for appropriations		5,986,592	5,696,046
Final Dividend 2009-2010 @15%			
(Final Dividend 2008-09 @10% paid during FY 2009-10)		254,188	169,459
Interim Dividend 2010-11 @10%			
(Interim Dividend 2009-10 @10% paid during FY 2009-10)		169,459	169,459
Un-appropriated profit carried forward		5,562,945	5,357,128
Earnings per share	Rupees	3.71	4.06

We would like to recap that during the financial year 2009-10 WAPDA disputed the eligibility of indexation of non-escalable component of the capacity purchase price relating to the period subsequent to 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 the loan was fully repaid by September 2008, therefore onward no indexation was to be allowed. However during the period from September 2008 to September 2009 WAPDA had paid Rs 430.517 million but subsequently the said amount was withheld against the invoice of April 2010.

In this regard we write to update you that in terms of Section 9.7(d) of the PPA the invoice receiving party (i.e. WAPDA) may serve Invoice Dispute Notice to the other party (i.e. KEL) within 180 days of the receipt of such invoice. The management of your Company believes that since WAPDA did not disputed the invoices for the period from September 2008 to September 2009 within the prescribed time, therefore, WAPDA has waived its right to seek revision of said invoices.

Further we report that Article XV of the PPA requires that in case of any dispute, the matter shall be decided by (i) mutual discussions or (ii) through mediation by an expert or (iii) as a last resort through arbitration. The management has decided to adopt the way of mediation by an expert. In this regard consequent to agreement by KEL and WAPDA an expert has been engaged for the purpose. Accordingly the Company has filed its statement of claim with the expert. And the expert has sought reply from WAPDA. Any development in this regard shall be communicated in due course.

Operations

In response to load demand by WAPDA, the power complex dispatched 888,287 MWH of electricity to WAPDA by running at 81.78% capacity factor, as compared to 899,545 MWH (at a capacity factor of 82.81%) dispatched during the previous financial year. During the year the power plant achieved the thermal efficiency of 44.58%. We would also like to let you know that consequent to reaching at 15 years of operations and keeping in view the aging factor as well as being proactive we are going to procure and install the following equipment:

1- Two distance protection relays
2- We are overhauling all the 11kv SF6 Circuit Breakers as well as buying one more breaker for keeping as backup
3- DG Set Big End bearing monitoring system
4- Steam Turbine Generator vibration monitoring system

We believe that the foregoing arrangements shall be very beneficial for more strengthening the electrical side of the power complex.

During the financial year under review four engines surpassed 60,000 running hours and three engines 68,000 running hours consequently all of the seven engines have been overhauled under 8k major maintenance program. All the scheduled and preventive maintenance activities are being carried out in accordance with the plans. We report that all of the engines and their auxiliary equipment are in good condition for smooth and safe operations.

Dividend Distribution

The Board of Directors take 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 2011, shall make the cumulative dividend distribution for the financial year 2010-2011 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 six 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	2	Mr. Ghazanfar Ali Zaidi	6
Mr. Toshio Nakanishi	6	Mr. Shinichi Ushijima	1
Mr. Sheikh Muhammad Shakeel	6	Mr. Ghazanfar Ali Khan	2
Mr. Hiroshige Uga	3	Mr. Ghazanfar Husain Mirza	3

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, 2010 to June 30, 2011.

- 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, 2011 was Rs. 59,059,595.

- 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 27, 2010 Mr. Ghazanfar Ali Khan (Nominee of Wartsila Finland Oy) has relinquished the office of the Director of the Company and in his place Mr. Ghazanfar Husain Mirza has joined the Board of Directors of the Company as nominee of Wartsila Finland Oy.

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 is consistently serving the neighboring community of the power plant with free medical treatment facility to the deserving people. Dedicated team of qualified doctor and his experienced medical staff is taking care of the facility. We pleasurably report that during the year 21,289 patients have been provided with the medical treatment at a cost of Rs. 1.44 million.

Education

The second community welfare program comprises of free education facility for the deserving children in the vicinity of the power plant. We would like to inform you that taking a further step we are aiming to extend the education facility from primary level to higher secondary school level. In this regard we have contracted with an independent well reputed institute. All of the existing children have been shifted to the said institute. The Company shall be contributing monthly Rs. 700 per child to the institute while the children are required to pay only Rs. 100 per month.

Auditors

The present statutory auditors of the Company M/s A.F. Ferguson & Co. Chartered Accountants retire and being eligible, offer themselves for re-appointment. 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, 2011 is annexed to the Annual Report.

Acknowledgement

We take this opportunity to express thanks our valued shareholders, WAPDA, PPIB, financial institutions and the lenders, Wartsila, Pakistan State Oil and other business partners for their trust and consistent support to the Company.

The Board also recognizes the contribution made by the dedicated team of professionals and engineers who served KEL with full enthusiasm. We appreciate all of our employees for demonstrating their commitment and responsibility towards the demonstration of smooth 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.

For and on behalf of the Board

Lahore
August 26, 2011

Toshio Nakanishi
Chief Executive

FINANCIAL DATA

KOHINOOR ENERGY LIMITED

	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
DISPATCH LEVEL (%)	**81.78%**	**82.81%**	**80.33%**	**81.19%**	**74.16%**	**66.35%**
DISPATCH (MWH)	**888,287**	**899,545**	**872,630**	**881,894**	**805,527**	**707,974**
REVENUE (Rs. 000)						
ENERGY FEE	10,060,183	8,468,638	6,950,971	6,260,816	4,118,646	3,584,841
CAPACITY FEE	841,906	998,756	1,383,370	1,127,041	1,214,460	1,399,367
TOTAL REVENUE	**10,902,089**	**9,467,394**	**8,334,341**	**7,387,857**	**5,333,106**	**4,984,208**
COST OF SALES	10,010,742	8,629,255	7,239,966	6,432,159	4,180,586	3,749,585
GROSS PROFIT	**891,347**	**838,139**	**1,094,375**	**955,698**	**1,152,520**	**1,234,623**
PROFITABILITY (Rs. 000)						
PROFIT/(LOSS) BEFORE TAX	641,920	707,315	918,241	659,693	843,782	1,023,059
PROVISION FOR INCOME TAX	12,456	20,023	13,185	5,000	7,100	9,800
PROFIT/(LOSS) AFTER TAX	**629,464**	**687,292**	**905,056**	**654,693**	**836,682**	**1,013,259**
FINANCIAL POSITION (Rs. 000)						
NON CURRENT ASSETS	4,151,288	4,167,689	4,376,297	4,608,052	4,800,977	4,686,883
CURRENT ASSETS	4,986,082	3,329,102	2,544,811	2,745,322	2,391,987	2,045,877
LESS CURRENT LIABILITIES	1,879,839	445,077	217,768	792,525	767,110	952,674
NET WORKING CAPITAL	**3,106,243**	**2,884,025**	**2,327,043**	**1,952,797**	**1,624,877**	**1,093,203**
CAPITAL EMPLOYED	7,257,531	7,051,714	6,703,340	6,560,849	6,425,854	5,780,086
LESS LONG TERM LOANS	–	–	–	–	96,051	286,965
SHARE HOLDERS EQUITY	**7,257,531**	**7,051,714**	**6,703,340**	**6,560,849**	**6,329,803**	**5,493,121**
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	5,986,592	5,696,046	5,771,319	5,289,910	4,635,217	4,137,453
APPROPRIATION / DIVIDENDS	423,647	338,918	762,565	423,647	–	338,918
UNAPPROPRIATED PROFIT BROUGHT FORWARD	5,562,945	5,357,128	5,008,754	4,866,263	4,635,217	3,798,535
	7,257,531	7,051,714	6,703,340	6,560,849	6,329,803	5,493,121
SHARE PRICES AS ON JUNE 30,	16.50	26.49	29.00	27.15	37.50	25.85
EARNING PER SHARE	3.71	4.06	5.34	3.86	4.94	5.98
RATIOS:						
RETURN ON ASSETS	0.07	0.09	0.13	0.09	0.12	0.15
PRICE EARNING RATIO	4.44	6.53	5.43	7.03	7.60	4.32
BREAK UP VALUE PER SHARE OF Rs. 10 EACH	42.83	41.61	39.56	38.72	37.35	32.42
CURRENT RATIO	2.65	7.48	11.69	3.46	3.12	2.15
NET PROFIT/(LOSS) TO SALES (%AGE)	5.77%	7.26%	10.86%	8.86%	15.69%	20.33%

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.37, 43 and 36 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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancies occurring on the Board on August 01, 2010 and October 27, 2010 were duly filled in on the same date.

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
August 26, 2011

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, recording 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, 2011.

A.F. Ferguson & Co.
Chartered Accountants

Lahore
August 26, 2011

Imran Farooq Mian
Partner

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Kohinoor Energy Limited as at June 30, 2011 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.

   (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, 2011 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. In the previous year WAPDA withheld certain amounts relating to capacity purchase price which amounts it had already paid. The company has referred this dispute to an expert 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 the light of the PPA the matter will be settled in the company's favour.

A.F. Ferguson & Co.
Chartered Accountants

Lahore
August 26, 2011

Imran Farooq Mian
Partner

BALANCE SHEET

	Note	2011	2010
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
170,000,000 (2010: 170,000,000) ordinary shares of Rs 10 each		1,700,000	1,700,000
Issued, subscribed and paid up capital			
169,458,614 (2010: 169,458,614) ordinary shares of Rs 10 each	5	1,694,586	1,694,586
Unappropriated profit		5,562,945	5,357,128
		7,257,531	7,051,714
CURRENT LIABILITIES			
Staff retirement benefits	6	10,499	9,995
Finances under mark up arrangements - secured	7	1,630,987	200,000
Trade and other payables	8	129,247	118,776
Accrued finance cost	9	6,642	392
Provision for taxation		102,464	115,914
		1,879,839	445,077
CONTINGENCIES AND COMMITMENTS	10		
		9,137,370	7,496,791

Chief Executive

AS AT JUNE 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	4,132,612	4,153,382
Intangible assets	12	3,210	3,889
Long term loans and deposits	13	15,466	10,418
		4,151,288	4,167,689
CURRENT ASSETS			
Stores, spares and loose tools	14	459,196	390,431
Stock	15	123,477	168,240
Trade debts	16	3,896,021	1,926,050
Loans, advances, deposits, prepayments and other receivables	17	371,631	457,695
Short term investments	18	–	76,762
Cash and bank balances	19	135,757	309,924
		4,986,082	3,329,102
		9,137,370	7,496,791

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, 2011

	Note	2011	2010
		(Rupees in thousand)	
Sales	20	10,902,089	9,467,394
Cost of sales	21	(10,010,742)	(8,629,255)
Gross profit		891,347	838,139
Administrative expenses	22	(210,236)	(184,249)
Other operating income	23	40,667	58,970
Profit from operations		721,778	712,860
Finance costs	24	(79,858)	(5,545)
Profit before taxation		641,920	707,315
Taxation	25	(12,456)	(20,023)
Profit for the year		629,464	687,292
Earnings per share	32	3.71	4.06

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, 2011

	2011	2010
	(Rupees in thousand)	
Profit for the year	629,464	687,292
Other comprehensive income	–	–
Total comprehensive income for the year	629,464	687,292

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, 2011

	Note	2011	2010
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	26	(905,060)	(93,364)
Employee benefits paid		(12,293)	(18,591)
Mark up on borrowings paid		(70,452)	(1,431)
Taxes paid		(25,906)	(5,038)
Net cash used in operating activities		(1,013,711)	(118,424)
Cash flows from investing activities			
Purchase of property, plant and equipment		(265,199)	(69,297)
Purchase of intangible assets		–	(1,000)
Purchase of short term investments		–	(236,747)
Proceeds from sale of short term investments		83,871	161,746
Interest/mark-up income received		8,117	40,214
Net increase in long term loans and deposits		(5,048)	(1,209)
Proceeds from sale of property, plant and equipment		7,765	7,585
Net cash used in investing activities		(170,494)	(98,708)
Cash flows from financing activities			
Dividend paid		(420,949)	(337,018)
Net cash used in financing activities		(420,949)	(337,018)
Net decrease in cash and cash equivalents		(1,605,154)	(554,150)
Cash and cash equivalents at the beginning of the year		109,924	664,074
Cash and cash equivalents at the end of the year	27	(1,495,230)	109,924

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, 2011

	Share capital	Un-appropriated profit	Total
		(Rupees in thousand)	
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	1,694,586	5,357,128	7,051,714
Final dividend for the year ended June 30, 2010 at the rate of Rs. 1.50 per share	–	(254,188)	(254,188)
Interim dividend for the year ended June 30, 2011 at the rate of Rs. 1.00 per share	–	(169,459)	(169,459)
Total comprehensive income for the year	–	629,464	629,464
Balance as on June 30, 2011	1,694,586	5,562,945	7,257,531

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

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

Following are the amendments that are applicable for accounting periods beginning on or after January 1, 2010:

IAS-1 (Revised), 'Presentation of Financial Statements' is effective for accounting periods beginning on or after January 01, 2010. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. It does not have a material impact on the company’s financial statements.

IAS-7, ‘Statement of cash flows’. The guidance has been amended to clarify that only expenditure that results in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities. This amendment results in an improvement in the alignment of the classification of cash flows from investing activities in the statement of cash flows and the presentation of recognised assets in the statement of financial position.

IAS-17, ‘Leases’. The amendment provides that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS-17’s general principles. Prior to the amendment, IAS-17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. However, the IASB has concluded that this is inconsistent with the general principles of lease classification, so the relevant guidance has been deleted. A lease newly classified as a finance lease should be recognised retrospectively. This amendment does not have a material impact on the company’s financial statements.

IFRS-5 (amendment) 'Non-current assets held for sale and discontinued operations'. The amendment provides clarification that IFRS-5 specifies the disclosures required in respect of non current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS-1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS-1. This amendment does not have a material impact on the company's financial statements.

2.2.2 Standards, amendments and interpretations to existing 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:

	2011	**2010**
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(3,885,694)	(3,947,184)
Recognition of lease debtor	674,278	717,174
Decrease in unappropriated profit at the beginning of the year	(3,230,010)	(3,259,397)
Increase / (decrease) in profit for the year	18,594	29,388
Decrease in unappropriated profit at the end of the year	(3,211,416)	(3,230,009)

IAS-1 (amendment), 'Presentation of financial statements', is effective for annual periods beginning on or after January 1, 2011. The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendment is not expected to have a material impact on the company's financial statements.

IAS-24 (Revised), 'Related Party Disclosures', is effective for annual periods beginning on or after January 1, 2011. The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. This is not expected to have a material impact on the company's financial statements.

IAS-34 (amendment), 'Interim financial reporting', is effective for annual periods beginning on or after January 1, 2011. The amendment provides guidance to illustrate how to apply disclosure principles in IAS-34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. This amendment is not expected to have a material impact on the company's financial statements.

IFRS-7 (amendment), 'Financial instruments: Disclosures', is effective for annual periods beginning on or after January 1, 2011. The amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment is not expected to have a material impact on the company's financial statements.

IFRS-7 (amendment), 'Financial instruments: Disclosures', is effective for annual periods beginning on or after July 1, 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, where financial assets are derecognised in their entirety, but where the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets) or where financial assets are not derecognised in their entirety. This amendment is not expected to have any impact on the company's financial statements.

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

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2010 are considered not to be relevant or to have any significant impact on the company's 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)**
IFRS-1 (amendments), 'First-time adoption of International Financial Reporting Standards'	January 01, 2011
IFRIC-13 (amendment), 'Customer loyalty programmes'	January 01, 2011
IFRIC-14 (amendment), 'Prepayment of a minimum funding requirement'	January 01, 2011
IFRS-1 (amendment), 'First-time adoption of International Financial Reporting Standards - Severe hyperinflation and removal of fixed dates for first-time adopters',	July 1, 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:

(a) Defined benefit plans

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, 2011 and the actual return on plan assets during the year was Rs. 6.455 million (2010: Rs 4.746 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	14% per annum
- Expected rate of increase in salary level	13% per annum
- Expected rate of return	12% per annum

The company is expected to contribute Rs. 15.185 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, 2011 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

2011	2010		2011	2010
(Number of shares)			(Rupees in thousand)	
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
169,458,614	169,458,614		1,694,586	1,694,586

5.1 33,891,722 (2010: 33,891,722) ordinary shares of the company are held by an associated undertaking, Toyota Tsusho Corporation.

6. Staff retirement benefits

		2011	2010
		(Rupees in thousand)	
Gratuity	- note 6.1	6,100	1,396
Leave salary		4,399	8,599
		10,499	9,995

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

	2011	2010
Present value of defined benefit obligation	81,806	69,756
Fair value of plan assets	(59,673)	(53,788)
Unrecognised actuarial losses	(16,033)	(14,572)
Liability as at June 30	6,100	1,396
Net liability as at July 1	1,396	1,699
Charge to profit and loss account	12,797	11,889
Contribution by the company	(8,093)	(12,192)
Liability as at June 30	6,100	1,396

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

	2011	2010
Present value of defined benefit obligation as at July 1	69,756	54,265
Current service cost	10,338	9,191
Interest cost	8,371	6,512
Benefits paid	(8,293)	(662)
Experience loss	1,634	450
Present value of defined benefit obligation as at June 30	81,806	69,756

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

	2011	2010
	(Rupees in thousand)	
Fair value as at July 1	53,788	37,512
Expected return on plan assets	6,454	4,502
Contribution by the company	8,093	12,192
Benefits paid	(8,293)	(662)
Experience gain	(369)	244
Fair value as at June 30	59,673	53,788

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:

	2011	2010	2009	2008	2007
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligation	81,806	69,756	54,265	51,059	44,283
Fair value of plan assets	59,673	53,788	37,512	28,634	25,561
Loss	22,133	15,968	16,753	22,425	18,722
Experience adjustment arising on obligation losses	1,634	450	183	1,779	6,806
Experience adjustment arising on plan assets (losses) / gain	(369)	244	2,393	(2,412)	1,430

7. Finances under mark up arrangements - secured

		2011	2010
		(Rupees in thousand)	
Finances under mark up arrangements - secured	- note 7.1	1,630,987	200,000

7.1 Short term running finances available from commercial banks under mark up arrangements amount to Rs 2,612 million (2010: Rs 2,568 million). The aggregate running finances are secured by a joint pari passu charge on the current assets of the company. The rates of mark up range from 13.27% to 15.02% 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.

8. Trade and other payables

		2011	2010
		(Rupees in thousand)	
Trade creditors	- note 8.1	17,983	34,508
Accrued liabilities		10,822	2,601
Withholding tax payable		2,486	2,665
Workers' profit participation fund	- note 8.2	32,096	35,366
Workers' welfare fund		12,838	14,147
Sales tax payable		36,079	17,383
Unclaimed dividend		9,784	7,086
Other payables		7,159	5,020
		129,247	118,776

8.1 Trade creditors include amount due to related parties of Rs 0.087 million (2010: Rs 0.022 million).

8.2 Workers' Profit Participation Fund (WPPF)

		2011	2010
		(Rupees in thousand)	
Opening balance		35,366	45,912
Provision for the year	- note 17.2	32,096	35,366
Interest for the year	- note 24	–	–
		67,462	81,278
Less: Payments made during the year		35,366	45,912
Closing balance		32,096	35,366

9. Accrued finance cost

	2011	2010
Mark-up accrued on finances under mark-up arrangement	6,642	392

10. Contingencies and commitments

10.1 Contingencies

10.1.1 During year ended June 30, 2010, WAPDA disputed the eligibility of indexation of non-escalable component of the 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 the 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 thousand relating to the period from September 2008 to September 2009 but subsequently withheld this amount in 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 section 9.7 (d) of the PPA.

Article XV of PPA requires that if a dispute arises the matter shall be decided by (i) mutual discussions failing which (ii) through mediation by an expert and as a last resort through (iii) arbitration. The company's initial views were to refer the disputed matter to arbitration under the Rules of Arbitration of the International Chamber of Commerce to expedite the resolution of the dispute. However, during the year the Management of the company has decided that the disputed matter should first be referred to the expert. Consequently an expert has been engaged with the consent of both the parties. Subsequent to the year end, the company has filed its statement of claim with the expert.

Pending decision of the expert, 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 thousand in these financial statements.

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

(i) Water and Power Development Authority (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 (June 30, 2010: Rs 155 million).

(ii) Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 2.15 million (June 30, 2010: Rs 4.25 million).

10.2 Commitments

(i) Letters of credit other than capital expenditure Rs 79.98 million (June 30, 2010: Rs 41.72 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:

	2011	2010
	(Rupees in thousand)	
Not later than one year	–	2,524
Later than one year and not later than five years	–	2,382
	–	4,906

11. Property, plant and equipment

		2011	2010
Operating fixed assets	- note 11.1	4,083,855	4,151,240
Capital work-in-progress	- note 11.2	48,757	2,142
		4,132,612	4,153,382

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, 2011										
Opening net book value (NBV)	99,590	366,478	3,644,205	2,642	-	5,916	4,749	1,056	26,604	4,151,240
Additions (at cost)	-	-	202,520	567	115	3,529	1,163	-	10,690	218,584
Adjustments	-	(327)	-	-	-	-	-	327	-	-
Disposals (at NBV)	-	-	-	-	-	-	-	(327)	(4,142)	(4,469)
Depreciation charge	-	(22,208)	(247,127)	(712)	(16)	(986)	(3,346)	(627)	(6,478)	(281,500)
Closing net book value (NBV)	99,590	343,943	3,599,598	2,497	99	8,459	2,566	429	26,674	4,083,855
Gross carrying value basis										
As at June 30, 2011										
Cost	99,590	632,802	6,812,217	7,221	2,691	20,099	50,976	9,153	51,204	7,685,953
Accumulated depreciation	-	(288,859)	(3,212,619)	(4,724)	(2,592)	(11,640)	(48,410)	(8,724)	(24,530)	(3,602,098)
Net book value (NBV)	99,590	343,943	3,599,598	2,497	99	8,459	2,566	429	26,674	4,083,855
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, 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	

11.1.1 The cost of fully depreciated assets which are still in use as at June 30, 2011 is Rs 57.204 million (2010: Rs 20.419 million)

11.1.2 The depreciation charge for the year has been allocated as follows:

		2011	2010
		(Rupees in thousand)	
Cost of sales	- note 21	272,943	265,413
Administrative expenses - Depreciation	- note 22	8,533	8,696
Administrative expenses - Community welfare expenses		24	245
		281,500	274,354

11.1.3 Disposal of operating fixed assets

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

2011 **(Rupees in thousand)**

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposals
Vehicles	**Outsiders**					
	Ghulam Qadir	1,017	529	488	850	Negotiation
	Muhammad Saeed Akhtar	61	49	12	10	-do-
	Syed Afzal Hussain	1,003	629	374	900	-do-
	EFU Insurance Company	735	404	331	725	Insurance claim
	EFU Insurance Company	1,753	280	1,473	1,724	-do-
	Director					
	Syed Ghazanfar Ali Zaidi	1,017	529	488	1,000	Negotiation
	Employees					
	Shaukat Ali	1,017	529	488	1,000	Negotiation
	Mumtaz Ahmad Khan	1,017	529	488	1,000	-do-
Furniture and Fixture						
	Outsiders					
	Wingate School System	422	95	327	257	Negotiation

2010

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposals
Vehicles	**Outsiders**					
	Muhammad Aslam	1,428	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
	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-

11.2 Capital work-in-progress	2011	2010
	(Rupees in thousand)	
Plant and machinery	46,983	2,142
Advances to suppliers - considered good	1,774	–
	48,757	2,142

12. Intangible assets

	Computer software	Others	Total
		(Rupees in thousand)	
Net carrying value basis			
Year ended June 30, 2011			
Opening net book value (NBV)	2,945	944	3,889
Amortisation charge	623	56	679
Closing net book value (NBV)	2,322	888	3,210
Gross carrying value basis			
As at June 30, 2011			
Cost	16,502	1,000	17,502
Accumulated amortisation	(14,180)	(112)	(14,292)
Net book value (NBV)	2,322	888	3,210
Amortisation rate % per annum	5.56	10	
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	

		2011	2010
		(Rupees in thousand)	

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

		2011	2010
Cost of sales	- note 21	101	192
Administrative expenses	- note 22	578	577
		679	769

12.2 The cost of fully amortised assets which are still in use as at June 30, 2011 is Rs 11.284 million (2010: Rs 9.362 million)

13. Long term loans and deposits

		2011	2010
		(Rupees in thousand)	
Loans to employees - considered good			
- Executives	- note 13.1	6,514	5,502
- Others	- note 13.1	18,309	11,974
Loan to others - secured	- note 13.1.1	1,300	1,300
		26,123	18,776
Less: Current portion included in current assets			
- Loans to employees - executives	- note 13.1	3,273	2,658
- Loans to employees - others	- note 13.1	6,856	5,402
- Loan to others - secured	- note 13.1.1	900	720
		11,029	8,780
		15,094	9,996
Security deposits		372	422
		15,466	10,418

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 installments 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 and purchase of car. This loan is secured by charge over residential property duly registered with the housing society and the car is registered in the name of the company. The loans are repayable in monthly installments over a period of 36 months and 60 months respectively.

13.2 Reconciliation of carrying amount of loans to executives	2011	2010
	(Rupees in thousand)	
Opening balance	5,502	4,982
Disbursements	3,138	3,372
Employees promoted as executives	1,565	–
	10,205	8,354
Less: Repayments	3,691	2,852
Closing balance	6,514	5,502

13.3 The maximum amount outstanding at the end of any month from executives aggregated Rs 7.459 million (2010: Rs 5.761 million).

14. Stores, spares and loose tools		2011	2010
		(Rupees in thousand)	
Stores		9,648	10,422
Spares including in transit Rs Nil (2010: Rs 33.026 million)		458,096	388,798
Loose tools		716	475
		468,460	399,695
Less : Provision for obsolete items	- note 14.2	9,264	9,264
		459,196	390,431

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

14.2 Provision for obsolete stores and spares	2011	2010
	(Rupees in thousand)	
Opening balance	9,264	9,264
Provision for the year	–	–
Closing balance	9,264	9,264

15. Stock

	2011	2010
Furnace oil	122,765	160,948
Diesel	598	607
Lubricating oil	114	6,685
	123,477	168,240

16. Trade debts

		2011	2010
		(Rupees in thousand)	
Trade receivables from WAPDA - secured			
- Considered good		3,896,021	1,926,050
- Considered doubtful		6,966	6,966
	- note 16.1	3,902,987	1,933,016
Less: Provision for doubtful debts	- note 16.2	6,966	6,966
		3,896,021	1,926,050

16.1 This includes an overdue amount of Rs 2,565.875 million (2010: Rs 986.829 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.

16.2 Provision for doubtful debts

	2011	2010
	(Rupees in thousand)	
Opening balance	6,966	6,966
Provision for the year	–	–
Closing balance	6,966	6,966

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

		2011	2010
Current portion of long term loans to 'employees'	- note 13	10,129	8,060
Current portion of long term loans to 'others'	- note 13	900	720
Advances - considered good			
- To employees	- note 17.1	2,165	3,007
- To suppliers		272,216	372,455
Prepayments		1,351	23,281
Profit receivable on bank deposits		63	659
Claims recoverable from WAPDA for pass through items:			
- Workers' Profit Participation Fund	- note 17.2	67,462	35,366
- Workers' Welfare Fund	- note 17.2	12,838	14,147
Other receivables - considered good		4,507	–
		371,631	457,695

17.1 Included in advances to employees are amounts due from executives Rs 0.696 million (2010: Rs 1.488 million).

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

	WPPF		WWF	
	2011	2010	2011	2010
	(Rupees in thousand)			
Opening balance	35,366	45,912	14,147	18,365
Provision for the year - note 8.2	32,096	35,366	12,838	14,147
	67,462	81,278	26,985	32,512
Less: Receipts during the year	–	45,912	14,147	18,365
Closing balance	67,462	35,366	12,838	14,147

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.

18. Short term investments

	2011	2010
	(Rupees in thousand)	
Investments at fair value through profit and loss		
NAFA Government Securities Liquid Fund units	–	56,512
Faysal Savings Growth Fund units	–	20,234
	–	76,746
Add: Adjustment in fair value of investments	–	16
	–	76,762

18.1 The investments were redeemed during the year.

19. Cash and bank balances

	2011	2010
Balance at banks on:		
Current accounts	264	1,092
Special account related to dividend payable	2,335	3,424
Savings accounts - note 19.1	132,067	304,839
	134,666	309,355
Cash in hand	1,091	569
	135,757	309,924

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

20. Sales

	2011	2010
	(Rupees in thousand)	
Energy purchase price	10,060,183	8,468,638
Capacity purchase price	841,906	998,756
	10,902,089	9,467,394

Energy purchase price is exclusive of sales tax of Rs 1,694.309 million (2010: Rs 1,349.354 million).

21. Cost of sales

		2011	2010
		(Rupees in thousand)	
Raw material consumed		9,236,652	7,820,801
Salaries, wages and benefits	- note 21.1	100,131	91,256
Fee for Produce of Energy (FPE)		63,146	43,933
Stores and spares consumed		241,593	315,740
Depreciation on operating fixed assets	- note 11.1.3	272,943	265,413
Amortisation on intangible assets	- note 12.1	101	192
Insurance		47,002	54,620
Travelling, conveyance and entertainment		9,290	9,554
Repairs and maintenance		27,717	15,177
Communication charges		1,462	1,891
Electricity consumed in-house		1,311	925
Miscellaneous		9,394	9,753
		10,010,742	8,629,255

21.1 Salaries, wages and other benefits

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

	2011	2010
Current service cost	5,466	4,891
Interest cost for the year	4,426	3,466
Expected return on plan assets	(3,413)	(2,396)
Recognition of loss	669	366
	7,148	6,327

In addition to the above, salaries, wages and other benefits include Rs 2.564 million (2010: Rs 3.286 million) in respect of accumulating compensated absences.

22. Administrative expenses

		2011	2010
		(Rupees in thousand)	
Salaries, wages and benefits	- note 22.1	115,510	102,097
Printing and stationery		454	358
Communication charges		2,849	2,505
Depreciation on operating fixed assets	- note 11.1.3	8,533	8,696
Amortisation on intangible assets	- note 12.1	578	577
Insurance		3,127	2,560
Travelling, conveyance and entertainment		26,433	22,489

		2011	2010
		(Rupees in thousand)	
Repairs and maintenance		6,660	5,779
Legal and professional charges	- note 22.2	9,544	6,493
Community welfare expenses		11,106	10,339
Donations	- note 22.3	1,202	50
Rents, rates and taxes		4,060	3,390
Fee and subscription		1,720	1,449
Miscellaneous	- note 22.4	18,460	17,467
		210,236	184,249

22.1 Salaries, wages and other benefits

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

Current service cost	4,872	4,300
Interest cost for the year	3,945	3,046
Expected return on plan assets	(3,041)	(2,106)
Recognition of loss	596	322
	6,372	5,562

In addition to above, salaries, wages and other benefits include Rs 2.098 million (2010: Rs 3.789 million) in respect of accumulating compensated absences.

22.2 Legal and professional charges

	2011	2010
	(Rupees in thousand)	
Legal and professional charges include the following in respect of auditors' services for:		
Statutory audit	1,000	1,000
Half yearly review and sundry services	490	335
Out of pocket expenses	180	191
	1,670	1,526

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

22.4 Includes an amount of Rs 0.218 million (2010: Rs 0.221 million) on account of advertisement expense to Red Communication Arts (Private) Limited, a related party.

	2011	2010
23. Other operating income	**(Rupees in thousand)**	
Income from financial assets:		
Income on bank deposits	7,520	38,120
Gain on sale of short-term investments	7,109	1,745
Gain on change in fair value of short-term investments	–	1 6
	7,109	1,761
Income from non-financial assets:		
Scrap sales	22,742	16,495
Profit on disposal of property, plant and equipment	3,296	2,594
	26,038	19,089
	40,667	58,970

24. Finance cost

	2011	2010
Mark up on finances under mark up arrangements - secured	76,702	1,754
Lender's consultancy charges	–	253
Bank guarantee and commission	944	2,213
Exchange loss	1,965	962
Others	247	363
	79,858	5,545

25. Taxation

This represents the provision for current taxation for the year.

25.1 Tax charge reconciliation

	2011	2010
Profit before tax	641,920	707,315
Tax @ 35% (2010: 35%)	224,672	247,560
Tax effect of exempt income referred to in note 4.1	(212,761)	(227,537)
Others	545	–
Tax charge	12,456	20,023

26. Cash generated from operations

	2011	2010
Profit before taxation	641,920	707,315
Adjustment for:		
- Depreciation on property, plant and equipment	281,500	274,354
- Amortisation on intangible assets	679	769
- Gain on disposal of property, plant and equipment	(3,296)	(2,594)
- Income on bank deposits	(7,520)	(38,120)
- Employee retirement benefits	12,797	18,914
- Gain on sale of short term investments	(7,109)	(1,745)

	2011	2010
	(Rupees in thousand)	
- Gain on change in fair value of short term investments	–	(16)
- Finance cost	76,702	1,754
Profit before working capital changes	995,673	960,631
Effect on cash flow due to working capital changes		
- Increase in stores and spares	(68,765)	(24,359)
- Decrease in inventory	44,763	142,994
- Increase in trade debts	(1,969,971)	(962,741)
- Decrease / (Increase) in loans, advances, deposits, prepayments and other receivables	85,467	(219,667)
- Increase in trade and other payables	7,773	9,778
	(1,900,733)	(1,053,995)
	(905,060)	(93,364)

27. Cash and cash equivalents

Cash and bank balances	135,757	309,924
Finances under mark up arrangements	(1,630,987)	(200,000)
	(1,495,230)	109,924

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:

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
	(Rupees in thousand)					
Managerial remuneration and allowances	7,372	6,584	21,843	19,850	22,012	14,967
Housing	3,312	2,958	9,816	8,918	9,823	6,666
Retirement benefits	1,050	981	2,432	2,188	3,456	2,338
Medical expenses	23	135	23	30	754	450
Bonus	506	2,023	6,282	5,593	6,095	4,544
Utilities	736	657	2,181	1,982	2,183	1,481
Club expenses	86	70	128	129	403	–
Others	3,558	5,077	13,820	13,066	12,541	8,415
	16,643	18,485	56,525	51,756	57,267	38,861
Number of persons	**2****	**1**	**3**	**3**	**18**	**15**

** During the year Mr. Muneki Udaka was replaced by Mr. Toshio Nakanishi with effect from August 01, 2010.

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 .070 million (2010: Rs 0.080 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:

		2011	**2010**
Description		**(Rupees in thousand)**	
Relationship with the company	Nature of transaction		
i. Other related party	Purchase of goods and services	532	813
ii. Post retirement benefit plan	Expense charged	12,797	11,889

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	**2011 MWH**	**2010 MWH**
Installed capacity (Based on 8,760 hours)	1,086,240	1,086,240
Actual energy delivered	888,287	899,545

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 Great Britain Pound (GBP). Currently, the company's foreign exchange risk exposure is restricted to the amounts receivable / payable from / to the foreign entities. The company's exposure to currency risk is as follows:

	2011	**2010**
Trade and other payables - USD	(1,770)	(666)
Trade and other payables - Euro	–	(16,736)
Trade and other payables - GBP	(11,820)	–

The following significant exchange rates were applied during the year:

Rupees per USD		
Average rate	85.65	84.20
Reporting date rate	86.08	85.60
Rupees per Euro		
Average rate	117.17	116.29
Reporting date rate	124.79	104.58
Rupees per GBP		
Average rate	136.41	132.90
Reporting date rate	138.50	128.79

If the functional currency, at reporting date, had fluctuated by 5% against the USD , Euro and GBP with all other variables held constant, the impact on profit after taxation for the year would have been Rs 0.089 million (2010: Rs 0.090 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. 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:

	2011	**2010**
Fixed rate instruments	**(Rupees in thousand)**	
Financial assets		
Bank balances - savings accounts	132,067	304,839
Net exposure	132,067	304,839
Floating rate instruments		
Financial assets		
Trade debts - overdue	2,565,875	986,829
Financial liabilities		
Finances under mark up arrangements - secured	(1,630,987)	(200,000)
Net exposure	934,888	786,829

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 date, fluctuate by 1% higher/lower with all other variables held constant, profit after tax would have been Rs 66.42 thousands (2010: 0.011 thousands) 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:

	2011	2010
	(Rupees in thousand)	
Long term loans and deposits	15,466	10,418
Trade debts	3,902,987	1,933,016
Loans, advances, deposits, prepayments and other receivables	95,899	58,952
Short term investments	–	76,762
Balances with banks	134,666	309,355
	4,149,018	2,388,503

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

	2011	2010
The age of trade receivables	(Rupees in thousand)	
- Not past due	1,296,936	946,187
- Past due 0 - 180 days	2,135,358	979,863
- Past due 181 - 365 days	–	–
- 1 - 2 years	430,517	–
- More than 2 years	6,966	6,966
	3,869,777	1,933,016

The age of impairment loss against trade receivables	2011	2010
	(Rupees in thousand)	
- Not past due	–	–
- Past due 0 - 180 days	–	–
- Past due 181 - 365 days	–	–
- 1 - 2 years	–	–
- More than 2 years	6,966	6,966
	6,966	6,966

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

	2011	2010
Opening balance	6,966	6,966
Provision for the year	–	–
Closing balance	6,966	6,966

(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 Short term	Long term	Rating Agency	2011	2010
				(Rupees in thousand)	
WAPDA	Not Available			3,983,287	1,982,529
Banks					
Bank Alfalah Limited	A1+	AA	PACRA	45,834	4,951
Standard Chartered Bank	A1+	AAA	PACRA	86,303	302,361
Faysal Bank Limited	A1+	AA	PACRA	499	267
MCB Bank Limited	A1+	AA+	PACRA	101	216
Askari Commercial Bank	A1+	AA	PACRA	5	–
Deutsche Bank	A-1	A+	Standard and Poors	256	468
Barclays Bank	A1+	AA-	Standard and Poors	1,617	–
Mutual funds		Rating	Rating Agency		
NAFA Government Securities Liquid Fund		AAA	PACRA	–	56,524
Faysal Savings Growth Fund		A+	JCR	–	20,238
				4,117,902	2,367,554

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, 2011, the company had Rs 2,612 million available borrowing limits from financial institutions and Rs 135.757 million cash and bank balances.

The following are the contractual maturities of financial liabilities as at June 30, 2011:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Finances under mark up arrangements	1,630,987	1,630,987	-	-
Trade and other payables	81,827	81,827	-	-
Accrued finance cost	6,642	6,642	-	-
	1,719,456	1,719,456	-	-

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	-	-
	266,990	266,990	-	-

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	
	2011	2010	2011	2010	2011	2010
	(Rupees in thousand)					
Assets as per balance sheet						
Long term loans and deposits	-	-	15,466	10,418	15,466	10,418
Trade debts	-	-	3,902,987	1,933,016	3,902,987	1,933,016
Loans, advances, deposits, prepayments and other receivables	-	-	95,899	58,952	95,899	58,952
Short term investments	-	76,762	-	-	-	76,762
Cash and bank balances	-	-	134,666	309,355	134,666	309,355
	-	76,762	4,149,018	2,311,741	4,149,018	2,388,503

	Financial liabilities at amortised cost	
	2011	2010
Liabilities as per balance sheet	(Rupees in thousand)	
Finances under mark up arrangements	1,630,987	200,000
Trade and other payables	81,827	66,598
Accrued finance cost	6,642	392
	1,719,456	266,990

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, 2011 and June 30, 2010 is as follows:

		2011	2010
		(Rupees in thousand)	
Borrowings	- note 7	1,630,987	200,000
Less: Cash and bank balances	- note 19	135,757	309,924
Net debt		1,495,230	(109,924)
Total equity		7,257,531	7,051,714
Total capital		8,752,761	6,941,790
Gearing ratio	**Percentage**	17%	-

32. Earnings per share

32.1 Basic earnings per share

		2011	2010
Net profit for the year	Rupees in thousand	629,464	687,292
Weighted average number of ordinary shares	Number	169,458,614	169,458,614
Earnings per share	Rupees	3.71	4.06

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, 2011 and June 30, 2010 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 August 26, 2011 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, 2011 of Rs. 1.5 (2010: Rs. 1.5) per share, amounting to Rs. 254.188 (2010: Rs 254.188 million) at their meeting held on August 26, 2011 for approval of the members at the Annual General Meeting to be held on September 29, 2011. 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, 2011

NO. OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	TOTAL SHARES HELD
90	1	100	3,608
127	101	500	43,997
111	501	1,000	94,971
200	1,001	5,000	597,284
86	5,001	10,000	664,254
36	10,001	15,000	468,964
24	15,001	20,000	433,332
8	20,001	25,000	186,763
16	25,001	30,000	450,958
3	30,001	35,000	103,000
15	35,001	40,000	580,713
4	40,001	45,000	178,000
14	45,001	50,000	687,318
5	50,001	55,000	263,614
4	55,001	60,000	236,833
7	60,001	65,000	440,824
1	65,001	70,000	66,500
3	75,001	80,000	237,000
1	80,001	85,000	83,375
12	95,001	100,000	1,197,401
1	100,001	105,000	103,349
1	105,001	110,000	109,000
2	110,001	115,000	224,820
1	135,001	140,000	135,351
1	140,001	145,000	142,387
1	150,001	155,000	152,500
2	195,001	200,000	400,000
1	210,001	215,000	214,000
1	215,001	220,000	215,486
1	225,001	230,000	230,000
1	235,001	240,000	237,500
2	245,001	250,000	500,000
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
2	305,001	310,000	613,505
1	340,001	345,000	341,500
1	365,001	370,000	370,000
1	370,001	375,000	375,000
1	395,001	400,000	400,000
2	400,001	405,000	807,882
1	420,001	425,000	424,034
2	480,001	485,000	969,881
2	495,001	500,000	1,000,000
1	550,001	555,000	550,198
1	570,001	575,000	571,615
1	590,001	595,000	594,290
1	650,001	655,000	655,000
1	660,001	665,000	663,129
1	690,001	695,000	693,500
1	730,001	735,000	733,250
1	765,001	770,000	766,201
1	930,001	935,000	934,600
1	935,001	940,000	939,500
2	995,001	1,000,000	2,000,000
1	1,035,001	1,040,000	1,036,039
1	1,045,001	1,050,000	1,048,500
1	1,070,001	1,075,000	1,071,257
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	6,900,001	6,905,000	6,902,999
1	7,900,001	7,905,000	7,902,999
2	14,125,001	14,130,000	28,253,241
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
826			**169,458,614**

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. TOSHIO NAKANISHI	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 HUSAIN MIRZA (Nominee of 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.	1	27,113,378	16.0000
*(RELATED PARTIES)			
		61,005,100	
NIT AND ICP, NATIONAL BANK OF PAKISTAN,TRUSTEE DEPTT.	2	**1,078,097**	0.6362
INVESTMENT COMPANIES	1	**187**	0.0001
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.	14	**28,474,679**	16.8033
INSURANCE COMPANIES	4	**552,269**	0.3259
MODARABA AND MUTUAL FUNDS	7	**3,345,038**	1.9740
GENERAL PUBLIC			
a. Local	724	42,370,713	25.0036
b. Foreign (Excluded the shareholders appearing in Associated Companies)	6	3,403,751	2.0086
		45,774,464	
OTHERS (Joint Stock Companies)	58	**7,196,510**	4.2468
	826	**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	25,335,122	14.9506
TOYOTA TSUSHO CORPORATION	1	33,891,722	20.0000
TOMEN POWER (SINGAPORE) (PRIVATE) LTD.	1	27,113,378	16.0000
		130,399,461	

*** 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

KOHINOOR
ENERGY LIMITED

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 eighteenth Annual General Meeting of the Company to be held on September 29, 2011 at 10:30 A.M. and/or at any adjournment thereof.

As witness my/our hand(s) this ------------------------------------ day of ------------------------------------ 2011

signed by --

in the presence of --

Signed by the said

Witness:
Name --------------------------
CNIC No. --------------------------
Address --------------------------

Witness:
Name --------------------------
CNIC No. --------------------------
Address --------------------------

Revenue Stamps

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 CNIC or original passport at the time of attending the meeting.