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CORPORATE INFORMATION

Board of Directors

Mr. M. Naseem Saigol
Chairman
Mr. Muneki Udaka
Chief Executive Officer
Mr. Hiroshige Uga
Mr. Shinichi Ushijima
Sheikh Muhammad Shakeel
Mr. Ghazanfar Ali Zaidi
Nominee of
Tomen Power (Singapore) Pvt. Limited
Mr. Ghazanfar Ali Khan
Nominee of Wartsila Finland Oy

Company Secretary

Mr. Muhammad Asif

Audit Committee

Mr. Shinichi Ushijima
Chairman
Sheikh Muhammad Shakeel
Mr. Ghazanfar Ali Khan

Management

Mr. Muneki Udaka
Chief Executive Officer
Sheikh Muhammad Shakeel
Chief Operating Officer
Mr. Ghazanfar Ali Zaidi
General Manager Technical
Mr. Muhammad Ashraf
Chief Financial Officer

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Bankers

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

Registered Office

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

Project/Head Office

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

Shares Registrar

M/s. Corplink (Pvt) Ltd.
Wings Arcade, 1-K, Commercial, Model Town
Lahore Pakistan
Tel: +92 42 5839182, 5887262, 5916719
Fax: +92 42 5869037

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 fifteenth Annual General Meeting of shareholders of Kohinoor Energy Limited will be held on October 31, 2008 (Friday) at 12:00 Noon at Registered Office, 1404, 14th Floor, Green Trust Tower, Blue Area, Islamabad to transact the following business:

1. To confirm minutes of the Annual General Meeting held on October 31, 2007.

2. To receive and adopt the Annual Audited Financial Statements of the Company for the financial year ended June 30, 2008 alongwith Directors' and Auditors' Reports thereon.

3. To approve the Final Dividend @ 10% i.e. Re. 1.00 per share as recommended by the Board in addition to the Interim Dividend already paid @ 10% i.e. Re. 1.00 per share February 2008 making a total dividend of 20% i.e. Rs. 2.00 per share for the financial year ended June 30, 2008.

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

5. **Special Business:**

   To consider and pass with or without modification the following special resolution:

   Resolved that a new article vide number 52-A be and is hereby inserted in the Articles of Association of the Company, as follows:

   "52-A Chief Operating Officer

   There may be a Chief Operating Officer of the Company, if so requested by the Chief Executive Officer. Appointment of any person as the Chief Operating Officer will be made by the Chief Executive Officer, subject to the approval of the Board. The Chief Operating Officer shall perform such functions as the Chief Executive Officer may from time to time specify for the said office."

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

By order of the Board

Lahore:
September 22, 2008

(Muhammad Asif)
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from October 31, 2008 to November 07, 2008 (both days inclusive). Transfers received at our Share Registrar Office situated at CORPLINK (PVT) LIMITED Wings Arcade, 1-K, Commercial, Model Town, Lahore upto the close of business hours on October 30, 2008 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 of the Company situated at plant site near Tablighi Ijtima, Post Office Kohinoor Energy, Raiwind Bypass, Lahore, not less than forty-eight hours before the time of the meeting and must be duly stamped, signed and witnessed.

3. The Central Depository Company's Account Holders/Corporate Entities shall also meet the following requirements:

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

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

   (iii) The proxy shall produce his original NIC or original passport together with the Account No. and Participant's Id at the time of attending the meeting

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

Statement under section 160(1)(b) of the Companies Ordinance, 1984

As per the organizational structure, the company is already having the position of Chief Operating Officer (COO). Presently Sheikh Muhammad Shakeel one of the Board Members is working as COO to manage and administrate the day to day affairs of the Company under the supervision of the Chief Executive Officer. The Board of Directors in its meeting held on September 22, 2008 has decided that since the post of COO is a key position in the organizational structure therefore, an article relating to is appointment should also be included in the Articles of Association of the Company. The directors do not have any personal interest in this item of the agenda.

The Board of Directors is pleased to present the Annual Report together with the audited financial statements of Kohinoor Energy Limited for the financial year ended June 30, 2008.

Principal Activities

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

Financial Results

We report that due to high demand of electricity the Company's total sales revenue of the Company increased to Rs. 7.39 billion as compared Rs. 5.33 billion recorded in the last financial year. The Company posted a profit after tax of Rs. 655 million as against Rs. 837 million earned in the last financial year. The net profit of the Company demonstrated the Earning Per Share of Rs. 3.86 against Rs. 4.94 in the previous year. In terms of the Power Purchase Agreement, the Company was entitled a premium for a period of ten years, uptill June 2007 on account of early achievement of commercial operation date. The conclusion of said premium, decline in pre-structured power tariff and spending on major maintenance of engines are the main reasons of decline in the profit of the Company. The financial results of the Company for the year ended June 30, 2008, are as follows:

		2008	2007
		(Rupees in thousand)	
Profit before taxation		659,693	843,782
Taxation		(5,000)	(7,100)
Profit after taxation		654,693	836,682
Un-appropriated profit brought forward		4,635,217	3,798,535
Available for appropriations		5,289,910	4,635,217
Final Dividend 2007 - Rs. 1.50 per share paid during the year 2007-08		254,188	-
Interim Dividend - Re. 1.00 per share paid during the year 2007-08		169,459	-
Un-appropriated profit carried forward		4,866,263	4,635,217
Earnings per share	**Rupees**	3.86	4.94

Debt Retirement

The Board of Directors feels immense pleasure to report that your Company honoring its commitment to the lenders has completely paid off all of its senior debts that were secured from ABN Amro Bank and International Finance Corporation (IFC, USA). The debs have been paid off within due time without causing delay in any single installment. We are thankful to the lenders for their cooperation and the trust that they extended to the Company for establishment of such a significant power complex.

Operations

We report that due to increase in demand of electricity the Power Complex is constantly running at higher dispatch levels. The Company in return to the load demand of WAPDA in overall dispatched 881,894 MWH of electricity while during the previous financial year the total dispatch was equivalent to 805,527 MWH. The overall capacity factor of the power complex remained at 81.19% as against 74.16% of the last financial year.

Dividend Distribution

The directors take pleasure to recommend, subject to the approval of shareholders of the Company in their ensuing Annual General Meeting, a final dividend at the rate of Re. 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 final dividend, together with the interim dividend which has already been paid @ 10% in December 2007 shall make the cumulative dividend distribution for the financial year 2007-2008 at 20%.

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.
- 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 financial year under review the Board of Directors met for six times and the attendance of the directors was as follows:

Name of Director	No. of Meetings Attended	Name of Director	No. of Meetings Attended
Mr. M. Naseem Saigol	1	Mr. Shinichi Ushijima	1
Mr. Haruyoshi Murakami	5	Mr. Ghazanfar Ali Zaidi	1
Mr. Muneki Udaka	6	Mr. Ghazanfar Ali Khan	2
Mr. Sheikh Muhammad Shakeel	6	Mr. Rolf Andersson	1
Mr. Hiroshige Uga	5	Mr. Umer Masood Tariq	4

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

- 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, 2007 to June 30, 2008

- 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

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

Changes in the Board

Since the holding of the last annual general meeting held on October 31, 2007 following changes have been taken place on the Board of Directors of the Company:

- Mr. Rolf Andersson resigned and in his place Mr. Ghazanfar Ali Khan was appointed as nominee director of Wartsila Finland Oy

- Mr. Haruyoshi Murakami resigned and Mr. Shinichi Ushijima was appointed in his place

- Mr. Umer Masood Tariq resigned and in his place Mr. Ghazanfar Ali Zaidi was appointed as nominee director of Tomen Power (Singapore) Pte Limited

Environment Health and Safety

We remain committed to ensure that the entire operations of the Company conform to the environment, health and safety standards. Personal safety of the employees has remained amongst the priority areas of the management. A comprehensive training program has been devised for providing safety training to all the personnal at the Company. A dedicated team of professionals at Quality and EHS department continuously review the environmental aspects that may have any significant impact on the environment. Similarly all health and safety hazards having associated significant risks are also reviewed and are proactively addressed to avoid any incident.

Social Responsibility and Community Welfare

As a part of our business strategy and being the social responsible Company we are having Community Welfare programs focusing on two areas that is free medical treatment facility and free education for children of the people living in the vicinity of the power plant.

Medical Facility

All of the three medical centres are actively working to serve the neighboring community of the power plant by providing medical treatment facility for free of cost. We are pleased to inform you that during the year 31,171 patients have been provided with the medical treatment at a cost of Rs. 5.05 million. Due to the severity of the deseases ten patients have also been referred to and treated at various hospitals and provided with due care at our own cost. A dedicated team of qualified medical staff is working on full time basis with full devotion and enthusiasm.

Education

Our another community welfare program comprises of free education facility for the deserving children of the vicinity area of the power plant. This facility is being provided at our own school building having its own computer lab, a library and auditorium with audio video facilities. The textbooks, stationary, uniform and lunch, all are provided for free to the student children at school.

Promoting to next classes every academic year we take 50 students in nursery class. Therefore resultantly today total 150 students are studying in nursery, class 1 and class 2. At the time of selection of the students we take into consideration age group, low-income level of the parents of the candidates, written test and then finally interview of the candidates.

We feel profound that through this quality education program we are paying our share in planting a good nursery of children by making them caring, competent, and responsible citizens of the country, which is ultimately a key to success, and development of Pakistan.

Auditors

The present statutory auditors of the Company M/s A.F. Ferguson & Co. Chartered Accountants retire and being eligible, offer themselves for reappointment. The Audit Committee and the Board of Directors of the Company have endorsed their re-appointment for shareholders consideration in the forthcoming Annual General Meeting.

Pattern of Shareholding

A statement of pattern of shareholding and additional information as at June 30, 2008 is annexed to the Annual Report.

Acknowledgement

The Board places on record its appreciation to the valuable shareholders, WAPDA, International Finance Corporation, financial institutions and lenders, Wartsila, Pakistan State Oil and other suppliers for their trust and continued support to the Company. We are also thankful to all of the executives and staff members of the Company for their hard work and maintaining their dedication and commitment with the Company. We hope that same spirit of allegiance will continue in future.

For and on behalf of the Board

Lahore
September 22, 2008

Muneki Udaka
Chief Executive

FINANCIAL DATA

	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
DISPATCH LEVEL (%)	**81.19%**	**74.16%**	**66.35%**	**41.86%**	**32.25%**	**32.27%**
DISPATCH (MWH)	**881,894**	**805,527**	**707,974**	**440,051**	**339,024**	**339,248**
REVENUE (Rs. 000)						
ENERGY FEE	6,260,816	4,118,646	3,584,841	1,519,156	994,583	1,030,812
CAPACITY FEE	1,127,041	1,214,460	1,399,367	1,399,427	1,340,893	1,366,279
TOTAL REVENUE	**7,387,857**	**5,333,106**	**4,984,208**	**2,918,583**	**2,335,476**	**2,397,091**
COST OF SALES	6,432,159	4,180,586	3,749,585	1,879,009	1,264,170	1,358,062
GROSS PROFIT	**955,698**	**1,152,520**	**1,234,623**	**1,039,574**	**1,071,306**	**1,039,029**
PROFITABILITY (Rs. 000)						
PROFIT/(LOSS) BEFORE TAX	659,693	843,782	1,023,059	813,309	828,021	713,349
PROVISION FOR INCOME TAX	5,000	7,100	9,800	7,900	6,292	12,650
PROFIT/(LOSS) AFTER TAX	654,693	836,682	1,013,259	805,409	821,729	700,699
FINANCIAL POSITION (Rs. 000)						
FIXED ASSETS	4,608,052	4,800,977	4,686,883	4,827,978	4,992,485	5,173,798
CURRENT ASSETS	2,745,322	2,391,987	2,045,877	1,943,522	1,862,058	1,968,203
LESS CURRENT LIABILITIES	783,730	763,080	949,688	1,143,316	984,070	1,065,185
NET WORKING CAPITAL	1,961,592	1,628,907	1,096,189	800,206	877,988	903,018
CAPITAL EMPLOYED	6,569,644	6,429,884	5,783,072	5,628,184	5,870,473	6,076,816
LESS LONG TERM LOANS & DEFFERED LIABILITIES	8,795	100,081	289,951	809,404	1,433,456	2,037,881
SHARE HOLDERS EQUITY	6,560,849	6,329,803	5,493,121	4,818,780	4,437,017	4,038,935
REPRESENTED BY (Rs. 000)						
SHARE CAPITAL	1,694,586	1,694,586	1,694,586	1,694,586	1,694,586	1,694,586
UNAPPROPRIATED PROFIT BEFORE APPROPRIATION	5,289,910	4,635,217	4,137,453	3,547,840	3,166,078	2,852,725
APPROPRIATION / DIVIDENDS	423,647	-	338,918	423,646	423,647	508,376
UNAPPROPRIATED PROFIT BROUGHT FORWARD	4,866,263	4,635,217	3,798,535	3,124,194	2,742,431	2,344,349
	6,560,849	6,329,803	5,493,121	4,818,780	4,437,017	4,038,935
SHARE PRICES AS ON JUNE 30,	27.15	37.50	25.85	26.00	34.80	27.30
EARNING PER SHARE	3.86	4.94	5.98	4.75	4.85	4.13
RATIOS:						
RETURN ON ASSETS	0.09	0.12	0.15	0.12	0.12	0.10
PRICE EARNING RATIO	7.03	7.60	4.32	5.47	7.18	6.60
BREAK UP VALUE PER SHARE OF Rs. 10 EACH	38.72	37.35	32.42	28.44	26.18	23.83
CURRENT RATIO	3.50	3.13	2.15	1.70	1.89	1.85
NET PROFIT/(LOSS) TO SALES (%AGE)	8.86%	15.69%	20.33%	27.60%	35.18%	29.23%

STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. The Board of the Company comprises of three non-executive and four executive directors. At present there is no representation of independent non-executive director and director representing minority shareholders.

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

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

4. The casual vacancies occurring in the Board on September 29, 2007, March 04, 2008 and March 05, 2008 were filled up within 03, 01 and 02 days respectively.

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

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

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

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

9. The directors were apprised of their duties and responsibilities through orientation courses.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of

Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.

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

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

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

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

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

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

17. The Board has set-up an effective internal audit function, members of which are considered suitably qualified and experienced for the purpose and are conversant with the policies and 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 22, 2008

Muneki Udaka
Chief Executive

REVIEW REPORT

TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH 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, 2008.

Lahore,
September 22, 2008

A.F. Ferguson & Company
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Kohinoor Energy Limited as at June 30, 2008 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 3.2 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, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) Zakat deductible at source under the Zakat and Usher 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 22, 2008

A.F. Ferguson & Company
Chartered Accountants

BALANCE SHEET

	Note	2008	2007
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
170,000,000 (2007: 170,000,000) ordinary shares of Rs 10 each		1,700,000	1,700,000
Issued, subscribed and paid up capital			
169,458,614 (2007: 169,458,614) ordinary shares of Rs 10 each	5	1,694,586	1,694,586
Unappropriated profit	6	4,866,263	4,635,217
		6,560,849	6,329,803
NON-CURRENT LIABILITIES			
Long term loans	7	-	96,051
Staff retirement benefits	8	8,795	4,030
		8,795	100,081
CURRENT LIABILITIES			
Finances under mark up arrangements - secured	9	470,608	360,000
Current portion of long term loans	10	108,097	192,102
Creditors, accrued and other liabilities	11	107,755	113,728
Provision for taxation		97,270	97,250
		783,730	763,080
CONTINGENCIES AND COMMITMENTS	12		
		7,353,374	7,192,964

Chief Executive

AS AT JUNE 30, 2008

	Note	2008	2007
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	4,537,937	4,722,146
Intangible assets	14	4,545	6,041
Capital work-in-progress	15	55,210	67,959
Long term loans and deposits	16	10,360	4,831
		4,608,052	4,800,977
CURRENT ASSETS			
Stores, spares and loose tools	17	382,892	307,228
Stock-in-trade	18	85,560	209,416
Trade debts	19	1,939,815	1,155,394
Loans, advances, deposits, prepayments and other receivables	20	197,757	321,997
Cash and bank balances	21	139,298	397,952
		2,745,322	2,391,987
		7,353,374	7,192,964

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

Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
		(Rupees in thousand)	
Sales	22	7,387,857	5,333,106
Cost of sales	23	(6,432,159)	(4,180,586)
Gross profit		955,698	1,152,520
Administration and general expenses	24	(232,198)	(230,159)
Other operating income	25	20,500	21,405
Profit from operations		744,000	943,766
Finance costs	26	(84,307)	(99,984)
Profit before taxation		659,693	843,782
Taxation	27	(5,000)	(7,100)
Profit for the year		654,693	836,682
Earnings per share	34	3.86	4.94

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

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

Chief Executive **Director**

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	28	387,219	555,484
Retirement benefits paid		(9,090)	(5,978)
Finance cost paid		(89,581)	(114,847)
Taxes paid		(4,980)	(4,978)
Net cash from operating activities		283,568	429,681
Cash flows from investing activities			
Purchase of property, plant and equipment		(51,253)	(349,150)
Interest/mark-up income received		16,388	19,461
Net (increase)/decrease in long term loans and deposits		(5,529)	67
Proceeds from sale of property, plant and equipment		4,780	5,366
Net cash used in investing activities		(35,614)	(324,256)
Cash flows from financing activities			
Repayment of Long term loans (net)		(194,258)	(527,348)
Dividend paid		(422,958)	(169,039)
Net cash used in financing activities		(617,216)	(696,387)
Net decrease in cash and cash equivalents		(369,262)	(590,962)
Cash and cash equivalents at beginning of the year		37,952	628,914
Cash and cash equivalents at the end of the year	29	(331,310)	37,952

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

Chief Executive **Director**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2008

	Share capital	Un-appropriated Profit	Total
		(Rupees in thousand)	
Balance as on June 30, 2006	1,694,586	3,798,535	5,493,121
Net profit for the year	-	836,682	836,682
Balance as on June 30, 2007	1,694,586	4,635,217	6,329,803
Final dividend for the year ended June 30, 2007 at the rate of Rs 1.50 per share	-	(254,188)	(254,188)
Interim dividend for the year ended June 30, 2008 at the rate of Rs 1.00 per share	-	(169,459)	(169,459)
Net profit for the year	-	654,693	654,693
Balance as on June 30, 2008	1,694,586	4,866,263	6,560,849

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

Chief Executive **Director**

1. Legal status and nature of business

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

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards

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

2.2.1 Amendments to published standards effective in current year

2.2.1.1 Amendments to IAS 1 'Presentation of Financial Statements' - Capital Disclosure is mandatory for Company's accounting period beginning on July 01, 2007. It's adoption by the Company only impacts the format and extent of disclosures presented in the financial statements.

2.2.2 Amendments and interpretations to published standards applicable to the Company not yet effective

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

- IFRS 7 'Financial Instruments: Disclosures' is effective from July 1, 2008. It requires disclosures about the significance of financial instruments for the Company's financial position and performance, and quantitative and qualitative disclosure on the nature and extent to risks.

- IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' is applicable for periods beginning on or after January 1, 2006, however, its application for Independent Power Producers (IPPs) has been deferred by Securities and Exchange Commission of Pakistan (SECP) till June 30, 2009. This interpretation provides guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for as a lease in accordance with International Accounting Standard (IAS) 17, 'Leases'.

Consequently, the Company will be required to account for a portion of its Power Purchase Agreement (PPA) as a lease under International Accounting Standard (IAS) - 17. This is likely to result in significant changes on the company's financial statements and the management is currently assessing its impact. However, this change will not affect the contractual rights and obligations of both Kohinoor Energy Limited and WAPDA under the PPA and there will be no impact on its cash flows.

Certain amendments to IAS 23 'Borrowing Costs' have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after January 01, 2009. Adoption of these amendments would require the Company to capitalise the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. Its adoption will not have any impact on the Company's financial statements.

- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' is effective from July 01, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company will apply IFRIC 14 from July 1, 2008, but it is not expected to have any significant impact on the Company's financial statements.

2.2.3 Standards and interpretations to existing standards that are not applicable to the Company and not yet effective

IFRS 8, 'Operating segments' replaces IAS 14 and is effective from financial year July 1, 2009. IFRS 8 provides guidance for disclosure of information about entity's operating segments, products and services, geographical areas in which it operates, and major customers. This standard is not relevant to the Company's operations.

IFRIC 12, 'Service concession arrangements' applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is effective from financial year July 1, 2008 but it is not relevant to the Company's operations.

IFRIC 13, 'Customer loyalty programmes' clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is effective from July 1, 2008 but it is not relevent to the Company's operations.

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention, modified by capitalisation of exchange differences referred to in note 4.16, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

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

a) Retirement benefits

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

b) Provision for taxation

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. 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.

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

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

3.2 Change in accounting policy

Previously the accounting policy followed by the Company with respect to exchange gain/loss on foreign currency borrowings was to capitalise it as part of property, plant and equipment cost and depreciate it over the remaining useful life of the asset. Subsequent to September 2007, the Company changed its policy and the exchange gain/loss on foreign currency borrowings was being charged to the profit and loss account in accordance with circular no. 1, 2005 issued by the Securities and Exchange Commission of Pakistan (SECP) and this change was applied prospectively, in accordance with the clarification provided by the Institute of Chartered Accountants of Pakistan, through its letter reference CA/DTS/TAC/2007-563.

Now, SECP through its circular no. 11, dated September 13, 2008 has allowed concession to existing IPPs to capitalise the exchange gain/loss on foreign currency loans uptil the termination dates of the current existing implementation agreements. Consequently, the company has now reverted back to its previously adopted accounting policy, i.e. exchange gain/loss on foreign currency borrowings to be capitalised as part of property, plant and equipment cost and depreciated over the remaining useful life of the asset.

This change in accounting policy does not have any impact on the profit for the year.

4. Significant accounting policies

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

4.1 Taxation

Current

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.

4.2 Staff retirement benefits

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

Defined benefit plans

(a) The Company operates an approved funded defined benefit gratuity scheme for all employees according to the terms of employment subject to a minimum qualifying period of service. The contribution to the fund is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period. The latest actuarial valuation for the scheme was carried out as at June 30, 2008 and the actual return on plan assets during the year was Rs 0.144 million. 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.

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

- Discount rate 12 percent per annum.
- Expected rate of increase in salary level 11 percent per annum.
- Expected rate of return 10 percent per annum.

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

(b) Accumulated compensated absences

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

4.3 Property, plant and equipment

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 4.16 and interest etc. referred to in note 4.17.

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 13 after taking into account their residual values.

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

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

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

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

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

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

Previously, the cost incurred on 36,000 hours maintenance of the turbine engines during the year ended June 30, 2007 amounting to Rs. 192 million was being depreciated over 8 years. However, during the year as a result of increase in electricity demand, the remaining estimated useful life of this major 36,000 hours maintenance cost has been revised downwards to 5.5 years. Such a change has been accounted for as a change in an accounting estimate in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Had there been no change in the accounting estimate, the charge for depreciation would have been lower by Rs. 8.78 million and current year's profit would have been higher by the same amount.

4.4 Intangible assets

Expenditure incurred to acquire computer software is 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 14.

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

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

4.5 Capital work-in-progress

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

4.6 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.

4.7 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.

4.8 Stock in trade

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

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

4.9 Financial instruments

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

Financial instruments carried on the balance sheet include loans and deposits, trade and other debts, cash and bank balances, borrowings, long term advances, liabilities against assets subject to finance leases, trade and other payables, accrued expenses and unclaimed dividends. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.10 Trade debts

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

4.11 Cash and cash equivalents

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

4.12 Borrowings

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

4.13 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/ or services received, whether or not billed to the company.

4.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.15 Derivative financial instruments

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

4.16 Foreign currencies

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

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

All other exchange differences are included in profit currently.

The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

4.17 Borrowing Cost

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 and loss account.

4.18 Revenue recognition

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

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.

4.19 Dividend

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

4.20 Offsetting of financial assets and liabilities

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

5. Issued, subscribed and paid up capital

2008	2007		2008	2007
(Number of shares)			(Rupees in thousand)	
130,352,780	130,352,780	ordinary shares of Rs 10 each fully paid in cash	1,303,528	1,303,528
39,105,834	39,105,834	ordinary shares of Rs 10 each issued as fully paid bonus shares	391,058	391,058
169,458,614	169,458,614		1,694,586	1,694,586

5.1 33,891,722 (2007: 33,891,722) ordinary shares of the Company are held by associated undertaking Toyota Tsusho Corporation.

6. 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.

7. Long term loans

		2008	2007
		(Rupees in thousand)	
Secured	- note 7.1	-	75,750
Unsecured	- note 7.2	-	20,301
		-	96,051

7.1 Secured

These are composed of:

Lender	Currency	Foreign currency balance 2008	Foreign currency balance 2007	Rupees equivalent 2008	Rupees equivalent 2007	Rate of interest per annum	No of equal half yearly instalments	Interest payable
		(Amount in thousands)		(Rupees in thousands)				
International Finance Corporation								
- Loan A	US $	1,250	3,750	85,250	227,250	11.25%	1, ending September, 2008	Half yearly
		1,250	3,750	85,250	227,250			
Less: Current maturity		1,250	2,500	85,250	151,500			
		-	1,250	-	75,750			

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.

7.2. Unsecured

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

Lender	Currency	Foreign currency balance 2008	Foreign currency balance 2007	Rupees equivalent 2008	Rupees equivalent 2007	Rate of interest per annum	No of equal half yearly instalments	Interest payable
		(Amount in thousands)		(Rupees in thousands)				
Tomen Corporation, Japan - Related party	US $	335	1,005	22,847	60,903	Libor + 5%	1, ending September, 2008	Half yearly
Less: Current maturity		335	670	22,847	40,602			
		-	335	-	20,301			

	Note	2008	2007
		(Rupees in thousand)	

8. Staff retirement benefits

Gratuity	8.1	4,226	4,030
Leave salary		4,569	-
		8,795	4,030

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

	2008	2007
	(Rupees in thousand)	
Fair value of plan assets	(28,634)	(25,561)
Present value of defined benefit obligation	51,059	44,283
Unrecognised actuarial losses	(18,199)	(14,692)
Liability as at June 30	4,226	4,030
Net liability as at July 1	4,030	2,986
Charge to profit and loss account	9,286	7,022
Contribution by the Company	(9,090)	(5,978)
Liability as at June 30	4,226	4,030

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

Present value of defined benefit obligation as at July 1	44,283	36,315
Current service cost	6,730	5,472
Interest cost	4,428	3,269
Benefits paid	(6,161)	(7,579)
Experience loss	1,779	6,806
Present value of defined benefit obligation as at June 30	51,059	44,283

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

Fair value as at July 1	25,561	23,607
Expected return on plan assets	2,556	2,125
Contribution by the Company	9,090	5,978
Benefits paid	(6,161)	(7,579)
Experience (loss) / gain	(2,412)	1,430
Fair value as at June 30	28,634	25,561

Plan assets comprise of cash and bank balances.

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

	2008	2007	2006	2005	2004
			(Rupees in thousand)		
As at June 30					
Present value of defined benefit obligation	51,059	44,283	36,315	28,204	25,392
Fair value of plan assets	28,634	25,561	23,607	19,059	-
Loss	22,425	18,722	12,708	9,145	25,392
Experience adjustment on obligation	3%	15%	6%	7%	3%
Experience adjustment on plan assets	-8%	6%	-8%	N/A	N/A

9. Finance under mark up arrangement - secured

Short term running finance available from commercial banks under mark up arrangements amount to Rs 551.5 million (2007: Rs 360 million). The rates of mark-up range from Re 0.3175 to Re 0.448 per Rs 1,000 per diem or part thereof on the balances outstanding. The aggregate running finances are secured by a second charge over the fixed assets and by a second hypothecation charge over stores, spares, stock-in-trade and trade debts. In addition the Bank shall have a banker's lien on all of deposits, accounts and properties of the Company held with the Bank. The security and other agreements, negotiable instruments and documents to be executed by the Company in favour of the Bank shall be in the form and substance satisfactory to the Bank. Company shall execute or cause to be executed all such instruments, deeds or documents, which the Bank may in its sole discretion require.

	Note	2008	2007
		(Rupees in thousand)	
10. Current portion of long term loans			
Secured	7.1	85,250	151,500
Unsecured	7.2	22,847	40,602
		108,097	192,102
11. Creditors, accrued and other liabilities			
Trade creditors		44,963	17,926
Retention money		-	350
Accrued liabilities		3,637	7,449
Income tax deducted at source		1,614	2,959
Interest accrued on:			
- Long term loans - Secured		3,197	8,593
- Long term loans - Unsecured		784	2,124
- Finances under mark up arrangements - secured		9,550	11,602
Workers' profit participation fund	11.1	33,020	42,199
Workers' welfare fund		-	16,876
Sales tax payable		5,958	-
Unclaimed dividend		4,118	3,429
Other payables		914	221
		107,755	113,728

Included in trade creditors is an amount due to related party amounting to Rs 11.96 million (2007: Rs 10.82 million).

Included in accrued liabilities is an amount due to retirement benefit fund of Rs 1.5 million (2007: Nil).

	Note	2008	2007
		(Rupees in thousand)	
11.1 Workers' profit participation fund			
Opening balance as on July 1		42,199	51,170
Provision for the year	20.1	32,985	42,188
Interest for the year	26	63	3
		75,247	93,361
Less: Payments made during the year		42,227	51,162
		33,020	42,199

12. Contingencies and commitments

12.1 Contingencies

The Company has issued following guarantees in favour of:

(i) WAPDA on account of liquidated damages, if the Company fails to make available electricity to WAPDA on its request, amounting to Rs 230 million (2007: Rs 230 million).

(ii) Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 4.25 million (2007: Rs 4.25 million).

(iii) U.S Bank Trust National Association in order to meet the foreign reserve requirements, as referred to in note 21.1, amounting to US $ 1.32 million (2007: US $ 1.47 million), equivalent to Rs 90.16 million (2007: Rs 89 million).

12.2 Commitments

(i) Contracts for capital expenditure Rs Nil (2007: Rs 61.70 million).

(ii) Letter of credit other than capital expenditure Rs 40.85 million (2007: Rs 36.35 million).

(iii) The amount of future payments under non-cancellable operating leases and the period in which these payments will become due are as follows:

	2008	2007
	(Rupees in thousand)	
Not later than one year	3,023	2,602
Later than one year and not later than five years	983	1,051
	4,006	3,653

13. Property, plant and equipment

(Rupees in thousand)

	Freehold land	Building on freehold land	Plant and Machinery	Office appliances and equipment	Laboratory equipment	Electric appliances and equipment	Computers	Furniture and fixtures	Vehicles	Total
COST/REVALUED AMOUNT										
Balance as at July 01, 2006	33,451	582,232	6,275,711	4,021	2,576	10,298	46,236	8,837	29,672	6,993,034
Additions during the year	45,386	16,987	194,596	2,130	-	1,460	1,439	316	29,834	292,148
Disposals during the year	-	-	-	(95)	-	-	-	-	(12,997)	(13,092)
Balance as at June 30, 2007	78,837	599,219	6,470,307	6,056	2,576	11,758	47,675	9,153	46,509	7,272,090
Balance as at July 01, 2007	78,837	599,219	6,470,307	6,056	2,576	11,758	47,675	9,153	46,509	7,272,090
Additions during the year	20,753	31,916	12,852	570	-	2,993	425	-	5,181	74,690
Disposals during the year	-	-	-	(65)	-	-	-	-	(8,687)	(8,752)
Balance as at June 30, 2008	**99,590**	**631,135**	**6,483,159**	**6,561**	**2,576**	**14,751**	**48,100**	**9,153**	**43,003**	**7,338,028**
DEPRECIATION										
Balance as at July 01, 2006	-	183,048	2,094,954	1,833	1,624	5,973	27,549	4,951	6,778	2,326,710
Charge for the year	-	19,522	195,311	420	258	1,116	4,610	822	5,715	227,774
Depreciation on disposals	-	-	-	(44)	-	-	-	-	(4,496)	(4,540)
Balance as at June 30, 2007	-	202,570	2,290,265	2,209	1,882	7,089	32,159	5,773	7,997	2,549,944
Balance as at July 01, 2007	-	202,570	2,290,265	2,209	1,882	7,089	32,159	5,773	7,997	2,549,944
Charge for the year	-	20,726	216,451	617	255	1,105	4,449	798	7,827	252,228
Depreciation on disposals	-	-	-	(11)	-	-	-	-	(2,070)	(2,081)
Balance as at June 30, 2008	**-**	**223,296**	**2,506,716**	**2,815**	**2,137**	**8,194**	**36,608**	**6,571**	**13,754**	**2,800,091**
Book value as at June 30, 2007	78,837	396,649	4,180,042	3,847	694	4,669	15,516	3,380	38,512	4,722,146
Book value as at June 30, 2008	**99,590**	**407,839**	**3,976,443**	**3,746**	**439**	**6,557**	**11,492**	**2,582**	**29,249**	**4,537,937**
Annual depreciation rate %	-	4.00 - 4.94	4.55 - 12.5	10	10	10	10 - 35	10	20	

13.1 Additions to buildings and plant and machinery include exchange loss on foreign currency loans amounting to Rs. 1.221 million (2007: 0.239 million) and Rs. 12.854 million (2007: 2.588 million)

13.2 The cost of fully depreciated assets which are still in use as at June 30, 2008 is Rs 9.431 million (2007: Rs 12.168 million)

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

	Note	2008	2007
		Rupees in thousand	
Cost of sale	23	240,671	218,256
Administration and General expenses - Depreciation	24	11,246	9,518
Administration and General expenses - Miscellaneous expenses (Community welfare)		310	-
		252,228	227,774

13.4 Disposal of operating fixed assets

2008

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
Vehicles	**Outsiders**					
	Mian Altamash Azar Saleem	5,181	484	4,697	3,700	Negotiation
	Mr. Nasir Ahmed Malik	3,427	1,555	1,872	1,000	-do-
	M/s. EFU General Insurance Limited	79	31	48	60	Insurance claim
Office appliances and equipment	M/s. Panthers	65	11	54	20	Trade in
		8,752	2,081	6,671	4,780	

2007

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
Vehicles	**Directors**					
	Sheikh Muhammad Shakeel	1,322	717	605	556	Negotiation
	Employees					
	Mr. Ahmed Zia Haider	1,158	169	989	550	-do-
	Mr. Ahmed Zia Haider	620	171	449	250	-do-
	Mr. Barkat Ali	981	445	536	400	-do-
	Mr. Jamshed Manzoor	620	171	449	300	-do-
	Syed Ghazanfar Ali Zaidi	620	171	449	250	-do-
	Ms. Rabia Rasheed	620	171	449	250	-do-
	Mr. Amanullah Qaiser	620	171	449	300	-do-
	Mr. Moazzam Khan	620	171	449	300	-do-
	Outsiders					
	Ms Sara Imran	1,209	597	612	150	-do-
	Mr. Usman Akhtar Khawaja	1,270	582	688	350	-do-
	Mr. Asher Saeed	1,150	290	860	420	-do-
	Mr. Asghar	620	171	449	300	-do-
	Mr. Jawad	620	171	449	300	-do-
	M/s. EFU General Insurance Limited	949	328	621	685	Insurance claim
Office appliances and equipment	M/s. Panthers	95	44	51	5	Trade in
		13,094	4,540	8,554	5,366	

14. Intangible assets

	(Rupees in thousand) Computer Software
COST/REVALUED AMOUNT	
Balance as at July 01, 2006	13,302
Additions during the year	3,200
Balance as at June 30, 2007	16,502
Balance as at July 01, 2007	16,502
Additions / Deletions during the year	-
Balance as at June 30, 2008	**16,502**
DEPRECIATION	
Balance as at July 01, 2006	8,971
Charge for the year	1,490
Balance as at June 30, 2007	10,461
Balance as at July 01, 2007	10,461
Charge for the year	1,496
Balance as at June 30, 2008	**11,957**
Book value as at June 30, 2007	6,041
Book value as at June 30, 2008	**4,545**
Annual depreciation rate %	10

	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
14.1 The amortisation charge for the year has been allocated as follows:			
Cost of sales	23	974	1,128
Administration and General expenses	24	522	362
		1,496	1,490

15. Capital work-in-progress

	Note	2008	2007
Plant and machinery		55,210	-
Advances	15.1	-	4,950
Expansion project:			
- Civil works		-	18,015
- Advances	15.1	-	11,195
- Unallocated expenditure	15.2	-	33,799
		-	63,009
		55,210	67,959

	Note	2008	2007
		(Rupees in thousand)	

15.1 These represent advances against civil works.

15.2 Unallocated expenditure

Legal and professional charges		-	28,393
Travelling and conveyance		-	4,641
Others		-	765
		-	33,799

16. Long term loans and deposits

	Note	2008	2007
Loans to employees - considered good			
- Executives	16.1	4,953	2,674
- Others	16.1	9,670	3,683
Loan to others-secured	16.1.1	2,800	-
		17,423	6,357
Less: Current portion included in current assets			
- Executives	16.1	1,891	810
- Others	16.1	4,874	1,138
Loan to others-secured	16.1.1	720	-
		7,485	1,948
		9,938	4,409
Security deposits		422	422
		10,360	4,831

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

16.1.1 This represents an interest free loan issued to a contracter of the company for improvements at his residential house. This loan is secured by a general power of attorney given to the CEO of the company to deal in all affairs of the residential property uptil the settlement of the loan.

		Note	2008	2007
			(Rupees in thousand)	
16.2	**Reconciliation of carrying amount of loans to Executives**			
	Opening balance as on July 1		2,674	2,238
	Transfers from 'Others'	16.2.1	-	665
	Disbursements		480	565
	Transfer from Gratuity fund		3,581	-
			6,735	3,468
	Less: Repayments		1,782	794
			4,953	2,674

16.2.1 These represent the transfer of loan balances from 'Others' to 'Executives' category due to increase in their basic salaries during the year.

16.3 Loans aggregating Rs 4.270 million (2007: Rs 6.358 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.

16.4 The maximum amount outstanding at the end of any month from executives aggregated Rs 8.165 million (2007: Rs 1.079 million).

		2008	2007
		(Rupees in thousand)	
17.	**Stores, spares and loose tools**		
	Stores including in transit Rs 7.941 million (2007 : Rs Nil)	16,848	6,092
	Spares including in transit Rs Nil (2007 : Rs 9.502 million)	365,158	300,600
	Loose tools	886	536
		382,892	307,228

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

		2008	2007
		(Rupees in thousand)	
18.	**Stock in trade**		
	Furnace oil	77,169	206,368
	Diesel	511	301
	Lubricating oil	7,880	2,747
		85,560	209,416

	Note	2008	2007
		(Rupees in thousand)	

19. Trade debts

	Note	2008	2007
Trade receivables from WAPDA-secured			
- Considered good		1,939,815	1,155,394
- Considered doubtful		2,685	-
		1,942,500	1,155,394
Less: Provision for doubtful debts	19.2	2,685	-
		1,939,815	1,155,394

19.1 This includes an overdue amount of Rs 1,158 million (2007: Rs 626 million) receivable from WAPDA. The trade debts are secured by a guarantee from the Government of Pakistan under the Implementation Agreement. These are in the normal course of business and interest free, however, a penal mark-up of six months treasury bill plus 2% is charged in case the amounts are not paid within due dates.

19.2 Provision for doubtful debts

	Note	2008	2007
		(Rupees in thousand)	
Opening balance as on July 1		-	-
Provision for the year		2,685	-
		2,685	-

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

	Note	2008	2007
Current portion of long term loans to 'employees'	16	6,765	1,948
Current portion of long term loans to 'others'		720	-
Advances - considered good			
- To employees		1,126	5,844
- To suppliers		133,511	165,758
Prepayments		21,515	43,206
Deposits		-	30,000
Sales tax recoverable		-	7,340
Profit receivable on bank deposits		105	1,616
Claims recoverable from WAPDA for pass through items			
- Workers' Profit Participation Fund	20.1	32,985	42,188
- Workers' Welfare Fund		-	16,876
Other receivables - considered good		1,030	7,221
		197,757	321,997

Included in advances to employees are amounts due from executives Rs 0.0392 million (2007: Rs 3.715 million).

20.1 Worker's Profit Participation Fund and Worker's Welfare Fund

	Note	2008	2007	2008	2007
		(Rupees in thousand)			
		WPPF		WWF	
Opening balance as on July 1		42,188	51,153	16,876	-
Provision/(write back) for the year	11.1	32,985	42,188	(16,876)	16,876
		75,173	93,341	-	16,876
Less: Receipts during the year		42,188	51,153	-	-
		32,985	42,188	-	16,876

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

The accumulated balance in respect of Workers Welfare Fund (WWF) which had been provided in the previous year, has now been written back based on the advice of the Company's consultants, with respect to the proposed changes in section 4 of the WWF Act, 1971, which are applicable prospectively.

21. Cash and bank balances

	Note	2008	2007
		(Rupees in thousand)	
Balance at banks on:			
Current accounts	21.1		
- Off shore - US $ 1,052,074 (2007: US $ 413,680)		71,751	25,069
- On shore		19,718	103,115
Special account related to dividend payable		1,725	751
Saving account - on shore	21.2	45,474	267,629
		138,668	396,564
Cash in hand		630	1,388
		139,298	397,952

21.1 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.

21.2 Included in these are restricted funds of Rs 21.5 million (2007: Rs 46.881 million) held by banks under lien as margin against guarantee.

21.3 The balances in bank accounts bear mark-up which ranges from 1.0% to 5.84% per annum.

		2008	2007
		(Rupees in thousand)	

22. Sales

	2008	2007
Energy purchase price	6,260,816	4,120,837
Capacity purchase price	1,127,041	1,212,269
	7,387,857	5,333,106

Energy purchase price is exclusive of sales tax of Rs 930.258 million (2007: Rs 596.126 million).

23. Cost of sales

	Note	2008	2007
		(Rupees in thousand)	
Raw material consumed		5,729,344	3,618,857
Salaries, wages and benefits	23.1	65,298	51,773
Fee for Produce of Energy (FPE)		74,873	64,363
Stores and spares consumed		245,141	123,489
Depreciation/amortisation	13.3 & 14.1	241,645	219,384
Insurance		38,975	46,518
Travelling, conveyance and entertainment		6,362	8,598
Repairs and maintenance		19,808	32,423
Printing and stationery		-	29
Communication charges		1,993	1,945
Electricity consumed in-house		1,323	2,537
Rent, rate and taxes		500	429
Miscellaneous		6,897	10,241
		6,432,159	4,180,586

23.1 Salaries, wages and other benefits

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

	2008	2007
Current Service cost	3,001	1,918
Interest cost for the year	1,975	1,146
Expected return on plant assets	(1,140)	(745)
Recognition of loss	305	142
	4,141	2,461

In addition to above, salaries, wages and other benefits include Rs 7.2 million (2007: Rs. 1.5 million) in respect of accumulated compensated absences.

	Note	2008	2007
		(Rupees in thousand)	

24. Administration and general expenses

	Note	2008	2007
Salaries, wages and benefits	24.1	81,798	94,960
Printing and stationery		238	870
Communication charges		3,455	3,096
Depreciation/amortisation	13.3 & 14.1	11,768	9,880
Insurance		2,832	2,534
Travelling, conveyance and entertainment		27,297	40,954
Repairs and maintenance		5,975	7,402
Legal and professional charges	24.2	41,853	7,076
Donations	24.3	628	1,990
Rents, rates and taxes		2,744	2,482
Fee and subscription		9,011	411
Loss on disposal of fixed assets		1,891	3,186
Miscellaneous		38,148	55,318
Provision for doubtful debts		2,685	-
Advances written off		1,875	-
		232,198	230,159

24.1 Salaries, wages and other benefits

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

	2008	2007
	(Rupees in thousand)	
Current Service cost	3,729	3,554
Interest cost for the year	2,454	2,123
Expected return on plant assets	(1,416)	(1,380)
Recognition of loss	379	264
	5,146	4,561

In addition to above, salaries, wages and other benefits include Rs. 5.2 million (2007: Rs. 2.6 million) in respect of accumulated compensated absences.

	2008	2007
	(Rupees in thousand)	

24.2 Legal and professional charges

	2008	2007
Legal and professional charges include the following in respect of auditors' services for:		
Statutory audit	620	570
Half yearly review	180	170
Foreign reporting and sundry services	170	75
Out of pocket expenses	87	17
	1,057	832

24.3 Donations

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

25. Other operating income

	Note	2008	2007
		(Rupees in thousand)	
Income from financial assets			
Income on bank deposits			
- On shore		14,114	16,686
- Off shore		-	3,337
		14,114	20,023
Others		763	-
		14,877	20,023
Income from non-financial assets			
Scrap sale		5,623	1,382
		20,500	21,405

26. Finance cost

	Note	2008	2007
Interest on long term loans			
- secured		16,066	41,557
- unsecured		3,985	8,194
Interest on finances under mark up arrangements - secured		50,325	24,556
Lender's consultancy charges		437	6,869
Loan administration fee		2,042	4,459
Bank guarantee and L/C commission		4,348	13,229
Interest on Worker's Profit Participation Fund	11.1	63	3
Exchange loss		6,774	695
Others		267	422
		84,307	99,984

	2008	2007
	(Rupees in thousand)	

27. Taxation

This represents the tax provision for the current year.

27.1 Tax charge reconciliation

	2008	2007
Profit before tax	659,693	843,782
Tax calculation @ 35% (2007: 35%)	230,892	295,324
Tax effect of exempt income referred to in note 4.1	(225,892)	(288,224)
Tax charge	5,000	7,100

28. Cash generated from operations

	2008	2007
Profit before taxation	659,693	843,782
Adjustment for:		
- Depreciation on property, plant and equipment	252,228	227,774
- Amortisation on intangible assets	1,496	1,490
- Loss on disposal of property, plant and equipment	1,891	3,186
- Exchange loss	6,774	695
- Income on bank deposits	(14,877)	(20,023)
- Staff retirement benefits accrued	9,286	7,022
- Finance cost	77,533	99,289
Profit before working capital changes	994,024	1,163,215
Effect on cash flow due to working capital changes		
- (Increase)/Decrease in Stores and spares	(75,664)	12,350
- Decrease/(Increase) in Stock in trade	123,856	(64,779)
- (Increase) in Trade debts	(784,421)	(593,864)
- Decrease in loans, advances, deposits, prepayments and other receivables	122,729	69,783
- Increase/(Decrease) in Creditors, accrued and other liabilities	6,695	(31,221)
	(606,805)	(607,731)
	387,219	555,484

29. Cash and cash equivalents

	2008	2007
Cash and bank balances	139,298	397,952
Finances under mark up arrangements	(470,608)	(360,000)
	(331,310)	37,952

30. Remuneration of Chief Executive, Directors and Executives

30.1 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	
	2008	2007	2008	2007	2008	2007
Managerial remuneration and allowances	5,158	3,665	12,860	16,490	9,220	10,851
Housing	2,055	1,649	5,329	7,421	3,529	4,883
Retirement benefits	681	682	-	8,632	1,783	1,924
Medical expenses	1	-	19	442	402	870
Bonus	1,387	1,148	2,845	17,539	1,944	7,840
Utilities	457	366	1,188	1,649	784	1,085
Club expenses	33	36	49	119	40	80
Others	2,006	1,423	4,968	19,036	2,931	4,744
	11,778	8,969	27,258	71,328	20,633	32,277
Number of persons	**1**	**1**	**3**	**3**	**10**	**19**

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

30.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 3 directors was Rs 0.070 million (2007: Rs Nil).

31. Transactions with related parties

The related parties comprise associated undertakings, other related companies, key management personnel and post retirement benefit plan. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under payables and remuneration of key management personnel is disclosed in note 30. Other significant transactions with related parties are as follows:

Description		**2008**	**2007**
		(Rupees in thousand)	
Relationship with the Company	**Nature of transaction**		
i. Associated undertaking	Loan repayments	40,920	40,646
	Interest expense	5,454	8,194
ii. Other related party	Purchase of services	177	176
iii. Post retirement benefit plan	Expense charged	9,286	7,022

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

32. Capacity and production

	2008 **MWH**	**2,007** **MWH**
Installed capacity (Based on 8,760 hours)	1,086,240	1,086,240
Actual energy delivered	881,894	805,527

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

33 Financial assets and liabilities

	Interest/mark up bearing			Non interest bearing			Total	Credit Risk
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	2008	2008
	Rupees in thousand							
Financial assets								
On balance sheet								
Trade debts	-	-	-	1,939,815	-	1,939,815	1,939,815	1,939,815
Loans, advances, deposits, prepayments:								
- Loans to staff	-	-	-	7,485	17,423	24,908	24,908	-
- Profit receivable on bank deposits	-	-	-	105	-	105	105	105
- Security deposits	-	-	-	-	422	422	422	422
Claims recoverable from WAPDA for pass through items								
- Workers' Profit Participation Fund	-	-	-	32,985	-	32,985	32,985	32,985
- Workers' Welfare Fund	-	-	-	-	-	-	-	-
- Other receivables	-	-	-	1,030	-	1,030	1,030	1,030
Cash and bank balances	45,474	-	45,474	93,825	-	93,825	139,298	138,668
	45,474	-	45,474	2,075,245	17,845	2,093,090	2,138,563	2,113,025
Off balance sheet	-	-	-	-	-	-	-	-
Total	45,474	-	45,474	2,075,245	17,845	2,093,090	2,138,563	2,113,025
Financial liabilities								
On balance sheet								
Long term loans								
- Secured	85,250	-	85,250	-	-	-	85,250	
- Unsecured	22,847	-	22,847	-	-	-	22,847	
Creditors, accrued and other liabilities	-	-	-	67,163	-	67,163	67,163	
	108,097	-	108,097	67,163	-	67,163	175,260	
Off balance sheet								
Letters of guarantees	-	-	-	334,504	-	334,504	334,504	
Contracts for capital expenditure	-	-	-	-	-	-	-	
Letters of credit other than for capital expenditure	-	-	-	40,850	-	40,850	40,850	
	-	-	-	375,354	-	375,354	375,354	
Total	108,097	-	108,097	442,517	-	442,517	550,614	
On balance sheet gap	(62,623)	-	(62,623)	2,008,082	17,845	2,025,927	1,963,304	
Off balance sheet gap	-	-	-	(375,354)	-	(375,354)	(375,354)	

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

33.1 Financial assets and liabilities

	Interest/mark up bearing			Non interest bearing			Total	Credit Risk
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	2007	2007
				Rupees in thousand				
Financial assets								
On balance sheet								
Trade debts	-	-	-	1,155,394	-	1,155,394	1,155,394	1,155,394
Loans, advances, deposits, prepayments:								
- Loans to staff	-	-	-	1,948	4,409	6,357	6,357	-
- Profit receivable on bank deposits	-	-	-	1,616	-	1,616	1,616	1,616
- Security deposits	-	-	-	-	422	422	422	422
Claims recoverable from WAPDA for pass through items								
- Workers' Profit Participation Fund	-	-	-	42,188	-	42,188	42,188	42,188
- Workers' Welfare Fund	-	-	-	16,876	-	16,876	16,876	16,876
- Other receivables	-	-	-	7,221	-	7,221	7,221	7,221
Cash and bank balances	267,629	-	267,629	130,323	-	130,323	397,952	396,564
	267,629	-	267,629	1,355,566	4,831	1,360,397	1,628,026	1,620,281
Off balance sheet	-	-	-	-	-	-	-	-
Total	267,629	-	267,629	1,355,566	4,831	1,360,397	1,628,026	1,620,281
Financial liabilities								
On balance sheet								
Long term loans								
- Secured	151,500	75,750	227,250	-	-	-	227,250	
- Unsecured	40,602	20,301	60,903	-	-	-	60,903	
Creditors, accrued and other liabilities	-	-	-	68,570	-	68,570	68,570	
	192,102	96,051	288,153	68,570	-	68,570	356,723	
Off balance sheet								
Letters of guarantees	-	-	-	323,250	-	323,250	323,250	
Contracts for capital expenditure	-	-	-	61,700	-	61,700	61,700	
Letters of credit other than for capital expenditure	-	-	-	36,348	-	36,348	36,348	
	-	-	-	421,298	-	421,298	421,298	
Total	192,102	96,051	288,153	489,868	-	489,868	778,021	
On balance sheet gap	75,527	(96,051)	(20,524)	1,286,996	4,831	1,291,827	1,271,303	
Off balance sheet gap	-	-	-	(421,298)	-	(421,298)	(421,298)	

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

33.2 Financial risk management objectives

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates such as LIBOR and Treasury bills rate, credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in note 33 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 7.

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 and the risk attributable to trade debts is mitigated by guarantee from the Government of Pakistan under the Implementation Agreement. Out of the total financial assets of Rs 2,138.563 million (2007: Rs 1,628.026 million), the financial assets which are subject to credit risk amounted to Rs 2,113.025 million (2007: Rs 1,620.281 million). To manage exposure to credit risk, the company obtains collaterals, where considered necessary.

(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. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and contracting floor and cap of interest rates as referred to in note 7.

(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. The Company also aims at maintaining flexibility in funding by keeping committed credit lines available.

33.2.1 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term loan obtained by the Company as referred to in note 7. Total capital employed includes equity as shown in the balance sheet plus borrowings. The Company's strategy, which was unchanged from last year, was to maintain a gearing ratio of less than 10%. The gearing ratio as at year ended June 30, 2008 and June 30, 2007 are as follows:

		2008	**2007**
Borrowings	**Rupees in thousand**	108,097	288,153
Total capital employed	**Rupees in thousand**	6,668,946	6,617,956
Gearing ratio	**Percentage**	2%	4%

33.3 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.

34. Earnings per share

34.1 Basic earnings per share

		2008	**2007**
Net profit for the year	**Rupees in thousands**	654,693	836,682
Weighted average number of ordinary shares	**Numbers**	169,458,614	169,458,614
Earnings per share	**Rupees**	3.86	4.94

34.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2008 and June 30, 2007 which would have any effect on the earnings per share if the option to convert is exercised.

35. Rates of exchange

Liabilities in foreign currencies have been translated into Rupees at USD 1.4663 (2007: USD 1.6502), EURO 0.9289 (2007: EURO 1.2186), and GBP 0.7356 (2007: GBP 0.8217) equal to Rs 100.

36. Date of authorization for issue

These financial statements were authorised for issue on September 22, 2008 by the Board of Directors of the Company.

37. Events after the balance sheet date

The Board of Directors have proposed a final dividend for the year ended June 30, 2008 of Rs. 1 (2007: Rs 1.5) per share, amounting to Rs. 169.459 million (2007: Rs 254.188 million) at their meeting held on September 22, 2008 for approval of the members at the Annual General Meeting to be held on October 31, 2008. These financial statements do not reflect this dividend payable.

38. Corresponding figures

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

	Rupees in
Bonus income previously classified as capacity income has now been classified as energy income.	2,191

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

39. General

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

Chief Executive **Director**

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2008

NO. OF SHAREHOLDERS	SHAREHOLDING FROM		TO	TOTAL SHARES HELD
63	1	-	100	3,864
148	101	-	500	52,788
119	501	-	1,000	103,750
198	1,001	-	5,000	587,137
100	5,001	-	10,000	792,524
30	10,001	-	15,000	395,795
30	15,001	-	20,000	546,400
11	20,001	-	25,000	257,500
11	25,001	-	30,000	314,800
6	30,001	-	35,000	202,500
9	35,001	-	40,000	349,000
1	40,001	-	45,000	43,000
11	45,001	-	50,000	548,000
7	50,001	-	55,000	364,750
4	55,001	-	60,000	239,000
5	60,001	-	65,000	315,600
2	65,001	-	70,000	136,500
1	70,001	-	75,000	75,000
2	75,001	-	80,000	155,500
2	80,001	-	85,000	165,112
2	85,001	-	90,000	175,000
1	90,001	-	95,000	92,500
9	95,001	-	100,000	897,500
1	105,001	-	110,000	109,000
2	110,001	-	115,000	226,500
1	125,001	-	130,000	127,150
1	135,001	-	140,000	140,000
1	140,001	-	145,000	141,500
2	145,001	-	150,000	300,000
1	150,001	-	155,000	152,500
2	155,001	-	160,000	315,510
1	175,001	-	180,000	179,500
1	195,001	-	200,000	200,000
1	225,001	-	230,000	230,000
3	245,001	-	250,000	747,500
1	250,001	-	255,000	255,000
2	270,001	-	275,000	545,093
2	275,001	-	280,000	556,769
1	280,001	-	285,000	285,000
2	295,001	-	300,000	599,000
1	325,001	-	330,000	326,500
1	350,001	-	355,000	355,000
1	370,001	-	375,000	375,000
1	415,001	-	420,000	416,500
2	495,001	-	500,000	1,000,000
1	535,001	-	540,000	538,500
1	595,001	-	600,000	600,000
1	600,001	-	605,000	603,000
1	650,001	-	655,000	655,000
1	685,001	-	690,000	686,763
1	690,001	-	695,000	693,500
1	695,001	-	700,000	700,000
1	710,001	-	715,000	710,250
1	720,001	-	725,000	723,000
1	870,001	-	875,000	873,500
1	905,001	-	910,000	909,500
1	935,001	-	940,000	937,500
1	995,001	-	1,000,000	1,000,000
1	1,070,001	-	1,075,000	1,071,257
1	1,245,001	-	1,250,000	1,250,000
1	1,265,001	-	1,270,000	1,266,000
1	1,295,001	-	1,300,000	1,299,000
1	2,995,001	-	3,000,000	3,000,000
1	3,385,001	-	3,390,000	3,389,171
1	3,670,001	-	3,675,000	3,673,000
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
830				**169,458,614**

Note : The slabs not applicable have not been shown.

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2008

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. MUNEKI UDAKA		500	0.0003
MR. HIROSHIGE UGA		500	0.0003
MR. SHINICHI USHIJIMA		500	0.0003
MR. SHEIKH MUHAMMAD SHAKEEL		650	0.0004
MR. GHAZANFAR ALI KHAN (Nomination Wartsila Finland Oy)		500	0.0003
	7	**22,032,270**	
EXECUTIVES	-	-	-
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
TOYOTA TSUSHO CORPORATION	1	33,891,722	20.0000
TOMEN POWER (SINGAPORE) (PRIVATE) LTD.	1	27,113,378	16.0000
*(RELATED PARTIES)			
		61,005,100	
NIT AND ICP			
NATIONAL BANK OF PAKISTAN,TRUSTEE DEPTT.	2	**1,344,850**	0.7936
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.	11	**3,311,768**	1.9543
INSURANCE COMPANIES	5	**741,269**	0.4374
MODARABA AND MUTUAL FUNDS	16	**3,567,500**	2.1052
GENERAL PUBLIC			
a. Local	729	42,938,775	25.3388
b. Foreign (Excluded the shareholders appearing in Associated Companies)	10	30,181,843	17.8107
		73,120,618	
OTHERS (Joint Stock Companies)	48	**4,335,239**	2.5583
	830	**169,458,614**	**100.000**

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

* RELATED PARTIES			
MR. AND MRS. M NASEEM SAIGOL	2	22,029,620	13.0000
MR. AND MRS. M. AZAM SAIGOL	2	22,029,619	13.0000
		44,059,239	

PROXY FORM

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

I/We ____

of ______________________ being member(s) of Kohinoor Energy Limited

hereby appoint ____

of ______________________ or failing him ______________________

of ______________________ as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the fifteenth Annual General Meeting of the Company to be held on October 31, 2008 at 12:00 Noon and/or at any adjournment thereof.

As witness my/our hand(s) this ______________ day of ______________ 2008

signed by ____

in the presence of ____

Signed by the said

____

Witness:		Witness:	
Name	____________	Name	____________
NIC No.	____________	NIC No.	____________
Address	____________	Address	____________
	____________		____________
	____________		____________

Revenue Stamps

Notes

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

For CDC Account Holders/Corporate Entities

In addition to the above, the following requirements be met :

(i) Attested copies of 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.