

Kohinoor Power Company Limited

Annual Report 1998

CONTENTS

Company Information
Notice of Annual General Meeting
Directors' Report
Auditors' Report to the Member
Pattern of Holding of Shares
Balance Sheet
Profit and Loss Account
Cash Flow Statement
Notes to the Accounts

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. M. Naseem Saigol (Chairman/Chief Executive)
Mr. M. Azam Saigol
Mr. Shahid Sethi
Mr. Imran Iqbal
Mr. Muhammad Ilyas Bajwa
Mr. Muhammad Asif Bajwa
Syed Arshad A'la (ICP Nominee)

COMPANY SECRETARY

Sheikh Muhammad Shakeel, ACA

AUDITORS

M/s Manzoor Hussain Mir & Co.
Chartered Accountants

BANKERS

Askari Commercial Bank Limited.
Faysal Bank Limited
Habib Bank Limited
Muslim Commercial Bank Limited
National Development Finance Corporation
National Bank of Pakistan
Union Bank Limited

REGISTERED OFFICE

06 - Egerton Road, Lahore.
Tel: 6306131 (5 Lines)

WORKS

Kohinoor Nagar, Faisalabad.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventh Annual General Meeting of the Shareholders of KOHINOOR POWER COMPANY LIMITED will be held on Thursday December 31, 1998 at 09:30 a.m. at. Associated House, Mezzanine Floor, 07- Egerton Road, Lahore to transact the following business:-

1. To confirm the minutes of Extraordinary General Meeting held on September 30, 1998.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 1998 along with Directors' and Auditors' Reports thereon.
3. To approve payment of Cash Dividend @ 7.5% (Re. 0.75 per share) as recommended by the Board.
4. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting

and to fix their remuneration.

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

By order of the Board

Lahore
December 07, 1998

SHEIKH MUHAMMAD SHAKEEL
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from December 31, 1998 to January 06, 1999 (both days inclusive). Transfers received in order at Registered Office of the Company upto the close of business on December 30, 1998 will be treated in time for the payment of dividend to the Transferees

2. A member entitled to attend and vote at this Meeting may appoint another member as proxy. Proxies in order to be effective, must be received at the Registered Office of the Company not later than forty-eight hours before the time of the meeting and must be duly stamped, signed and witnessed.

3. Members are requested to notify the company change in their addresses, if any and to file with the Company their declaration (if any) for non-deduction of Zakat.

DIRECTORS' REPORT

Your Directors are pleased to present the Seventh Annual Report along with audited accounts for the year ended June 30, 1998.

Financial Results

Your Company operates a 15 MW power generating plant. During the year under review 87.931 million units (kWh) were produced for sale to our customer viz. Kohinoor Industries Limited. The operating and financial results of the Company for the year under review are summarised below:

	1997	1998
	(Rupees in thousand)	
Gross Profit	89,402	75,343
Administrative & General Expenses	1,377	2,092
	-----	-----
Operating Profit	88,025	73,251
Financial Charges	54,709	46,233
	-----	-----
Other Income	33,316	27,018
	840	581
	-----	-----
Workers profit participation fund	34,156	27,599
	1,707	1,380
	-----	-----
Profit for the year	32,449	26,219
Unappropriated profit brought forward	474	255
	-----	-----
Profit available for appropriation	32,923	26,474
Appropriations		
Cash dividend @ 7.5% (Re 0.75 per share)	9,000	-
Transferred to General Reserves	23,000	26,000
	-----	-----
	32,000	26,000
	-----	-----
Unappropriated profit	923	474
	=====	=====

Your Company has launched a cost reduction programme. As a result administration and general expenses and certain expenses charged to cost of sales have reduced inspite of inflationary trend in the country.

Earning Per Share:

In the light of financial results for the year under review the earning per share comes to Rs 2.70 (1997: Rs. 2.18).

Future Prospects

Your directors are studying a proposal to utilise the surplus production capacity presently available. This proposal envisages shifting of one generating set of 5 MW from Faisalabad to Chunia for supplying power to two associated companies namely Azam Textiles Mills Limited and Saritow Spinning Mills Limited. This will enable us to operate at full capacity. Thus our profit will be increased through this exercise.

Dividend

Your directors recommend a cash dividend ~ 7.5% (Re 0.75 per share) for the year under review.

Auditors and their Report

The present auditors Messrs Manzoor Hussain Mir & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

No provision has been made for diminution in the value of investments in view of their long term nature and the fact that prices quoted on stock exchanges these days are abnormally depressed. The investee company is earning profits and the break-up value of its shares as on June 30, 1998 is Rs. 18.24 which is greater than the cost of this investment.

No provision has been made for income tax charged by taxation authority on the interest accrued to the Company during the years ended 1994-95 and 1996-97. All profits and gains derived by the Company are exempt under clause 176 of second schedule to the Income Tax Ordinance, 1979. We have filed appeals before CIT (Appeals) and a constitutional writ before Lahore High Court against taxability of interest. Therefore, provision has not been taken into account. Similarly, the Company has filed appeal against penalty imposed under Corporate Assets Tax Law where the matter is subjudice.

Directors

During the period since last Annual General Meeting, Syed Arshad A'la has been elected as Director in the extra-ordinary general meeting of the company held on September 30, 1998. We welcome Syed Arshad A'la on the Board of Directors of your Company and wish to record deep appreciation of the valuable services rendered by the outgoing Director, Mr. Saeed Mian Ansari.

Pattern of Shareholding

A statement showing the pattern of shareholding as on June 30, 1998 is appended herewith.

Acknowledgment

Your directors are pleased to record their appreciation of the services rendered by the employees of the Company and hope that the same spirit of devotion and co-operation will continue in future.

FOR AND ON BEHALF OF THE BOARD

Lahore
December 07, 1998

CHIEF EXECUTIVE

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of KOHINOOR POWER COMPANY LIMITED as at June 30, 1998 and the related profit and loss account and cash flow statement, 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 and, after due verification thereof, we report that:

(i) No provision is made in the accounts for persisting loss of Rs. 26.866 million in value of shares of Union Bank Limited indicated at note - 13.

(ii) No provision is made for taxes amounting to Rs. 15.59 million appearing at notes- 10.3 & 22.

Subject to above we report that:

(a) in our opinion, proper books of accounts 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 and cash flow statement, together with the notes forming part thereof, 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, 1998 and of the profit and cash flow statement for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore
December 07, 1998.

(MANZOOR HUSSAIN MIR & co.)
Chartered Accountants

**PATTERN OF HOLDING OF SHARES
HELD BY THE SHAREHOLDERS AS AT JUNE 30, 1998**

No. of Shareholders	Shareholding			Total Shares Held
	From		To	
99	1	-	100	4,890
218	101	-	500	57,505
555	501	-	1000	407,470
408	1001	-	5000	842,520
73	5001	-	10000	520,900
24	10001	-	15000	307,920
4	15001	-	20000	67,590
5	20001	-	25000	105,435
6	25001	-	30000	165,850
5	30001	-	35000	160,470
4	35001	-	40000	149,050
1	40001	-	45000	42,000
2	45001	-	50000	95,500
1	55001	-	60000	59,500
2	60001	-	65000	121,400
1	90001	-	95000	90,840
2	100001	-	105000	206,800
1	145001	-	150000	150,000
1	170001	-	175000	173,225
1	220001	-	225000	222,060
1	240001	-	245000	244,950
1	255001	-	260000	259,980
1	450001	-	455000	454,145
1	495001	-	500000	498,000
1	555001	-	560000	556,000
1	560001	-	565000	563,820
1	2695001	-	2700000	2,700,000
1	2770001	-	2775000	2,772,180
-----				-----
1,421				12,000,000
=====				=====

Note: The slabs applicable have not been shown.

Categories Of Shareholders	Number	Shares Held	Percentage
----------------------------	--------	-------------	------------

Individuals	1375	2860745	23.84
Investment Companies	6	730340	6.09
Insurance Companies	1	563820	4.70
Joint Stock Companies	15	5794905	48.29
Financial Institutions	4	650510	5.42
Foreign Companies	6	1127980	9.40
Leasing & Modaraba Companies	14	271700	2.26
	-----	-----	-----
	1421	12000000	100.00
	=====	=====	=====

BALANCE SHEET AS AT JUNE 30, 1998

	Note	1998 Rupees	1997 Rupees
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL	(3)	120,000,000	120,000,000
RESERVES	(4)	226,000,000	203,000,000
UN-APPROPRIATED PROFIT		923,416	474,426
		-----	-----
		346,923,416	323,474,426
LONG TERM LOANS			
LONG TERM LOANS	(5)	67,420,197	124,447,772
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	(6)	23,805,479	28,876,274
CURRENT LIABILITIES			
SHORT TERM LOANS	(7)	77,665,024	27,755,424
CURRENT PORTION OF LONG TERM LIABILITIES	(8)	115,192,461	96,200,008
CREDITORS, PROVISIONS AND ACCRUED LIABILITIES	(9)	24,810,891	21,531,833
PROPOSED DIVIDEND		9,000,000	-
		-----	-----
		226,668,376	145,487,265
CONTINGENCIES AND COMMITMENTS			
CONTINGENCIES AND COMMITMENTS	(10)	-	-
		-----	-----
		664,817,468	622,285,737
		=====	=====
OPERATING ASSETS-TANGIBLE			
OWN	(11)	206,968,135	229,116,435
ASSETS SUBJECT TO FINANCE LEASE	(12)	50,490,000	56,100,000
INVESTMENT			
INVESTMENT	(13)	46,800,000	46,800,000
LONG TERM DEPOSITS			
LONG TERM DEPOSITS		6,800,000	6,800,000
CURRENT ASSETS			
STORES AND SPARES	(14)	36,365,706	30,991,677
TRADE DEBTS	(15)	294,312,142	229,723,329
ADVANCES, DEPOSITS AND PREPAYMENTS	(16)	22,392,062	22,448,573
CASH AND BANK BALANCES	(17)	689,423	305,723
		-----	-----
		353,759,333	283,469,302
		-----	-----
		664,817,468	622,285,737
		=====	=====

The annexed notes (1) to (25) form an integral part of these financial statements.

GENERAL MANAGER FINANCE CHIEF EXECUTIVE

DIRECTOR

(MANZOOR HUSSAIN MIR & co.)
CHARTERED ACCOUNTANTS

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1998**

	Note	1998 Rupees	1997 Rupees
SALES	(18)	275,582,298	273,911,843
COST OF SALES	(19)	186,179,972	198,569,282
		-----	-----
GROSS PROFIT		89,402,326	75,342,561
OPERATING EXPENSES			
Administrative & General	(20)	1,376,637	2,091,715
Financial	(21)	54,709,012	46,232,907
		-----	-----
		56,085,649	48,324,622
		-----	-----
OPERATING PROFIT		33,316,677	27,017,939
OTHER INCOME		840,155	581,420
		-----	-----
		34,156,832	27,599,359
WORKERS PROFIT PARTICIPATION FUND		1,707,842	1,379,968
		-----	-----
PROFIT BEFORE TAXATION		32,448,990	26,219,391
UN-APPROPRIATED PROFIT BROUGHT FORWARD		474,426	255,035
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		32,923,416	26,474,426
APPROPRIATIONS:			
Proposed Dividend @ 7.5%		9,000,000	-
Transferred to general reserve		23,000,000	26,000,000
		-----	-----
		32,000,000	26,000,000
		-----	-----
UN-APPROPRIATED PROFIT CARRIED TO BALANCE SHEET		923,416	474,426
		=====	=====

The annexed notes (1) to (25) form an integral part of these financial statements.

GENERAL MANAGER FINANCE CHIEF EXECUTIVE

DIRECTOR

Auditors' Report Annexed
Lahore

(MANZOOR HUSSAIN MIR & co.)
CHARTERED ACCOUNTANTS

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 1998

	1998 Rupees	1997 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before taxation	32,448,990	26,219,391
Adjustments for:		
Depreciation	28,565,178	29,758,301
Amortisation of deferred cost	-	534,179
Financial charges	54,709,012	46,232,907
	-----	-----
Operating profit before working capital changes	115,723,180	102,744,778
	-----	-----
(Increase)/Decrease in stores and spares	(5,374,029)	(2,160,384)
(Increase)/Decrease in trade debt	(64,588,815)	(85,271,083)
(Increase)/Decrease in advances, prepayments and receivables	56,512	(19,976,809)
(Increase)/Decrease in creditors, accrued and other liabilities	(1,594,164)	(1,866,158)
	-----	-----
	71,500,497	(109,274,434)
	-----	-----
Cash generated from operations	44,222,682	(6,529,656)
Financial charges paid	(49,835,788)	(39,664,551)
	-----	-----
NET CASH FROM OPERATING ACTIVITIES	(5,613,104)	(46,194,207)
CASH FLOWS FROM INVESTING ACTIVITIES		

Fixed capital expenditure	(806,878)	(42,317,257)
Long term advances and deposits	-	16,507,144
	-----	-----
Net cash used in investing activities	(806,878)	(25,810,113)

CASH FLOWS FROM FINANCING ACTIVITIES

Short term loans	49,909,600	(29,280,747)
LPO	-	108,727,000
Repayment of supplier's credit	(41,573,322)	(41,573,322)
Repayment of lease finance	(1,532,595)	(11,812,734)
	-----	-----
Net cash generated/(used) in financing activities	6,803,683	26,060,197
	-----	-----
Net increase/(decrease) in cash	383,701	(45,944,123)
Cash and bank balance as at July 1,	305,722	46,249,845
	-----	-----
Cash and bank balance as at June 30,	689,423	305,722
	=====	=====

NOTES TO THE ACCOUNTS**FOR THE YEAR ENDED JUNE 30, 1998****1. STATUS AND NATURE OF BUSINESS**

Kohinoor Power Company Limited was incorporated in Pakistan on December 8, 1991 as a private limited company and subsequently converted into public limited company on May 10, 1992, and its shares are quoted in Pakistan Stock Exchanges. The principal activity of the Company is to generate and sell Electric Power.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Accounting convention**

These accounts have been prepared on the basis of historical cost convention.

2.2 Staff Retirement Benefits

The company operates contributory Provident Fund for all its permanent employees and contribution based on salaries and wages, are made monthly to cover the obligations.

2.3 Taxation

The profits of the Company being from electricity generation is exempt from tax under clause 176 of the II Schedule to the Income Tax Ordinance, 1979.

2.4 Foreign Currency Translation

Foreign liabilities have been translated in Pak rupees at the rate fixed with State Bank of Pakistan.

2.5 Contingencies and Commitments

These are accounted for as and when these become due.

2.6 Fixed Assets

Operating assets are stated at cost less depreciation. Capital work-in-progress is stated at cost. Depreciation is calculated so as to right off the cost of fixed assets, except lease hold land, on a reducing balance basis using normal rates currently applicable for tax purposes. A full year's depreciation is charged in the year of acquisition however, depreciation on additions to plant & machinery is charged only for working period. No depreciation is charged in the year of disposal. Normal repairs and maintenance expenses are charged to income as and when incurred while major renewals and improvements are capitalised.

2.7 Assets Subject to Finance Lease

These are stated at lower of present value of minimum lease payments under the agreement or the fair value of assets. The aggregate amount of obligations relating to these assets are accounted for at net present value of liabilities. Depreciation on these assets is charged in line with normal deprecation policy adopted for assets owned by the company.

2.8 Stores and Spares

These are valued at moving average cost, except stores in transit which are stated at actual cost.

2.9 Revenue Recognition

Energy sales are recognised on the basis of meter readings recorded on continuous monthly basis.

	1998 Rupees	1997 Rupees
3. SHARE CAPITAL		
Authorised		
12,000,000 ordinary shares of Rs. 10/- each	120,000,000	120,000,000
	=====	=====
Issued, subscribed and paid up		
12,000,000 ordinary shares of Rs. 10/- each		
Fully paid		
8,000,000 ordinary share for cash	80,000,000	80,000,000
4,000,000 shares as bonus shares	40,000,000	40,000,000
	-----	-----
	120,000,000	120,000,000
	=====	=====

4. RESERVES

REVENUE - GENERAL

Balance from previous year	163,000,000	137,000,000
Transferred from profit and loss account	23,000,000	26,000,000
	-----	-----
	186,000,000	163,000,000

CAPITAL RESERVES

Premium on issue of shares	40,000,000	40,000,000
	-----	-----
	226,000,000	203,000,000
	=====	=====

5. LONG TERM LOANS

SUPPLIER'S CREDIT

Loan - I	(5.1)	-	20,788,080
Loan - II	(5.2)	51,963,105	72,748,347
Faysal Bank Ltd. (LPO)	(5.3)	108,727,000	108,727,000
		-----	-----
		160,690,105	202,263,427
Less:			
Current portion			
Loan - I		-	20,788,080
Loan II		20,785,242	20,785,242
Faysal Bank Limited		72,484,666	36,242,333
		-----	-----
		93,269,908	77,815,655
		-----	-----
		67,420,197	124,447,772
		=====	=====

5.1 & 5.2

These supplier's credit were obtained from M/s Tomen Corporation, Hong Kong Branch, Hong Kong which are secured by irrevocable letters of credit established by Faysal Bank Limited against 1st exclusive charge on the plant and machinery and pari passu charge on the lease hold land measuring 5 Kanals.

The loans are repayable in twelve equal half yearly installments alongwith interest; other relevant details are as under.

	AGREEMENTS	
	Loan-I	Loan-II
Total loan amount borrowed (J. Yen)	720,000,000	435,000,000
	Nov. 25,	Mar. 31,
Due date of first installment	1992	1995
Rate of interest per annum.	6 %	7.60 %
Rate of exchange booked	0.17	0.29

5.3 This has been obtained from Faysal Bank Limited under LPO Morabaha financing repayable in 3 years in quarterly equal installments from July 1, 1997. It carries interest @ 20% quarterly basis payable with principle installment. It is secured by first charge on fixed assets of the company and personal guarantees of all the directors of the company.

	1998 Rupees	1997 Rupees
6. LIABILITIES AGAINST ASSETS		
SUBJECT TO FINANCE LEASE		
Opening Balance	47,260,627	59,073,361
Adjustments due to rescheduling	1,837,450	-
	-----	-----
	49,098,077	59,073,361
Less: Payments during the year	3,370,045	11,812,734
	-----	-----
	45,728,032	47,260,627
	-----	-----
Less: Current portion	17,168,357	16,720,472
Over due installments	4,754,196	1,663,881
	-----	-----
	21,922,553	18,384,353
	-----	-----
	23,805,479	28,876,274
	=====	=====

The rental are payable in equal monthly installments under the different lease agreements. The balance amount is payable in the following periods.

	Rupees
Year ending June 30, 1999	22,515,483
Year ending June 30, 2000	15,552,991
Year ending June 30, 2001	4,642,838

	42,711,312
Less: Financial charges	3,016,720

	45,728,032
	=====

The present value of minimum lease payments have been discounted at an effective rate of 21% to 23% per annum. Repairs and insurance costs are to be born by lessee. These liabilities are secured by deposits of Rupees 6.8 Million and personal guarantees of directors of the company. The company intends to exercise its option to purchase the leased assets at the termination of leased period.

7. SHORT TERM LOANS

National Development Finance Corporation	(7.1)	7,500,000	7,500,000
Faysal Bank Limited	(7.2)	57,917,799	20,255,424
Askari Commercial Bank Limited	(7.3)	12,247,225	-
		-----	-----
		77,665,024	27,755,424
		=====	=====

7.1 National Development Finance Corporation.

Loan is secured against hypothecation of stocks and personal guarantees of all the directors. The loan is repayable by 31.10.98. It carries interest @ 60 paisa per thousand rupees per day payable quarterly. However, in case of timely payments, rebate of 5 paisa per thousand rupees per day shall be allowed.

7.2 Faysal Bank Limited

It represents short term finance provided by the bank in pursuance of guaranties given by it and carries interest @ 21% p.a. (for security see Note No. 5.1)

7.3 Askari Commercial Bank Limited.

It represents disbursement made by bank against shipping documents secured against title of goods and personal guarantees of the directors. It carries mark up at @ 55 paisa per thousand rupees per day.

	1998 Rupees	1997 Rupees
8. CURRENT PORTION OF LONG TERM LIABILITIES		
Long term loans	93,269,908	77,815,655
Liabilities against assets subject to finance lease	21,922,553	18,384,353
	-----	-----
	115,192,461	96,200,008
	=====	=====

9. CREDITORS, PROVISIONS AND ACCRUED LIABILITIES

Creditors	1,308,819	3,902,196
Exchange risk coverage fee	958,685	1,468,594
Interest on long term loans	18,172,545	12,789,412
L/C commission payable	659,973	659,973
Accrued liabilities	2,003,027	1,331,690
Worker's (Profit) Participation Fund (Note 9.1)	1,707,842	1,379,968
	-----	-----
	24,810,891	21,531,833
	=====	=====

(9.1) WORKER'S (PROFIT) PARTICIPATION FUND

Balance from previous year	1,379,968	5,781,465
Interest provided during the year	86,248	194,474
Share of company's profit for the year	1,707,842	1,379,968
	-----	-----
	3,174,058	7,355,907
Less: Payment during the year	1,466,216	5,975,939
	-----	-----
	1,707,842	1,379,968
	=====	=====

10. CONTINGENCIES AND COMMITMENTS**Contingencies:**

10.1 Outstanding amount of guarantees issued by financial institution on behalf of the company amounted to Rs. 12.036 million. (1997-12.036M)

10.2 Penalty imposed under section 12 (6) of corporate asset tax Rs.1.078 M Agitated in appeal where the matter is subjudice.

10.3 Taxes levied by taxation authority relating to assessment year 1995-96 to 1997-98 amounting to Rs.14.51 million for which writ petition and appeals filed are subjudice.

Commitments:

10.4 Commitments for non capital expenditure as on 30-06-98 were Nil. (1997-Nil)

11. OPERATING ASSETS - AT COST LESS DEPRECIATION

Description	COST			Rate %	DEPRECIATION			
	Cost as at July 01 1997	Additions	As at June 30, 1998		As at July 01, 1997	For the year	Accumulated as at June 30, 1998	Written down value as at June 30, 1998
Building on lease	16,783,049	63,811	16,846,860	10	7,171,070	967,579	8,138,649	8,708,211
hold land								
Plant & Machinery	307,904,330	743,067	308,647,397	10	88,654,499	21,962,136	110,616,635	198,030,762
Factory Equipment	69,975	-	69,975	10	13,296	5,668	18,964	51,011

Furniture & Fixture	10,231	-	10,231	10	4,493	574	5,067	5,164
Office Equipment	254,500	-	254,500	10	62,292	19,221	81,513	172,987

Total Rupees	325,022,086	806,878	325,828,963		95,905,650	22,955,178	118,860,828	206,968,135
=====								
1996 - 97	274,672,828	50,349,257	325,022,085		72,380,682	23,524,968	95,905,650	229,116,435
=====								

Note:

(a) Depreciation for the year has been charged as under:-

	1998 Rupees	1997 Rupees
Cost of sales	22,935,383	23,502,973
Administrative & General Expenses	19,795	21,995
	-----	-----
	22,955,178	23,524,968
	=====	=====

12. ASSETS SUBJECT TO FINANCE LEASE

Description	COST			Rate %	DEPRECIATION			Written down value as at June 30, 1998
	As at July 01, 1997	Additions	As at June 30, 1998		As at July 01, 1997	For the year	Accumulated as at June 30, 1998	
Plant Machinery	68,000,000	-	65,000,000	10	11,900,000	5,610,000	17,510,000	50,490,000

Total Rupees	68,000,000	-	68,000,000		11,900,000	5,610,000	17,510,000	50,490,000
=====								
1996-97	68,000,000	-	68,000,000		5,666,667	6,233,333	11,900,000	56,100,000
=====								

(a) Depreciation for the year has been charged to cost of sales.

	1998 Rupees	1997 Rupees
13. LONG TERM INVESTMENTS - AT COST		
Union Bank Limited		
2,847,656 Ordinary shares of Rs. 10/- each (1997 - 2,847,656 ordinary shares) including 597,656 bonus shares		
Market value as at June 30, 1998 was Rs. 19,933,592 (1997 - Rs. 29,046,091)	46,800,000	46,800,000
	=====	=====

The short fall in values of share of Union Bank Limited to the extent of Rs. 26,866,408/- being of temporary nature, no provision is made for the same. The management intends to hold this investment on long term basis.

14. STORES AND SPARES

STORES		
Oil and lubricants	1,440,987	2,517,825
Other stores	1,426,910	778,672
	-----	-----
	2,867,897	3,296,497
Spares and accessories		
In stores	21,090,356	27,695,180
In transit	12,407,453	-
	-----	-----
	36,365,706	30,991,677
	=====	=====

15. TRADE DEBTS - Unsecured considered good

Due from associated company against the supply of energy.

No interest has been charged which if computed at WAPDA rate amounts to

Rs. 26,201,773.

	1998 Rupees	1997 Rupees
16. ADVANCES, DEPOSITS & PREPAYMENTS		
Advances to suppliers	1,706,418	1,111,103
Prepayments	131,872	791,056
Advance Income Tax	2,031,572	2,024,214
Interest receivable	18,522,200	18,522,200
	-----	-----
	22,392,062	22,448,573
	=====	=====

17. CASH AND BANK BALANCES

In hand	532,262	114,024
With banks- on current accounts	156,458	190,996
Deposit account	703	703
	-----	-----
	689,423	305,723
	=====	=====

18. SALES (Electrical Power)

Industrial	294,850,258	270,232,155
Residential	3,520,294	3,679,688
	-----	-----
	298,370,552	273,911,843
Less: Discount	22,788,254	-
	-----	-----
Net Sales	275,582,298	273,911,843
	=====	=====

Discount was originally agreed at 15% with effect from October 01, 1997 in pursuance of an agreement arrived at with buyer of energy prompt payments. Due to partial payments of bill the discount was reduced to 10% wide amendment dated December 08, 1997 from October 01, 1997.

19. COST OF SALES

Oil consumed	140,143,633	134,856,985
Gas and steam charges	-	3,440,111
Wages and benefits	2,030,725	1,537,538
Salaries and benefits	2,869,542	2,435,881
Insurance	617,061	609,093
Vehicle running and maintenance	181,017	133,660
General charges	1,728,937	1,735,991
Repair & maintenance	10,063,674	24,083,717
Depreciation	28,545,383	29,736,306
	-----	-----
	186,179,972	198,569,282
	=====	=====

20. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and benefits	374,941	401,791
Rent, rates and taxes	32,000	80,250
Fees and subscription	94,905	83,520
Auditors' remuneration:		
Audit fee	55,000	55,000
Tax consultancy and out of packet expenses	117,500	143,500
	-----	-----
	172,500	198,500
Travelling and conveyance	30,319	44,338
Printing and stationary	151,601	201,386
Postage and telegram	3,349	33,938

Entertainment	123,246	62,213
Insurance	5,857	7,012
Staff uniform	-	42,070
Advertisement and publicity	18,840	17,800
Charity and donation	-	11,000
Telecommunication	25,284	27,723
Deferred cost written off	-	534,179
Depreciation	19,795	21,995
Management charges	324,000	324,000
	-----	-----
	1,376,637	2,091,715
	=====	=====

1998	1997
Rupees	Rupees

21. FINANCIAL EXPENSES

Bank charges, commission & excise duty	747,242	11,759,382
Interest/Mark up on:		
Long term loans	27,296,551	24,916,008
Short term loans	11,919,097	9,482,087
Worker's (Profit) participation fund	86,248	194,474
Exchange risk coverage fee	5,428,023	8,213,413
Finance charges on leased assets	9,231,851	10,192,347
	-----	-----
	54,709,012	64,757,711
Less:		
Mark-up charged to associated company	-	18,522,200
Profit on bank deposits	-	2,604
	-----	-----
	-	18,524,804
	-----	-----
	54,709,012	46,232,907
	=====	=====

22. TAXATION

Assessments are completed up to assessment year 1997-98 relevant income year ended on 30.06.1997.

Taxes have been charged by the taxation authority on the interest recovered from associated company in assessment years 1995-96 and 1997-98 holding it as income from "Other sources" instead of considering the same as a part of exempted business profits. Tax u/s 52, additional tax and worker welfare fund etc. have been levied in assessment years 1995-96 to 1997-98. The constitutional writ filed in Lahore High Court against taxability of interest and appeals filed before CIT (A) are yet pending.

Disputed demand is aggregating to Rs. 14.51 Million for which no provision is made in accounts.

23. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

No remuneration were paid to chief executive or directors of the company.

24. AGGREGATE TRANSACTIONS WITH ASSOCIATED COMPANIES

Sale of power	275,582,298	273,911,843
Purchase of gas and steam		3,440,111
	-	
Lease rent	12,000	12,000
Interest charged	-	18,522,200

Maximum debit balance at the end of any month during the year is Rs. 294.312 million (1997 Rs. 229.723 million).

25. GENERAL

-Figures have been rounded off to the nearest rupee.

-Figures of previous year have been rearranged wherever necessary for the purpose of comparison.

1998	1997
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PLANT CAPA CITY AND ACTUAL PRODUCTION

Normal plant capacity on the basis of three shifts for 335 working days	MW	122,530	122,530
Actual production	MW	87,931	86,217

Low production was because of less demand of electricity from the end user i.e. Kohinoor Industries Limited.

GENERAL MANAGER FINANCE CHIEF EXECUTIVE

DIRECTOR