Balance Sheet

as at June 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
3,600,000,000 (2006: 3,600,000,000) ordinary shares of Rs 10 each		36,000,000	36,000,000
Issued, subscribed and paid up capital			
880,253,228 (2006: 880,253,228) ordinary shares of Rs 10 each	5	8,802,532	8,802,532
Capital reserve	6	444,451	444,451
Unappropriated profit		9,616,465	10,874,854
		18,863,448	20,121,837
NON-CURRENT LIABILITIES			
Long term loan-unsecured	7	6,946,906	7,846,620
Long term advances	8	14,414	-
Deferred liabilities	9	3,575,932	3,418,353
		10,537,252	11,264,973
CURRENT LIABILITIES			
Current portion of long term liabilities	10	902,121	1,007,216
Finances under mark-up arrangements - secured	11	6,431,343	-
Creditors, accrued and other liabilities	12	2,152,227	1,801,611
Provision for taxation		44,635	82,145
		9,530,326	2,890,972
CONTINGENCIES AND COMMITMENTS	13		
		38,931,026	34,277,782

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Rizwan Ali Shah
(Chief Executive)

	Note	2007	2006
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	21,174,460	22,695,516
Intangible assets	15	2,674	245
Capital work-in-progress	16	90,724	60,420
Long term loans and deposits	17	20,217	17,834
		21,288,075	22,774,015
CURRENT ASSETS			
Stores and spares	18	2,553,701	2,472,538
Stock-in-trade	19	1,759,459	1,129,664
Trade debts	20	11,574,384	3,115,000
Loans, advances, deposits, prepayments and other receivables	21	1,546,408	420,511
Cash and bank balances	22	208,999	4,366,054
		17,642,951	11,503,767
		38,931,026	34,277,782

Vince R. Harris OBE
(Director)

Financial Statements

Profit and Loss Account

for the year ended June 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
Sales	23	37,086,650	32,833,378
Cost of sales	24	(28,343,289)	(22,998,341)
Gross profit		8,743,361	9,835,037
Administrative expenses	25	(289,613)	(200,901)
Other operating income	26	457,322	427,874
Profit from operations		8,911,070	10,062,010
Finance cost	27	(1,327,430)	(1,465,498)
Profit before tax		7,583,640	8,596,512
Taxation	28	(2,592,231)	(3,279,150)
Profit for the year		4,991,409	5,317,362
Earnings per share Rupees	36	5.67	6.04

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

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Rizwan Ali Shah
(Chief Executive)

Vince R. Harris OBE
(Director)

Cash Flow Statement

for the year ended June 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	34	324,471	11,533,370
Finance cost paid		(1,242,702)	(1,468,957)
Taxes (paid)/recovered		(2,503,787)	72,653
Staff retirement benefits paid		(1,191)	(1,426)
Net cash (used in)/from operating activities		(3,423,209)	10,135,640
Cash flows from investing activities			
Purchase of property, plant and equipment		(85,208)	(685,151)
Income on bank deposits received		143,402	282,206
Net (increase)/decrease in long term loans and deposits		(2,383)	669,947
Sale proceeds of property, plant and equipment		4,540	67,718
Net cash from investing activities		60,351	334,720
Cash flows from financing activities			
Repayment of long term loan		(1,007,215)	(2,102,271)
Dividend paid		(6,218,325)	(7,764,500)
Net cash used in financing activities		(7,225,540)	(9,866,771)
Net (decrease)/increase in cash and cash equivalents		(10,588,398)	603,589
Cash and cash equivalents at beginning of the year		4,366,054	3,762,465
Cash and cash equivalents at the end of the year	35	(6,222,344)	4,366,054

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Rizwan Ali Shah
(Chief Executive)

Vince R. Harris OBE
(Director)

Financial Statements

Statement of Changes in Equity

for the year ended June 30, 2007

	Share capital	Capital reserve	Un-appro-priated profit	Total
		(Rupees in thousand)		
Balance as on June 30, 2005	8,802,532	444,451	13,039,645	22,286,628
Final dividend for the year ended June 30, 2005 - Rs 4.50 per share	-	-	(3,961,140)	(3,961,140)
Profit for the year	-	-	5,317,362	5,317,362
Interim dividend - Rs 4.00 per share	-	-	(3,521,013)	(3,521,013)
Balance as on June 30, 2006	8,802,532	444,451	10,874,854	20,121,837
Final dividend for the year ended June 30, 2006 - Rs 4.10 per share	-	-	(3,609,038)	(3,609,038)
Profit for the year	-	-	4,991,409	4,991,409
Interim dividend - Rs 3.00 per share	-	-	(2,640,760)	(2,640,760)
Balance as on June 30, 2007	8,802,532	444,451	9,616,465	18,863,448

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Rizwan Ali Shah
(Chief Executive)

Vince R. Harris OBE
(Director)

Notes to the Financial Statements

for the year ended June 30, 2007

1. Legal status and nature of business

Kot Addu Power Company Limited ('The Company'), was incorporated in Pakistan on April 25, 1996 as a public limited company under the Companies Ordinance, 1984. The Company was listed on April 18, 2005 on the Karachi, Islamabad and Lahore Stock Exchanges. The principal activities of the Company are to own, operate and maintain a multi-fuel fired power station with fifteen generating units with a nameplate capacity of 1,600 MW in Kot Addu, District Muzaffargarh, Punjab, Pakistan.

2. Basis of preparation

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

2.2 Standards, Interpretations and amendments to published approved accounting standards

2.2.1 Amendments to published standards effective in 2006

IAS 19 (Amendment) - 'Employees Benefits' is mandatory for Company's accounting period beginning on July 1, 2006. Its adoption by the Company only impacts the format and extent of disclosures presented in the financial statements.

2.2.2 Amendments to published standards not yet effective

Certain amendments to IAS 1 'Presentation of financial statements' - Capital Disclosure have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after July 01, 2007. Adoption of these amendments would impact the nature and extent of disclosures made in the future financial statements of the Company.

3. Basis of measurement

These financial statements have been prepared under the historical cost convention except for recognition of certain employee retirement benefits at present value.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. 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. 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) Staff retirement benefits - (note 4.2, note 9.2, note 24.1)

b) Provision for taxation - (note 28)

c) Residual values of property, plant and equipment - (note 4.3, note 14)

Notes to the Financial Statements

for the year ended June 30, 2007

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

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Previously, income of the Company derived from the power station upto June 27, 2006 was exempt from income tax under clause 138 of the Part-I of the Second Schedule to the Income Tax Ordinance, 2001. The Company was also exempt from minimum tax under clause 13(A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 for the period it continued to be entitled to exemption under clause 138 of the Part I of the Second Schedule i.e. upto June 27, 2006.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.2 Staff retirement benefits

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

(a) The Company operates an approved funded defined benefit pension scheme for all employees with a qualifying service period of ten years. Monthly contribution is made to the fund on the basis of actuarial recommendation. However, no contribution was made in the current year keeping in view excess balance in pension fund. The latest actuarial valuation was carried out as at June 30, 2007. The actual return on plan assets during the year was Rs 98 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.

Notes to the Financial Statements

for the year ended June 30, 2007

The future contribution rate includes allowances for deficit and surplus. Projected unit credit method, using the following significant assumptions, is used for valuation of the scheme:

- Discount rate 10 percent per annum.
- Expected rate of increase in salary level 10 percent per annum.
- Expected rate of return 10 percent per annum.

Plan assets include long-term Government bonds, term fiance certificates of financial institutions and term deposits with banks. Return on Government bonds and debt is at fixed rates.

The Company is expected to contribute Rs 15.579 million to the pension fund in the next year ending June 30, 2008.

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

(b) The Company also operates an approved funded contributory provident fund for all employees. Equal monthly contributions are made by both the Company and the employees to the fund.

(c) The Company provides medical facilities to its retired employees and eligible dependant family members alongwith free electricity. Provisions are made annually to cover the obligation on the basis of actuarial valuation and are charged to income currently. The latest actuarial valuation was carried out as at June 30, 2007.

Projected unit credit method, using the following significant assumptions, is used for valuation of these schemes:

- Discount rate 10 percent per annum.
- Expected rate of increase in medical cost 7 percent per annum.
- Expected rate of increase in electricity benefit 10 percent per annum.

Retirement benefits are payable to all regular employees on completion of prescribed qualifying period of service under these schemes.

4.3 Property, plant and equipment

Property, plant and equipment 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 represents the acquisition price of assets transferred to the Company in accordance with the Transfer Agreement signed between Pakistan Water and Power Development Authority (WAPDA) and the Company on June 26, 1996 based on a valuation by M/s Stone and Webster using depreciated replacement cost basis.

Depreciation on all property, plant and equipment is charged to profit on the straight line method so as to write off the depreciable amount of an asset over its estimated useful life at the annual rates mentioned in note 14.

The assets' residual values and estimated useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Major plant modifications and improvements are capitalised. Overhauls, maintenance and repairs are charged to income as and when 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.

Blades for Gas Turbines are considered a separate category of assets with useful life span of 10 years. All blades are depreciated regardless of whether they are in use or not. Refurbishment costs are accrued and charged to profit and loss account.

4.4 Intangible assets

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method over a period of five years.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised, while no amortisation is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that intangible asset may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.5 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

4.6 Leases

The Company is the lessee:

Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. At inception finance leases are capitalised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight-line method. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

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 and spares

Usable stores and spares are valued principally at weighted 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.

Refurbishable items are valued at the lower of cost and net realisable value. Cost of refurbishment is charged to the profit and loss account as it is incurred. The item is charged to the profit and loss account when, upon inspection, it cannot be refurbished.

4.8 Stock in trade

Stock in trade except for those in transit are valued at lower of cost based on FIFO and net realisable value.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

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. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management estimate.

4.9 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account currently.

Financial instruments carried on the balance sheet include loans and deposits, trade and other debts, cash and bank balances, borrowings, long term advances, trade and other payables, accrued expenses and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.10 Offsetting of financial assets and liabilities

Financial assets and 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

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark up arrangements. In the balance sheet, finances under mark up arrangements are included in current liabilities.

4.13 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in creditors, accrued and other liabilities to the extent of the amount remaining unpaid.

Notes to the Financial Statements

for the year ended June 30, 2007

4.14 Creditors, accrued and other liabilities

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company.

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 reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.15 Derivative financial instruments

These are initially recorded at fair value on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates.

4.16 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Exchange differences are included in income currently.

4.17 Borrowing costs

Mark up, interest and other charges on borrowings are capitalised upto the date of commissioning of the related property, plant and equipment, acquired out of the proceeds of such borrowings. All other mark up, interest and other charges are charged to income.

4.18 Revenue recognition

Revenue on account of energy is recognised on transmission of electricity to WAPDA, whereas on account of capacity is recognised when due. Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

4.19 Dividend

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

5. Issued, subscribed and paid up capital

2007 (Number of shares)	2006 (Number of shares)		2007 (Rupees in thousand)	2006 (Rupees in thousand)
253,000	253,000	Ordinary shares of Rs 10 each fully paid in cash	**2,530**	2,530
880,000,228	880,000,228	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	**8,800,002**	8,800,002
880,253,228	880,253,228		**8,802,532**	8,802,532

	2007 (Number of shares)	2006 (Number of shares)
Ordinary shares of the Company held by associated undertakings are as follows:		
Pakistan Water and Power Development Authority (WAPDA)	**402,563,562**	402,563,562
National Power (Kot Addu) Limited (a wholly owned subsidiary of International Power plc)	**316,891,159**	316,891,159
	719,454,721	719,454,721

6. Capital reserve

This represents the value of fuel stock taken over by the Company at the time of take over of Kot Addu Gas Turbine Power Station from WAPDA. The value of stock was not included in the valuation of assets at the time of take over.

7. Long term loan - unsecured

Lender	Currency	2007 (Rupees in thousand)	2006 (Rupees in thousand)	Rate of interest per annum	No of semi annual installments	Interest payable
WAPDA - Related party	PKR	**7,846,621**	8,853,836	14%	22, ending June 2018.	Semi annually
Less: Current maturity		**899,715**	1,007,216			
		6,946,906	7,846,620			

Notes to the Financial Statements

for the year ended June 30, 2007

		2007	2006
		(Rupees in thousand)	
8. Long term advances			
Advances against lease		**16,820**	-
Less: Payment to date		**-**	-
		16,820	-
Less: Current portion shown under current liabilities		**2,406**	-
		14,414	-

These represents advances against lease facility from financial institution and carry mark up at Re 0.3025 per Rs 1,000 per diem to finance the assets which are included in capital-work-in-progress. The balance would be transferred to liabilities against assets subject to finance lease on receipt of the respective assets.

		2007	2006
		(Rupees in thousand)	
9. Deferred Liabilities			
Deferred taxation	- note 9.1	**3,288,955**	3,163,000
Staff retirement benefits	- note 9.2	**286,977**	255,353
		3,575,932	3,418,353
9.1 Deferred taxation			
The liability for deferred taxation comprises of timing differences relating to:			
Accelerated tax depreciation		**3,308,356**	3,176,292
Provision for store obsolescence		**(14,326)**	(13,292)
Provision for doubtful debts		**(5,075)**	-
		3,288,955	3,163,000
9.2 Staff retirement benefits			
These are composed of:			
Pension	- note 9.2.1	**(10,464)**	(21,715)
Medical	- note 9.2.2	**120,306**	110,588
Free electricity	- note 9.2.2	**177,135**	166,480
		286,977	255,353

	2007	2006
	(Rupees in thousand)	
9.2.1 Pension		
The amounts recognised in the balance sheet are as follows:		
Present value of defined benefit obligation	524,958	401,056
Fair value of plan assets	(590,283)	(498,170)
Unrecognised actuarial gains	54,861	72,282
Asset ceiling	-	3,117
(Asset) as at June 30	(10,464)	(21,715)
(Asset) as at July 1	(21,715)	(16,108)
Charge/(credit) to profit and loss account	11,251	(5,607)
Contribution by the Company	-	-
(Asset) as at June 30	(10,464)	(21,715)
The movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation as at July 1	401,056	383,998
Service cost	21,139	18,060
Interest cost	36,618	35,038
Benefits paid	(5,978)	(8,863)
Experience loss / (gain)	72,123	(27,177)
Present value of defined benefit obligation as at June 30	524,958	401,056
The movement in fair value of plan assets is as follows:		
Fair value as at July 1	498,170	427,351
Expected return on plan assets	44,901	38,771
Benefits paid	(5,978)	(8,863)
Experience gain	53,190	40,911
Fair value as at June 30	590,283	498,170

	%age	%age
Plan assets are comprised as follows:		
Debt	99%	98.6%
Cash	1%	1.4%
	100%	100%

Notes to the Financial Statements

for the year ended June 30, 2007

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

	2007	2006	2005 (Rupees in thousand)	2004	2003
As at June 30					
Present value of defined benefit obligations	**524,958**	401,056	383,998	325,106	340,663
Fair value of plan assets	**(590,283)**	(498,170)	(427,351)	(366,576)	(301,658)
(Surplus)/deficit	**(65,325)**	(97,114)	(43,353)	(41,470)	39,005
Experience adjustment on obligation (loss) / gain	**-18%**	7%	-5%	-7%	4%
Experience adjustment on plan assets gain	**11%**	10%	9%	11%	5%

9.2.2

	Medical		Free electricity	
	2007	2006 (Rupees in thousand)	2007	2006
The amounts recognised in the balance sheet are as follows:				
Present value of defined benefit obligation	**101,335**	88,005	**134,189**	107,247
Unrecognised actuarial gains	**18,971**	22,583	**42,946**	59,233
Liability as at June 30	**120,306**	110,588	**177,135**	166,480
Liability as at July 1	**110,588**	108,578	**166,480**	166,210
Charge to profit and loss account	**10,558**	2,754	**11,006**	952
Payments by the Company	**(840)**	(744)	**(351)**	(682)
Liability as at June 30	**120,306**	110,588	**177,135**	166,480
The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at July 1	**88,005**	88,968	**107,247**	125,488
Service cost	**3,501**	3,965	**4,645**	6,050
Interest cost	**8,041**	8,155	**9,826**	11,533
Benefits paid	**(840)**	(744)	**(351)**	(682)
Experience loss / (gain)	**2,628**	(12,339)	**12,822**	(35,142)
Present value of defined benefit obligation as at June 30	**101,335**	88,005	**134,189**	107,247

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of post retirement medical is as follows:

	2007	2006	2005	2004	2003
	Post Retirement Medical (Rupees in thousand)				
As at June 30					
Present value of defined benefit obligation	**101,335**	88,005	88,968	83,302	112,922
Fair value of plan assets	**-**	-	-	-	-
Deficit	**101,335**	88,005	88,968	83,302	112,922
Experience adjustment on obligation (loss) / gain	**-3%**	14%	5%	21%	0%

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of post retirement electricity is as follows:

	2007	2006	2005	2004	2003
	Post Retirement Electricity (Rupees in thousand)				
As at June 30					
Present value of defined benefit obligation	**134,189**	107,247	125,488	140,975	152,469
Fair value of plan assets	**-**	-	-	-	-
Deficit	**134,189**	107,247	125,488	140,975	152,469
Experience adjustment on obligation (loss) / gain	**-12%**	33%	27%	3%	0%

A one percentage point change in medical cost trend assumption would have the following effects:

	One percent point increase	One percent point decrease
	(Rupees in thousand)	
Effect on the aggregate of the service cost and interest cost	**2,075**	(2,088)
Effect on the defined benefit obligation	**18,103**	(18,044)

Notes to the Financial Statements

for the year ended June 30, 2007

		2007	2006
		(Rupees in thousand)	
10. Current portion of long term liabilities			
Long term loans - unsecured	- note 7	**899,715**	1,007,216
Long term advances	- note 8	**2,406**	-
		902,121	1,007,216

11. Finances under mark up arrangements - secured

Short term running finances available from various commercial banks under mark up arrangements amount to Rs 7,015 million (2006: Rs 1,200 million). The rate of mark-up range from Re 0.2638 to Re 0.3214 per Rs 1,000 per diem or part thereof on the balances outstanding. In the event, the Company fails to pay the balances on the expiry of the quarter, year or earlier demand, mark up is to be computed at the rate of Re 0.5479 per Rs 1,000 per diem or part thereof on the balances unpaid.

Of the aggregate facility of Rs 840.400 million (2006: Rs 1,577.400 million) for opening letters of credit and Rs 1,500.000 million (2006: Rs 1,007.309 million) for guarantees, the amount utilised as at June 30, 2007 was Rs 213.930 million (2006: Rs 295.481 million) and Rs 1,273.256 million (2006: Rs 1,007.309 million) respectively.

The aggregate running finances, letters of credit and guarantees are secured by charge on stores, spares, stock-in-trade and trade debts upto a limit of Rs. 9,486 million and charge on property, plant and equipment upto a limit of Rs. 8,606 million.

		2007	2006
		(Rupees in thousand)	
12. Creditors, accrued and other liabilities			
Trade creditors	- note 12.1	**16,641**	17,398
Accrued liabilities		**1,290,858**	1,654,135
Liquidated damages		**768**	599
Markup accrued on:			
- Long term loan - unsecured		**12,039**	13,584
- Finances under markup arrangements - secured		**86,273**	-
Deposits - interest free repayable on demand		**909**	832
Workers' Welfare Fund		**151,673**	6,723
Workers' Profit Participation Fund	- note 12.2	**379,182**	-
Differential payable to WAPDA	- note 25.2	**74,665**	-
Unclaimed dividends		**136,573**	105,100
Others		**2,646**	3,240
		2,152,227	1,801,611

12.1 Trade creditors include amount due to related parties Rs 0.605 million (2006: Rs 1.103 million).

12.2 The Company has accounted for an amount of Rs 379.182 million as contribution payable to Workers' Profit Participation Fund under the Companies Profit (Workers' Participation) Act, 1968 (the Act), for the year ended June 30, 2007, in accordance with the amendments introduced in the Finance Act, 2006 relating to the Act. According to the legal advice sought by the Company on its applicability, with the change introduced by the Finance Act, 2006, the establishment of the fund has become mandatory and is to be set-up within nine (9) months of the close of the current financial year, to which contribution based on future profits of the Company are to be made. As this is a pass through item under section 14.2(a) of Part III of Schedule 6 to the Power Purchase Agreement, the Company has accounted for the above amount as receivable from WAPDA. Consequently, this contribution does not have any financial impact on the profits of the Company.

As fully explained in note 13.1(i), the company has not made any provision for Workers' Profit Participation Fund for the years upto June 30, 2006, based on a legal advice and in view of a constitutional petition pending adjudication in Sindh High Court.

13. Contingencies and commitments

13.1 Contingencies

(i) The Company had obtained legal advice in connection with the establishment of Workers' Profit Participation Fund under the Act. The legal advisor advised the Company that since it did not employ any person who fell under the definition of Worker as defined in the Act of 1968, the Company was not required to establish the Fund under the Act. As a consequence the Company was not required to make contributions to the Fund established pursuant to Workers' Welfare Fund Ordinance, 1971.

Furthermore, the question whether a company to which the Act of 1968 and its scheme applies but which does not employ any Worker is nevertheless obliged to establish and pay contributions into the Fund under the Act and thereafter transfer the same to the Fund established under the WWF Ordinance, 1971 is pending adjudication in Sindh High Court at Karachi on a constitutional petition filed by another company in December 2003.

The issue of WPPF was also taken up by the Government and a meeting took place involving Ministry of Water & Power, Private Power Infrastructure Board (PPIB), WAPDA Power Privatization Organization (WPPO), Ministry of Labour, HUBCO and the Company to formally discuss the issue. A strong case was put up by PPIB, supported by WPPO, HUBCO and the Company. The Ministry of Water & Power supported the case and stated that they would request the Ministry of Finance to exempt Independent Power Producers (IPPs), who had no workers under the Act, from the payment of WPPF.

The matter was then referred to Economic Coordination Committee (ECC). ECC formed a sub committee to look into the matter and to give recommendations.

Certain amendments have been introduced in Finance Act 2006, to relax the conditions of payment of interest and penalty for companies defaulting in creating Fund under the Act. If it is established that Workers' Profit Participation Fund is applicable to the Company and Company makes the principal payment on or before the date which is to be decided by the Federal Government, no such penalty may be imposed and the Company may not be liable to pay interest. Moreover the payments made by the Company will be recoverable from WAPDA as a pass through item under the provisions of the Power Purchase Agreement.

In case this liability materializes, the cumulative amount of contributions to WPPF would be Rs 3.463 billion (2006: Rs 3.463 billion). Further, if it is established that interest is also applicable, in case of non compliance with the above said amendments in the act, the liability for interest would amount to Rs 10.067 billion (2006: Rs 7.738 billion) as on the date of these financial statements. However it is not certain presently whether or not any penalties payable in connection with this contribution would also be recoverable from WAPDA under the Power Purchase Agreement.

In view of the foregoing, the Company has not made any provision for Workers' Profit Participation Fund and interest thereon in the financial statements upto June 30, 2006.

(ii) Claims against the Company not acknowledged as debts Rs 58.576 million (2006: Rs 58.576 million).

(iii) The Company has provided following guarantees in favour of:

Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 1,248.618 million (2006: Rs 983.169 million).

Custom Authorities for import of professional equipment, tools etc., amounting to Rs 0.638 million (2006: Rs Nil).

13.2 Commitments

(i) Contracts for capital expenditure Rs 7.801 million (2006: Rs 37.161 million).

(ii) Letters of credit other than for capital expenditure Rs 213.930 million (2006: Rs 259.485 million).

14. Property, plant & equipment

	Cost as at June 30, 2006	Additions/ (deletions) (adjustment)	Cost as at June 30, 2007	Accumulated depreciation as at June 30, 2006	Depreciation charge for the year/ (deletions) (adjustment)	Accumulated depreciation as at June 30, 2007	Book value as at June 30, 2007	Rate %
				(Rupees in thousand)				
Freehold land	46,285	-	46,285	-	-	-	46,285	-
Buildings on freehold land	679,038	5,864	684,902	260,682	28,249	288,931	395,971	4 - 6.28
Plant and machinery	34,207,863	1,037	34,208,900	13,382,536	1,274,372	14,656,908	19,551,992	4 - 6.10
Gas turbine blading	2,818,829	40,899	2,859,728	1,523,346	249,838	1,773,184	1,086,544	10
Auxiliary plant and machinery	153,680	11,252	164,932	93,187	20,611	113,798	51,134	20
Office equipment	63,212	3,250	66,315	48,277	6,515	54,721	11,594	20
		(147)			(71)			
Fixtures and fittings	15,856	2,987	17,037	11,832	1,503	12,316	4,721	20
		(1,806)			(1,019)			
Vehicles	73,091	3,541	74,963	42,478	7,509	48,744	26,219	25
		(1,669)			(1,243)			
2007	**38,057,854**	**68,830**	**38,123,062**	**15,362,338**	**1,588,597**	**16,948,602**	**21,174,460**	
		(3,622)			**(2,333)**			
2006	37,506,140	658,763	38,057,854	13,826,603	1,589,933	15,362,338	22,695,516	
		(107,440)			(53,427)			
		391			(771)			

Notes to the Financial Statements

for the year ended June 30, 2007

14.1 Disposal of property, plant & equipment

Particular of Assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of Disposal
		(Rupees in thousand)				
Office Equipment	Ex-employee Mr Malcolm P. Clampin	147	71	76	76	Negotiation
Furniture and fixture	Ex-employee Mr Malcolm P. Clampin	786	95	691	691	Negotiation
	Local schools	898	824	74	-	Community initiative
Vehicles	Ex-employee Mr Muhammad Yaseen	802	636	166	325	Company Policy
	Ex-employee Mr Abdul Qayyum Butt	867	607	260	415	Company Policy
Other assets with book value less than Rs 50,000		122	100	22	3,033	
		3,622	2,333	1,289	4,540	

15. Intangible assets

	Cost as at June 30, 2006	Additions	Cost as at June 30, 2007	Accumulated amortisation as at June 30, 2006	Amortisation charge for the year	Accumulated amortisation as at June 30, 2007	Book value as at June 30, 2007
	(Rupees in thousand)						
Computer software (acquired)	21,031	2,893	**23,924**	20,786	464	**21,250**	**2,674**
2007	21,031	2,893	**23,924**	20,786	464	**21,250**	**2,674**
2006	21,031	-	**21,031**	20,702	84	**20,786**	**245**

15.1 The depreciation/amortisation charge for the year has been allocated as follows:

		Depreciation	Amortisation	Total 2007	Total 2006
		(Rupees in thousand)			
Cost of sales	- note 24	1,551,338	464	**1,551,802**	1,553,784
Administration and selling expenses	- note 25	37,261	-	**37,261**	36,233
		1,588,599	464	**1,589,063**	1,590,017

Notes to the Financial Statements

for the year ended June 30, 2007

		2007	2006
		(Rupees in thousand)	
16. Capital work-in-progress			
Civil works		**36,460**	23,279
Plant and machinery		**868**	4,447
Others		**53,396**	32,694
		90,724	60,420
17. Long term loans and deposits			
Loans to employees - considered good		**22,941**	22,916
Security deposits		**1,682**	-
		24,623	22,916
Less: Receivable within one year		**4,406**	5,082
		20,217	17,834

These represent unsecured loans to non-executive employees for the purchase of plot, car, construction of house etc. and are repayable in monthly installments over a maximum period of 120 months. These loans carry interest of 9% per annum (2006: 9% per annum).

		2007	2006
		(Rupees in thousand)	
18. Stores and spares			
Stores and spares including in transit Rs 13.860 million (2006 : Rs 25.140 million)	- note 18.1	**2,594,632**	2,510,514
Less: Provision for store obsolescence	- note 18.2	**(40,931)**	(37,976)
		2,553,701	2,472,538

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

18.1 Included in stores are items valuing Rs 102.066 million (2006: Rs 120.441 million) which are being held by the following suppliers:

	2007	2006
	(Rupees in thousand)	
Siemens AG Germany	**14,794**	-
Middle East Engineering Company (MEELSA)	**45,282**	56,800
Wood Group Heavy Industrial Turbines Limited	**8,900**	36,383
Scherzinger Pump Technology, Germany	**1,287**	-
MJB International, UAE	**17,716**	-
Alstom Power Service, Germany	**-**	1,613
Siemens Pakistan Engineering Limited	**14,087**	16,445
Gas Turbine Technologies SPA, Italia	**-**	9,200
	102,066	120,441

		2007	2006
		(Rupees in thousand)	
18.2 Provision for store obsolescence			
Opening balance		37,976	64,583
Add: Provision for the year		19,588	-
		57,564	64,583
Less: Stores written off against provision		16,633	26,607
		40,931	37,976
19. Stock in trade			
Furnace oil		1,450,921	890,083
Diesel		308,538	239,581
		1,759,459	1,129,664
20. Trade debts			
Trade debts		11,588,884	3,115,000
Less: Provision for doubtful debts		14,500	-
		11,574,384	3,115,000

These are receivable from WAPDA and are unsecured and considered good. These are in the normal course of business and are interest free, however, a penal mark-up of SBP discount rate plus 4% is charged in case the amounts are not paid within due dates. It also includes an amount Rs 173.269 million (2006: Rs Nil) receivable from WAPDA on account of price differential between imported Low Sulpher Furnace Oil (LSFO) and High Sulpher Furnace Oil (HSFO).

		2007	2006
		(Rupees in thousand)	
21. Loans, advances, deposits, prepayments and other receivables			
Loans to employees - considered good		4,406	5,082
Advances to suppliers - considered good	- note 21.1	792,354	267,274
Claims recoverable from Government			
- Sales tax	- note 21.2	197,455	97,161
Insurance claim receivable		2,043	26,611
Prepayments		2,889	1,774
Income receivable on bank deposits		930	4,272
Claims recoverable from WAPDA for pass through items			
Workers' Welfare Fund		158,289	6,723
Workers' Profit Participation Fund		379,182	-
	- note 21.3	537,471	6,723
Security deposits		1,568	1,958
Other receivables	- note 21.4	7,292	9,656
		1,546,408	420,511

Notes to the Financial Statements

for the year ended June 30, 2007

21.1 Advances to suppliers include amounts due from WAPDA Rs Nil (2006: Rs 1.770 million). These are in the normal course of business and are interest free.

21.2 Sales tax recoverable includes an amount of Rs 16.994 million, which represents refund for input tax on purchase of diesel for start-up. This refund was withheld by Deputy Collector (Refunds) and has also been adjudicated against the Company by Collector of Customs, Federal Excise & Sales Tax against which the Company intends to file an appeal before the Customs, Excise and Sales Tax Appellate Tribunal.

Pending the outcome of the appeal the amount has been shown recoverable as according to the management of the Company, there are meritorious grounds that the ultimate decision would be in its favour.

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

21.4 Other receivables include amounts due from International Power plc Rs 0.057 million (2006: Rs 0.012 million).

		2007	2006
		(Rupees in thousand)	
22. Cash and bank balances			
At banks on:			
- Current accounts		**138,476**	106,552
- Savings accounts	- note 22.1	**70,444**	4,259,343
		208,920	4,365,895
In hand		**79**	159
		208,999	4,366,054

22.1 Included in these are total restricted funds of Rs 0.357 million (2006: Rs 73.830 million) held by banks under lien as margin against letters of credit. The balances in saving accounts bear mark up which ranges from 0.5 percent per annum to 10 percent per annum.

	2007	2006
	(Rupees in thousand)	
23. Sales		
Energy purchase price	**26,337,276**	21,106,984
Capacity purchase price	**10,749,374**	11,726,394
	37,086,650	32,833,378

23.1 Energy purchase price is exclusive of sales tax of Rs 3,982.009 million (2006: Rs 3,145.658 million).

Notes to the Financial Statements

for the year ended June 30, 2007

		2007	2006
		(Rupees in thousand)	
24. Cost of sales			
Fuel cost		**25,572,789**	20,402,527
Salaries, wages and benefits	- note 24.1	**390,394**	340,621
Selective Voluntary Severance Scheme (SVSS)		**-**	104,135
Plant maintenance		**140,011**	144,210
Gas turbines overhauls		**430,064**	280,806
Repair and renewals		**237,873**	171,659
Depreciation on property, plant and equipment	- note 15.1	**1,551,338**	1,553,700
Amortisation on intangible assets	- note 15.1	**464**	84
Liquidated damages		**768**	599
Provision for stores obsolescence	- note 18.2	**19,588**	-
		28,343,289	22,998,341

Cost of sales include Rs 329.745 million (2006: Rs 248.176 million) for stores and spares consumed.

	2007	2006
	(Rupees in thousand)	
24.1 Salaries, wages and benefits		
Salaries, wages and benefits include following in respect of retirement benefits:		
Pension		
Current service cost	**21,139**	18,060
Interest cost for the year	**36,618**	35,037
Expected return on plan assets	**(44,901)**	(38,771)
Amortisation of gain	**(1,605)**	-
Recognition of curtailment gain	**-**	(19,569)
Share of unrecognised gain in respect of curtailed employees	**-**	(3,481)
Asset ceiling	**-**	3,117
	11,251	(5,607)
Medical		
Current service cost	**3,501**	3,965
Interest cost for the year	**8,041**	8,155
Amortisation of actuarial gain	**(984)**	(765)
Recognition of curtailment gain	**-**	(6,845)
Share of unrecognised gain in respect of curtailed employees	**-**	(1,756)
	10,558	2,754
Free electricity		
Current service cost	**4,645**	6,050
Interest cost for the year	**9,826**	11,533
Amortisation of actuarial gain	**(3,465)**	(2,012)
Recognition of curtailment gain	**-**	(9,418)
Share of unrecognised gain in respect of curtailed employees	**-**	(5,201)
	11,006	952

In addition to above, salaries, wages and benefits also include Rs 11.090 million (2006: Rs 10.774 million) in respect of provident fund contribution by the Company.

		2007	2006
		(Rupees in thousand)	
25. Administrative expenses			
Traveling		**8,667**	11,367
Motor vehicles running		**13,924**	11,364
Postage, telephone and telex		**10,065**	11,104
Legal and professional charges		**28,448**	16,644
Computer charges		**5,392**	6,986
Auditors' remuneration	- note 25.1	**1,267**	1,092
Printing, stationery and periodicals		**7,586**	5,647
Repairs and maintenance infrastructure		**17,459**	15,559
Training expenses		**4,391**	7,106
Rent, rates and taxes		**4,175**	4,362
Depreciation on property, plant and equipment	- note 15.1	**37,261**	36,233
Infrastructure cost		**13,708**	8,719
Differential payable to WAPDA	- note 25.2	**74,665**	-
Education fee		**19,578**	1,173
Donations	- note 25.3	**210**	53,579
Bad debts written off		**12,723**	956
Advances written off		**-**	475
Provision for doubtful debts	- note 20	**14,500**	-
Other expenses		**15,594**	8,535
		289,613	200,901

25.1 Auditors' remuneration

The charges for auditor's remuneration include the following in respect of auditors' services for:

	2007	2006
Statutory audit	**970**	880
Half yearly review	**110**	100
Employees pension fund and provident fund audit	**80**	80
Out of pocket expenses	**107**	32
	1,267	1,092

25.2 This represents income tax differential payable to WAPDA in accordance with clause 6.7 and 6.15(a) of Part I of Schedule 6 of Power Purchase Agreement (PPA) on account of difference in income tax rate as provided for in the PPA and the current tax rate as applicable to the Company.

25.3 None of the directors and their spouses had any interest in any of the donees during the year.

Notes to the Financial Statements

for the year ended June 30, 2007

		2007	2006
		(Rupees in thousand)	
26.	**Other operating income**		
	Income from financial assets		
	Income on bank deposits	140,060	268,438
	Interest on loans to employees	1,943	2,435
	Interest on late payment - WAPDA	278,385	-
	Exchange gain	-	199
		420,388	271,072
	Income from non-financial assets		
	Profit on disposal of property, plant and equipment	3,251	13,705
	Colony electricity	1,662	960
	Provisions and unclaimed balances written back	4,010	133,581
	Others	28,011	8,556
		36,934	156,802
		457,322	427,874
27.	**Finance cost**		
	Interest and mark up including commitment charges on		
	- long term loan from WAPDA	1,202,739	1,456,817
	- finances under markup arrangements	115,590	-
	Exchange loss	1,486	-
	Bank and other charges	7,615	8,681
		1,327,430	1,465,498
28.	**Taxation**		
	For the year		
	- Current	2,491,738	116,000
	- Deferred	162,455	337,000
		2,654,193	453,000
	Prior years		
	- Current	(25,462)	150
	- Deferred	(36,500)	2,826,000
		(61,962)	2,826,150
		2,592,231	3,279,150

Notes to the Financial Statements

for the year ended June 30, 2007

	2007 %age	2006 %age
28.1 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	**35.00**	35.00
Tax effect of exempt income referred to in note 4.1	**-**	(29.73)
Effect of change in prior year's tax	**(0.82)**	32.88
Average effective tax rate	**34.18**	38.15

29. Directors' remuneration

29.1 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		Executives	
	2007	2006	2007	2006
	(Rupees in thousand)			
Managerial remuneration including bonus and other allowances	**16,147**	25,236	**52,142**	39,833
Contribution to provident & pension funds and other retirement benefit plans	**1,615**	1,670	**5,092**	4,334
Leave passage	**-**	-	**1,834**	887
	17,762	26,906	**59,068**	45,054
Number of persons	**1**	1	**32**	24

The Company also provides the chief executive and some of the executives with Company transport and telephones.

Notes to the Financial Statements

for the year ended June 30, 2007

29.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 6 directors (2006: 6 directors) was Rs 0.225 million (2006: Rs 0.220 million).

30. Transactions with related parties

The related parties comprise associated undertakings, key management personnel and post retirement benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due to/from related parties are shown under payables and receivables and remuneration of the key management personnel is disclosed in note 29. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transaction	2007 (Rupees in thousand)	2006 (Rupees in thousand)
i. Associated undertakings	Purchase of services	**1,016**	3,562
	Sale of electricity	**37,086,650**	32,833,378
	Interest expense	**1,202,739**	1,456,817
	Interest income on late payment	**278,385**	-
	Bad debts written off	**12,723**	-
ii. Post retirement benefit plans	Expense charged/ (income accrued)	**32,815**	(1,901)
iii. Key management personnel	Sale of property, plant and equipment	**767**	-
	Consultancy charges	**11,206**	-

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

31. Proposed dividend

The Board of Directors of the Company have proposed a final dividend for the year ended June 30, 2007 of Rs 3.00 (2006: Rs 4.10) per share amounting to Rs 2,640.760 million (2006: Rs 3,609.038 million) at their meeting held on August 30, 2007 for approval of members at the Annual General Meeting to be held on October 22, 2007. These financial statements do not reflect this dividend payable.

	2007 MWh	2006 MWh
32. Capacity and production		
Annual dependable capacity (Based on 8,760 hours)	**11,755,920**	11,755,920
Actual energy delivered	**8,183,241**	8,292,056

Capacity for the power plant taking into account all the planned scheduled outages is 10,709,371 MWh (2006: 10,979,339 MWh). Actual energy delivered by the plant is dependent on the load demanded by WAPDA and the plant availability.

Notes to the Financial Statements

for the year ended June 30, 2007

33. Rates of exchange

Liabilities in foreign currencies have been translated into Rupees at USD 1.6502 (2006: USD 1.6570), EURO 1.2186 (2006: EURO 1.3029), GBP 0.8217 (2006: GBP 0.9032) and YEN 203.2520 (2006: YEN 190.2225) equal to Rs. 100.

		2007	2006
		(Rupees in thousand)	
34. Cash generated from operations			
Profit before tax		**7,583,640**	8,596,512
Adjustments for :			
- Depreciation on property, plant and equipment		**1,588,599**	1,589,933
- Amortisation on intangible assets		**464**	84
- Profit on disposal of property, plant and equipment		**(3,251)**	(13,705)
- Income on bank deposits		**(140,060)**	(268,438)
- Bad debts written off		**12,723**	-
- Provision for stores obsolescence		**19,588**	-
- Provision for doubtful debts		**14,500**	-
- Staff retirement benefits accrued		**32,815**	(1,901)
- Finance cost		**1,327,430**	1,465,498
Profit before working capital changes		**10,436,448**	11,367,983
Effect on cash flow due to working capital changes			
- (Increase) in stores and spares		**(100,751)**	(39,610)
- (Increase)/decrease in stock-in-trade		**(629,795)**	1,492,183
- (Increase) in trade debts		**(8,486,607)**	(784,006)
- (Increase)/decrease in loans, advances, deposits, prepayments and other receivables		**(1,129,239)**	638,044
- Increase/(decrease) in creditors, accrued and other liabilities		**234,415**	(1,141,224)
		(10,111,977)	165,387
		324,471	11,533,370
35. Cash and cash equivalents			
Cash and bank balances		**208,999**	4,366,054
Finances under mark up arrangements		**(6,431,343)**	-
		(6,222,344)	4,366,054
36. Earnings per share			
36.1 Basic earnings per share			
Profit for the year	Rupees in thousand	**4,991,409**	5,317,362
Weighted average number of ordinary shares	Numbers	**880,253,228**	880,253,228
Earnings per share	Rupees	**5.67**	6.04

36.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitments.

37. Financial assets and liabilities

	Interest/mark up bearing			Non interest bearing			Total		Credit risk	
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2007	2006	2007	2006
					(Rupees in thousand)					
Financial assets										
On balance sheet										
Long term loans and deposits	4,406	18,535	22,941	-	1,682	1,682	**24,623**	22,916	**24,623**	22,916
Trade debts	-	-	-	11,574,384	-	11,574,384	**11,574,384**	3,115,000	**11,574,384**	3,115,000
Loans, advances, deposits, prepayments and other receivables										
- Insurance claim receivable	-	-	-	2,043	-	2,043	**2,043**	26,611	**2,043**	26,611
- Profit receivable on bank deposits	930	-	930	-	-	-	**930**	4,272	**930**	4,272
- Security deposits	-	-	-	1,568	-	1,568	**1,568**	1,958	**1,568**	1,958
- Others receivables	-	-	-	1,751	-	1,751	**1,751**	1,615	**1,751**	1,615
Cash and bank balances	70,444	-	70,444	138,555	-	138,555	**208,999**	4,366,054	**208,920**	4,365,895
	75,780	18,535	94,315	11,718,301	1,682	11,719,983	**11,814,298**	7,538,426	**11,814,219**	7,538,267
Off balance sheet	-	-	-	-	-	-	**-**	-	**-**	-
Total	75,780	18,535	94,315	11,718,301	1,682	11,719,983	**11,814,298**	7,538,426	**11,814,219**	7,538,267
Financial liabilities										
On balance sheet										
Long term loan - unsecured	899,715	6,946,906	7,846,621	-	-	-	**7,846,621**	8,853,836		
Long term advances	2,406	14,414	16,820	-	-	-	**16,820**	-		
Finances under markup arrangement - secured	6,431,343	-	6,431,343	-	-	-	**6,431,343**	-		
Creditors, accrued and other liabilities	-	-	-	1,620,808	-	1,620,808	**1,620,808**	1,794,888		
	7,333,464	6,961,320	14,294,784	1,620,808	-	1,620,808	**15,915,592**	10,648,724		
Off balance sheet										
Guarantees	-	-	-	1,273,616	-	1,273,616	**1,273,616**	1,007,309		
Contracts for capital expenditure	-	-	-	7,801	-	7,801	**7,801**	37,161		
Letters of credit other than for capital expenditure	-	-	-	213,930	-	213,930	**213,930**	259,485		
	-	-	-	1,495,347	-	1,495,347	**1,495,347**	1,303,955		
Total	7,333,464	6,961,320	14,294,784	3,116,155	-	3,116,155	**17,410,939**	11,952,679		
On balance sheet gap	(7,257,684)	(6,942,785)	(14,200,469)	10,097,493	1,682	10,099,175	**(4,101,294)**	(3,110,298)		
Off balance sheet gap	-	-	-	(1,495,347)	-	(1,495,347)	**(1,495,347)**	(1,303,955)		

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

Notes to the Financial Statements

for the year ended June 30, 2007

37.1 Financial risk management objectives

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates such as State Bank of Pakistan's repo rate and treasury bills rate, credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in note 37.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimise risk.

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk and the risk attributable to trade debts is minimal. Out of the total financial assets of Rs 11,814.298 million (2006: Rs 7,538.426 million), the financial assets that are subject to credit risk amounted to Rs 11,814.219 million (2006: Rs 7,538.267 million).

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company usually borrows funds at fixed and market based rates and as such the risk is minimised.

(c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. Payables exposed to foreign currency risks are not covered through any forward exchange contracts or through hedging.

(d) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

37.2 Fair value of financial assets and liabilities

The carrying value 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.

38. Date of authorization for issue

These financial statements were authorised for issue on August 30, 2007 by the Board of Directors of the Company.

39. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. Significant re-arrangements made are as follows:

	(Rupees in thousand)
Administrative expenses	
- Other expenses re-arranged as infrastructure cost	8,719
- Other expenses re-arranged as education fee	1,173

The above figures have been re-arranged as the re-classification made is considered more appropriate for purposes of presentation.

Syed Rizwan Ali Shah
(Chief Executive)

Vince R. Harris OBE
(Director)

Proxy Form

I/We____ of________________________________ being a

Member of Kot Addu Power Company Limited (the "Company") holding _________________________ shares

hereby appoint_____________________________ of ___________________________ , who is also a Member of the Company, as my/our proxy to vote for me/us, and on my/our behalf at the Eleventh (11th) Annual General Meeting of the Company to be held on October 22, 2007 and at any adjournment thereof.

Signed this ___________________ day of _______________ 2007.

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Witnesses:

1. Signature ______________________________

   Name ______________________________

   CNIC ______________________________

   Address ______________________________

2. Signature ______________________________

   Name ______________________________

   CNIC ______________________________

   Address ______________________________

Revenue Stamp
Rs. 5/-

____
The signature should agree with the specimen signature registered with the Company.

Note

1. This Proxy, duly completed, signed and witnessed, must be deposited at the offices of the Company's Registrar, **THK Associates (Private) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, 75530** not later than forty-eight (48) hours before the time appointed for the Meeting.

2. No person shall be act as proxy who is not a Member of the Company (except that a corporation may appoint a person who is not a Member).

3. If a Member appoints more than one proxy and more than one instruments of proxy are deposited by a Member with the Company's Registrar, all such intruments or proxy shall be rendered invalid.

4. The Proxy shall produce his original CNIC or original passport at the time of the Meeting.

5. In case of individual CDC Account holders, attested copy of CNIC or passport (as the case may be) of the beneficial owner will have to be provided with this Proxy.

6. In case of a corporate entity, the Board of Directors Resolution/Power of Attornery with speicmen signature of the nominee shall be submitted alongwith this Proxy (unless it has been provided earlier).

KAPCO

AFFIX
CORRECT
POSTAGE

THK Associates (Private) Limited
Registrar for
Kot Addu Power Company Limited
Ground Floor, State Life Building No. 3
Dr. Ziauddin Ahmed Road
Karachi 75530, Pakistan