

IDEAL ENERGY LIMITED

Annual Reports 2003

CONTENTS

COMPANY INFORMATION

NOTICE OF MEETING

DIRECTORS' REPORT

STATEMENT OF COMPLIANCE

OPERATING AND FINANCIAL DATA

REVIEW REPORT

AUDITORS' REPORT

BALANCE SHEET

PROFIT AND LOSS ACCOUNT

STATEMENT OF CHANGES IN EQUITY

CASH FLOW STATEMENT

NOTES TO THE ACCOUNTS

PATTERN OF SHAREHOLDING

DIRECTORS REPORT TO THE MEMBER

In the name of Allah the Most Merciful and Most Benevolent.

The Director's feel pleasure in submitting their Annual report together with the company Financial statement for the year ended June 30, 2003 and Auditor's report thereon. Operating result during 01-07-2002 to 30-06-2003 are given below:

	2003	2002
Operating profit	35,576,961	15,809,949
Other Income	-	503,490
	35,576,961	16,313,439
Less: Financial Charges	3,034,355	4,157,733
Provision for W.P.P.F	1,630,498	611,609
	4,664,853	4,769,342
Profit for the year before taxation	30,912,108	11,544,097
Taxation	39,713	17,880
Profit for the year after Taxation	30,872,395	11,526,217
Un-appropriated Profit B/F	55,941,747	59,493,527
Profit available for appropriations	86,814,142	71,019,744
Proposed Cash Dividend @ 25 % (Rs. 2.5 per share)	20,000,000	16,000,000
Un-appropriated profit C/F	66,814,142	55,019,744

This year as expected the better results achieved inspite of increase in Furnace oil prices

which changes fortnightly. Highest rate was in March 2003 which comes to Rs. 14409

per ton

Waste heat economizer has also increased revenue.

Dividend:

Inspite of increase in Furnace oil prices, your company has earned net profit Rs.

30,872,395 and Board of Director's pleased to approve 25% cash dividend as compared

to last year dividend (@20%).

Sale:

Sales revenue during the year has increased by 40.026 million.

Your directors wish to place their appreciation on record to the shareholders and Bankers of the Company for their continued guidance and support and also playing the vital role in the progress of the Company.

The Directors are passed to record their appreciation and hope that the same spirit of devotion and dedication will continue in future.

STATEMENTS OF CORPORATE AND FINANCIAL REPORTING FRAME WORK

- a. The financial statements prepared by the management of company, present fairly its State of affairs, the result of its operations, cash flow and charges in equity.
- b. Proper books of account of the company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of Financial statement except a change in accounting policy as disclose in notes to the accounts and accounting estimates are based on reasonable and prudent Judgment.

NOTICE OF MEETING

Notice is hereby given that the 9th Annual General Meeting of IDEAL ENERGY LIMITED will be held at 404, 4th Floor Business center, Dunally road, Karachi on Tuesday, October 28, 2003. At 03.00.p.m. to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held at October 05, 2002
2. To receive, consider and adopt the audited accounts for the year ended June 30, 2003 together with the Auditor's and Directors report thereon.
3. To approve the payment of cash dividend @ 25% (Rs. 2.50 per share) in the ordinary share Capital of the Company as recommended by the board of Directors
4. To appoint auditors for the current year and to fix their remuneration. The present auditors M/s M. Yousof Adil Saleem & Co; Chartered Accountants, being eligible, have offered themselves for re-appointment.
5. To transact any other ordinary business of the Company with the permission of the chair.

KARACHI

BY ORDER OF THE BOARD

JAVED ABBAS NAQVI

September 30, 2003

COMPANY SECRETARY

NOTES:

1. The share transfer book of the company remains closed from 23rd October, 2003 to 28th October, 2003 (both days inclusive). Transfers received in order at the registered office of the Company at the close of business hours on 22nd October 2003 will be treated in time for the purposes of the dividend to transferees.
2. A member entitle to attend and vote this meeting may appoint another member as

proxy, proxies in order to be effective must be received at the Registered office of the Company not less than 48 hours before the time of the meeting.

3. Shareholders who have deposited their share into Central Depository Company are being advised to bring his/her original NIC or Passport to prove his/her identity. Representatives of corporate members should bring the usual documents required for such purpose.

4. Shareholders are requested to promptly notify the change of addresses.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE

GOVERNANCE

This Statement is being presented to comply with the Code of Corporate Governance contained in Regulations No. 37 of listing regulations of Chapter XIII of 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 representing minority interests on its Board of Directors. At present the Board includes one executive and six non-executive directors.

2. The directors have confirmed that non of them is serving as a director in more than ten listed companies, including this Company.

3. All the directors of the Company are registered as tax payers and non of them has defaulted in payment of any loan to a banking company, or a DPI or and NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. The company has prepared a " Statement of Ethics and Business Practices" which has been signed by all the directors and employees of the company.

5. 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 and amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

7. The meeting 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 notice of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes were appropriately record and circulated.

8. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities. More course will follow in future.

9. The Board has been approved appointment of CFO, Company Secretary and Head of Internal Audit, Including Their remuneration and terms and conditions of employment, as determined by the CEO, when new appointments are made.

10. The director's 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.

d. International accounting standards, as applicable in Pakistan have been followed in preparation of financial statement.

e. The system of internal control is sound in design and has been effectively implemented and monitored.

f. There are no significant doubt upon the company's ability to continue as going concern.

g. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

h. Key operating and financial data of last six year in summarized from with this

report,

i. During the year 4 meetings of the board of directors were held attendance by each

directors is as follows.

Name of Directors	No of meetings attended
NISAR AHMAD SHEIKH	4
MUHAMMAD ARSHAD	4
MUHAMMAD ANWAR SAJ.1AD	4
MUHAMMAD SAEED	3
AMJAD SAEED	4
SHAHZAD AHMAD	4
NAUREEN SHAHZAD	—

Trading of Shares

Director, company secretary, CFO Head of internal Audit and their spouses and minor

children has not purchase or sold shares during the year.

Statement of Director's Responsibility

Board of Directors is mindful of its responsibilities and duties under legal and corporate frame work. The board defines and establishes Company's overall objectives and directions and monitors status thereof. Short term and long term plans and business performance targets are set by Chief Executive under over all policy frame work of the Board.

There has been non-material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

Audit Committee:

Audit committee was established to assist Board in discharging its responsibilities for Corporate Governance, Financial Reporting and Corporate Control. The Committee consists of three members.

Pattern of Share Holding:

A statement showing the pattern of shareholding as at June 30, 2003 is attached

Future Prospects:

Due to deregulation of the Furnace oil prices have changed 24 times during the year As

the prices of Furnace oil is fixed fortnightly.

Future profitability of the company mainly depend on electricity tariff and Furnace oil

prices.

Acknowledgement:

I also express my appreciation to the workers, staff and officers of your company for their

hard work, Zeal and dedication.

For and on behalf of the board

NISAR AHMAD SHEIKH

CHAIRMAN

OPERATING AND FINANCIAL

Particulars Financial Position

	2003	2002	2001
Paid up Capital			
Capital Reserve share premium	80,000,000	80,000,000	80,000,000
Revenue reserve	80,000,000	80,000,000	80,000,000
Fixed Assets at cost	86,814,142	70,019,744	74,493,527
Accumulated Depreciation	365,353,264	365,353,264	346,613,444
Long Term Loans	191,264,841	172,075,522	151,902,630
Long Term Deposits			18,300,000
Deffered Liabilites	-	-	-
Current Assets	2,955,097	3,466,639	2,522,594
Current Liabilites	158,268,883	115,850,755	84,191,893
INCOME	67,588,067	75,642,114	33,748,945
Sales			
Other Incomes	329,456,483	289,430,272	292,091,321
Statistics and Ratios		503,490	610,800
Current Ratio			
Paid up value Per Share	2.34:1	1.53:1	2.49:1
Earning per Share	10	10	10
Cash Dividend %	1	1	1
Generation (Mega watt hours)	25	20	10
	80,897	79,037	85,577

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. The directors, CEO and executives do not hold any interest in the share of the company other than that disclosed in the pattern of shareholding.

13. The Company have complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an audit committee. It comprises three members, majority of whom non-executive directors.

15. 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.

16. The Board has set up an effective internal audit function. The audit staff are 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.

17. The Statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan and that they or any of the partners of the firm, their spouse 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 the Institute of Chartered Accountants of Pakistan.

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

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

MUHAMMAD ARSHAD SHEIKH

CHIEF EXECUTIVE

Statement of Compliance with Best Practices of Corporate Governance

The Company is in process of implementing all facets of the Code of Corporate Governance issued by the Karachi, Lahore Stock Exchanges and Board feel pleasure in stating the provisions of the code relevant for the year Ended June 30, 2003 have been duly complied with.

Review Report To the members on statement of compliance with best practices of Code of corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Ideal Energy Limited to Comply with the Listing Regulation no. 37 and Chapter No XIII of the Karachi and Lahore Stock Exchange respectively 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 personal 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 on 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.

Date: September 30, 2003.

M. Yousuf Adil Saleem & Co.,

Faisalabad.

Chartered Accountants

DATA OF LAST SIX YEARS

2000	1999	1998	1997
80,000,000	80,000,000	80,000,000	80,000,000
80,000,000	80,000,000	80,000,000	80,000,000
71,080,609	48,856,232	34,032,776	24,803,908
346,354,094	342,794,143	341,389,263	243,029,957
130,212,619	106,372,654	79,800,131	51,741,105
-	38,252,621	71,748,632	99,390,989
13,000,000	13,649,407	14,298,812	14,298,217
2,091,813	855,330	643,823	254,653
91,620,266	66,234,430	51,330,822	66,494,535
87,769,319	68,341,143	60,793,535	66,315,054
264,794,868	254,047,927	243,674,412	218,543,005
1.04:1	0.97: 1	0.84:1	1.00:1
10	10	10	10
5.28	4.35	2.4	4.03
25	25	12.5	30
82,060	78,626	79,106	76,821

BALANCE SHEET

	Notes	2003 (Rupees)	2002 (Rupees)
SHARE CAPITAL AND RESERVES			
Authorised capital			
10,000,000 Ordinary shares of Rs. 10/= each		100,000,000	1 00,000,000
Issued subscribed and Paid up capital			
8,000,000 Ordinary shares of Rs. 10/= each fully paid in cash		80,000,000	80,000,000
Capital reserve-share premium		80,000,000	80,000,000
Revenue reserves	5	81,814,142	70,019,744
		241,814,142	230,019,744
DEFERRED LIABILITY			
Staff retirement gratuity	6	2,955,097	3,466,639
CURRENT LIABILITIES			
Short term bank borrowing	7	42,650,000	42,800,000
Creditors, accrued and other liabilities	8	24,864,736	16,810,046
Taxation		57,593	17,880
Dividends	9	20,015,738	16,014,188
»		87,588,067	75,642,114
COMMITMENT	10	—	—
		332,357,306	309,128,497

The annexed notes from 1 to 29 form an integral part of these accounts.

MUHAMMAD ARSHAD SHEIKH

CHIEF EXECUTIVE

	Notes	2003 (Rupees)	2002 (Rupees)
OPERATING ASSETS			
CURRENT ASSETS	11	174,088,423	193,277,742
Stores, spares and loose tools Stock of oil and	12 13 14	15,612,415	14,687,374
		32,245,554	16,534,146
		94,584,912	75,116,980

Lubricants Debtors

Advances, deposits prepayments and other receivables Cash and bank balances	15 16	6,917,096 8,908,906	7,770,838 1,741,417
		158,268,883 332,357,306	115,850,755 309,128,497

NISAR AHMAD SHEIKH

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2003

	Notes	2003 (Rupees)	2002 (Rupees)
Sales	17	329,456,483	289,430,272
Cost of generation	18	290,363,839	269,192,872
Gross profit		39,092,644	20,237,400
Operating expenses	19	3,515,683	4,427,451
Operating profit		35,576,961	15,809,949
Other Income		—	503,490
		35,576,961	16,313,439
Other Charges			
Financial	20	3,034,355	4,157,733
Workers' profit participation fund		1,630,498	611,609
		4,664,853	4,769,342
Net profit for the year before taxation		30,912,108	11,544,097
Taxation	21		
Current		39,713	17,880
Net profit for the year after taxation		30,872,395	11,526,217
Unappropriated profit brought forward (Refer statement of changes in equity)		55,941,747	59,493,527
Profit available for appropriations		86,814,142	71,019,744
Appropriation			
Proposed cash dividend @ Rs. 2.5 per share (2002 Rs. 21- per share)		20,000,000	16,000,000
Unappropriated profit Carried forward		66,814,142	55,019,744
Earnings per share - Basic	22	3.86	1.44
The annexed notes from 1 to 29 form an integral part of these accounts.			

MUHAMMAD ARS NISAR AHMAD SHEIKH
CHIEF EXECUTIV DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2003

	Share Capital	Capital Reserve Share Premium	Revenue Reserves General Reserve	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2001	80,000,000	80,000,000	15,000,000	59,493,527	234,493,527
Profit for the year	-	—	—	11,526,217	11,526,217
Dividend Rs. 21-	--	--	—	-16,000,000	-16,000,000

per share					
Balance as at June 30, 2002	80,000,000	80,000,000	15,000,000	55,019,744	230,019,744
Effect of Changes in accounting policy		—	—		
Staff retirement gratuity				922,003	922,003
Restarted balance as at June 30, 2002	80,000,000	80,000,000	15,000,000	55,941,747	230,941,75
Profit for the year	—	—	—	30,872,395	30,872,395
Dividend Rs. 2.5 per share	—	—	—	-20,000,000	-20,000,000
Balance as at June 30, 2003	80,000,000	80,000,000	15,000,000	66,814,142	241,814,142

The Annexed notes from 1 to 29 form
An integral part of these accounts.

MUHAMMAD ARS NISAR AHMAD SHEIKH
CHIEF EXECUTIV DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2003

Note	Notes	2003 (Rupees)	2002 (Rupees)
a. CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year before taxation		30,912,108	11,544,097
Depreciation		19,189,319	21,363,507
Provision for gratuity		731,399	1,105,811
Gain on disposal of fixed asset		—	-188,990
Financial Charges		3,034,355	4,157,733
Operating profit before working capital changes		53,867,181	37,982,158
Changes in working capital			
(Increase)/decrease in current assets			
Stores, spares and loose tools		-925,041	3,639,686
Stock of oil and lubricants		-15,711,408	-3,751,956
Debtors		-19,467,932	-28,428,453
Advances, deposit, prepayments			
And other receivable		853,742	-2,695,975
Increase in current liabilities			
Creditors, accrued and other liabilities		8,231,532	11,250,534
		-27,019,107	-19,986,164
Cash generated from operations		26,848,074	17,995,994
Gratuity paid		-320,938	-161,766
Financial charges paid		-3,211,197	-4,323,353
Net cash from operating activities		23,315,939	13,510,875
b. CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		—	-10,594,386
Proceeds from disposal of fixed asset		—	1,015,000
Net cash used in Investing activities		—	-9,579,386
c. CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term loans		—	-5,500,000

Increase / (decrease) in		
Short term borrowings-net	-150,000	10,000,000
Payment of dividends	-15,998,450	-8,009,325
Net cash used in		
financing activities	-16,148,450	-3,509,325
Net increase in cash		
And bank balances (a+b+c)	7,167,489	422,164
Cash and bank balances at the		
Beginning of the year	1,741,417	1,319,253
Cash and bank balances at the		
end of the year	8,908,906	1,741,417

MUHAMMAD ARS NISAR AHMAD SHEIKH
 CHIEF EXECUTIV DIRECTOR

NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2003

1. STATUS AND ACTIVITIES

The Company was incorporated on February 20, 1994 under the Companies Ordinance, 1984 and quoted at Karachi and Lahore stock exchanges. The main object of the Company is generation and distribution of electricity. The project is located at Tehsil Jaranwalw, District Faisalabad in the province of Punjab.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such international accounting standards as notified under the provisions of the companies Ordinance, 1984. Whenever, the requirements of the Companies Ordinance, 1984 or directives issued by the securities and Exchange Commission of Pakistan Differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3. ACCOUNTING CONVENTION

These financial statements have been prepared under the "historical cost convention"

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 **Significant change in accounting policy.**

The company has adopted International Accounting Standard 19, "Employees benefits" with effect from July 01, 2002. Provision of defined benefit plan is now made to cover the obligation on the basis of actuarial valuation. The most recent valuation was carried out on June 30, 2003 using the Projected Unit Credit Method. Had there been no change in accounting policy, the related liability of staff retirement gratuity would have been increased by Rs. 808,5327- and net profit for the year before taxation would have been increased by Rs. 107,7977-

4.2 **Staff retirement benefits.**

The Company operates a defined benefit plan - unfounded gratuity scheme covering all its employees. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Method. Actuarial gains and losses that exceeds 10% of present value of defined obligations are amortised

over the expected average remaining working lives of participating employees.

4.3 Trade and other payable

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

4.4 Provisions

Provisions are recognized in the balance sheet when the company has a legal or constructive obligation as a result of the past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made to the amount of obligation.

4.5 Taxation

The profits and gains derived by the company from an electric power generation are exempt from income tax.

Provision for current taxation is based on income taxable at current tax rates after taking into account tax rebate and tax credits available under the law.

4.6 Operating assets

Operating assets, except freehold land are stated at cost less accumulated depreciation. Freehold land is stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in the operating assets note.

Depreciation on additions during the year is charged on the basis of whole year. No depreciation is charged on deletions during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposal of assets are included in current income.

4.7 Stores, spares and loose tools

These are valued at moving average cost.

4.8 Stock of oil and lubricants

This is valued at lower of cost and net realizable value. Cost is determined using the average cost method.

4.9 Debtors.

Known bad debts are written off and provisions are made for debts considered doubtful.

4.10 Rate of Exchange

Transactions in foreign currencies are recorded in the books at the rates of exchange ruling on the date of the transaction. Assets and liabilities in

foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date.

4.11 Revenue recognition

Revenue is recognized as the supplies made.

4.12 Borrowing Costs

Borrowing costs are recognized in net profit or loss in the year in which they are incurred.

4.13 Financial Instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instruments.

4.14 **Impairment and uncollectibility of financial assets**

An assessment is made at each balance sheet date to determine whether there is an evidence that a financial asset or group of financial assets may be impaired. If such evidence exist, the estimated recoverable amount of that asset or group of assets is determined and any impairment loss recognized for the difference between the recoverable amount and the carrying amount.

	Notes	2003 (Rupees)	2002 (Rupees)
5. Revenue reserves			
General reserve		15,000,000	15,000,000
Unappropriated profit		66,814,142	55,019,744
		81,814,142	70,019,744

6. STAFF RETIREMENT GRATUITY

6.1 General Description

The scheme provides terminal benefits for the all employees of the company, who attains the minimum qualifying period of one year of service. Annual charge is based on actuarial valuation, carried out as at June 30, 2003 using Projected Unit Credit Method.

	Notes	2003 (Rupees)	2002 (Rupees)
6.2 The Amount included in the balance sheet is as follows:			
Present value of obligations		3,070,313	—
Unrecognised actuarial losses		-115,216	—
		2,955,097	-
6.3 Movement in the net liability recognised			
Opening liability		3,466,639	2,522,594
Transitional decrease in opening liability		-922,003	—
		2,544,636	2,522,594
Expense recognized (6.4)		731,399	1,105,811
Paid during the year		-320,938	-161,766
		2,955,097	3,466,639
6.4 Expense recognised			
Current service cost		527,828	—
Interest cost		203,571	—
		731,399	—
6.5 Principal actuarial assumptions used			
Discount rate	8% per annum		
Expected rate of salary increase	7% per annum		
Expected average remaining working lives of participating employees	13 Years		

6.6 Under the transitional provisions of International Accounting Standard (IAS) 19 "Employees Benefits" the difference of Rs. 922,0037- in transitional liability and liability under previous accounting policy is recognized under IAS 8 "Net Profit or loss for the period, fundamental errors and changes in accounting policy". The change

in accounting policy has been accounted for retrospectively, however the corresponding figures for the year ended June 30, 2002. have not been restated , as it is impracticable to do so.

7. Short term borrowings

	Limit (Million)	2003 Rupees	2002 Rupees
Secured - under mark up arrangement			
From Banking company			
Morabaha finance (7.1)	30	29,850,000	30,000,000
Unsecured			
From directors (7.2)		12,800,000	12,800,000
		42,650,000	42,800,000

(7.1) It is secured against first charge over Company's current assets. It is further secured by personal guarantee of directors of the company. Rate of mark up ranges from 4.00% to 13.50% per annum.

(7.2) It is interest free and repayable on demand.

	Notes	2003 (Rupees)	2002 (Rupees)
8. Creditors, accrued and other liabilities			
Creditors		21,277,958	13,834,333
Security deposits		20,000	20,000
Accrued charges (8.1)		975,447	769,048
Interest/mark up on secured			
Short term borrowing		690,654	867,496
Electricity duty		270,179	533,951
Workers' Profit Participation Fund (8.2)		1,630,498	611,609
Withholding tax		—	739
Sales tax		—	172,870
		24,864,736	16,810,046

8.1 It includes Rs. Nil (2002- Rs. 8, 920/-) payable to associated undertaking.

8.2 Workers' Profit Participation Fund

	Notes	2003 (Rupees)	2002 (Rupees)
Opening balance		611,609	821,187
Interest on fund utilized in Company's business		67,361	76,463
		678,970	897,650
Amount paid to workers On behalf of the fund		-377,446	-698,857
Amount deposited in Workers' Welfare Fund		-301,524	-198,793
		-678,970	-897,650
Allocation for the year		1,630,498	611,609
		1,630,498	611,609
9. Dividends			
Proposed		20,000,000	16,000,000
Unclaimed		15,738	14,188
		20,015,738	16,014,188

10. COMMITMENT

Under letter of credit

for spare parts

978,692

874,394

11. Operating assets

Particulars	COST			DEPRECIATION					Rate %
	As at July 12,002	Additions/ (deletions)	As at June 302,003	Accumulated as at July 01, 2002	Adjustment	For the year	Accumulated as at June 30, 2003	Written down value at June 30, 2003	
Freehold land	2,898,010		2,898,010					2,898,010	
Building on Freehold land	40,851,559	-	40,831.56	20,355,857		2,047,570	22,403,427	18,428,132	10
Plant and machinery	109,073,483		309,073,483	144,984,145		16,408,934	161,393,079	147,680,404	10
Electric installations	6,540,882		6,540,882	3,235,732	-	330,515	3,566,247	2,974,635	10
Fuctot^ equipment	248,147	..	248,147	129,646		11,850	141,496	106,651	10
Electric appliances	604,821		604,821	211,151		39,367	250,518	354,303	10
Furniture and fixture	339,723		339,723	145,869	-	19,385	165,254	174,469	10
Office equipment	481,310		481,310	191,257		29,005	220,262	261,048	10
Vehicles	4,335,329		4,335,329	2,821,865		302,693	3,124,558	1,210.77	20
Rupees	365,353,264		365,353,264	172,075,522		19,189,319	191,264,841	174,088,423	
2002 Rupees	346,613.44	20,756,445 -2,016,625	365,353,264	151,902,630	-1,190,615	21,363,507	172,075,522	193,277.74	

11.1 Depreciation for the year has been allocated as under

	Notes	2003 (Rupees)	2002 (Rupees)
Cost of generation		18,838,236	20,931,374
Administration		351,083	432,133
12. Stores, spares and loose tools		19,189,319	21,363,507
Stores			
Spares		871,373	653,026
Loose Tools		14,720,285	14,018,734
		20,757	15,614
13. Stock of oil and lubricants		15,612,415	14,687,374
Furnace oil			
Lube oil		29,383,311	14,363,497
Diesel oil		486,049	455,681
Waste		1,963,694	1,714,968
		412,500	--
14. Debtors		32,245,554	16,534,146
Unsecured - considered Good (14.1)			
		94,584,912	75,116,980

14.1 It includes Rs. 84,779,5317- (2002-Rs. 66,268,8717-) due from associated undertakings.

Maximum amount due from associated undertakings at end of any month during the year was Rs. 110,290,868/- (2002 - Rs. 66,268,8717-)

15. Advances, deposits, prepayments and other receivables

considered good			
Advances			
Suppliers		545,463	3,016,326
Employees(15.1)		308,217	349,682
Income tax		3,553,908	3,284,247
Letters of credit fee,			
Margin and expenses		8,831	493,974
Security deposit		10,550	10,550
Prepayments		131,417	616,059
Sales tax		2,358,710	—
		6,917,096	7,770,838

16. Cash and bank balances		
Cash in hand	19,109	60,902
Cash at banks In current accounts	8,889,797	1,680,515
	8,908,906	1,741,417
17. Sales		
Electricity	326,929,864	293,295,107
Steam	7,942,550	3,575,845
	334,872,414	296,870,952
Less:		
Rebate/discount	2,337,679	5,166,381
Electricity duty	3,078,252	2,274,299
	5,415,931	7,440,680
	329,456,483	289,430,272
18. Cost of Generation		
Oil and lubricants	242,710,401	219,030,803
Salaries, wages and benefits	7,265,104	6,411,006
Retirement benefits	581,663	811,468
Stores and spares	20,102,306	19,881,651
Repairs and maintenance	119,490	1,766,681
Insurance	596,500	228,569
Depreciation	18,838,236	20,931,374
Others	150,139	131,320
	290,363,839	269,192,872
19. Operating expenses		
Salaries and benefits	852,838	759,318
Staff retirement benefits	149,736	201,843
Postage and telephone	564,643	539,325
Vehicles running and maintenance	389,873	666,491
Traveling and conveyance	163,770	185,413
Printing and stationery	63,496	59,959
Entertainment	58,150	99,880
Fees and subscriptions	341,700	978,283
Rent, rates and taxes	50,000	53,000
Advertisement	27,997	72,025
Insurance	248,507	231,680
Auditors' remuneration (19.1)	225,000	75,000
Depreciation	351,083 28,890	432,133 73,101
Other		
	3,515,683	4,427,451
19.1 Auditors' remuneration		
Audit fee	75,000	75,000
Tax advisory services	90,000	—
Sundry services	60,000	—
	225,000	75,000
•	2003	2002
	(Rupees)	(Rupees)
20. Financial charges		
Mark-up / interest on Lease liabilities		
Short term borrowing	2,945,749	4,003,240
Workers' profit participation fund	67,361	76,463
Bank charges and commission	21,245	78,030
	3,034,355	4,157,733

21. TAXATION

The profits and gains derived by the Company from electric power generation project are exempt from levy of income tax under clause 132 of part I of the Second Schedule to the Income Tax Ordinance, 2001.

Provision for minimum tax under Section 113 of the Income Tax Ordinance, 2001 has been made on sale of steam. Receipts from sale of electricity are exempt from

levy of turnover tax under Clause 15 of part IV of the Second Schedule to the Income Tax Ordinance, 2001.

21.1 Relationship between income tax expense and accounting profit		
Net profit for the year before taxation	30,912,108	11,544,097
Tax at applicable rate of 35% (2002-35%)	10,819,238	4,040,434
Tax effect of income exempt from tax	-10,562,626	-3,991,949
Tax effect of income subject to minimum tax	-216,899	-30,605
	39,713	17,880

22. Earnings per share - Basic

	Notes	2003 (Rupees)	2002 (Rupees)
Net Profit for the year (Rs.)		30,872,395	11,526,217
Weighted average number of Ordinary shares		8,000,000	8,000,000
Earnings per share (Rs.)		3.86	1.44

There is no dilutive effect in the basic earnings per share of the Company.

	Notes	2003 (Rupees)	2002 (Rupees)
23. REMUNERATION TO DIRECTORS AND EXECUTIVES			
		Executives	Executives
Remuneration		2,052,072	1,980,014
House rent allowances		923,100	869,805
Cost of living allowance		18,000	19,500
Conveyance allowance		98,832	93,743
		3,092,004	2,963,062
No. of Persons		12	13

One Directors and four Executives are entitled to free use of Company maintained car. The monetary values are approximately Rs. 349,463 /=- (2002 - Rs. 649,306 / =). The Directors have waived their meeting fee.

24. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of local associates, directors and executives. Transactions with related parties, other than remuneration and benefits to directors and executives under the terms of their employment, are as follows.

	Notes	2003 (Rupees)	2002 (Rupees)
Sales		287,700,126	239,452,836
Dividend		713,925	375,750

25. CAPACITY AND PRODUCTION

Number of generators installed	3	3
Number of generators worked	3	3
Installed energy generation capacity (Mega Watt hours)	96,480	96,480
Actual energy generation (Mega Watt hours)	80,897	79,037

Reasons for low generation

o Periodic maintenance and standby arrangement of

generators.

o Extra capacity for future growth

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

26.1 **Financial assets and financial liabilities of the company are as follows:**

JUNE 30, 2003.

	Effective	Total	Exposed to Interest rate risk Maturity Up to One Year	Not exposed to interest rate risk Maturity Up to One Year
	Interest Rate %			
Financial Assets				
Debtors	-	94,584,912	-	94,584,912
Deposit	-	10,550	-	10,550
Cash and bank balance	-	8,908,906	-	8,908,906
	Rupees	103,504,368		103,504,368
Financial Liabilities:				
On Balance sheet items				
Short term borrowings	9.87	42,650,000	29,850,000	12,800,000
Creditors accrued and other liabilities	18.75	24,594,557	1,630,498	22,964,059
Dividends		20,015,738	-	20,015,748
	Rupees	87,260,295	31,480,498	55,779,797

JUNE 30, 2002.

	Effective	Total	Exposed to Interest rate risk Maturity Upto One Year	Not exposed to interest rate risk Maturity Upto One Year
	Interest Rate %			
Financial Assets				
Debtors	-	75,116,980	-	75,116,980
Deposit	-	10,550	-	10,550
Cash and bank balance	-	1,741,417	-	1,741,417
	Rupees	76,868,947		76,868,947
Financial Liabilities:				
On Balance sheet items				
Short term borrowings	13.34	42,800,000	30,000,000	12,800,000
Creditors accrued and other liabilities	15	16,102,486	6,111,609	15,490,877
Dividends		16,014,188		16,014,188
	Rupees	74,916,674	30,611,609	44,305,065

26.2 Risk Management

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The management monitors and limits company's exposure of credit risk through monitoring and review of customers credit exposure and conservative estimates of previous for doubtful receivables. The Company's major exposure of credit risk is to its associated undertakings.

(b) Interest rates risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company is not exposed to any significant interest rate risk.

(c) Liquidity risk

Liquidity risk reflects and enterprise's inability in raising funds to meet commitments. The Company's management closely monitors the company's liquidity and cash flow position.

26.3 **Fair values of financial assets and liabilities**

The carrying value of all the financial assets and liabilities reported in the financial statements approximate their fair value.

27. NUMBER OF EMPLOYEES

Number of employees at the year end was 78 (2002: 86)

28. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on September 30, 2003 by the Board of directors of the Company.

29. FIGURES

- have been rounded off to the nearest rupee.

- of prior year have been rearranged and regrouped wherever necessary for the purpose of comparison, current portion of long term loans from directors amounting to Rs. 12,800,000/- has been re-arranged and grouped as short term borrowings to present financial statement more appropriately.

MUHAMMAD ARSHAD SHEIKH

NISAR AHMAD SHEIKH

CHIEF EXECUTIVE

DIRECTOR

PATTERN OF SHAREHOLDING

Pattern of Holding of Shares held by the Shareholders
As at June 30, 2003

Type	of Share	Number of Share Holders	Total Shares Held
1	500	289	144500
501	1000	5	5000
1001	5000	8	40000
5001	10000	4	36000
10001	20000	1	20000
55001	60000	1	56800
85001	115000	1	100000
185001	200000	2	400000
225001	280000	1	280000
300001	400000	2	775750
400001	500000	1	420000
500001	600000	1	600000

600001	700000	1	680000
700001	800000	1	720000
800001	900000	1	900000
900001	1000000	3	2821950
		322	8000000

Categories of Shareholding

As at June 30, 2003

Categories of Share holders	Number	Shares held	Percentage (%)
Associated companies.			
ARSHAD TEXTILE MILLS LTD	1	375750	4.7
Directors, Chief Executive & their Spouse and Children			
Mr. Muhammad Arshad Sheikh	1	943200	11.79
Mr. Muhammad Saeed	1	280000	3.5
Mr. Nisar Ahmed Sheikh	1	680000	8.5
Mr. M. Anwar Sajjad	1	420000	5.25
Mr. Amjad Saeed	1	720000	9
Mr. Shahzad Ahmed Sheikh	1	400000	5
Naureen Shahzad	1	56800	0.71
Memoona Waseem	1	200000	2.5
Zareen Akhter	1	100000	1.25
Nazima Amir	1	200000	2.5
		4000000	
Financial Institution	4	3378750	
Joint Stock Companies	2	7000	42.24
Individuals	305	238500	0.08
			2.98
Total	322	8000000	100

COMPANY INFORMATION

BOARD OF DIRECTORS;

CHAIRMAN:

NISAR AHMED SHEIKH

CHIEF EXECUTIVE:

MUHAMMAD ARSHAD SHEIKH

DIRECTORS:

MUHAMMAD SAEED
 MUHAMMAD ANWAR SAJJAD
 AMJAD SAEED
 SHAHZAD AHMAD
 NAUREEN SHAZAD

BOARD AUDIT COMMITTEE

1. NISAR AHMED CHAIRMAN
2. M. ANWAR SAJJAD MEMBER
3. SHAHZAD AHMED MEMBER

COMPANY SECRETARY:

JAVED ABBAS NAQVI

BANKERS:

FAYSAL BANK LIMITED
 HABIB BANK LIMITED

AUDITORS & TAX CONSULTANTS:

M. YOUSAF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS

LEGAL ADVISOR

RANA IFTIKHAR AHMAD
REGISTERED OFFICE AND SHARES DEPARTMENT:

404, 4^T FLOOR, BUSINESS CENTRE, DUNALLY ROAD,
KARACHI- PAKISTAN.
TEL: 021-2412814-2431531
FAX: 021-2419817

PLANT:

SHEIKHLIPURA ROAD,
TEHSILJARANWALA,
DISTRICT FAISALABAD.