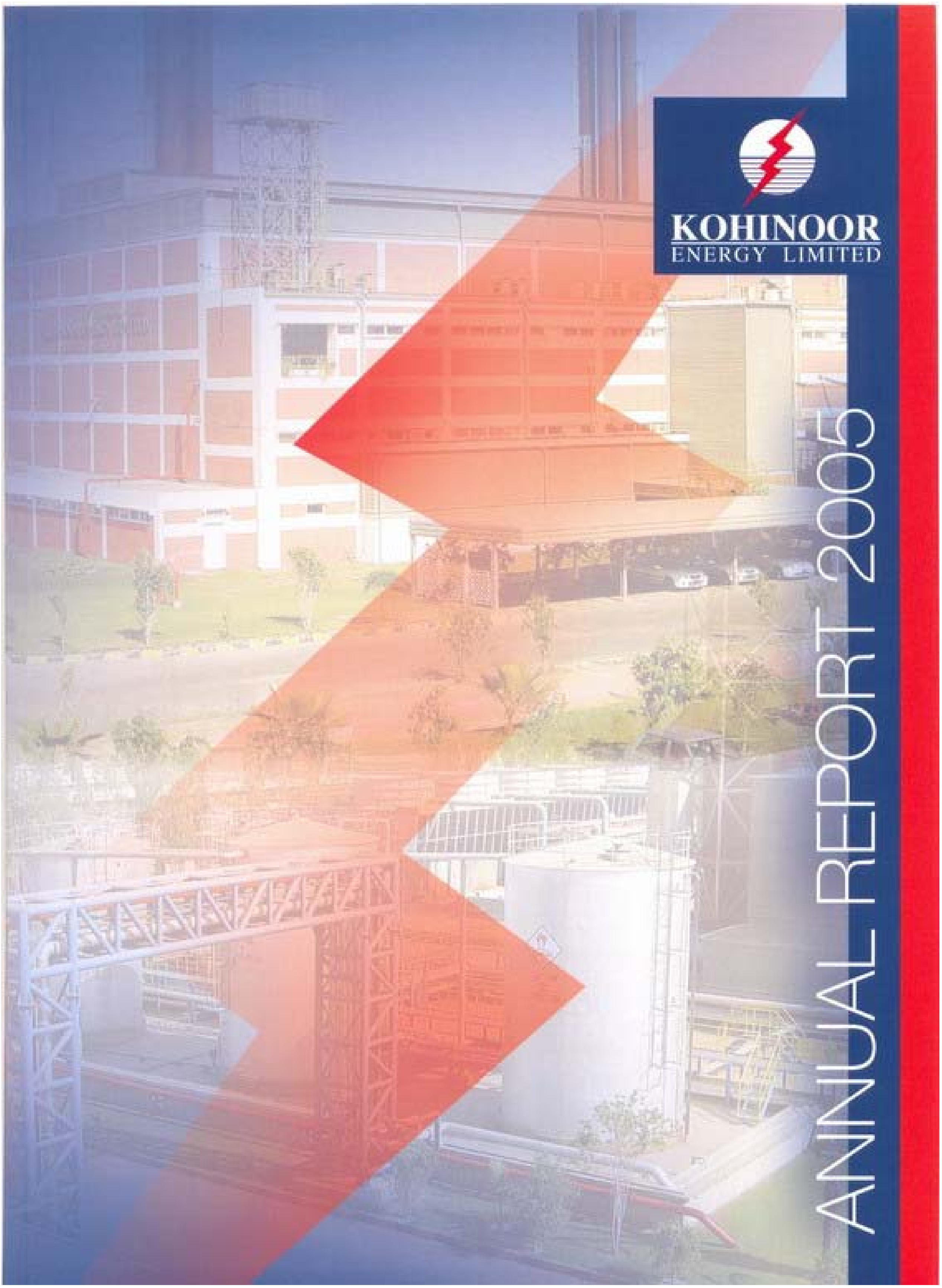
KOHINOOR
ENERGY LIMITED
ANNUAL REPORT 2005

Contents

Corporate Information

Board of Directors

Mr. M. Naseem Saigol
(Chairman)
Mr. Haruyoshi Murakami
(Chief Executive)
Mr. Umer Masood Tariq
(Nominee of Tomen Power (Singapore) Pvt. Limited)
Sheikh Muhammad Shakeel
Mr. Muneki Udaka
Mr. Tomoyuki Yoshinaka
Mr. Rolf Andersson

Company Secretary

Mr. Muhammad Asif

Audit Commitee

Mr. Umer Masood Tariq
(Chairman)
Sheikh Muhammad Shakeel
Mr. Muneki Udaka

Management

Mr. Haruyoshi Murakami
Chief Executive Officer
Mr. Umer Masood Tariq
Chief Operating Officer
Mr. Ghazanfar Ali Zaidi
General Manager Technical
Mr. Muhammad Asad Khan
General Manager Operations & Maintenance
Mr. Ahmed Zia Haider
Chief Financial Officer

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Bankers

Off Shore Trustee
U.S. Bank, New York
On Shore Trustee
Union Bank Limited
Others
Faysal Bank Limited
Standard Chartered Bank
ABN Amro Bank
Bank Alfalah Limited

Project/Head Office/Share Department

Near Tablighi Ijtima, Raiwind Bypass,
Post Office Kohinoor Energy
Lahore, Pakistan.
UAN : +92-42-111-111-535
Tel : +92-42-5392317
Fax : +92-42-5393415-7

Registered Office

1404, 14th Floor, Green Trust Tower,
Blue Area
Islamabad, Pakistan.
Tel : +92-51-2828941
Fax : +92-51-2273858

Lahore Office

17-Aziz Avenue, Unit # 4, Canal Bank,
Gulberg V, Lahore, Pakistan.
Tel : +92-42-5717861-2
Fax : +92-42-5715090

Website

www.kel.com.pk

Notice of Annual General Meeting

Notice is hereby given that the twelfth Annual General Meeting of shareholders of Kohinoor Energy Limited will be held on October 28, 2005 (Friday) at 10:30 A.M. at Registered Office, 1404, 14th Floor, Green Trust Tower, Blue Area, Islamabad to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on October 30, 2004.

2. To receive and adopt the Annual Audited Accounts of the Company for the financial year ended June 30, 2005 alongwith Directors' and Auditors' Reports thereon.

3. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.

4. To approve the Final Dividend @ 10% i.e. Rs. 1.00 per share as recommended by the Board in addition to the two Interim Devidends already paid @ 12.50% each i.e. Rs. 1.25 per share making a total dividend of 35% i.e. Rs. 3.50 per share for the year ended June 30, 2005.

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

By order of the Board

Lahore:
September 08, 2005

(Muhammad Asif)
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from October 20, 2005 to October 28, 2005 (both days inclusive). Transfer received at Head Office/Shares Kohinoor Energy, Lahore upto the close of business on October 19, 2005 will be treated in time for the purpose of entitlement of cash dividend to the transferees.

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

3. Members holding shares within the Central Depository System are requested to bring their original National Identity Card or Original Passport together with their Account and Participant's ID number for attending the meeting.

4. Members are requested to notify the Company for change in their addresses, if any.

Directors' Report

The Board of Directors of Kohinoor Energy Limited is pleased to present its Annual Report along with the Audited Accounts of the Company for the financial year ended June 30, 2005.

Principal Activities

The core business activities of the Company are to own, operate, generate and maintain a furnace oil power station with the net capacity of 120 MW (gross capacity 131.44 MW).

Financial Results

We feel glad to inform you that due to substantial increase in dispatch the turnover of the Company surged to Rs. 2.91 billion from Rs. 2.34 billion of the previous financial year. The Company earned a net profit of Rs. 805 million as compared with Rs. 822 million earned in the last year and translated an EPS of Rs. 4.75. During the year under review five out of eight engines reached at 24,000 operational hours. The major maintenance work of said engines took a sizeable amount of earnings of the Company. The increase in cost of sales also attributed to high cost of raw material due to hike in furnace oil prices. However the efficient management of resources lessened the impact on overall profitability of the Company. The financial results of the Company for the year ended June 30, 2005 are as follows:

		2005	2004
		(Rupees in thousand)	
Profit before taxation		813,309	828,021
Provision for taxation		(7,900)	(6,292)
Profit after taxation		805,409	821,729
Un-appropriated profit brought forward		2,911,890	2,344,349
Available for appropriations		3,717,299	3,166,078
Final Dividend 2004 approved in FY2005 - Rs. 1.00 per share		169,459	-
1st Interim Dividend 2005 – Rs. 1.25 per share (2004: Rs. 1.50 per share)		211,823	254,188
2nd Interim Dividend 2005 – Rs. 1.25 per share		211,823	-
Un-appropriated profit carried forward		3,124,194	2,911,890
Earnings per share	**Rupees**	4.75	4.85
Note: Proposed Final Dividend 2005 - Rs. 1.00 per share (announced by the Board on September 08, 2005)		169,459	-

Your Company is fully complying with its regulatory and contractual obligations and regularly paying off its debts. During the year under review there was no departure from any commitment of debt servicing.

Operations

The demand of dispatch from WAPDA was higher than the last year. The load factor for the FY2005 stood at 41.86% as compared with 32.25% of FY2004 and during the year 440,051MWH of electricity was dispatched to WAPDA while in the previous year we dispatched 339,024 MWH.

Five engines have been overhauled under the major maintenance program and the rest of the engines are due to be dealt in the next financial year. This prime maintenance has bestowed the power complex with a new life for smooth and constant running in the future.

Directors' Report

We feel gratified to state that your Company has productively qualified the Annual Dependable Capacity Test (ADC). The power complex validated the 128.52 MW capacity as against contractual net capacity of 120 MW.

Increase in Contractual Capacity

The Company has asserted to have 4 MW additional capacity over and above the already committed Dependable Capacity of 120 MW and has offered to sell it to Water and Power Development Authority (WAPDA) and after due consideration the WAPDA has agreed to purchase this additional capacity. In this regard the Company has formally applied to the lenders for their consent to amend the Power Purchase Agreement accordingly, which we are expecting to receive within a couple of weeks.

At present the levelized tariff for 120 MW capacity is 5.1994 US Cents for whole life of 30 years while for the capacity of 4MW we have agreed at levelized tariff of 3.2865 US Cents (which comprises of fuel, variable O & m and escalable components) for the remaining 23 years of project life.

Dividend Distribution

The Company while maintaining its policy of maximum possible dividend distribution to its shareholders has paid two interim dividends during the year under review. First interim dividend, which was paid at the rate of 12.50% in March 2005, was followed by 2nd interim dividend at the same rate paid in June 2005. The directors feel pleasure to recommend, subject to the approval of shareholders of the Company in their ensuing Annual General Meeting, a final dividend of Rs. 1.00 per ordinary share (i.e. @ 10%) which will be paid to those shareholders whose names would appear on members' register on the date as mentioned in the notice of AGM. This, together with the interim dividends already paid, makes the cumulative dividend distribution for the financial year 2004-2005 at 35% and amounts to Rs. 593 million which represents a payout of 74% of the net profit after tax for the year 2005 as opposed to 52% paid last year.

Change in the Board

Since the last Annual General Meeting Mr. Makoto Nakano Director relinquished his office of director and Mr. Tomoyuki Yoshinaka has co-opted as Director on the Board of the Company.

The Board wishes to record its appreciation for the valuable services bestowed by the outgoing Director and extends its warm welcome to the incoming Director.

Statements in compliance to the Code of Corporate Governance

The Directors state that:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.

Directors' Report

- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The key operating and financial data of last six years is attached to the report.
- During the year under review the Board met for seven times and the attendance of the directors was as follows:

Name of Director	No. of Meetings Attended	Name of Director	No. of Meetings Attended
Mr. M. Naseem Saigol	6	Mr. Muneki Udaka	6
Mr. Haruyoshi Murakami	7	Mr. Tomoyuki Yoshinaka	0
Mr. Umer Masood Tariq	7	Mr. Rolf Andersson	3
Sheikh Muhammad Shakeel	5	Mr. Makoto Nakano	0

  During the year under review Mr. Makoto Nakano relinquished the office of director and in his place Mr. Tomoyuki Yoshinaka joined the Board on November 10, 2004. Mr. Makoto Nakano and Mr. Tomoyuki Yoshinaka residing in Japan could not attend the meetings. The Board granted leaves of absence to the members who could not attend the meetings.

- The Chief Executive Officer, Directors, Chief Financial Officer, Company Secretary and their spouse and minor children have made no sale/purchase of Company's shares during the year July 01, 2004 to June 30, 2005
- The Company has established an Employees Gratuity Fund and has got registered with the concerned authority. Annual provision has been made on the basis of actuarial valuation to cover obligation under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period.

Human Resource Development

The management recognizing the importance of the Human Resource has taken a number of measures to develop employees to meet the challenges of today's competitive world. The Company has invested extensively in employees development programs providing technical, management, corporate governance, and health and safety trainings. Leading trainers are invited for conducting trainings and workshops at state of the art training facility at KEL, and where we feel necessary the employees are sent to the institutes and organizations inside and outside the country for trainings.

Environment Health and Safety

The power plant continues to operate strictly within the guidelines and limits established by the World Bank for emission and waste. A water treatment plant is fully functioning and feeding the water to the fishpond at the power plant evidencing the quality of treated water.

Caring to the health needs of the employees and their families, the Company has provided facility of reimbursement of all the actual medical expenses and apart from this a medical center is also working at the plant site to provide free medical treatment to the people while at works.

The Company strictly complies with the standards and follows the safety guidelines of ISO-14001 and OHSAS-18001. Annually all the employees are embedded with the extensive trainings on safety at works as well as protection during traveling. During the year no major accident was reported.

Directors' Report

Corporate Social Responsibility and Contributions

Our corporate responsibility strategy is underpinned by our vision and values and aligns with our business principles and our commitment to operating responsibly.

Paying attention to our social responsibilities we have contributed an extensive amount of funds for providing free medical facilities to the people of the surrounding community. The Company taking initiative has established three medical centers, which are serving to the needy people of the adjoining community. We feel much pleasure to state that during the first year of our social welfare program we have provided free and excellent medical treatment including consultation and medicines to more than 19,000 peoples. A team of qualified doctor and experienced staff has been deployed for the purpose.

Moving ahead to our social contribution we are also aiming to provide free quality education to the children of the people living in the vicinity of the power plant. In this regard we have acquired a piece of land to construct a good profiled school from preparatory to 5th class with the plan to start first academic session in the year 2006. In addition to free education the uniform, textbooks and stationery will also be provided to the students free of cost.

Future Prospects

Positive indicators at economic front and the present Government's plans to provide electricity to all of the regions of the Country envisage high demand of electricity in the years to come.

The scheduled major maintenance of the majority of the engines has geared up and strengthened the capability of the power complex to meet the future needs. We are confident that the Company would demonstrate the encouraging performance, due to high dispatch and additional contractual capacity of 4 MW, in the time ahead to us.

Auditors

The present auditors of the Company M/s A.F. Ferguson & Co. Chartered Accountants retire and being eligible, offer themselves for reappointment. The Board of Directors recommended the appointment of the retiring auditors for the next year as advised by the Audit Committee.

Pattern of Shareholding

The statement of pattern of shareholding as at June 30, 2005 is annexed to the Annual Report.

Acknowledgement

The Board places on record its gratitude to shareholders, WAPDA, financial institutions, lenders, suppliers, technology partners, regulators and other authorities for their unbroken support and trust that they reposed in Company.

The Board also expresses its pleasure for the valuable services, and loyal and admirable efforts rendered by the highly committed and dedicated team of business professionals and qualified engineers and workers for achieving good performance. The board foresees that the same spirit of professionalism and commitment will remain intact with the Company.

For and on behalf of the Board

Lahore
September 08, 2005

Haruyoshi Murakami
Chief Executive

Financial Data

	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
DISPATCH LEVEL (%)	41.86%	32.25%	32.27%	17.67%	11.07%	24.43%
DISPATCH (MWH)	440,051	339,024	339,248	185,767	116,322	256,818
REVENUE (Rs. 000)						
ENERGY FEE	1,519,156	994,583	1,030,812	551,785	314,624	442,356
CAPACITY FEE	1,399,427	1,340,893	1,366,279	1,577,590	1,383,873	1,250,902
TOTAL REVENUE	2,918,583	2,335,476	2,397,091	2,129,375	1,698,497	1,693,258
COST OF SALES	1,879,009	1,264,170	1,358,062	972,276	724,217	806,796
GROSS PROFIT	1,039,574	1,071,306	1,039,029	1,157,099	974,280	886,462
PROFITABILITY (Rs. 000)						
PROFIT/(LOSS) BEFORE TAX	813,309	828,021	713,349	847,381	522,947	409,760
PROVISION FOR INCOME TAX	7,900	6,292	12,650	18,442	20,000	16,121
PROFIT/(LOSS) AFTER TAX	805,409	821,729	700,699	828,939	502,947	393,639
FINANCIAL POSITION (Rs. 000)						
FIXED ASSETS	4,827,978	4,992,485	5,173,798	5,491,190	6,027,792	5,486,520
CURRENT ASSETS	1,943,522	1,862,058	1,968,203	2,388,328	1,881,688	1,515,715
LESS CURRENT LIABILITIES	1,143,316	984,070	1,065,185	1,266,769	1,250,641	970,971
NET WORKING CAPITAL	800,206	877,988	903,018	1,121,559	631,047	544,744
CAPITAL EMPLOYED	5,628,184	5,870,473	6,076,816	6,612,749	6,658,839	6,031,264
LESS LONG TERM LOANS & DEFERRED LIABILITIES	809,404	1,433,456	2,037,881	2,766,137	3,641,166	3,516,538
SHARE HOLDERS EQUITY	4,818,780	4,437,017	4,038,935	3,846,612	3,017,673	2,514,726
REPRESENTED BY (Rs. 000)						
SHARE CAPITAL	1,694,586	1,694,586	1,694,586	1,694,586	1,694,586	1,303,528
SHARE PREMIUM	-	-	-	-	-	-
BONUS SHARES	-	-	-	-	-	391,058
UNAPPROPRIATED PROFIT BEFORE APPROPRIATION	3,547,840	3,166,078	2,852,725	2,152,026	1,323,087	820,140
APPROPRIATION / DIVIDENDS	423,646	423,647	508,376	-	-	-
UNAPPROPRIATED PROFIT BROUGHT FORWARD	3,124,194	2,742,431	2,344,349	2,152,026	1,323,087	820,140
	4,818,780	4,437,017	4,038,935	3,846,612	3,017,673	2,514,726
SHARE PRICES AS ON JUNE 30	26.00	34.80	27.30	13.58	10.50	12.70
EARNING PER SHARE	4.75	4.85	4.13	4.89	2.97	2.32
RATIOS:						
RETURN ON ASSETS	0.12	0.12	0.10	0.11	0.06	0.06
PRICE EARNING RATIO	5.47	7.18	6.60	2.78	3.54	5.47
BREAK UP VALUE PER SHARE OF Rs. 10 EACH	28.44	26.18	23.83	22.70	17.81	19.29
CURRENT RATIO	1.70	1.89	1.85	1.89	1.50	1.56
NET PROFIT/(LOSS) TO SALES (%AGE)	27.60%	35.18%	29.23%	38.93%	29.61%	23.25%

Statement Of Compliance

With The Code Of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.37, 43 and 36 of listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Board of the Company comprises of four non-executive and three executive directors. At present there is no representation of independent non-executive director and director representing minority shareholders on the Board of the Company. We shall encourage their representation in the forthcoming elections.

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

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

4. The casual vacancy occurring in the Board on November 05, 2004 was filled up within 07 days thereof.

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

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

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

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

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

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.

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

Statement Of Compliance

With The Code Of Corporate Governance

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

13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors. An executive director is the Chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function, members of which are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

for and on behalf of the Board

Lahore
September 08, 2005

Haruyoshi Murakami
Chief Executive

Review Report to the Members

On Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Kohinoor Energy Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange, where the company is listed.

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

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

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2005.

Lahore,
September 08, 2005

A.F. Ferguson & Co.
Chartered Accountants

Auditors' Report

To the Members

We have audited the annexed balance sheet of Kohinoor Energy Limited as at June 30, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change referred to in note 2.3 to the accounts with which we concur;

  (ii) the expenditure incurred during the year was for the purpose of the company's business; and

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2005 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Lahore,
September 08, 2005

A.F. Ferguson & Co.
Chartered Accountants

Balance Sheet

	Note	2005	2004
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
170,000,000 (2004: 170,000,000) ordinary shares of Rs 10 each		1,700,000	1,700,000
Issued, subscribed and paid up capital			
169,458,614 (2004: 169,458,614) ordinary shares of Rs 10 each	3	1,694,586	1,694,586
Unappropriated profit	4	3,124,194	2,911,890
		4,818,780	4,606,476
NON-CURRENT LIABILITIES			
Long term loans	5	805,885	1,411,778
Staff retirement benefits	6	3,519	21,678
		809,404	1,433,456
CURRENT LIABILITIES			
Current portion of long term loans	8	642,912	626,485
Creditors, accrued and other liabilities	9	413,402	107,944
Provision for taxation		87,002	80,182
		1,143,316	814,611
CONTINGENCIES AND COMMITMENTS	10		
		6,771,500	6,854,543

Chief Executive

KOHINOOR ENERGY LIMITED

As At JUNE 30,2005

	Note	2005	2004
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	4,799,639	4,964,596
Intangible assets	12	5,661	6,991
Capital work-in-progress	13	18,328	20,898
Long term loans and deposits	14	4,350	4,476
		4,827,978	4,996,961
CURRENT ASSETS			
Stores, spares and loose tools	15	285,179	203,822
Stock-in-trade	16	130,725	121,076
Trade debts	17	394,102	280,563
Loans, advances, deposits, prepayments and other receivables	18	260,150	185,357
Cash and bank balances	19	873,366	1,066,764
		1,943,522	1,857,582
		6,771,500	6,854,543

The annexed notes 1 to 35 form an integral part of these financial statements.

Director

Profit and Loss Account

For The Year Ended June 30, 2005

	Note	2005	2004
		(Rupees in thousand)	
Sales	20	2,918,583	2,335,476
Cost of sales	21	(1,879,009)	(1,264,170)
Gross profit		1,039,574	1,071,306
Administration and general expenses	22	(107,120)	(108,484)
Other operating income	23	42,331	46,349
Profit from operations		974,785	1,009,171
Finance cost	24	(161,476)	(181,150)
Profit before taxation		813,309	828,021
Taxation	25	(7,900)	(6,292)
Profit after taxation		805,409	821,729
Earnings per share	32	4.75	4.85

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Executive **Director**

KOHINOOR ENERGY LIMITED

Cash Flow Statement

For the Year Ended June 30,2005

	Note	2005	2004
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	26	895,976	1,165,596
Staff retirement benefits paid		(25,197)	(1,281)
Finance cost paid		(163,469)	(188,898)
Taxes paid		(1,080)	(1,374)
Net cash from operating activities		706,230	974,043
Cash flows from investing activities			
Fixed capital expenditure		(27,194)	(33,261)
Interest/mark-up income received		22,567	18,269
Net increase in long term loans and deposits		126	608
Sale proceeds of property, plant and equipment		8,777	1,074
Net cash from/(used in) investing activities		4,276	(13,310)
Cash flows from financing activities			
Repayment of Long term loans (net)		(629,440)	(620,256)
Dividend paid		(274,464)	(506,878)
Net cash used in financing activities		(903,904)	(1,127,134)
Net (decrease) in cash and cash equivalents		(193,398)	(166,401)
Cash and cash equivalents at beginning of the year		1,066,764	1,233,165
Cash and cash equivalents at the end of the year	19	873,366	1,066,764

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Executive **Director**

KOHINOOR ENERGY LIMITED

Statement of Changes in Equity

For the Year Ended June 30, 2005

(Rupees in thousand)

	Share Capital	Unappropriated Profit	Total
Balance as on June 30, 2003 as previously reported	1,694,586	2,344,349	4,038,935
Effect of change in accounting policy (note 2.3) Final dividend for the year ended June 30, 2003 declared subsequent to year end	-	254,188	254,188
Balance as on June 30, 2003 as restated	1,694,586	2,598,537	4,293,123
Final dividend for the year ended June 30, 2003 Rs. 1.50 per share	-	(254,188)	(254,188)
Net profit for the year	-	821,729	821,729
Interim dividend - Rs 1.50 per share	-	(254,188)	(254,188)
Balance as on June 30, 2004 as restated	1,694,586	2,911,890	4,606,476
Final dividend for the year ended June 30, 2004 Rs. 1.00 per share	-	(169,459)	(169,459)
Net profit for the year	-	805,409	805,409
Dividends			
- 1st Interim dividend - Rs 1.25 per share	-	(211,823)	(211,823)
- 2nd Interim dividend - Rs 1.25 per share	-	(211,823)	(211,823)
- Total Interim dividend - Rs 2.50 per share		(423,646)	(423,646)
Balance as on June 30, 2005	1,694,586	3,124,194	4,818,780

Chief Executive **Director**

Notes To The Financial Statements

For The Year Ended June 30, 2005

1. **Legal status and nature of business**

The company is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. Its principal activity is to generate and sell electric power.

2. **Significant accounting policies**

2.1 **Basis of preparation**

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 **Accounting convention**

These financial statements have been prepared under the historical cost convention, modified by capitalisation of exchange differences referred to in note 2.19, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

2.3 **Change in accounting policy**

During the year, the SECP substituted the Fourth Schedule to the Companies Ordinance, 1984 which is effective from financial year ending on or after July 5, 2004. This has resulted in the change in accounting policy pertaining to the recognition of dividends proposed subsequent to year end. In order to comply with the substituted Fourth Schedule to the Companies Ordinance, 1984, the Company has not recognised the final dividend, proposed subsequent to the year end, as a liability. Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the recommended benchmark treatment of IAS-8, Net profit or loss for the period, fundamental errors and changes in accounting policy. Had there been no change, the unappropriated profit and the current liabilities for the year ended June 30, 2005 would have been lower and higher respectively by Rs. 169.459 million (2004: Rs. 169.459 million).

2.4 **Taxation**

Current

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

The company is also exempt from minimum tax on turnover under clause 15 of the Part IV of the Second Schedule to the Income Tax Ordinance, 2001. However, full provision is made in the profit and loss account on income from sources not covered under the above clauses at current rates of taxation after taking into account tax credits and rebates available, if any.

2.5 Staff retirement benefits

The company previously operated an unfunded gratuity scheme for all employees according to the terms of employment subject to a minimum qualifying period of service. During the year a separate fund has been created and the annual contribution is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period. The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2005. The actual return on plan assets during the year were Rs. Nil for the gratuity fund. The actual return on plan assets represent 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.

The future contribution rates of these plans include allowances for deficit and surplus. Projected Unit Credit Method, using the following significant assumptions, is used for valuation of these schemes:

- Discount rate 9 percent per annum.
- Expected rate of increase in salary level 8 percent per annum.
- Expected rate of return 9 percent per annum.

The Company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 (revised 2000).

2.6 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 in relation to certain plant and machinery comprises historical cost, exchange differences referred to in note 2.19 and interest etc. referred to in note 2.20.

Depreciation on all operating property, plant and equipment is charged to profit on the straight line method so as to write off the cost of an asset over its estimated useful life at the annual rates mentioned in note 11.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalised, while no depreciation is charged for the year in which the asset is disposed off. Impairment loss or its reversal, if any, is also charged to income. 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.

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

Major renewals and improvements are capitalised. Overhauls, maintenance and normal 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.

Notes To The Financial Statements

For The Year Ended June 30, 2005

2.7 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 its estimated useful life at the annual rate mentioned in note 12.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised, while no amortisation is charged for the month in which the asset is disposed off. Impairment loss or its reversal, if any, is also charged to income. 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.

2.8 Capital work-in-progress

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

2.9 Operating leases

The company is the lessee:

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.

2.10 Stores and spares

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

2.11 Stock in trade

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

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.

2.12 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.13 Trade debts

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

Notes To The Financial Statements

For The Year Ended June 30, 2005

2.14 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.

2.15 Borrowings

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

2.16 Creditors, accrued and other liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

2.17 Provisions

Provisions are recorded when the company has a present obligation as a result of past event which it is probable will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

2.18 Derivative financial instruments

These are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

2.19 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 on loans utilised for the acquisition of plant and machinery are capitalised.

All other exchange differences are included in profit currently.

2.20 Borrowing costs

Mark-up, interest and other charges on long term loans are capitalised up to the date of commissioning of the related plant and machinery, acquired out of the proceeds of such long term loans. All other mark-up, interest and other charges are charged to profit.

2.21 Revenue recognition

Revenue on account of energy is recognised on transmission of electricity to WAPDA, whereas that on account of capacity is recognised when due.

Profit on deposits with onshore banks is recognised on a time proportion basis by reference to the amounts outstanding and the applicable rates of return, whereas profit on deposits with offshore bank is recognised on receipt basis.

Notes To The Financial Statements

For The Year Ended June 30, 2005

3. Issued, subscribed and paid up capital

2005	2004		2005	2004
(Number of Shares)			(Rupees in thousand)	
130,352,780	130,352,780	ordinary shares of Rs 10 each fully paid in cash	1,303,528	1,303,528
39,105,834	39,105,834	ordinary shares of Rs 10 each issued as fully paid bonus shares	391,058	391,058
169,458,614	169,458,614		1,694,586	1,694,586

33,891,722 shares (2004: 33,891,722 shares) of the company are held by Tomen Corporation, Japan an associated concern as at June 30, 2005.

4. In accordance with terms of agreement between the company and the lenders of long term loans, there are certain restrictions on distribution of dividends by the company.

5. Long term loans

		2005	2004
		(Rupees in thousand)	
Secured	- note 5.1	705,586	1,274,948
Unsecured	- note 5.2	100,299	136,830
		805,885	1,411,778

5.1 Secured

These are composed of:

Lender	Currency	Foreign Currency balance 2005	Foreign Currency balance 2004	Rupees equivalent 2005	Rupees equivalent 2004	Rate of interest per annum	No of equal half yearly instalments	Interest payable
		(Amount in thousands)		(Rupees in thousand)				
International Finance Corporation								
- Loan A	US $	8,750	11,250	523,950	656,438	11.25%	7, ending September, 2008	Half yearly
- Loan B	US $	6,100	10,167	365,268	593,225	Libor + 2.5%	3, ending September, 2006	Half yearly
ABN Amro Bank								
- Commercial Loan	US $	7,000	10,500	419,160	612,675	7.45%	4, ending March, 2007	Half yearly
		21,850	31,917	1,308,378	1,862,338			
Less: Current maturity		10,067	10,067	602,792	587,390			
		11,783	21,850	705,586	1,274,948			

KOHINOOR ENERGY LIMITED

Security

These loans are secured by a registered mortgage on the company's freehold land and building, a first charge on present and future moveable assets including plant and machinery, equipment and motor vehicles and a floating charge on the company's present and future current assets including stock in trade, stores and spares, trade debts and other receivables.

5.2. Unsecured

This represents a loan of US $ 6.7 million, availed for meeting loan repayments.

Lender	Currency	Foreign Currency balance 2005	Foreign Currency balance 2004	Rupees equivalent 2005	Rupees equivalent 2004	Rate of interest per annum	No of equal half yearly instalments	Interest payable
		(Amount in thousands)		(Rupees in thousand)				
Tomen Corporation, Japan - Related party	US $	2,345	3,015	140,419	175,925	Libor + 5%	7, ending September, 2008	Half yearly
Less: Current maturity		670	670	40,120	39,095			
		1,675	2,345	100,299	136,830			

6. Staff retirement benefits

These represent staff gratuity and the amounts recognised in the balance sheet are as follows:

	2005	2004
	(Rupees in thousand)	
Fair value of plan assets	(19,059)	-
Present value of defined benefit obligation	28,203	25,392
Unrecognised actuarial losses	(5,625)	(3,714)
Liability as at June 30	3,519	21,678
Net liability as at July 1	21,678	14,639
Charge to profit and loss account	7,038	8,320
Contribution by the company	(25,197)	(1,281)
Liability as at June 30	3,519	21,678

Notes To The Financial Statements

For The Year Ended June 30, 2005

7. Finance under mark up arrangement - secured

Short term running finance available from a commercial bank under mark up arrangement amounts to Rs 100 million (2004: Rs Nil) and the amount utilized at June 30, 2005 was Rs Nil (2004: Rs Nil). The rate of mark-up is six months KIBOR plus 2.5% with a floor of 6% on the balance outstanding. The running finance is secured by a second charge over the fixed assets and by a second hypothecation charge over stores, spares, stock-in-trade and trade debts.

8. Current portion of long term loans

		2005	2004
		(Rupees in thousand)	
Secured	- note 5.1	602,792	587,390
Unsecured	- note 5.2	40,120	39,095
		642,912	626,485

9. Creditors, accrued and other liabilities

Trade creditors		6,919	9,082
Retention money		350	512
Accrued liabilities		1,592	1,876
Income tax deducted at source		1,630	1,030
Interest accrued on long term loans			
- Secured		37,290	47,516
- Unsecured		3,864	3,659
Workers' profit participation fund	- note 9.1	40,666	41,401
Security deposits		-	74
Unclaimed dividend		320,532	1,891
Other payables		559	903
		413,402	107,944

9.1 Workers' profit participation fund

Opening balance as on July 1		41,401	35,679
Provision for the year	- note 18.1	40,666	41,401
Interest for the year	- note 24	19	26
		82,086	77,106
Less: Payments made during the year		41,420	35,705
		40,666	41,401

Notes To The Financial Statements

For The Year Ended June 30, 2005

10. Contingencies and commitments

10.1 Contingencies

(i) Letter of credit of Rs 235 million (2004: Rs 215 million) in favour of WAPDA on account of liquidated damages, if the company fails to make available electricity to WAPDA on its request. The facility is secured by a second charge on fixed and current assets of the company and assignment on sale proceeds of electricity or any other payments receivable from WAPDA.

(ii) The Company has issued guarantee in favour of Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 4.250 million (2004: Rs 4.250 million). This is secured by a second charge on fixed assets of the Company.

(iii) The Company has issued guarantee amounting to US $ 6.110 million (2004: US $ Nil), equivalent to Rs 366 million, in favour of U.S Bank Trust National Association in order to meet the foreign reserve requirements, as referred to in note 19.1. This is secured by a second charge on fixed and current assets of the Company.

10.2 Commitments

(i) Contracts for capital expenditure Rs 19.60 million (2004: Rs 6.216 million).

(ii) Letter of credit other than capital expenditure Rs 0.581 million (2004: Rs 12.423 million).

11. Property, plant and equipment

(Rupees in thousand)

	Cost as at June 30, 2004	Additions/ (deletions)	Cost as at June 30, 2005	Accumulated depreciation as at June 30, 2004	Depreciation charge for the year/ (deletions)	Accumulated depreciation as at June 30, 2005	Book value as at June 30, 2005	Rate %
Freehold land	9,612	2,279	11,891	-	-	-	11,891	-
Buildings on freehold land	550,042	9,048	559,090	147,161	17,647	164,808	394,282	4.002 - 4.532
Plant and machinery	6,212,312	39,580	6,251,892	1,715,891	196,424	1,912,315	4,339,577	4.002 - 4.532
Office appliances and equipment	3,511	50	3,561	1,243	256	1,499	2,062	10
Laboratory equipment	2,576	-	2,576	1,109	257	1,366	1,210	10
Electric appliances and equipment	9,229	990	10,219	3,954	1,035	4,989	5,230	10
Computers	45,061	520 (131)	45,450	16,248	6,401 (19)	22,630	22,820	10 - 35
Furniture and fixtures	8,837	-	8,837	3,316	813	4,129	4,708	10
Vehicles	17,570	17,271 (11,990)	22,851	5,232	3,292 (3,532)	4,992	17,859	20
2005	6,858,750	69,738 (12,121)	6,916,367	1,894,154	226,125 (3,551)	2,116,728	4,799,639	
2004	6,828,801	31,664 (1,715)	6,858,750	1,670,313	224,653 (812)	1,894,154	4,964,596	

Additions to buildings and plant and machinery include exchange loss on foreign currency loans amounting to Rs 3.137 million and Rs 36.836 million respectively.

Notes To The Financial Statements

For The Year Ended June 30, 2005

11.1 Disposal of operating fixed assets

(Rupees in Thousand)

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

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposals
Motor vehicles	**Employees**					
	Mr. Ghazzanfar Ali Zaidi	1,313	569	744	875	Negotiation
	Mr. Muhammad Asif	843	197	646	675	-do-
	Mr. Maqsood Ahmed	889	237	652	750	-do-
	Mr. Mukhtar Ahmed	889	237	652	650	-do-
	Mr. Ahmed Zia Haider	1,310	567	743	875	-do-
	Mr. Usman Azam Khan	384	314	70	312	Company policy
	Mr. Saleem Akhtar	1,087	289	798	725	Negotiation
	Mr. Saqib Javaid	898	209	689	625	-do-
	Outsiders					
	Mr. Muhammad Iqbal	582	252	330	300	-do-
	Mr. Muhammad Ejaz	1,082	289	793	750	-do-
	Mr. Irfan Sarfraz	1,697	-	1,697	1,425	-do-
	Ms. Saima Nasir	1,016	372	644	775	-do-
Computer	M/s Alfalah Computers	131	19	112	40	-do-
		12,121	3,551	8,570	8,777	

12. Intangible assets

(Rupees in thousand)

	Cost as at June 30, 2004	Additions	Cost as at June 30, 2005	Accumulated amortisation as at June 30, 2004	Amortisation charge for the year	Accumulated amortisation as at June 30, 2005	Book value as at June 30, 2005	Rate %
Computer software - acquired	13,302	-	13,302	6,311	1,330	7,641	5,661	10
2005	13,302	-	13,302	6,311	1,330	7,641	5,661	
2004	11,284	2,018	13,302	5,079	1,232	6,311	6,991	

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

		Depreciation	Amortisation	2005 Total	2004 Total
				(Rupees in thousand)	
Cost of sales	- note 21	220,978	1,128	222,106	220,360
Administration and general expenses	- note 22	5,147	202	5,349	5,525
		226,125	1,330	227,455	225,885

Notes To The Financial Statements

For The Year Ended June 30, 2005

13. Capital work-in-process		2005	2004
		(Rupees in thousand)	
Plant and machinery		-	2,744
Civil works and buildings		18,328	18,154
		18,328	20,898

14. Long term loans and deposits			
Loans to employees - considered good	- note 14.1		
- Executives	- note 14.2	2,708	3,045
- Other employees		3,265	4,337
		5,973	7,382
Less: Current portion included in current assets			
- Executives		873	1,197
- Other employees		1,191	2,250
		2,064	3,447
		3,909	3,935
Security deposits		441	541
		4,350	4,476

14.1 These represent interest free loans to executives and employees for purchase of motor cars, motor cycles etc and are repayable in monthly instalments over a period of 36 to 60 months.

14.2. Reconciliation of carrying amount of loans to Executives	2005	2004
	(Rupees in thousand)	
Opening balance as on July 1,	3,045	4,020
Disbursements	4,379	1,016
	7,424	5,036
Less: Repayments	3,902	1,991
Transfer to gratuity fund	814	-
	4,716	1,991
	2,708	3,045

Loans aggregating Rs 5.954 million (2004: Rs 5.219 million) are secured by registration of motor cars in the name of the company and open transfer letters signed by the employees in the case of Motor cycles.

The balance loans of Rs 19 thousand (2004: Rs 2.163 million) are secured against the employees respective retirement benefits.

Long term loans outstanding for more than 3 years amount to Rs Nil (2004: Rs Nil).

The maximum aggregate amount due at the end of any month during the year from the executives was Rs 2.689 million (2004: Rs 7.573 million).

15. Stores, spares and loose tools

	2005	2004
	(Rupees in thousand)	
Stores including in transit Rs 3.377 million (2004 : Rs Nil)	8,864	3,283
Spares including in transit Rs 2.385 million (2004 : Rs 2.184 million)	275,885	200,128
Loose tools	430	411
	285,179	203,822

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

15.1 Included in stores are chemicals valuing Rs 84 thousand and machine part valuing Rs 52 thousand held at ICI Pakistan Limited and Ubaid Akhtar Trading Company respectively.

16. Stock in trade

	2005	2004
These comprise of the following	(Rupees in thousand)	
Furnace oil	129,584	117,894
Diesel	304	699
Lubricating oil	837	2,483
	130,725	121,076

17. Trade debts

		2005	2004
These are receivable from WAPDA and include secured debts of Rs 394 million (2004: Rs 281 million)			
- Considered good		394,102	280,563
- Considered doubtful		877	-
		394,979	280,563
Less: Provision for doubtful debts	- note 17.2	877	-
		394,102	280,563

17.1 These are interest free, however, a penal mark-up of six months treasury bill plus 2% is charged in case the amounts are not paid within due dates.

KOHINOOR ENERGY LIMITED

Notes To The Financial Statements

For The Year Ended June 30, 2005

17.2. Provision for doubtful debts	2005	2004
	(Rupees in thousand)	
Opening balance as on July 1	-	907
Provision for the year	877	-
	877	907
Less: Debtors written off	-	907
	877	-

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

		2005	2004
Current portion of long term loans to employees	- note 14	2,064	3,447
Advances - considered good			
- To employees		2,013	3,624
- To suppliers		113,210	40,152
Prepayments		38,936	50,488
Sales tax recoverable		47,806	28,458
Profit receivable on bank deposits		653	636
Claims recoverable from WAPDA for pass through items (Workers' Profit Participation Fund)	- note 18.1	40,666	41,401
Other receivables - considered good		14,802	17,151
		260,150	185,357

Included in advances to employees are amounts due from executives and directors Rs 0.465 million (2004: Rs 0.410 million) and Rs Nil (2004: Rs Nil) respectively. The maximum aggregate amount due from executives and directors at the end of any month during the year was Rs 0.535 million (2004: Rs 1.435 million) and Rs 0.045 million (2004: Rs 0.368 million) respectively.

18.1 Workers' profit participation fund		2005	2004
		(Rupees in thousand)	
Opening balance as on July 1		41,401	78,036
Provision for the year	- note 9.1	40,666	41,401
		82,067	119,437
Less: Receipts during the year		41,401	78,036
		40,666	41,401

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

Notes To The Financial Statements

For The Year Ended June 30, 2005

19. Cash and bank balances		2005	2004
		(Rupees in thousand)	
Balance at banks on:			
Current accounts	- note 19.1		
- Off shore - US $ 6,416,609 (2004: US $ 13,524,553)		384,226	789,158
- On shore		92,460	224,661
Special account related to dividend payable		760	1,540
Saving account - on shore		394,257	12,534
		871,703	1,027,893
Cash in hand		1,663	38,871
		873,366	1,066,764

19.1 These bank accounts are governed by Trust and Retention Agreement with lenders, whereby, the company is required to keep its entire funds with the Trustees in Offshore and Onshore Escrow accounts in foreign and local currencies respectively. These funds are released by the Trustees out of Escrow accounts in accordance with annual budgets approved by the lenders. Special permission for operating and maintaining these accounts has been obtained from the State Bank of Pakistan.

19.2 The balances in bank accounts bear mark-up which ranges from 0.10% to 7.50% per annum.

20. Sales	2005	2004
	(Rupees in thousand)	
Energy purchase price	1,519,156	994,583
Capacity purchase price	1,399,427	1,340,893
	2,918,583	2,335,476

Energy purchase price is exclusive of sales tax of Rs 218.128 million (2004: Rs 141.899 million).

21. Cost of sales		2005	2004
		(Rupees in thousand)	
Raw material consumed		1,335,637	854,595
Salaries, wages and benefits	- note 21.1	43,340	36,923
Fee for Produce of Energy (FPE)		32,515	23,120
Stores and spares consumed		171,762	52,228
Depreciation/amortisation	- note 12.1	222,106	220,360
Insurance		46,121	44,391
Travelling, conveyance and entertainment		4,972	5,065
Repairs and maintenance		9,971	9,438
Printing and stationery		2	118
Communication charges		2,004	2,088
Electricity consumed in-house		6,522	8,449
Rent, rate and taxes		243	295
Miscellaneous		3,814	7,100
		1,879,009	1,264,170

21.1 Salaries, wages and other benefits

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

Current Service cost	2,510	1,807
Interest cost for the year	1,036	618
Recognition of past service cost	-	1,200
Recognition of loss	43	36
	3,589	3,661

Notes To The Financial Statements

For The Year Ended June 30, 2005

22. Administration and general expenses

		2005	2004
		(Rupees in thousand)	
Salaries, wages and benefits	- note 22.1	50,975	46,695
Printing and stationery		480	1,669
Communication charges		2,001	1,844
Depreciation/amortisation	- note 12.1	5,349	5,525
Insurance		1,859	984
Travelling, conveyance and entertainment		13,304	11,910
Repairs and maintenance		4,130	2,197
Legal and professional charges	- note 22.2	7,270	2,075
Debts written off		-	3,893
Other receivables written off		3,889	18,578
Donations	- note 22.3	413	304
Rents, rates and taxes		1,565	1,264
Fee and subscription		353	1,019
Provision for doubtful debts		877	-
Miscellaneous		14,655	10,527
		107,120	108,484

22.1 Salaries, wages and other benefits

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

Current Service cost	2,412	2,299
Interest cost for the year	995	787
Recognition of past service cost	-	1,527
Recognition of loss	41	46
	3,448	4,659

Notes To The Financial Statements

For The Year Ended June 30, 2005

22.2 Legal and professional charges	**2005**	**2004**
	(Rupees in thousand)	
Legal and professional charges include the following in respect of auditors' services for:		
Statutory audit	510	485
Half yearly review	158	150
Tax services	2,492	309
Foreign reporting and sundry services	182	120
Out of pocket expenses	43	36
	3,385	1,100

22.3 Donations

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

23. Other operating income

Interest on bank deposits		
- On shore	9,419	9,953
- Off shore	13,165	8,023
Profit on sale of fixed assets	207	171
Exchange gain	8,028	4,524
Provisions and unclaimed balances written back	308	-
Insurance claim	10,000	22,922
Scrap sale	1,204	756
	42,331	46,349

Notes To The Financial Statements

For The Year Ended June 30, 2005

24. Finance cost

		2005	2004
		(Rupees in thousand)	
Interest on long term loans			
- Secured		125,991	160,053
- Unsecured		11,366	12,120
Lender's consultancy charges		7,435	-
Loan administration fee		5,518	5,094
Bank guarantee and L/C commission		11,003	3,775
Interest on Worker's Profit Participation Fund	- note 9.1	19	26
Others		144	82
		161,476	181,150

25. Taxation

This represents the tax provision for the current year.

25.1 Tax charge reconciliation

Profit before tax	813,309	828,021
Tax calculation @ 35% (2004: 35%)	284,658	289,807
Tax effect of exempt income referred to in note 2.4	(276,758)	(283,515)
Tax charge	7,900	6,292

Notes To The Financial Statements

For The Year Ended June 30, 2005

26. Cash generated from operations

	2005	2004
	(Rupees in thousand)	
Profit before taxation	813,309	828,021
Adjustment for non cash charges and other items:		
Depreciation/amortisation	227,455	225,885
Profit on sale of fixed assets	(207)	(171)
Exchange gain	(8,028)	(4,524)
Interest income	(22,584)	(17,976)
Provision for gratuity	7,038	8,320
Debts and advances written off	3,889	22,471
Provision for doubtful debts	877	-
Finance cost	161,476	181,150
	1,183,225	1,243,176
Working capital changes		
(Increase)/decrease in current assets		
Stores and spares	(81,357)	(26,271)
Stock in trade	(9,649)	(1,031)
Trade debts	(114,416)	(68,974)
Other receivables	(78,665)	12,648
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	(3,162)	6,048
	(287,249)	(77,580)
	895,976	1,165,596

27. Remuneration of Chief Executive, Directors and Executives

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

(Rupees in thousand)

	Chief Executive		Directors		Executives	
	2005	2004	2005	2004	2005	2004
Managerial remuneration and allowances	3,555	3,255	7,400	6,754	6,707	4,358
Housing	1,600	837	3,330	3,039	3,018	1,961
Retirement benefits	627	573	1,268	1,159	1,254	775
Medical expenses	-	-	118	31	277	61
Bonus	920	840	1,860	1,700	1,634	1,136
Utilities	355	324	407	588	671	436
Others	2,617	2,479	4,895	4,799	3,504	3,132
	9,674	8,308	19,278	18,070	17,065	11,859
Number of persons	1	1	2	2	11	6

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

27.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 4 directors (2004: 4 directors) was Rs Nil (2004: Rs Nil).

28. Transactions with related parties

The related parties comprise associated undertakings and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors are shown under receivables and remuneration of directors is disclosed in note 27. Other significant transactions with related parties are as follows:

	2005	2004
	(Rupees in thousand)	
Description		
Purchase of goods and services	345	1,820
Loan repayments	39,530	38,706
Interest expense	11,366	12,120
	51,241	52,646

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

29. Proposed dividend

The Board of Directors have proposed a final dividend for the year ended June 30, 2005 of Rs.1.00 per share, amounting to Rs.169.459 million at their meeting held on September 08, 2005 for approval of the members at the Annual General Meeting to be held on October 28, 2005. These financial statements do not reflect this dividend payable, as explained in note 2.3.

30. Capacity and production

	2005	2004
	MWH	MWH
Installed capacity (Based on 8,760 hours)	1,051,200	1,051,200
Actual energy delivered	440,051	339,024

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

31. Financial assets and liabilities

(Rupees in thousand)

	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	2005	2004	2005	2004
Financial assets										
On balance sheet										
Trade debts	-	-	-	394,102	-	394,102	394,102	280,563	394,102	280,563
Loans, advances, deposits, prepayments:										
- Loans to staff	-	-	-	2,064	3,909	5,973	5,973	7,382	-	-
- Profit receivable on bank deposits	-	-	-	653	-	653	653	636	653	636
- Security deposits	-	-	-	-	441	441	441	541	441	541
- Claims recoverable from WAPDA for pass through items (WPPF)	-	-	-	40,666	-	40,666	40,666	41,401	40,666	41,401
- Other receivables	-	-	-	14,802	-	14,802	14,802	17,151	14,802	17,151
Cash and bank balances	394,257	-	394,257	479,109	-	479,109	873,366	1,066,764	871,703	1,027,893
	394,257	-	394,257	931,396	4,350	935,746	1,330,003	1,414,438	1,322,367	1,368,185
Off balance sheet	-	-	-	-	-	-	-	-	-	-
Total	394,257	-	394,257	931,396	4,350	935,746	1,330,003	1,414,438	1,322,367	1,368,185
Financial liabilities										
On balance sheet										
Long term loans										
- Secured	602,792	705,586	1,308,378	-	-	-	1,308,378	1,862,338		
- Unsecured	40,120	100,299	140,419	-	-	-	140,419	175,925		
Creditors, accrued and other liabilities	-	-	-	371,106	-	371,106	371,106	65,513		
	642,912	805,885	1,448,797	371,106	-	371,106	1,819,903	2,103,776		
Off balance sheet										
Letters of credit	-	-	-	600,910	-	600,910	600,910	215,000		
Guarantees	-	-	-	4,250	-	4,250	4,250	4,250		
Contracts for capital expenditure	-	-	-	19,600	-	19,600	19,600	6,216		
Letters of credit other than for capital expenditure	-	-	-	581	-	581	581	12,423		
	-	-	-	625,341	-	625,341	625,341	237,889		
Total	642,912	805,885	1,448,797	996,447	-	996,447	2,445,244	2,341,665		
On balance sheet gap	(248,655)	(805,885)	(1,054,540)	560,290	4,350	564,640	(489,900)	(689,338)		
Off balance sheet gap	-	-	-	(625,341)	-	(625,341)	(625,341)	(237,889)		

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, 2005

31.1 Financial risk management objectives

The company finances its operation through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize 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 to 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. Out of the total financial assets of Rs 1,330.003 million (2004: Rs 1,414.438 million), the financial assets which are subject to credit risk amounted to Rs 1,322.367 million (2004: Rs 1368.185 million). To manage exposure to credit risk, the company obtains collaterals.

(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 minimized.

(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 risk are covered through registration of loan agreements with the State Bank of Pakistan thereby the bank is responsible to provide foreign currency at official rates.

(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.

31.2 Fair value of financial assets and liabilities

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

32. Earnings per share		2005	2004
32.1 Basic earnings per share			
Net profit for the year	**Rupees in thousand**	805,409	821,729
Weighted average number of ordinary shares	**Numbers**	169,458,614	169,458,614
Earnings per share	**Rupees**	4.75	4.85

32.2 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.

33. Number of employees

The company employed 137 employees as at June 30, 2005 (2004: 149)

34. Date of authorization for issue

These financial statements were authorised for issue on September 08, 2005 by the Board of Directors of the Company.

35. Corresponding figures

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

The definition of executives under the Companies Ordinance, 1984 was revised during the year with respect to minimum basic salary requirement from Rs. 100,000 to Rs. 500,000. Therefore, the figures of the previous year have been restated for the purposes of comparison.

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

Chief Executive **Director**

Pattern of Shareholding

As at June 30, 2005

NO. OF SHAREHOLDERS	SHAREHOLDING FROM		TO	TOTAL SHARES HELD
50	1	-	100	3,697
137	101	-	500	45,886
138	501	-	1,000	118,947
234	1,001	-	5,000	702,700
100	5,001	-	10,000	824,858
36	10,001	-	15,000	458,870
30	15,001	-	20,000	548,500
15	20,001	-	25,000	364,500
14	25,001	-	30,000	410,400
2	30,001	-	35,000	69,000
13	35,001	-	40,000	496,600
2	40,001	-	45,000	85,750
11	45,001	-	50,000	545,000
1	50,001	-	55,000	50,500
8	55,001	-	60,000	470,000
2	60,001	-	65,000	126,600
2	65,001	-	70,000	136,000
3	70,001	-	75,000	220,500
2	80,001	-	85,000	166,375
4	95,001	-	100,000	397,500
3	100,001	-	105,000	309,568
1	115,001	-	120,000	119,000
1	125,001	-	130,000	127,000
1	130,001	-	135,000	135,000
1	140,001	-	145,000	141,500
1	145,001	-	150,000	150,000
1	150,001	-	155,000	150,500
1	155,001	-	160,000	159,510
1	160,001	-	165,000	165,000
1	165,001	-	170,000	170,000
1	170,001	-	175,000	172,500
1	175,001	-	180,000	179,500
1	185,001	-	190,000	186,500
6	195,001	-	200,000	1,191,369
1	205,001	-	210,000	208,500
1	225,001	-	230,000	230,000
2	240,001	-	245,000	484,500
3	245,001	-	250,000	750,000
1	250,001	-	255,000	251,500
1	255,001	-	260,000	259,093
1	275,001	-	280,000	276,769
2	295,001	-	300,000	599,000
1	305,001	-	310,000	310,000
1	330,001	-	335,000	334,596
1	345,001	-	350,000	350,000
2	370,001	-	375,000	743,374
1	425,001	-	430,000	425,500
1	470,001	-	475,000	475,000
1	475,001	-	480,000	479,500
2	485,001	-	490,000	980,000
1	495,001	-	500,000	500,000
1	595,001	-	600,000	600,000
1	610,001	-	615,000	615,000
1	665,001	-	670,000	667,500
1	720,001	-	725,000	723,000
1	805,001	-	810,000	810,000
1	905,001	-	910,000	906,500
1	945,001	-	950,000	947,500
1	1,055,001	-	1,060,000	1,059,850
1	1,075,001	-	1,080,000	1,080,000
1	1,660,001	-	1,665,000	1,662,000
1	2,230,001	-	2,235,000	2,231,500
1	3,385,001	-	3,390,000	3,389,171
1	3,395,001	-	3,400,000	3,398,500
1	3,625,001	-	3,630,000	3,628,500
2	7,900,001	-	7,905,000	15,805,998
2	14,125,001	-	14,130,000	28,253,241
1	25,415,001	-	25,420,000	25,418,792
1	27,110,001	-	27,115,000	27,113,378
1	33,890,001	-	33,895,000	33,891,722
869				**169,458,614**

Pattern of Shareholding

As at June 30, 2005

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE
DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSES AND MINOR CHILDREN			
MR. M. NASEEM SAIGOL		14,126,621	8.3363
MRS. SEHYR SAIGOL (W/O Mr. M. Naseem Saigol)		7,902,999	4.6637
MR. HARUYOSHI MURAKAMI (Nomination of Tomen Corporation, Japan)		500	0.0003
MR. UMER MASOOD TARIQ (Nomination of Tomen Power (Singapore) (Private) Ltd.)		2,500	0.0015
SHEIKH MUHAMMAD SHAKEEL		650	0.0004
MR. TOMOYUKI YOSHINAKA		500	0.0003
MR. MUNEKI UDAKA		500	0.0003
MR. ROLF ANDERSSON		500	0.0003
	8	**22,034,770**	
EXECUTIVES	-	-	-
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
TOMEN CORPORATION	1	33,891,722	20.0000
TOMEN POWER (SINGAPORE) (PRIVATE) LTD.	1	27,113,378	16.0000
*(RELATED PARTIES)		**61,005,100**	
NIT AND ICP			
NATIONAL BANK OF PAKISTAN,TRUSTEE DEPTT.	1	1,059,850	0.6254
INVESTMENT CORPORATION OF PAKISTAN	1	3,800	0.0022
		1,063,650	
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.	13	**6,354,268**	3.7497
INSURANCE COMPANIES	4	**932,269**	0.5501
MODARABA AND MUTUAL FUNDS	13	**2,164,200**	1.2771
GENERAL PUBLIC			
a. Local	788	40,992,412	24.1902
b. Foreign (Excluded the shareholders appearing in Associated Companies)	9	29,810,293	17.5915
		70,802,705	
OTHERS	30	**5,101,652**	3.0106
	869	**169,458,614**	**100.0000**

SHAREHOLDERS HOLDING 10% OR MORE			
MR. AND MRS. M NASEEM SAIGOL	2	22,029,620	13.0000
MR. AND MRS. M. AZAM SAIGOL	2	22,029,619	13.0000
INTERNATIONAL FINANCE CORPORATION	1	25,418,792	15.0000
TOMEN CORPORATION	1	33,891,722	20.0000
TOMEN POWER (SINGAPORE) (PRIVATE) LTD.	1	27,113,378	16.0000
		130,483,131	
*** RELATED PARTIES**			
MR. AND MRS. M NASEEM SAIGOL	2	22,029,620	13.0000
MR. AND MRS. M. AZAM SAIGOL	2	22,029,619	13.0000
		44,059,239	

Kohinoor Energy Limited

FORM OF PROXY

Ledger Folio/CDC A/C No. ______ Shares Held ______

I/We ______________________________

of ______________________________ being member(s) of Kohinoor Energy Limited

hereby appoint ______________________________

of ______________________________ or failing him ______________________________

of ______________________________ as my/our Proxy in my/our absence to attend and vote

for me/us and on my/our behalf at the twelfth Annual General Meeting of the Company to be held

on October 28, 2005 at 10:30 a.m. and/or at any adjournment thereof.

As witness my/our hand(s) this ______________ day of ______________ 2005

signed by ______________________________

in the presence of ______________________________

Signed by the said

Revenue Stamp

____

Witness:
Name ______________________________
NIC No. ______________________________
Address ______________________________

Witness:
Name ______________________________
NIC No. ______________________________
Address ______________________________

Notes

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

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

(i) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

(ii) In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

(iii) The proxy shall produce his original NIC or original passport at the time of attending the meeting.

KOHINOOR ENERGY LIMITED