KOHINOOR ENERGY LIMITED

table of contents

Corporate Information

Board of Directors

Mr. M. Naseem Saigol
Chairman
Mr. Toshio Nakanishi
Chief Executive Officer
Mr. S M Shakeel
Mr. Hiroshige Uga
Mr. Hidenori Saito
Mr. Ghazanfar Ali Zaidi
Nominee of Tomen Power (Singapore) (Pte). Ltd.
Mr. Ghazanfar Ali Khan
Nominee of Wartsila Finland Oy

Company Secretary

Mr. Muhammad Asif

Audit Committee

Mr. Hidenori Saito
Chairman
Mr. S M Shakeel
Mr. Hiroshige Uga
Mr. Ghazanfar Ali Khan

HR & Remuneration Committee

Mr. Hidenori Saito
Chairman
Mr. Toshio Nakanishi
Mr. S M Shakeel
Mr. Hiroshige Uga

Management

Mr. Toshio Nakanishi
Chief Executive Officer
Mr. S M 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

Standard Chartered Bank (Pakistan) Limited
Faysal Bank Limited
Bank Alfalah Limited
Askari Bank Limited
AL Baraka Bank (Pakistan) Limited
Meezan Bank
Barclays Bank PLC
MCB Bank Limited
Deutsche Bank

Registered Office

1404, 14th Floor, Green Trust Tower,
Blue Area Islamabad, Pakistan.
Tel : +92-51-2813021-2
Fax : +92-51-2813023

Project/Head Office

Post Office Raja Jang, Near Tablighi Ijtima,
Raiwind Bypass, Lahore, Pakistan.
Tel : +92-42-35392317
Fax : +92-42-35393415-7

Shares Registrar

M/S. Corplink (Pvt.) Ltd.
Wings Arcade, 1-K,Commercial, Model Town,
Lahore, Pakistan.
Tel : +92-42-35839182, 35887262, 35916719
Fax : +92-42-35869037

Lahore Office

17-Aziz Avenue, Unit # 4, Canal Bank,
Gulberg V, Lahore, Pakistan.
Tel : +92-42-35717861-2
Fax : +92-42-35715090

Website

www.kel.com.pk

Notice of Annual General Meeting

Notice is hereby given that the nineteenth Annual General Meeting of shareholders of Kohinoor Energy Limited will be held on October 16, 2012 (Tuesday) at 11:30 A.M. at Registered Office, at 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 September 29, 2011.

2. To receive and adopt the Annual Audited Accounts of the Company for the financial year ended June 30, 2012 alongwith Directors' and Auditors' Reports thereon.

3. To approve final dividend @ 15% i.e. Rs. 1.50 per share as recommended by the Board of Directors in addition to the interim dividend already paid @20% i.e. Rs. 2.00 per share making a total dividend @35% i.e. Rs. 3.50 per share for the financial year 2011-2012.

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

5. To elect seven directors as fixed by the Board under Sections 178 and 180 of the Companies Ordinance, 1984 for a term of three years commencing from October 30, 2012. The retiring Directors are:

    1. Mr. M. Naseem Saigol
    2. Mr. Toshio Nakanishi
    3. Mr. S M Shakeel
    4. Mr. Hidenori Saito
    5. Mr. Hiroshige Uga
    6. Mr. Ghazanfar Ali Zaidi (Nominee of Tomen Power (Singapore) (Pte) Ltd
    7. Mr. Ghazanfar Ali Khan (Nominee of Wartsila Finland Oy)

6. Any other business with the permission of the Chair

By order of the Board

Lahore:
September 05, 2012

(Muhammad Asif)
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from October 08, 2012 to October 16, 2012 (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 07, 2012 will be treated in time for the purpose of entitlement of cash dividend to the transferees and for determination of entitlement to attend and vote at the meeting.

2. Any person who seeks to contest the Election of Directors shall file at Head Office of the Company at Near Tablighi Ijtima, Raiwind Bypass, Lahore, not later than fourteen days before the day of the Meeting, his intention to offer himself for Election of Directors in terms of Section 178(3) of the Companies Ordinance, 1984.

3. 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 as mentioned in Note No. 2, not less than forty-eight hours before the time of the meeting and must be duly stamped, signed and witnessed.

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

    (i) Attested copies of CNIC 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 CNIC or original passport together with the Account No. and Participant's ID at the time of attending the meeting.

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

Directors' Report

The Directors feel pleasure to present the Annual Report together with the audited financial statements of Kohinoor Energy Limited for the financial year ended June 30, 2012.

Principal Activities

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

Financial Results

We report that during the year 2011-12 the total sales revenue of the Company touched the mark of Rs. 12.1 billion compared with the revenue of Rs. 10.9 billion recorded in the previous financial year. The board takes immense pleasure to report that despite of decrease in dispatch of electricity as compared with the previous financial year, the Company posted net profit after tax of Rs. 847 million as against Rs. 629 million earned during the last financial year. The net profits of the Company demonstrated the Earning Per Share of Rs. 5.00 as compared with Rs. 3.71 earned per share in the previous financial year. Such remarkable financial results truly speak out the dedication, commitment and hard work of the management and employees of the Company. The financial results of the Company for the year ended June 30, 2012, are summarized as follows:

		2012	2011
		(Rupees in thousand)	
Profit before taxation		850,487	641,920
Taxation		(3,130)	(12,456)
Profit after taxation		847,357	629,464
Un-appropriated profit brought forward		5,562,945	5,357,128
Available for appropriations		6,410,302	5,986,592
Final Dividend 2010-2011 @15%			
(Final Dividend 2009-10 @15% paid during FY 2010-11)		254,188	254,188
Interim Dividend 2011-2012 @20%			
(Interim Dividend 2010-11 @10% paid during FY 2011-12)		338,918	169,459
		593,106	423,647
Un-appropriated profit carried forward		5,817,196	5,562,945
Earnings per share	Rupees	5.00	3.71

We would like to refer the dispute with WAPDA on the matter of eligibility of indexation on non-escalable component of the capacity purchase price relating to the period subsequent to repayment of foreign currency loan. In relation to which the WAPDA had withheld Rs.430.517 million from the invoice of April 2010. Further to our report through the periodical accounts of the Company for the half year ended December 31, 2011, we write to update that since WAPDA has not accepted the decision / recommendation of the expert therefore in terms of the Power Purchase Agreement we have initiated the process of Arbitration. The management and legal counsel of your Company is confident that the matter will be settled in Company's favour therefore, we have not made any provision for the said amount in the financial statements.

The board also reports that consequent to supply of electricity shorter than the demand, WAPDA has invoiced liquidated damages (LDs). In this regard we are of the view that since technically the plant was available to deliver electricity as per WAPDA's requirement and the failure to deliver was consequential only to shortage of fuel due to default in payments by WAPDA, therefore WAPDA cannot claim LDs that caused as a result of its own default. Resultantly we have disputed such invoices of LDs submitted by WAPDA.

As reported earlier through accounts for the half year ended December 31, 2011 we feel pleasure to reiterate that Pakistan Credit Rating Agency Limited (PACRA) has assigned to the Company, long-term and short term entity ratings of "AA" and "A1+", respectively. We pleasurably report the consistency in maintaining the said ratings which validates the Company's strong financial profile.

Operations

The power complex delivered 726,872 MWH of electricity to WAPDA by running at 66.92% capacity factor, as compared to 888,287 MWH (at a capacity factor of 81.78%) delivered during the financial year 2010-11. During the year the power plant achieved the thermal efficiency of 44.93%.

Taking the opportunity we would like to inform you that we have planned to replace the existing ABB turbo chargers with new type of retrofit Turbo Chargers. The said Turbo Chargers by ABB are fit to operate at various temperature levels and are more efficient as well as their operating cost is substantially lower than that of the existing ones. During this financial year we shall replace the set of two turbo chargers each of three engines. We are confident that such replacement shall contribute to increase in profits in the coming years.

We also report that during the financial year under review four engines reaching at 68,000 running hours and two engines surpassing 76,000 running hours gone through the 8k major maintenance program. All the scheduled and preventive maintenance activities have been carried out in accordance with the plans. We report that all of the engines and their auxiliary equipment are in good condition for smooth and safe operations.

Dividend Distribution

The Board of Directors takes pleasure to recommend, to the shareholders of the Company for approval in the ensuing AGM, a final dividend at the rate of Rs. 1.50 per share (i.e. @ 15%) 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 @20% in March 2012, shall make the cumulative dividend distribution for the financial year 2011-2012 to be 35%.

Statements in compliance to the Code of Corporate Governance

The Directors state that:

- The financial statements, prepared by the management of the Company, present its state of affairs fairly, 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 Financial Reporting 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.
- 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 five 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	2	Mr. Ghazanfar Ali Zaidi	5
Mr. Toshio Nakanishi	5	Mr. Shinichi Ushijima	1
Mr. S M Shakeel	5	Mr. Ghazanfar Husain Mirza	4
Mr. Hiroshige Uga	1	Mr. Hidenori Saito	1

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

- During the financial year under review the Audit Committee meetings held for five times and the attendance of the members was as follows:

Name of member	No. of Meetings Attended
Mr. Hidenori Saito	1
Mr. S M Shakeel	5
Mr. Shinichi Ushijima	2
Mr. Ghazanfar Husain Mirza	4
Mr. Hiroshige Uga	–

- o During the financial year under review the HR and Remuneration Committee met for one time. All of the members Mr. Hidenori Saito, Mr. Toshio Nakanishi, Mr. S M Shakeel and Mr. Hiroshige Uga attended the said meeting.

- o 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, 2011 to June 30, 2012 except Mr. Hidenori Saito after joining the Board purchased 500 qualification shares from Mr. Shinichi Ushijima the outgoing director.

- o The Company has established 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 value of the investments of Gratuity Fund as on June 30, 2012 was Rs. 72,904,219.

- o The Board has formed Audit Committee. It comprises of four members, of whom three are non-executive directors and one is executive Director. An independent director is the Chairman of the Committee.

Change in the Board

Since the last annual general meeting held on September 29, 2011 Mr. Shinichi Ushijima and Mr. Ghazanfar Husain Mirza (nominee of Wartsila Finland Oy) have relinquished the offices of Director of the Company and in their places Mr. Hidenori Saito and Mr. Ghazanfar Ali Khan (nominee of Wartsila Finland Oy) have joined the Board of Directors of the Company respectively.

Social Responsibility and Community Welfare

We take pleasure to inform you that contribution to social welfare has been strategic part of our business approach. In this regard we report that concentrating on free medical treatment facility, and free education for children of the people living in the vicinity of the power plant we have contributed to the society as follows:

Medical Facility

The management of your Company is enthusiastically serving to the neighboring community of the power plant with free medical treatment facility to the deserving people. Our team of qualified doctor with experienced medical staff is taking care of the facility. We report that during the year 14,177 patients have been provided with the medical treatment at a cost of Rs. 3.48 million.

Education Facility

Contributing to equip the deserving children of the vicinity community your Company is playing its role to uplift the society through education. In this regard we would like to inform you that presently 230 students are being educated, of which the earliest batch of students has reached to class 6. The facility includes teaching, and provision of textbooks and uniform to all the students for free of cost. During the year the Company has contributed Rs. 2.50 million on account of education facility.

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 AGM.

Pattern of Shareholding

A statement of pattern of shareholding and additional information as at June 30, 2012 is annexed to the Annual Report.

Acknowledgement

We recognize and appreciate our valuable shareholders, WAPDA, Private Power and Infrastructure Board, financial institutions and lenders, Wartsila, ABB, Pakistan State Oil and other suppliers for their trust, continued support and the confidence that they extended to the Company. We are also thankful to all of the executives and staff members of the Company for their hard work, dedication and commitment with the Company. We are confident that the same spirit of allegiance will remain continue in the years to come.

For and on behalf of the Board

Toshio Nakanishi
Chief Executive

Lahore
September 05, 2012

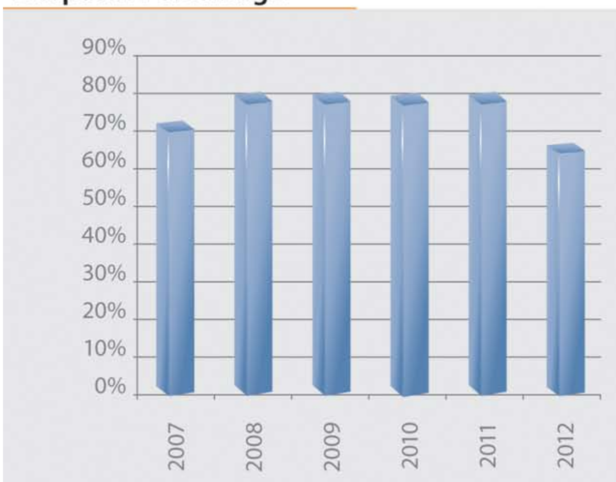
KOHINOOR ENERGY LIMITED

Financial Data

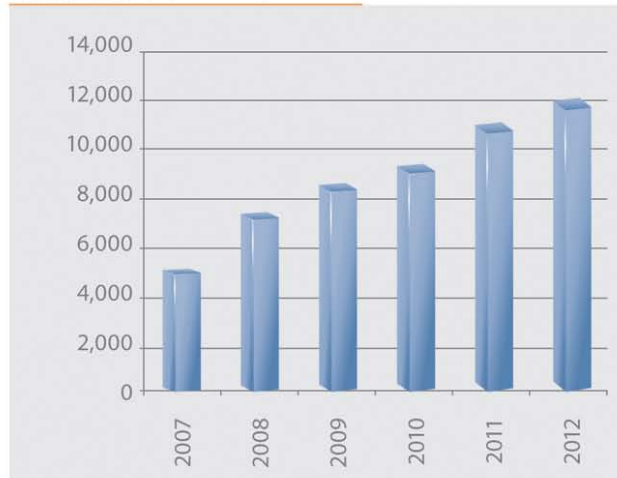
	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007
DISPATCH LEVEL (%)	**66.92%**	**81.78%**	**82.81%**	**80.33%**	**81.19%**	**74.16%**
DISPATCH (MWH)	**726,872**	**888,287**	**899,545**	**872,630**	**881,894**	**805,527**
REVENUE (Rs. 000)						
ENERGY FEE	11,225,331	10,060,183	8,468,638	6,950,971	6,260,816	4,118,646
CAPACITY FEE	894,583	841,906	998,756	1,383,370	1,127,041	1,214,460
TOTAL REVENUE	**12,119,914**	**10,902,089**	**9,467,394**	**8,334,341**	**7,387,857**	**5,333,106**
COST OF SALES	10,820,046	9,988,000	8,629,255	7,239,966	6,432,159	4,180,586
GROSS PROFIT	**1,299,868**	**914,089**	**838,139**	**1,094,375**	**955,698**	**1,152,520**
PROFITABILITY (Rs. 000)						
PROFIT/(LOSS) BEFORE TAX	850,487	641,920	707,315	918,241	659,693	843,782
PROVISION FOR INCOME TAX	3,130	12,456	20,023	13,185	5,000	7,100
PROFIT/(LOSS) AFTER TAX	**847,357**	**629,464**	**687,292**	**905,056**	**654,693**	**836,682**
FINANCIAL POSITION (Rs. 000)						
NON CURRENT ASSETS	4,057,197	4,151,288	4,167,689	4,376,297	4,608,052	4,800,977
CURRENT ASSETS	6,317,713	4,986,082	3,329,102	2,544,811	2,745,322	2,391,987
LESS CURRENT LIABILITIES	2,863,128	1,879,839	445,077	217,768	792,525	767,110
NET WORKING CAPITAL	**3,454,585**	**3,106,243**	**2,884,025**	**2,327,043**	**1,952,797**	**1,624,877**
CAPITAL EMPLOYED	7,511,782	7,257,531	7,051,714	6,703,340	6,560,849	6,425,854
LESS LONG TERM LOANS	-	-	-	-	-	96,051
SHARE HOLDERS EQUITY	**7,511,782**	**7,257,531**	**7,051,714**	**6,703,340**	**6,560,849**	**6,329,803**
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	6,410,302	5,986,592	5,696,046	5,771,319	5,289,910	4,635,217
APPROPRIATION / DIVIDENDS	593,106	423,647	338,918	762,565	423,647	-
UNAPPROPRIATED PROFIT CARRIED FORWARD	5,817,196	5,562,945	5,357,128	5,008,754	4,866,263	4,635,217
	7,511,782	7,257,531	7,051,714	6,703,340	6,560,849	6,329,803
SHARE PRICES AS ON JUNE 30,	20.62	16.50	26.49	29.00	27.15	37.50
EARNING PER SHARE	5.00	3.71	4.06	5.34	3.86	4.94
RATIOS:						
RETURN ON ASSETS	0.08	0.07	0.09	0.13	0.09	0.12
PRICE EARNING RATIO	4.12	4.44	6.53	5.43	7.03	7.60
BREAK UP VALUE PER SHARE OF Rs. 10 EACH	44.33	42.83	41.61	39.56	38.72	37.35
CURRENT RATIO	2.21	2.65	7.48	11.69	3.46	3.12
NET PROFIT/(LOSS) TO SALES (%AGE)	6.99%	5.77%	7.26%	10.86%	8.86%	15.69%

Performance Overview

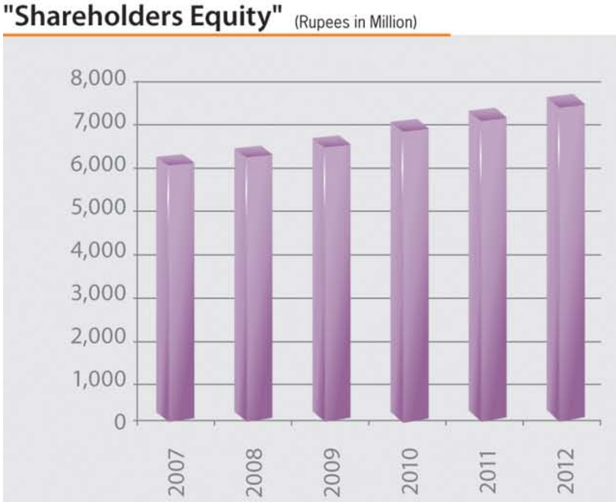
"Despatch Percentage"



"Turnover" (Rupees in Million)

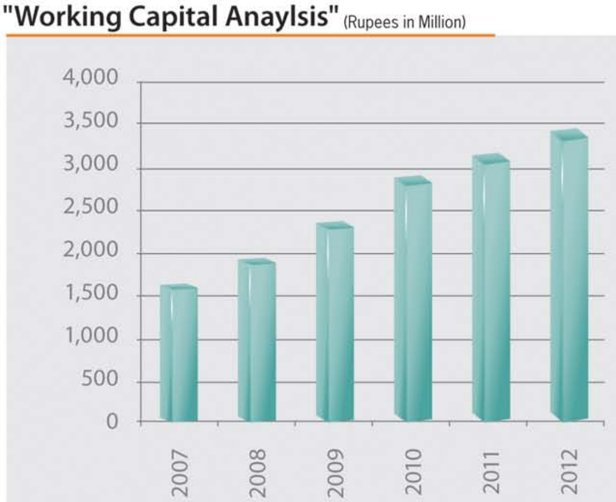


"Shareholders Equity" (Rupees in Million)



"Earning Per Share" (Rupees per Share)

"Working Capital Anaylsis" (Rupees in Million)



Statement of Compliance

With The Code Of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of 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 CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category Names	No. of Directors
Independent Directors	1
Executive Directors	3
Non-Executive Directors	3

The independent director meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven 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. Casual vacancies occurring on the board on April 01, 2012 and on August 15, 2012 were filled up by the directors on April 01, 2012 and on August 27, 2012 respectively.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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 CEO, other executive and non-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 were appropriately recorded and circulated.

9. The board arranged a training program for its directors during the year.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

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

13. The directors, CEO 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 CCG.

15. The board has formed an Audit Committee. It comprises of four members, of whom three are non executive and one is the executive director. The Chairman of the Committee is an independent director.

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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises of four members, of whom two are non-executive and two are executive directors and the Chairman of the committee is non executive independent director. Thus the non-executive members of the Committee in terms of voting power are in majority.

18. The board has set up an effective internal audit function who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.

20. 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.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with except for the number of executive directors which shall be complied at its due time i.e. at the time of forth due election of directors going to be held at the coming annual general meeting of shareholders of the Company.

For and on behalf of the Board

Toshio Nakanishi
Chief Executive

Lahore
September 05, 2012

Review Report

To The Members On Statement Of Compliance With Best Practices Of Code Of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Kohinoor Energy Limited to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges, 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.

Regulation 35 (x) of the Listing Regulations requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, 2012.

A.F. Ferguson & Co.
Chartered Accountants

Lahore
September 05, 2012

Amer Raza Mir
Partner

Auditors' Report to the Members

We have audited the annexed balance sheet of Kohinoor Energy Limited as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, 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.

(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, statement of comprehensive income, 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 companyís affairs as at June 30, 2011 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

(e) We draw attention to note 10.1.1 to the financial statements. In the year 2010, WAPDA withheld certain amounts relating to capacity purchase price which it had already paid. The intended matter was refer to expert with the consent of both the parties The expert has given his decision / recommendation on December 30, 2011. Although the decision / recommendation of the Expert is in the favour of the company but WAPDA has not accepted the decision / recommendation of the Expert. Consequently, the company and its legal advisors have decided to go into Arbitration. The management of the company and legal advisors are confident that the matter will be settled in company's favour. Our opinion is not qualified in respect of this matter.

(f) We draw attention to note 10.1.2 to the financial statements. The Company has not made any provision for liquidated damages claimed by WAPDA for the year ended June 30, 2012 as management in consultation with its legal counsel is of the view that the plant was technically available to deliver the electricity and failure to dispatch was consequential to shortage of fuel due to default in payments by WAPDA. The ultimate outcome of the matter cannot presently be determined, and no provision for any liquidated damages that may result has been made in the financial statements. Our opinion is not qualified in respect of this matter.

A.F. Ferguson & Co.
Chartered Accountants

Lahore
September 05, 2012

Amer Raza Meer
Partner

KOHINOOR
ENERGY LIMITED

Balance Sheet

	Note	2012	2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
170,000,000 (2011: 170,000,000) ordinary shares of Rs 10 each		1,700,000	1,700,000
Issued, subscribed and paid up capital			
169,458,614 (2011: 169,458,614) ordinary shares of Rs 10 each	5	1,694,586	1,694,586
Unappropriated profit		5,817,196	5,562,945
		7,511,782	7,257,531
CURRENT LIABILITIES			
Staff retirement benefits	6	22,320	10,499
Finances under mark up arrangements - secured	7	2,594,732	1,630,987
Trade and other payables	8	145,555	129,247
Accrued finance cost	9	17,025	6,642
Provision for taxation		83,496	102,464
		2,863,128	1,879,839
CONTINGENCIES AND COMMITMENTS	10		
		10,374,910	9,137,370

Chief Executive

As At June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	4,038,252	4,132,612
Intangible assets	12	4,296	3,210
Long term loans and deposits	13	14,649	15,466
		4,057,197	4,151,288
CURRENT ASSETS			
Stores, spares and loose tools	14	414,178	459,196
Stock	15	195,050	123,477
Trade debts	16	5,177,717	3,896,021
Loans, advances, deposits, prepayments and other receivables	17	392,071	371,631
Cash and bank balances	19	138,697	135,757
		6,317,713	4,986,082
		10,374,910	9,137,370

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

Director

KOHINOOR ENERGY LIMITED

Profit and Loss Account

For The Year Ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
Sales	19	12,119,914	10,902,089
Cost of sales	20	(10,820,046)	(9,988,000)
Gross profit		1,299,868	914,089
Administrative expenses	21	(198,692)	(210,236)
Other operating income	22	8,944	17,925
Profit from operations		1,110,120	721,778
Finance costs	23	(259,633)	(79,858)
Profit before taxation		850,487	641,920
Taxation	24	(3,130)	(12,456)
Profit for the year		847,357	629,464
Earnings per share	31	5.00	3.71

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

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

Chief Executive **Director**

Statement of Comprehensive Income
For The Year Ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
Profit for the year	847,357	629,464
Other comprehensive income	–	–
Total comprehensive income for the year	847,357	629,464

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

Chief Executive | **Director**

Cash Flow Statement

For The Year Ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from/(used in) operations	25	91,978	(905,060)
Employee benefits paid		(17,913)	(12,293)
Mark up on borrowings paid		(244,890)	(70,452)
Taxes paid		(22,098)	(25,906)
Net cash used in operating activities		(192,923)	(1,013,711)
Cash flows from investing activities			
Purchase of property, plant and equipment		(200,066)	(265,199)
Proceeds from sale of short term investments		–	83,871
Interest/mark-up income received		4,451	8,117
Net increase/(decrease) in long term loans and deposits		817	(5,048)
Proceeds from sale of property, plant and equipment		18,738	7,765
Net cash used in investing activities		(176,060)	(170,494)
Cash flows from financing activities			
Dividend paid		(591,822)	(420,949)
Net cash used in financing activities		(591,822)	(420,949)
Net decrease in cash and cash equivalents		(960,805)	(1,605,154)
Cash and cash equivalents at the beginning of the year		(1,495,230)	109,924
Cash and cash equivalents at the end of the year	26	(2,456,035)	(1,495,230)

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

Chief Executive

Director

Statement of Changes in Equity

For The Year Ended June 30, 2012

	Share capital	Un-appropriated profit	Total
		(Rupees in thousand)	
Balance as on June 30, 2010	1,694,586	5,357,128	7,051,714
Final dividend for the year ended June 30, 2010 at the rate of Rs 1.50 per share	–	(254,188)	(254,188)
Interim dividend for the year ended June 30, 2011 at the rate of Rs 1.00 per share	–	(169,459)	(169,459)
Total comprehensive income for the year	–	629,464	629,464
Balance as on June 30, 2011	1,694,586	5,562,945	7,257,531
Final dividend for the year ended June 30, 2011 at the rate of Rs 1.50 per share	–	(254,188)	(254,188)
Interim dividend for the year ended June 30, 2012 at the rate of Rs 2.00 per share	–	(338,918)	(338,918)
Total comprehensive income for the year	–	847,357	847,357
Balance as on June 30, 2012	1,694,586	5,817,196	7,511,782

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

Notes to and Forming Part

Of The Financial Statements For The Year Ended June 30, 2012

1. Legal status and nature of business

Kohinoor Energy Limited (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 and to sell the electricity produced therefrom to a sole customer, the Pakistan Water and Power Development Authority (WAPDA) under a Power Purchase Agreement (PPA), for a term of 30 years which commenced from june 19, 1997. 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 the requirements of the Companies Ordinance, 1984 (the ordinance) and the 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 and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Ordinance, provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS or IFAS, the requirements of the Ordinance or the requirements of the said directives prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards

2.2.1 Standards, amendments and interpretations to published standards effective in current year

Following are the amendments that are applicable for accounting periods beginning on or after January 1, 2011:

- IAS 1 (amendment), 'Presentation of financial statements', is effective for annual periods beginning on or after January 1, 2011. The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. This ammendment does not have a material impact on the company's financial statements.

- IAS 24 (Revised), 'Related Party Disclosures ', is effective for annual periods beginning on or after January 1, 2011. The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. This ammendment does not have a material impact on the company's financial statements.

- IAS 34 (amendment), 'Interim financial reporting', is effective for annual periods beginning on or after January 1, 2011. The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. This amendment does not have a material impact on the company's financial statements.

- IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement', is effective for annual periods beginning on or after January 1, 2011. IFRIC 14 provides further guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. This amendment does not have a material impact on the company's financial statements.

- IFRS 7 (amendment), 'Financial instruments: Disclosures', is effective for annual periods beginning on or after January 1, 2011. The amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment does not have a material impact on the company's financial statements.

- IFRS 7 (amendment), 'Financial instruments: Disclosures', is effective for annual periods beginning on or after July 1, 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, where financial assets are derecognised in their entirety, but where the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets) or where financial assets are not derecognised in their entirety. This amendment does not have any impact on the company's financial statements.

2.2.2 Standards, amendments and interpretations to existing 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:

- IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' is applicable for periods beginning on or after January 01, 2006, however, Independent Power Producers (IPPs), whose letter of intent has been signed on or before June 30, 2010, have been exempted from its application by the Securities and Exchange Commission of Pakistan (SECP). 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 is not required to account for a portion of its Power Purchase Agreement (PPA) with Water and Power Development Authority (WAPDA) as a lease under IAS - 17. If the company were to follow IFRIC - 4 and IAS - 17, the effect on the financial statements would be as follows:

	2012	2011
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(3,856,840)	(3,885,694)
Recognition of lease debtor	644,057	674,278
Decrease in unappropriated profit at the beginning of the year	(3,211,416)	(3,230,010)
Increase / (decrease) in profit for the year	(1,367)	18,594
Decrease in unappropriated profit at the end of the year	(3,212,783)	(3,211,416)

- IAS 1 (amendment), 'Financial statement presentation' regarding other comprehensive income is effective for periods starting from or on July 1 2012. It requires entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- IAS 19, 'Employee benefits' was amended in June 2011. The impact will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This is not expected to have a material impact on company's financial statements.

- The following amendments and interpretations to exisiting standards have been published and are mandatory for accounting periods beginning on or after their respective dates:

Standards or interpretation:	**Effective date (accounting periods beginning on or after)**
- IFRS 7, 'Financial Instruments: Disclosure	January 01, 2013
- IFRS 9, 'Financial Instruments	January 01, 2015
- IFRS 10, 'Consolidated financial information	January 01, 2013
- IFRS 12, ' Disclosures of interest in other entities	January 01, 2013
- IFRS 13, ' Fair value measurements	January 01, 2013
- IAS 32, ' Financial instruements: Presentation	January 01, 2013
- IAS 27,' Separate financial statements	January 01, 2013
- IAS 27,' Associates and joint ventures	January 01, 2013
- IAS 32, ' Financial instruements: Presentation, on offsetting financial assets and financial liabilities	January 01, 2014
- Annual improvements 2011; IFRS 1, 'First time adoption'. IAS 1, 'Financial statement presentation'. IAS 16, 'Property plant and equipment'. IAS 32, 'Financial instruments; Presentation'. IAS 34, Interim financial reporting'	January 01, 2013

2.2.3 Standards, amendments and interpretations to published standards effective in the current period not relevant to the company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

2.2.4 Standards, amendments and interpretations to existing standards that are not relevant to the company and not yet effective

Standards or interpretation:	**Effective date (accounting periods beginning on or after)**
- IFRS 11, 'Joint arrangements	January 01, 2013
- IFRS 1, 'First time adoption on government loans	January 01, 2013

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention, modified by capitalisation of exchange differences in previous years, 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

The company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

c) Useful lives 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.

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

The profits and gains of the company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause 132 of 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 clause at current rates of taxation after taking into account, tax credits and rebates available, if any.

Deferred

Deferred tax has not been provided in these financial statements as the company's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains of the company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

4.2 Employee retirement benefits

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

(a) Defined benefit plans

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. The latest actuarial valuation for the scheme was carried out as at June 30, 2012 and the actual return on plan assets during the year was Rs. 6.892 million (2011: Rs 6.455 million). The actual return on plan assets represents the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

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

- Discount rate	14% per annum
- Expected rate of increase in salary level	13% per annum
- Expected rate of return	12% per annum

The company is expected to contribute Rs. 16.500 million to the gratuity fund in the next financial year.

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

(b) Accumulating 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

4.3.1 Operating fixed assets

Operating fixed assets 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 capitalised in previous years and interest referred to in note 4.14.
Depreciation on all operating fixed assets is charged to profit on the straight line method so as to write off the cost of an asset over its estimated useful life at the annual rates mentioned in note 11.1 after taking into account their residual values.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if the impact on depreciation is significant. The company's estimate of the residual value of its operating fixed assets as at June 30, 2012 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to operating fixed assets is charged from the month in which the asset is available for use, while no depreciation is charged for the month in which the asset is disposed off.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.5).

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.

4.3.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

4.4 Intangible assets

Expenditure incurred to acquire intangible assets is stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method over its estimated useful life at the annual rate mentioned in note 12.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.5).

4.5 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation/amortisation and are tested annually for impairment. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.6 Leases

The company is the lessee:

4.6.1 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight line basis over the lease term.

4.7 Stores, spares and loose tools

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 Investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital, are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

4.10 Financial instruments

4.10.1 Financial assets

The company classifies its financial assets in the following categories: at fair value through profit or

loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

All financial assets are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date-the date on which the company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the company's right to receive payments is established.

The company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. If any such evidence exists, the recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the income statement. Impairment testing of trade debts and other receivable is described in note 4.11.

4.10.2 Financial liabilities

All financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

4.10.3 Offsetting of financial assets and financial liabilities

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

4.11 Trade debts and other receivables

Trade debts and other receivables are recognised initially at invoice value, which approximates fair value, and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognised in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

4.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

4.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

4.14 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the profit and loss account in the period in which they arise.

4.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

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

4.17 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the company and the revenue can be measured reliably.

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 banks is recognised on a time proportion basis by reference to the amounts outstanding and the applicable rates of return.

4.18 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

4.19 Dividend

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

5. Issued, subscribed and paid up capital

2012	2011		2012	2011
(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 (2011:33,891,722) ordinary shares of the company are held by an associated undertaking, Toyota Tsusho Corporation.

6. Staff retirement benefits

		2012	2011
		(Rupees in thousand)	
Gratuity	- note 6.1	14,097	6,100
Leave salary		8,223	4,399
		22,320	10,499

6.1 This represents staff gratuity and the amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation	102,589	81,806
Fair value of plan assets	(73,114)	(59,673)
Unrecognised actuarial losses	(15,378)	(16,033)
Liability as at June 30	14,097	6,100
Net liability as at July 1	6,100	1,396
Charge to profit and loss account	15,185	12,797
Contribution by the company	(7,188)	(8,093)
Liability as at June 30	14,097	6,100

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

Present value of defined benefit obligation as at July 1	81,806	69,756
Current service cost	11,525	10,338
Interest cost	11,453	8,371
Benefits paid	(1,150)	(8,293)
Experience loss	(1,045)	1,634
Present value of defined benefit obligation as at June 30	102,589	81,806

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

	2012	2011
	(Rupees in thousand)	
Fair value as at July 1	59,673	53,788
Expected return on plan assets	7,188	6,454
Contribution by the company	8,354	8,093
Benefits paid	(1,150)	(8,293)
Experience gain	(951)	(369)
Fair value as at June 30	73,114	59,673

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 the gratuity fund are as follows:

	2012	2011	2010	2009	2008
			(Rupees in thousand)		
As at June 30					
Present value of defined benefit obligation	102,589	81,806	69,756	54,265	51,059
Fair value of plan assets	73,114	59,673	53,788	37,512	28,634
Loss	29,475	22,133	15,968	16,753	22,425
Experience adjustment arising on obligation losses	(1,045)	1,634	450	183	1,779
Experience adjustment arising on plan assets (losses) / gain	(951)	(369)	244	2,393	(2,412)

7. Finances under mark up arrangements - secured

		2012	2011
		(Rupees in thousand)	
Finances under mark up arrangements - secured	- note 7.1	2,594,732	1,630,987

7.1 Short term running finances available from commercial banks under mark up arrangements amount to Rs 3,755 million (2011: Rs 2,568 million). The aggregate running finances are secured by a joint pari passu charge on the current assets of the company. The rates of mark up range from 12.67% to 16.03% per annum on the balances outstanding. 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. The company shall execute or cause to be executed all such instruments, deeds or documents, which the bank may in its sole discretion require.

8. Trade and other payables

		2012	2011
		(Rupees in thousand)	
Trade creditors	- note 8.1	23,339	17,983
Accrued liabilities		2,677	10,822
Withholding tax payable		91	2,486
Workers' profit participation fund	- note 8.2	42,360	32,096
Workers' welfare fund		29,783	12,838
Sales tax payable		30,084	36,079
Unclaimed dividend		11,068	9,784
Other payables		6,153	7,159
		145,555	129,247

8.1 Trade creditors include amount due to related parties of Rs 0.059 million (2011: Rs 0.087 million).

8.2 Workers' Profit Participation Fund (WPPF)

		2012	2011
		(Rupees in thousand)	
Opening balance		32,096	35,366
Provision for the year	- note 17.2	42,363	32,096
		74,459	67,462
Less: Payments made during the year		32,099	35,366
Closing balance		42,360	32,096

9. Accrued finance cost

	2012	2011
Mark-up accrued on finances under mark-up arrangement	17,025	6,642

10. Contingencies and commitments

10.1 Contingencies

10.1.1 During year ended June 30, 2010, WAPDA disputed the eligibility of indexation of non-escalable component (NEC) of the capacity purchase price relating to the period subsequent to the repayment of foreign currency loan taking the stance that under the Power Purchase Agreement (PPA) indexation is allowed until the repayment of foreign currency loan, and since the loan was fully repaid in September 2008, therefore no indexation was to be allowed from September 2008 onwards (Dispute 1). WAPDA had earlier paid Rs 430.517 (million) relating to the period from September 2008 to September 2009 but subsequently withheld this amount in June 2010 against the invoices of April 2010 (Dispute 2).

The management of the company is of the view that under the terms of the PPA (i) company is entitled to the continued indexation of the NEC after repayment of foreign currency loans; and (ii) the invoice receiving party may serve a dispute notice to the other party at any time prior to 180 days of receipt of such invoice. Since the invoices for the period from September 2008 to September 2009 were not disputed within the prescribed period of 180 days therefore WAPDA has waived its right to seek revision of such invoices in terms section 9.7 (d) of the PPA.

Article XV of PPA requires that if a dispute arises the matter shall be decided by (i) mutual discussions failing which (ii) through mediation by an expert and as a last resort through (iii) arbitration. The company's initial views were to refer the disputed matter to arbitration under the Rules of Arbitration of the International Chamber of Commerce to expedite the resolution of the dispute. However, during the year ended 30 June 2011, the Management of the company referred the matter to the expert. Consequently an expert was engaged with the consent of both the parties.The expert has given his decision / recommendation on December 30, 2011 which states that the adjustment of Rs. 430.517 million is unlawful, therfore, WAPDA is required to pay this amount to the company.

WAPDA has not accepted the decision / recommendation of the Expert (on Dispute 2) . Consequently the company and its legal advisors have decided to go into Arbitration on its own, The Management of the company and legal advisor is of the opinion that the matter will be settled in company's favour and consequently the company has not provided for Rs 430.517 million in these financial statements.

10.1.2 WAPDA have imposed liquidated damages (after taking into account forced outage allowance stipulated under the terms of Power Purchase Agreement) on account of short supply of electricity by the Company, which was due to cash flow constraints of the Company as a result of default by WAPDA in making timely payments. Currently, liquidated damages invoiced by WAPDA is 175 Million .The Company disputes and rejects any claim on account of liquidated damages that is or may be raised by WAPDA on the premise that its failure to dispatch electricity was due to WAPDA's nonpayment of dues on timely basis to the Company and consequential inability of the Company to make advance payments to its fuel supplier (PSO) that resulted in inadequate level of electricity production owing to shortage of fuel.According to legal advice available with the Company, there are adequate grounds to defend any claim by WAPDA for such liquidated damages since these conditions were imposed on the Company by WAPDA due to circumstances beyond its control. The ultimate outcome of the matter cannot presently be determined, and consequently, no provision for such liquidated damages has been made in these financial statements.

10.1.3 The company has issued the following guarantees in favour of:

(i) Water and Power Development Authority (WAPDA) on account of liquidated damages, in case the Company fails to make available electricity to WAPDA on its request, amounting to Rs 155 million (June 30, 2011: Rs 155 million).

(ii) Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 2.15 million (June 30, 2011: Rs 2.15 million).

10.2 Commitments

(i) Letters of credit other than capital expenditure Rs 10.19 million (June 30, 2011: Rs 79.98 million).

11. Property, plant and equipment

		2012	2011
		(Rupees in thousand)	
Operating fixed assets	- note 11.1	4,036,052	4,083,855
Capital work-in-progress	- note 11.2	2,200	48,757
		4,038,252	4,132,612

KOHINOOR ENERGY LIMITED

11.1 Property, plant and equipment

(Rupees in thousand)

	Freehold land	Buildings on freehold land	Plant and machinery	Office appliances and equipment	Laboratory equipment	Electric appliances and equipment	Computers	Furniture and fixtures	Vehicles	Total
Net carrying value basis										
Year ended June 30, 2012										
Opening net book value (NBV)	99,590	343,943	3,599,598	2,497	99	8,459	2,566	429	26,674	4,083,855
Additions (at cost)	-	-	239,410		-	2,187	-	-	3,253	244,850
Disposals (at NBV)	(5,038)	(8,083)	-	-	-	-	-	-	(1,343)	(14,464)
Depreciation charge	-	(21,412)	(246,853)	(474)	(68)	(1,533)	(1,887)	(208)	(5,754)	(278,189)
Closing net book value (NBV)	94,522	314,448	3,592,155	2,023	31	9,113	679	221	22,830	4,036,052
As at June 30, 2012										
Cost	94,552	621,847	7,051,627	7,220	2,691	22,286	50,976	9,153	51,811	7,912,163
Accumulated depreciation	-	(307,399)	(3,459,472)	(5,197)	(2,660)	(13,173)	(50,297)	(8,932)	(28,981)	(3,876,111)
Net book value (NBV)	94,552	314,448	3,592,155	2,023	31	9,113	679	221	22,830	4,036,052
Depreciation rate % per annum	-	4%	6%-10%	10%	10%	10%	35%	10%	20%	
Net carrying value basis										
Year ended June 30, 2011										
Opening net book value (NBV)	99,590	366,478	3,644,205	2,642	-	5,916	4,749	1,056	26,604	4,151,240
Additions (at cost)	-	-	202,520	567	115	3,529	1,163	-	10,690	218,584
Adjustments	-	(327)	-	-	-	-	-	327	-	-
Disposals (at NBV)	-	-	-	-	-	-	-	(327)	(4,142)	(4,469)
Depreciation charge	-	(22,208)	(247,127)	(712)	(16)	(986)	(3,346)	(627)	(6,478)	(281,500)
Closing net book value (NBV)	99,590	343,943	3,599,598	2,497	99	8,459	2,566	429	26,674	4,083,855
Gross carrying value basis										
As at June 30, 2011										
Cost	99,590	632,802	6,812,217	7,221	2,691	20,099	50,976	9,153	51,204	7,685,953
Accumulated depreciation	-	(288,859)	(3,212,619)	(4,724)	(2,592)	(11,640)	(48,410)	(8,724)	(24,530)	(3,602,098)
Net book value (NBV)	99,590	343,943	3,599,598	2,497	99	8,459	2,566	429	26,674	4,083,855
Depreciation rate % per annum	-	4% - 6%	4.55% - 18.18%	10%	10%	10%	35%	10%	20%	

11.1.1 The cost of fully depreciated assets which are still in use as at June 30, 2012 is Rs. 187.325 million (2011: Rs 57.204 million)

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

	2012	2011
	(Rupees in thousand)	
Cost of sales	270,294	272,943
Administrative expenses - Depreciation	7,868	8,533
Administrative expenses - Community welfare expenses	27	24
	278,189	281,500

11.1.3 Disposal of operating fixed assets

Detail of fixed assets sold during the year is as follows: **2012** **(Rupees in thousand)**

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposals
Vehicles	**Employees**					
	Saghir Hussain	846	462	384	783	Negotiation
	Saghir Hussain	735	372	362	830	-do-
	Outsiders					
Land	Muhammad Aslam	1,065	469	596	1,125	-do-
	Outsiders					
	Wingate School System	5,038	-	5,038	5,040	-do-
	Outsiders					
Building	Wingate School System	10,954	2,871	8,083	10,960	-do-

Detail of fixed assets sold during the year is as follows: **2011**

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposals
Vehicles	**Outsiders**					
	Ghulam Qadir	1,017	529	488	850	Negotiation
	Muhammad Saeed Akhtar	61	49	12	10	-do-
	Syed Afzal Hussain	1,003	629	374	900	-do-
	EFU Insurance Company	735	404	331	725	Insurance claim
	EFU Insurance Company	1,753	280	1,473	1,724	-do-
	Director					
	Syed Ghazanfar Ali Zaidi	1,017	529	488	1,000	Negotiation
	Employees					
	Shaukat Ali	1,017	529	488	1,000	-do-
	Mumtaz Ahmad Khan	1,017	529	488	1,000	-do-
Furniture and Fixture						
	Outsiders					
	Wingate School System	422	95	327	257	-do-

11.2 Capital work-in-progress	2012	2011
	(Rupees in thousand)	
Plant and machinery	2,200	46,983
Advances to suppliers - considered good	–	1,774
	2,200	48,757

12. Intangible assets

	Computer software	Others	Total
		(Rupees in thousand)	
Net carrying value basis			
Year ended June 30, 2012			
Opening net book value (NBV)	2,322	888	3,210
Additions at cost	1,774	–	1,774
Amortisation charge	632	56	688
Closing net book value (NBV)	3,464	832	4,296
Gross carrying value basis			
As at June 30, 2012			
Cost	18,276	1,000	19,276
Accumulated amortisation	(14,813)	(167)	(14,980)
Net book value (NBV)	3,463	833	4,296
Amortisation rate % per annum	6.25-10	5.56	
Net carrying value basis			
Year ended June 30, 2011			
Opening net book value (NBV)	2,945	944	3,889
Additions at cost	–	–	–
Amortisation charge	623	56	679
Closing net book value (NBV)	2,322	888	3,210
Gross carrying value basis			
As at June 30, 2011			
Cost	16,502	1,000	17,502
Accumulated amortisation	(14,180)	(112)	(14,292)
Net book value (NBV)	2,322	888	3,210
Amortisation rate % per annum	5.56	10	

		2012	2011
		(Rupees in thousand)	

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

Cost of sales	- note 20	–	101
Administrative expenses	- note 21	688	578
		688	679

12.2 The cost of fully amortised assets which are still in use as at June 30, 2012 is Rs 11.284 million (2011: Rs 11.284 million)

13. Long term loans and deposits

		2012	2011
		(Rupees in thousand)	
Loans to employees - considered good			
Executives	- note 13.1	7,105	6,514
Others	- note 13.1	16,712	18,309
Loan to others - secured	- note 13.1.1	400	1,300
		24,217	26,123
Less: Current portion included in current assets			
Loans to employees - executives	- note 13.1	2,648	3,273
Loans to employees - others	- note 13.1	7,187	6,856
Loan to others - secured	- note 13.1.1	400	900
		10,235	11,029
		13,982	15,094
Security deposits		667	372
		14,649	15,466

13.1 These represent interest free loans to executives and other employees for purchase of residential plot, construction of house, purchase of motor cars, motor cycles etc and are repayable in monthly installments over a period of 24 to 60 months. Loans for purchase of residential plots and construction of house are secured against staff retirement benefits of employees. Loans for purchase of motor cars and motor cycles 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.

13.1.1 This represents an interest free loan issued to a contract employee of the company for improvements at his residential house and purchase of car. This loan is secured by charge over residential property duly registered with the housing society and the car is registered in the name of the company. The loans are repayable in monthly installments over a period of 36 months and 60 months respectively.

KOHINOOR ENERGY LIMITED

13.2 Reconciliation of carrying amount of loans to executives	2012	2011
	(Rupees in thousand)	
Opening balance	6,514	5,502
Disbursements	4,170	3,138
Employees promoted as executives	2,408	1,565
	13,092	10,205
Less: Repayments	5,987	3,691
Closing balance	7,105	6,514

13.3 The maximum amount outstanding at the end of any month from executives aggregated Rs 9.027 million (2011: Rs 7.459 million).

14. Stores, spares and loose tools		2012	2011
		(Rupees in thousand)	
Stores		14,409	9,648
Spares including in transit Rs (2011: Rs Nil)		413,181	458,096
Loose tools		777	716
		428,367	468,460
Less : Provision for obsolete items	- note 14.2	14,189	9,264
		414,178	459,196

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

14.2 Provision for obsolete stores and spares	2012	2011
	(Rupees in thousand)	
Opening balance	9,264	9,264
Provision for the year	4,925	–
Closing balance	14,189	9,264

15. Stock

Furnace oil	186,185	122,765
Diesel	888	598
Lubricating oil	7,977	114
	195,050	123,477

16. Trade debts

		2012	2011
		(Rupees in thousand)	
Trade receivables from WAPDA - secured			
- Considered good		5,177,717	3,896,021
- Considered doubtful		–	6,966
	- note 16.1	5,177,717	3,902,987
Less: Provision for doubtful debts	- note 16.2	–	6,966
		5,177,717	3,896,021

16.1 This includes an overdue amount of Rs 4,029.039 million (2011: Rs 2,565.875 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 at the rate of six months treasury bill plus 2% per annum is charged in case the amounts are not paid within due dates. The penal mark-up rate charged during the year ranges from 14% to 16% per annum.

16.2 Provision for doubtful debts

	2012	2011
	(Rupees in thousand)	
Opening balance	6,966	6,966
Written off during the year	(6,966)	–
Closing balance	–	6,966

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

		2012	2011
Current portion of long term loans to 'employees'	- note 13	9,836	10,129
Current portion of long term loans to 'others'	- note 13	400	900
Advances - considered good			
To employees	- note 17.1	2,529	2,165
To suppliers		273,707	272,216
Prepayments		1,075	1,351
Profit receivable on bank deposits		282	63
Claims recoverable from WAPDA for pass through items:			
Workers' Profit Participation Fund	- note 17.2	74,459	67,462
Workers' Welfare Fund	- note 17.2	29,783	12,838
Other receivables - considered good		–	4,507
		392,071	371,631

17.1 Included in advances to employees are amounts due from executives Rs 1.6 million (2011: Rs 0.696 million).

17.2 Workers' Profit Participation Fund (WPPF) and Workers' Welfare Fund (WWF)

		WPPF		WWF	
		2012	2011	2012	2011
		(Rupees in thousand)			
Opening balance		67,462	35,366	12,838	14,147
Provision for the year	- note 8.2	42,363	32,096	16,945	12,838
		109,825	67,462	29,783	26,985
Less: Receipts during the year		35,366	–	–	14,147
Closing balance		74,459	67,462	29,783	12,838

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 Workers' Welfare Fund are recoverable from WAPDA as a pass through item.

18. Cash and bank balances

		2012	2011
		(Rupees in thousand)	
Balance at banks on:			
Current accounts		25,928	264
Special account related to dividend payable		947	2,335
Savings accounts	- note 18.1	110,686	132,067
		137,561	134,666
Cash in hand		1,136	1,091
		138,697	135,757

18.1 The balance in savings bank accounts bear mark-up at rates ranging from 5.00% to 11.00% per annum.

19. Sales

	2012	2011
	(Rupees in thousand)	
Energy purchase price	11,225,331	10,060,183
Capacity purchase price	894,583	841,906
	12,119,914	10,902,089

Energy purchase price is exclusive of sales tax of Rs 1,751.768 million (2011: Rs 1,694.309 million).

20. Cost of sales

		2012	2011
		(Rupees in thousand)	
Raw material consumed		10,071,392	9,213,910
Salaries, wages and benefits	- note 20.1	124,245	100,131
Fee for Produce of Energy (FPE)		55,261	63,146
Stores and spares consumed		213,429	241,593
Depreciation on operating fixed assets	- note 11.1.3	270,294	272,943
Amortisation on intangible assets	- note 12.1	–	101
Insurance		46,197	47,002
Travelling, conveyance and entertainment		8,723	9,290

	2012	2011
	(Rupees in thousand)	
Repairs and maintenance	15,365	27,717
Communication charges	1,354	1,462
Electricity consumed in-house	1,480	1,311
Environmental Expenses - O&M	1,773	1,380
Miscellaneous	10,533	8,014
	10,820,046	9,988,000

20.1 Salaries, wages and other benefits

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

	2012	2011
Current service cost	6,043	5,466
Interest cost for the year	6,005	4,426
Expected return on plan assets	(4,380)	(3,413)
Recognition of loss	295	669
	7,963	7,148

In addition to the above, salaries, wages and other benefits include Rs 8.128 million (2011: Rs 2.564 million) in respect of accumulating compensated absences.

21. Administrative expenses

		2012	2011
		(Rupees in thousand)	
Salaries, wages and benefits	- note 21.1	112,814	115,510
Printing and stationery		88	454
Communication charges		1,957	2,849
Depreciation on operating fixed assets	- note 11.1.3	7,868	8,533
Amortisation on intangible assets	- note 12.1	688	578
Insurance		2,659	3,127
Travelling, conveyance and entertainment		19,574	26,433
Repairs and maintenance		8,659	6,660
Legal and professional charges	- note 21.2	9,467	9,544
Community welfare expenses		6,011	11,106
Donations	- note 21.3	403	1,202
Rents, rates and taxes		3,328	4,060
Fee and subscription		3,248	1,720
Security Expenses		3,693	3,446
Environmental Expenses		6,149	6,812
Miscellaneous	- note 21.4	12,086	8,202
		198,692	210,236

21.1 Salaries, wages and other benefits	2012	2011
	(Rupees in thousand)	

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

Current service cost	5,482	4,872
Interest cost for the year	5,448	3,945
Expected return on plan assets	(3,974)	(3,041)
Recognition of loss	266	596
	7,222	6,372

In addition to above, salaries, wages and other benefits include Rs 6.919 million (2011: Rs 2.098 million) in respect of accumulating compensated absences.

21.2 Legal and professional charges	2012	2011
	(Rupees in thousand)	

Legal and professional charges include the following in respect of auditors' services for:

Statutory audit	1,100	1,000
Half yearly review and sundry services	275	490
Out of pocket expenses	187	180
	1,562	1,670

21.3 None of the directors and their spouses has any interest in the donee.

21.4 Includes an amount of Rs 0.121 Million (2011: Rs 0.218 million) on account of advertistment expenses of Red Communication Arts (Private) Limited, a related party.

22. Other operating income

	2012	2011
	(Rupees in thousand)	
Income from financial assets:		
Income on bank deposits	4,669	7,520
Gain on sale of short-term investments	–	7,109
	4,669	14,629
Income from non-financial assets:		
Profit on disposal of property, plant and equipment	4,275	3,296
	8,944	17,925

23. Finance cost

Mark up on finances under mark up arrangements - secured	255,273	76,702
Bank guarantee and commission	624	944
Exchange loss	3,129	1,965
Others	607	247
	259,633	79,858

24. Taxation

This represents the provision for current taxation for the year.

24.1 Tax charge reconciliation	2012	2011
	(Rupees in thousand)	
Profit before tax	850,487	641,920
Tax @ 35% (2011: 35%)	297,670	224,672
Tax effect of exempt income referred to in note 4.1	(295,085)	(212,761)
Others	545	545
Tax charge	3,130	12,456

25. Cash generated from operations

	2012	2011
Profit before taxation	850,487	641,920
Adjustment for:		
Depreciation on property, plant and equipment	278,189	281,500
Amortisation on intangible assets	688	679
Gain on disposal of property, plant and equipment	(4,275)	(3,296)
Income on bank deposits	(4,670)	(7,520)
Employee retirement benefits	29,734	12,797
Gain on sale of short term investments	–	(7,109)
Finance cost	255,273	76,702
Profit before working capital changes	1,405,426	995,673
Effect on cash flow due to working capital changes		
Decrease / (Increase) in stores and spares	45,018	(68,765)
(Increase) / Decrease in inventory	(71,573)	44,763
Increase in trade debts	(1,281,696)	(1,969,971)
(Increase) / Decrease in loans, advances, deposits, prepayments and other receivables	(20,221)	85,467
Increase in trade and other payables	15,024	7,773
	(1,313,448)	(1,900,733)
	91,978	(905,060)

26. Cash and cash equivalents

	2012	2011
Cash and bank balances	138,697	135,757
Finances under mark up arrangements	(2,594,732)	(1,630,987)
	(2,456,035)	(1,495,230)

27. Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive 2012	Chief Executive 2011	Executive Directors 2012	Non Executive Directors 2012	Executive Directors 2011	Non Executive Directors 2011	Executives 2012	Executives 2011
	(Rupees in thousand)							
Managerial remuneration and allowances	7,049	7,372	12,433	11,036	10,807	11,036	24,003	22,012
Housing	3,167	3,312	5,586	4,962	4,854	4,962	10,746	9,823
Retirement benefits	1,050	1,050	1,852	822	1,610	822	3,849	3,456
Medical expenses	–	23	68	–	23	–	1,713	754
Bonus	2,093	506	3,692	2,850	3,432	2,850	6,515	6,095
Utilities	704	736	1,241	1,103	1,079	1,103	2,388	2,183
Club expenses	102	86	132	–	128	–	372	403
Others	1,850	3,558	7,837	4,553	9,019	4,801	13,934	12,541
	16,015	16,643	32,841	25,326	30,952	25,574	63,520	57,267
Number of persons	**1****	**2**	**2**	**1**	**2**	**1**	**22**	**18**

**During the year Advisor to CEO Mr. Muneki Udaka left the company on July 31, 2011 upon completion of contract.

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

27.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 3 directors is Rs 0.100 million (2011: Rs 0.070 million).

28. 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 receivables and payables and remuneration of key management personnel is disclosed in note 28. Other significant transactions with related parties are as follows:

Description		2012	2011
		(Rupees in thousand)	
Relationship with the company	Nature of transaction		
i. Other related party	Purchase / sale of goods and services	13,216	532
ii. Post retirement benefit plan	Expense charged	15,185	12,797

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.

29. Capacity and production	2012 MWH	2011 MWH
Installed capacity (Based on 8,760 hours)	1,086,240	1,086,240
Actual energy delivered	726,872	888,287

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

30. Financial risk management

30.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the finance department under the principles and policies approved by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Euro and Great Britain Pound (GBP). Currently, the company's foreign exchange risk exposure is restricted to the amounts receivable / payable from / to the foreign entities. The company's exposure to currency risk is as follows:

	2012	2011
Trade and other payables - USD	–	(1,770)
Trade and other payables - Euro	51,705	–
Trade and other payables - GBP	–	(11,820)

The following significant exchange rates were applied during the year:

	2012	2011
Rupees per USD		
Average rate	91.00	85.65
Reporting date rate	95.93	86.08

	2012	2011
Rupees per Euro		
Average rate	122.00	117.17
Reporting date rate	120.35	124.79
Rupees per GBP		
Average rate	144.03	136.41
Reporting date rate	149.40	138.50

If the functional currency, at reporting date, had fluctuated by 5% against the USD , Euro and GBP with all other variables held constant, the impact on profit after taxation for the year would have been Rs 0.311 million (2011: Rs 0.089 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is not exposed to any significant equity price risk since there are no investments in equity securities. The company is also not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company has no significant long-term interest-bearing assets. The company's interest rate risk arises from long term and short term borrowings. Borrowings obtained at variable rates expose the company to cash flow interest rate risk.

At the balance sheet date, the interest rate profile of the company's interest bearing financial instruments was:

	2012	2011
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Bank balances - savings accounts	110,686	132,067
Net exposure	110,686	132,067
Floating rate instruments		
Financial assets		
Trade debts - overdue	4,029,039	2,565,875

	2012	2011
	(Rupees in thousand)	
Financial liabilities		
Finances under mark up arrangements - secured	(2,594,732)	(1,630,987)
Net exposure	1,434,307	934,888

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on finances under mark up arrangements, at the year end date, fluctuate by 1% higher/lower with all other variables held constant, profit after tax would have been Rs 170.25 thousands (2011: 66.42 thousands) higher/lower, mainly as a result of higher/lower interest expense on floating rate finances.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks and other receivables.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2012	2011
	(Rupees in thousand)	
Long term loans and deposits	14,649	15,466
Trade debts	5,177,717	3,902,987
Loans, advances, deposits, prepayments and other receivables	114,760	95,899
Balances with banks	137,561	134,666
	5,444,687	4,149,018

The age of trade receivables and related impairment loss at balance sheet date is as follows:

	2012	2011
The age of trade receivables	(Rupees in thousand)	
- Not past due	1,235,830	1,330,146
- Past due 0 - 180 days	3,424,516	2,135,358

	2012	2011
	(Rupees in thousand)	
- Past due 181 - 365 days	86,854	–
- 1 - 2 years	–	430,517
- More than 2 years	430,517	6,966
	5,177,707	3,902,987

The age of impairment loss against trade receivables

	2012	2011
- Not past due	–	–
- Past due 0 - 180 days	–	–
- Past due 181 - 365 days	–	–
- 1 - 2 years	–	–
- More than 2 years	–	6,966
	–	6,966

The movement in provision for impairment of receivables is as follows:

	2012	2011
Opening balance	6,966	6,966
Written off during the year	(6,966)	–
Closing balance	–	6,966

(ii) Credit quality of major financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating Short term	Long term	Rating Agency	2012	2011
				(Rupees in thousand)	
WAPDA	Not Available			5,281,960	3,983,287
Banks					
Bank Alfalah Limited	A1+	AA	PACRA	4,956	45,834
Standard Chartered Bank	A1+	AAA	PACRA	60,722	86,303
Faysal Bank Limited	A1+	AA	PACRA	3,241	499
MCB Bank Limited	A1+	AA+	PACRA	106	101
Askari Commercial Bank	A1+	AA	PACRA	40,755	5
Deutsche Bank	A-1	A+	Standard and Poors	13	256
Barclays Bank	A-1+	AA-	Standard and Poors	907	1,617
Meezan Bank	A-1+	AA-	JCR-VIS	915	–
Al-Baraka Bank	A-1	A	JCR-VIS	25,000	–
				5,418,575	4,117,902

After giving due consideration to the strong financial standing of the banks and Government guarantee in case of WAPDA, management does not expect non-performance by these counter parties on their obligations to the company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities

The company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2012, the company had Rs 3,755 million available borrowing limits from financial institutions and Rs 138.698 million cash and bank balances.

The following are the contractual maturities of financial liabilities as at June 30, 2012:

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees in thousand)		
Finances under mark up arrangements	2,594,732	2,594,732	-	-
Trade and other payables	73,321	73,321	-	-
Accrued finance cost	17,025	17,025	-	-
	2,685,078	2,685,078	-	-

The following are the contractual maturities of financial liabilities as at June 30, 2011:

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees in thousand)		
Finances under mark up arrangements	1,630,987	1,630,987	-	-
Trade and other payables	81,827	81,827	-	-
Accrued finance cost	6,642	6,642	-	-
	1,719,456	1,719,456	-	-

30.2 Fair values of financial assets and liabilities

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

30.3 Financial instruments by categories

	At fair value through profit and loss		Loans and receivables		Total	
	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)					
Assets as per balance sheet						
Long term loans and deposits	-	-	14,649	15,466	14,649	15,466
Trade debts	-	-	5,177,717	3,902,987	5,177,717	3,902,987
Loans, advances, deposits, prepayments and other receivables	-	-	114,760	95,899	114,760	95,899
Cash and bank balances	-	-	137,561	134,666	137,561	134,666
	-	-	5,444,687	4,149,018	5,444,687	4,149,018

	Financial liabilities at amortised cost	
	2012	2011
Liabilities as per balance sheet	(Rupees in thousand)	
Finances under mark up arrangements	2,594,732	1,630,987
Trade and other payables	73,321	81,827
Accrued finance cost	17,025	6,642
	2,685,078	1,719,456

30.4 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 net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings, less cash and bank balances as disclosed in note 18. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The company's strategy, which is unchanged from last year, is to maintain a gearing ratio of 30% debt and 70% equity. The gearing ratio as at June 30, 2012 and June 30, 2011 is as follows:

		2012	2011
		(Rupees in thousand)	
Borrowings	- note 7	2,594,732	1,630,987
Less: Cash and bank balances	- note 18	138,697	135,757
Net debt		2,456,035	1,495,230
Total equity		7,511,782	7,257,531
Total capital		9,967,817	8,752,761
Gearing ratio	**Percentage**	25%	17%

31. Earnings per share

31.1 Basic earnings per share

		2012	2011
Net profit for the year	Rupees in thousand	847,357	629,464
Weighted average number of ordinary shares	Number	169,458,614	169,458,614
Earnings per share	Rupees	5.00	3.71

31.2 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, 2012 and June 30, 2011 which would have any effect on the earnings per share if the option to convert is exercised.

32. Date of authorization for issue

These financial statements were authorised for issue on Sep 05, 2012 by the Board of Directors of the company.

33. Events after the balance sheet date

The Board of Directors have proposed a final dividend for the year ended June 30, 2012 of Rs 1.5 (2011: Rs1.5) per share, amounting to Rs 254.188 million (2011: Rs 254.188 million) at their meeting held on Sep 05, 2012 for approval of the members at the Annual General Meeting to be held on Oct 16, 2012. These financial statements do not reflect this dividend payable.

34. Corresponding figures

Corresponding figures have been re-arranged, where necessary, for the purposes of better presentation, income from sale of scrap (Rs 22.742 million), previously classified as other operating income, has been netted of against raw material consumed included in cost of sales.

35. General

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

Chief Executive **Director**

KOHINOOR
ENERGY LIMITED

Pattern of Shareholding As At June 30, 2012

NO. OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	TOTAL SHARES HELD
108	1	100	3,649
127	101	500	43,953
99	501	1,000	83,066
179	1,001	5,000	544,974
83	5,001	10,000	639,331
32	10,001	15,000	414,465
22	15,001	20,000	393,282
12	20,001	25,000	284,073
17	25,001	30,000	482,030
3	30,001	35,000	103,000
12	35,001	40,000	460,713
2	40,001	45,000	88,000
12	45,001	50,000	597,858
7	50,001	55,000	374,764
1	55,001	60,000	60,000
5	60,001	65,000	313,352
1	65,001	70,000	66,500
1	70,001	75,000	72,000
3	75,001	80,000	237,000
1	80,001	85,000	83,375
11	95,001	100,000	1,097,500
2	100,001	105,000	205,382
1	105,001	110,000	109,000
1	110,001	115,000	112,820
1	135,001	140,000	135,351
1	140,001	145,000	142,387
1	150,001	155,000	152,500
1	170,001	175,000	172,901
3	195,001	200,000	599,395
1	210,001	215,000	214,000
1	235,001	240,000	237,500
2	245,001	250,000	500,000
1	250,001	255,000	255,000
1	270,001	275,000	271,500
1	275,001	280,000	276,769
1	280,001	285,000	285,000
1	295,001	300,000	300,000
1	305,001	310,000	306,029
1	340,001	345,000	342,026
1	345,001	350,000	347,500
1	365,001	370,000	370,000
1	370,001	375,000	375,000
1	380,001	385,000	383,432
1	400,001	405,000	404,500
1	480,001	485,000	484,881
3	495,001	500,000	1,500,000
1	510,001	515,000	514,250
1	525,001	530,000	530,000
1	635,001	640,000	637,129
1	650,001	655,000	655,000
1	730,001	735,000	733,250
1	750,001	755,000	753,500
1	930,001	935,000	934,600
2	995,001	1,000,000	2,000,000
1	1,070,001	1,075,000	1,071,257

1	1,120,001	1,125,000	1,123,146
1	1,295,001	1,300,000	1,300,000
1	1,450,001	1,455,000	1,453,750
1	1,575,001	1,580,000	1,578,892
1	1,715,001	1,720,000	1,719,720
1	2,995,001	3,000,000	3,000,000
1	3,385,001	3,390,000	3,389,171
1	3,735,001	3,740,000	3,739,730
1	6,900,001	6,905,000	6,902,999
1	7,900,001	7,905,000	7,902,999
2	14,125,001	14,130,000	28,253,241
1	25,335,001	25,340,000	25,335,122
1	27,110,001	27,115,000	27,113,378
1	33,890,001	33,895,000	33,891,722
794			**169,458,614**

Categories of Shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor childern	22,032,270	13.0016
Associated Companies, undertakings and related parties. (Parent Company)	61,005,100	36.0000
NIT and ICP	1,071,257	0.6322
Banks Development Financial Institutions, Non Banking Financial Institutions.	27,362,106	16.1468
Insurance Companies	552,269	0.3259
Modarabas and Mutual Funds	3,689,720	2.1774
Share holders holding 10%	86,340,222	50.9506
General Public	46,182,318	27.2529
Others (to be specified)		
Joint Stock Companies	3,690,538	2.1778
Foreign Companies	14,580	0.0086
Others Companies	3,858,269	2.2768
Investment Companies	187	0.0001

Catagories of Shareholding required under Code of Coprorate Governance (CCG)
As on June 30, 2012

Sr. No.	Name	No. of Sheres Held	Percentage
	Associated Companies, Undertakings and Related Parties (Name Wise):		
1	TOYOTA TSUSHO CORPORATION	33,891,722	20.0000
2	TOMEN POWER (SINGAPORE) (PTE) LIMITED	27,113,378	16.0000
	NIT and ICP (Name Wise):		
1	NATIONAL BANK OF PAKISTAN- TRUSTEE DEPARTMENT. (CDC)	1,071,257	0.6322
	Directors, CEO and their Spouse and Minor Chidren (Name Wise):		
1	MR. M. NASEEM SAIGOL (CDC)	14,126,621	8.3363
2	MRS. SEHYR SAIGOL W/O MR. M. NASEEM SAIGOL (CDC)	7,902,999	4.6637
3	Mr. S M SHAKEEL	650	0.0004
4	MR. HIDENORI SAITO	500	0.0003
5	MR. HIROSHIGE UGA	500	0.0003
6	MR. TOSHIO NAKANISHI	500	0.0003
7	MR. GHANZAFAR HUSAIN MIRZA	500	0.0003
8	MR. GHANZAFAR ALI ZAIDI (EMPLOYEE DIRECTOR)	–	–
	Executives:	1,080	0.0006
	Public Sector Companies & Corporations:	–	–
	Banks, Development Finance Institutions, Non Banking Finance Intitutions, Insurance Companies, Modarabas and Mutual Funds:	31,604,095	18.6500
	Shareholders holding five percent or more voting interest in the listed company (Name Wise)		
1	TOYOTA TSUSHO CORPORATION	33,891,722	20.0000
2	TOMEN POWER (SINGAPORE) (PTE) LIMITED	27,113,378	16.0000
3	INTERNATIONAL FINANCE CORPORATION (CDC)	25,335,122	14.9506
4	MR. M. NASEEM SAIGOL (CDC)	14,126,621	8.3363
5	MR. M. AZAM SAIGOL (CDC)	14,126,620	8.3363

All trades in the shares of the listed company, carried out by its Directors, CEO, CFO, Company Secretary and their spouses and minor children:

S. No.	NAME	SALE	PURCHASE
1	MR. HIDENORI SAITO	–	500

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 nineteenth Annual General Meeting of the Company to be held on October 16, 2012 at 11:30 A.M. and/or at any adjournment thereof.

As witness my/our hand(s) this -------------------------- day of -------------------------- 2012

signed by --

in the presence of ---

Signed by the said

Witness:	Witness:	
Name ---------------------------	Name ---------------------------	**Revenue Stamps**
CNIC No. ---------------------------	CNIC No. ---------------------------	
Address ---------------------------	Address ---------------------------	
---------------------------	---------------------------	
---------------------------	---------------------------	

Notes

A member entitled to attend and vote at this meeting may appoint a proxy. Proxies, in order to be effective, must be received at Head Office/Shares Department of the Company situated at plant site Near Tablighi Ijtima, 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 CNIC 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 CNIC or original passport at the time of attending the meeting.