

Balance Sheet

as at June 30, 2008

	Note	2008 (Rupees in thousand)	2007
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
3,600,000,000 (2007: 3,600,000,000) ordinary shares of Rs 10 each		<u>36,000,000</u>	<u>36,000,000</u>
Issued, subscribed and paid up capital			
880,253,228 (2007: 880,253,228) ordinary shares of Rs 10 each	5	8,802,532	8,802,532
Capital reserve	6	444,451	444,451
Unappropriated profit		<u>12,081,025</u>	<u>9,616,465</u>
		<u>21,328,008</u>	<u>18,863,448</u>
NON-CURRENT LIABILITIES			
Long term loan - unsecured	7	6,047,191	6,946,906
Long term advances	8	-	14,414
Liabilities against assets subject to finance lease	9	30,924	-
Deferred liabilities	10	2,729,895	3,575,932
		<u>8,808,010</u>	<u>10,537,252</u>
CURRENT LIABILITIES			
Current portion of long term liabilities	11	906,342	902,121
Finances under mark-up arrangements - secured	12	23,637,028	6,431,343
Trade and other payables	13	2,285,073	2,152,227
Provision for taxation		-	44,635
		<u>26,828,443</u>	<u>9,530,326</u>
CONTINGENCIES AND COMMITMENTS	14	<u>56,964,461</u>	<u>38,931,026</u>

The annexed notes 1 to 41 form an integral part of these financial statements.



Aftab Mahmood Butt
(Chief Executive)

	Note	2008 (Rupees in thousand)	2007
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	19,683,665	21,174,460
Intangible assets	16	2,398	2,674
Assets subject to finance lease	17	36,525	-
Capital work-in-progress	18	133,276	90,724
Long term loans and deposits	19	25,254	20,217
		<u>19,881,118</u>	<u>21,288,075</u>
CURRENT ASSETS			
Stores and spares	20	2,551,182	2,553,701
Stock-in-trade	21	2,191,568	1,759,459
Trade debts	22	29,303,453	11,574,384
Loans, advances, deposits, prepayments and other receivables	23	2,857,701	1,546,408
Cash and bank balances	24	179,439	208,999
		<u>37,083,343</u>	<u>17,642,951</u>
		<u>56,964,461</u>	<u>38,931,026</u>



Vince R. Harris OBE
(Director)

Profit And Loss Account

for the year ended June 30, 2008

	Note	2008 (Rupees in thousand)	2007
Sales	25	55,947,078	37,086,650
Cost of sales	26	<u>(46,600,485)</u>	<u>(28,343,289)</u>
Gross profit		9,346,593	8,743,361
Administrative expenses	27	(381,261)	(289,613)
Other operating income	28	<u>1,302,323</u>	<u>457,322</u>
Profit from operations		10,267,655	8,911,070
Finance costs	29	<u>(2,208,130)</u>	<u>(1,327,430)</u>
Profit before tax		8,059,525	7,583,640
Taxation	30	<u>(93,382)</u>	<u>(2,592,231)</u>
Profit for the year		<u>7,966,143</u>	<u>4,991,409</u>
Earnings per share	38	<u>9.05</u>	<u>5.67</u>

Rupees

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

The annexed notes 1 to 41 form an integral part of these financial statements.



Aftab Mahmood Butt
(Chief Executive)



Vince R. Harris OBE
(Director)

Cash Flow Statement

for the year ended June 30, 2008

	Note	2008 (Rupees in thousand)	2007
Cash flows from operating activities			
Cash generated from operations	36	(6,411,515)	324,471
Finance cost paid		(1,739,254)	(1,242,702)
Taxes paid		(2,567,475)	(2,503,787)
Staff retirement benefits paid		(5,374)	(1,191)
Net cash used in operating activities		(10,723,618)	(3,423,209)
Cash flows from investing activities			
Purchase of property, plant and equipment		(127,827)	(85,208)
Income on bank deposits received		2,376	143,402
Net increase in long term loans and deposits		(5,037)	(2,383)
Proceeds from sale of property, plant and equipment		7,873	4,540
Net cash (used in)/from investing activities		(122,615)	60,351
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(4,852)	-
Repayment of long term loan		(899,715)	(1,007,215)
Dividend paid		(5,484,445)	(6,218,325)
Net cash used in financing activities		(6,389,012)	(7,225,540)
Net decrease in cash and cash equivalents		(17,235,245)	(10,588,398)
Cash and cash equivalents at beginning of the year		(6,222,344)	4,366,054
Cash and cash equivalents at the end of the year	37	(23,457,589)	(6,222,344)

The annexed notes 1 to 41 form an integral part of these financial statements



Aftab Mahmood Butt
(Chief Executive)



Vince R. Harris OBE
(Director)

Statement of Changes in Equity

for the year ended June 30, 2008

	Share capital	Capital reserve (Rupees in thousand)	Un-appro- priated profit	Total
Balance as on June 30, 2006	8,802,532	444,451	10,874,854	20,121,837
Final dividend for the year ended June 30, 2006 - Rs 4.10 per share	-	-	(3,609,038)	(3,609,038)
Profit for the year	-	-	4,991,409	4,991,409
Interim dividend - Rs 3.00 per share	-	-	(2,640,760)	(2,640,760)
Balance as on June 30, 2007	<u>8,802,532</u>	<u>444,451</u>	<u>9,616,465</u>	<u>18,863,448</u>
Final dividend for the year ended June 30, 2007 - Rs 3.00 per share	-	-	(2,640,760)	(2,640,760)
Profit for the year	-	-	7,966,143	7,966,143
Interim dividend - Rs 3.25 per share	-	-	(2,860,823)	(2,860,823)
Balance as on June 30, 2008	<u>8,802,532</u>	<u>444,451</u>	<u>12,081,025</u>	<u>21,328,008</u>

The annexed notes 1 to 41 form an integral part of these financial statements.



Aftab Mahmood Butt
(Chief Executive)



Vince R. Harris OBE
(Director)

Notes to and Forming Part of the Financial Statements

for the year ended June 30, 2008

1. Legal status and nature of business

Kot Addu Power Company Limited ('The Company'), was incorporated in Pakistan on April 25, 1996 as a public limited company under the Companies Ordinance, 1984. The Company was listed on April 18, 2005 on the Karachi, Islamabad and Lahore Stock Exchanges. The principal activities of the Company are to own, operate and maintain a multi-fuel fired power station with fifteen generating units with a nameplate capacity of 1,600 MW in Kot Addu, District Muzaffargarh, Punjab, Pakistan.

2. Basis of preparation

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

2.2 Standards, Interpretations and amendments to published approved accounting standards

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

2.2.1 Amendments to published standards effective in current year

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

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

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

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

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

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

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

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

Notes to and Forming Part of the Financial Statements

for the year ended June 30, 2008

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

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

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

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

3. Basis of measurement

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain staff 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) Staff 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 views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

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

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

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

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the

profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Previously, income of the Company derived from the power station upto June 27, 2006 was exempt from income tax under clause 138 of the Part-I of the Second Schedule to the Income Tax Ordinance, 2001. The Company was also exempt from minimum tax under clause 13(A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 for the period it continued to be entitled to exemption under clause 138 of the Part I of the Second Schedule i.e. upto June 27, 2006.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.2 Staff retirement benefits

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

- (a) The Company operates an approved funded defined benefit pension scheme for all employees with a qualifying service period of ten years. Monthly contribution is made to the fund on the basis of actuarial recommendation. The latest actuarial valuation was carried out as at June 30, 2008. The actual return on plan assets during the year was Rs 107.771 million (2007: Rs 98.091 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.

The future contribution rate includes allowances for deficit and surplus. Projected unit credit method, using the following significant assumptions, is used for valuation of the scheme:

- Discount rate 12 percent per annum (2007: 10 percent per annum).
- Expected rate of increase in salary level 25 percent for the next year and 12 percent for subsequent years (2007: 10 percent per annum).
- Expected rate of increase in pension 7 percent per annum (2007: 5 percent per annum).
- Expected rate of return 12 percent per annum (2007: 10 percent per annum).

Plan assets include long-term Government bonds, term finance certificates of financial institutions and term deposits with banks. Return on Government bonds and debt is at fixed and floating rates.

The Company is expected to contribute Rs 22.036 million to the pension fund in the next year ending June 30, 2009.

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

- (b) The Company also operates an approved funded contributory provident fund for all employees. Equal monthly contributions are made by both the Company and the employees to the fund.
- (c) The Company provides medical facilities to its retired employees and eligible dependant family members along with free electricity. Provisions are made annually to cover the obligation on the basis of actuarial valuation and are charged to income currently. The latest actuarial valuation was carried out as at June 30, 2008.

Notes to and Forming Part of the Financial Statements

for the year ended June 30, 2008

Projected unit credit method, using the following significant assumptions, is used for valuation of these schemes:

- Discount rate 12 percent per annum (2007: 10 percent per annum).
- Expected rate of increase in medical cost 9 percent per annum (2007: 7 percent per annum).
- Expected rate of increase in electricity benefit 12 percent per annum (2007: 10 percent per annum).

Retirement benefits are payable to all regular employees on completion of prescribed qualifying period of service under these schemes.

4.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost represents the acquisition price of assets transferred to the Company in accordance with the Transfer Agreement signed between Pakistan Water and Power Development Authority (WAPDA) and the Company on June 26, 1996 based on a valuation by M/s Stone and Webster using depreciated replacement cost basis.

Depreciation on all property, plant and equipment is charged to profit on the straight line method so as to write off the depreciable amount of an asset over its estimated useful life at the annual rates mentioned in note 15.

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

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

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

Major plant modifications and improvements are capitalised. Overhauls, maintenance and repairs are charged to income as and when incurred. The gain or loss on disposal or retirement of an asset, represented by the difference between the sale proceeds and the carrying amount of the asset, is recognised as an income or expense.

Blades for Gas Turbines are considered a separate category of assets with useful life span of 10 years. All blades are depreciated regardless of whether they are in use or not. Refurbishment costs are accrued and charged to profit and loss account.

4.4 Intangible assets

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method over a period of five years.

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

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

4.5 Capital work-in-progress

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

4.6 Leases

The Company is the lessee:

Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. At inception finance leases are capitalised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight-line method. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

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 and spares

Usable stores and spares are valued principally at weighted 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.

Refurbishable items are valued at the lower of cost and net realisable value. Cost of refurbishment is charged to the profit and loss account as it is incurred. The item is charged to the profit and loss account when, upon inspection, it cannot be refurbished.

4.8 Stock in trade

Stock in trade except for those in transit are valued at lower of cost based on FIFO and net realisable value.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management estimate.

4.9 Financial instruments

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

Financial instruments carried on the balance sheet include loans and deposits, trade and other debts, cash and bank balances, borrowings, long term advances, liabilities against assets subject to finance leases, trade and other payables,

Notes to and Forming Part of the Financial Statements

for the year ended June 30, 2008

accrued expenses and unclaimed dividends. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.10 Offsetting of financial assets and liabilities

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

4.11 Long term loans and deposits

Loans and deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in non-current assets for having maturities greater than 12 months after the balance sheet date. Initially they are recognised at fair value and subsequently stated at amortised cost.

4.12 Trade debts

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

4.13 Cash and cash equivalents

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

4.14 Borrowings

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

4.15 Trade and other payables

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

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

4.16 Derivative financial instruments

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

4.17 Foreign currencies

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

Exchange differences are included in income currently.

4.18 Borrowing costs

Mark up, interest and other charges on borrowings are capitalised upto the date of commissioning of the related property, plant and equipment, acquired out of the proceeds of such borrowings. All other mark up, interest and other charges are charged to income.

4.19 Revenue recognition

Revenue on account of energy is recognised on transmission of electricity to WAPDA, whereas on account of capacity is recognised when due. Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

4.20 Dividend

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

5. Issued, subscribed and paid up capital

2008 (Number of shares)	2007		2008 (Rupees in thousand)	2007
253,000	253,000	Ordinary shares of Rs 10 each fully paid in cash	2,530	2,530
880,000,228	880,000,228	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	8,800,002	8,800,002
<u>880,253,228</u>	<u>880,253,228</u>		<u>8,802,532</u>	<u>8,802,532</u>

Ordinary shares of the Company held by associated undertakings are as follows:

Pakistan Water and Power Development Authority (WAPDA)	402,563,562	402,563,562
National Power (Kot Addu) Limited (a wholly owned subsidiary of International Power plc)	<u>316,891,159</u>	<u>316,891,159</u>
	<u>719,454,721</u>	<u>719,454,721</u>

6. Capital reserve

This represents the value of fuel stock taken over by the Company at the time of take over of Kot Addu Gas Turbine Power Station from WAPDA. The value of stock was not included in the valuation of assets at the time of take over.

7. Long term loan - unsecured

Lender	Currency	2008 (Rupees in thousand)	2007	Rate of interest per annum	No of semi annual instalments	Interest payable
WAPDA - Related party	PKR	6,946,906	7,846,621	14%	20, ending June 2018.	Semi annually
Less: Current maturity		<u>899,715</u>	<u>899,715</u>			
		<u>6,047,191</u>	<u>6,946,906</u>			

Notes to and Forming Part of the Financial Statements

for the year ended June 30, 2008

	2008 (Rupees in thousand)	2007
8. Long term advances		
Advances against lease	-	16,820
Less: Payment to date	<u>-</u>	<u>-</u>
	-	16,820
Less: Current portion shown under current liabilities	<u>-</u>	<u>2,406</u>
	<u>-</u>	<u>14,414</u>

These have been transferred to liabilities against assets subject to finance lease during the year, on receipt of respective assets.

	2008 (Rupees in thousand)	2007
9. Liabilities against assets subject to finance lease		
Present value of minimum lease payments	37,551	-
Less: Current portion shown under current liabilities	<u>6,627</u>	<u>-</u>
	<u>30,924</u>	<u>-</u>

The present value of minimum lease payments have been discounted at an implicit interest rate ranging from 10.95 percent to 11.31 percent per annum to arrive at their present value. The lessee has the option to purchase the assets after expiry of the lease term.

Taxes, repairs, replacements and insurance costs are to be borne by the lessee.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

Years	Minimum lease payment	Future finance charge	(Rupees in thousand)	
			Present value of lease liability	
			2008	2007
Not later than one year	10,029	3,402	6,627	-
Later than one year and not later than five years	<u>36,274</u>	<u>5,350</u>	<u>30,924</u>	<u>-</u>
	<u>46,303</u>	<u>8,752</u>	<u>37,551</u>	<u>-</u>

		2008 (Rupees in thousand)	2007
10. Deferred Liabilities			
Deferred taxation	- note 10.1	2,402,469	3,288,955
Staff retirement benefits	- note 10.2	<u>327,426</u>	<u>286,977</u>
		<u>2,729,895</u>	<u>3,575,932</u>

10.1 Deferred taxation

The liability for deferred taxation comprises of timing differences relating to:

Accelerated tax depreciation	2,460,010	3,308,356
Provision for store obsolescence	(26,107)	(14,326)
Provision for doubtful debts	(18,291)	(5,075)
Liabilities against assets subject to finance lease	<u>(13,143)</u>	<u>-</u>
	<u>2,402,469</u>	<u>3,288,955</u>

2008
(Rupees in thousand)

2007

The gross movement in deferred tax liability during the year is as follows:

Opening balance	3,288,955	3,163,000
(Reversal)/charge during the year	<u>(886,486)</u>	<u>125,955</u>
Closing balance	<u>2,402,469</u>	<u>3,288,955</u>

10.2 Staff retirement benefits

These are composed of:

Pension	- note 10.2.1	1,298	(10,464)
Medical	- note 10.2.2	132,776	120,306
Free electricity	- note 10.2.2	193,352	177,135
		<u>327,426</u>	<u>286,977</u>

10.2.1 Pension

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation	658,959	524,958
Fair value of plan assets	(694,732)	(590,283)
Unrecognised actuarial gains	37,071	54,861
Liability/(asset) as at June 30	<u>1,298</u>	<u>(10,464)</u>
Asset as at July 1	(10,464)	(21,715)
Charge to profit and loss account	15,579	11,251
Contribution paid by the Company	(3,817)	-
Liability/(asset) as at June 30	<u>1,298</u>	<u>(10,464)</u>

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

Present value of defined benefit obligation as at July 1	524,958	401,056
Current service cost	21,800	21,139
Interest cost for the year	53,148	36,618
Benefits paid during the year	(7,139)	(5,978)
Experience loss	66,192	72,123
Present value of defined benefit obligation as at June 30	<u>658,959</u>	<u>524,958</u>

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

Fair value as at July 1	590,283	498,170
Expected return on plan assets	59,369	44,901
Company contribution	3,817	-
Benefits paid during the year	(7,139)	(5,978)
Experience gain	48,402	53,190
Fair value as at June 30	<u>694,732</u>	<u>590,283</u>

Plan assets are comprised as follows:

Debt	26%	99%
Cash	74%	1%
	<u>100%</u>	<u>100%</u>

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for the year ended June 30, 2008

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

	2008	2007	2006	2005	2004
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligations	658,959	524,958	401,056	383,998	325,106
Fair value of plan assets	(694,732)	(590,283)	(498,170)	(427,351)	(366,576)
Surplus	<u>(35,773)</u>	<u>(65,325)</u>	<u>(97,114)</u>	<u>(43,353)</u>	<u>(41,470)</u>
Experience adjustment on obligation	-13%	-18%	7%	-5%	-7%
Experience adjustment on plan assets	8%	11%	10%	9%	11%

10.2.2

	Medical		Free electricity	
	2008	2007	2008	2007
	(Rupees in thousand)		(Rupees in thousand)	
The amounts recognised in the balance sheet are as follows:				
Present value of defined benefit obligation	116,906	101,335	153,849	134,189
Unrecognised actuarial gains	15,870	18,971	39,503	42,946
Liability as at June 30	<u>132,776</u>	<u>120,306</u>	<u>193,352</u>	<u>177,135</u>
Liability as at July 1	120,306	110,588	177,135	166,480
Charge to profit and loss account	13,478	10,558	16,766	11,006
Contribution paid by the Company	(1,008)	(840)	(549)	(351)
Liability as at June 30	<u>132,776</u>	<u>120,306</u>	<u>193,352</u>	<u>177,135</u>
The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at July 1	101,335	88,005	134,189	107,247
Current service cost	3,831	3,501	5,229	4,645
Interest cost for the year	10,278	8,041	13,646	9,826
Benefits paid during the year	(1,008)	(840)	(549)	(351)
Experience loss	2,470	2,628	1,334	12,822
Present value of defined benefit obligation as at June 30	<u>116,906</u>	<u>101,335</u>	<u>153,849</u>	<u>134,189</u>

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

	2008	2007	2006	2005	2004
	Post Retirement Medical				
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligation	116,906	101,335	88,005	88,968	83,302
Fair value of plan assets	-	-	-	-	-
Deficit	<u>116,906</u>	<u>101,335</u>	<u>88,005</u>	<u>88,968</u>	<u>83,302</u>
Experience adjustment on obligation	-2%	-3%	14%	5%	21%

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

	2008	2007	2006	2005	2004
	Post Retirement Electricity (Rupees in thousand)				
As at June 30					
Present value of defined benefit obligation	153,849	134,189	107,247	125,488	140,975
Fair value of plan assets	-	-	-	-	-
Deficit	<u>153,849</u>	<u>134,189</u>	<u>107,247</u>	<u>125,488</u>	<u>140,975</u>
Experience adjustment on obligation	-1%	-12%	33%	27%	3%

A one percentage point change in medical cost trend assumption would have the following effects:

	One percent point increase (Rupees in thousand)	One percent point decrease (Rupees in thousand)
Effect on the aggregate of the service cost and interest cost	2,348	(2,393)
Effect on the defined benefit obligation	20,004	(20,211)

	2008 (Rupees in thousand)	2007

11. Current portion of long term liabilities

Long term loans - unsecured	- note 7	899,715	899,715
Long term advances	- note 8	-	2,406
Liabilities against assets subject to finance lease	- note 9	<u>6,627</u>	<u>-</u>
		<u>906,342</u>	<u>902,121</u>

12. Finances under mark up arrangements - secured

Short term running finances available from various commercial banks under mark up arrangements amount to Rs 24,015 million (2007: Rs 7,015 million). The rate of mark-up range from Re 0.2648 to Re 0.3995 (2007: Re 0.2638 to Re 0.3214) per Rs 1,000 per diem or part thereof on the balances outstanding. In the event, the Company fails to pay the balances on the expiry of the quarter, year or earlier demand, mark up is to be computed at the rate of Re 0.5479 (2007: Re 0.5479) per Rs 1,000 per diem or part thereof on the balances unpaid.

Of the aggregate facility of Rs 870.000 million (2007: Rs 840.400 million) for opening letters of credit and Rs 1,500.000 million (2007: Rs 1,500.000 million) for guarantees, the amount utilised as at June 30, 2008 was Rs 231.753 million (2007: Rs 213.930 million) and Rs 1,185.827 million (2007: Rs 1,273.256 million) respectively.

The aggregate running finances, letters of credit and guarantees are secured by charge on stores, spares, stock-in-trade and trade debts upto a limit of Rs 33,315 million (2007: Rs 9,486 million) and charge on property, plant and equipment upto a limit of Rs 29,401 million (2007: Rs 8,606 million).

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		2008	2007
		(Rupees in thousand)	
13. Trade and other payables			
Trade creditors	- note 13.1	786,722	16,641
Accrued liabilities		488,139	1,290,858
Liquidated damages		1,262	768
Markup accrued on:			
- Long term loan - unsecured		10,658	12,039
- Finances under markup arrangements - secured		556,530	86,273
- Liabilities against assets subject to finance lease		495	-
Deposits - interest free repayable on demand		653	909
Workers' Profit Participation Fund	- note 13.2	2,976	379,182
Workers' Welfare Fund	- note 13.3	161,191	151,673
Differential payable to WAPDA	- note 27.2	114,548	74,665
Unclaimed dividends		153,711	136,573
Others		8,188	2,646
		<u>2,285,073</u>	<u>2,152,227</u>

13.1 Trade creditors include amount due to related parties Rs 0.667 million (2007: Rs 0.605 million).

		2008	2007
		(Rupees in thousand)	
13.2 Workers' Profit Participation Fund			
Opening balance		379,182	-
Provision for the year		<u>402,976</u>	<u>379,182</u>
		782,158	379,182
Less: Payments made during the year		<u>779,182</u>	-
Closing balance		<u>2,976</u>	<u>379,182</u>

Following the amendments made by the Finance Act 2006 to the Companies Profits (Workers' Participation) Act, 1968 (the Act), the Company has established the KAPCO Workers' Participation Fund in March, 2008 to allocate the amount of annual profits stipulated by the Act for distribution amongst workers eligible to receive such benefits under the Act.

As fully explained in note 14.1(ii), the Company has not made any provision for Workers' Profit Participation Fund for the years upto June 30, 2006, based on a legal advice and in view of a constitutional petition pending adjudication in Sindh High Court.

		2008	2007
		(Rupees in thousand)	
13.3 Workers' Welfare Fund			
Opening balance		151,673	6,723
Provision for the year		<u>161,191</u>	<u>151,673</u>
		312,864	158,396
Less: Payments made during the year		<u>151,673</u>	<u>6,723</u>
Closing balance		<u>161,191</u>	<u>151,673</u>

14. Contingencies and commitments

14.1 Contingencies

- (i) The management, on the strength of a favourable judgment by Sindh High Court, revised the income tax returns of the Company for tax years 2003 through 2007 to the effect that:

(a) depreciation and initial allowance earlier claimed in respect of assets in the original income tax returns for tax periods upto June 27, 2006 were not claimed being the date upto which Company was exempt from levy of income tax; and

(b) the respective taxable incomes of the tax periods subsequent to June 27, 2006 were reduced by significant amounts given to the position that in such tax periods, Company became entitled to an enhanced claim of depreciation and initial allowance attributable to an increased written down value of assets at commencement of such periods.

The overall impact of such revisions in income tax returns was a reversal of current and deferred tax provisions by Rs 1,621.164 million and Rs 1,105.092 million respectively. The relevant income tax authorities disputing Company's contentions mitigated the effect of revisions of returns by amending such revised returns and restoring the earlier position.

The Company has filed appeals before relevant appellate authority contesting such amendments which have not yet been taken up for hearing. In view of the fact that management considers the revisions of income tax returns to be in accordance with relevant provisions of law, as interpreted by Sindh High Court, and that litigation would eventually be settled in Company's favour, the income tax liabilities determined by tax authorities have not been accounted for in these financial statements. Had such liabilities been recognized, the profit for the year would have been lower by Rs 2,716.514 million.

- (ii) The Company had obtained legal advice in connection with the establishment of Workers' Profit Participation Fund under Companies Profits (Workers' Participation) Act, 1968 (the Act). The legal advisor advised the Company that since it did not employ any person who fell under the definition of Worker as defined in the Act, the Company was not required to establish the Fund under the Act. As a consequence the Company was not required to make contributions to the Fund established pursuant to Workers' Welfare Fund Ordinance, 1971.

Furthermore, the question whether a Company to which the Act and its scheme applies but which does not employ any Worker is nevertheless obliged to establish and pay contributions into the Fund under the Act and thereafter transfer the same to the Fund established under the WWF Ordinance, 1971 is pending adjudication in Sindh High Court at Karachi on a constitutional petition filed by another company in December 2003.

The issue of WPPF was also taken up with the Government and a meeting took place involving Ministry of Water & Power, Private Power Infrastructure Board (PPIB), WAPDA Power Privatization Organization (WPPO), Ministry of Labour, HUBCO and the Company to formally discuss the issue. A strong case was put up by PPIB, supported by WPPO, HUBCO and the Company. The Ministry of Water & Power supported the case and stated that they would request the Ministry of Finance to exempt Independent Power Producers (IPPs), who had no workers under the Act, from the payment of WPPF.

The matter was then referred to Economic Coordination Committee (ECC). ECC formed a sub committee to look into the matter and to give recommendations.

If it is established that the scheme is applicable to the Company and the Company is liable to pay contribution to the Workers' Welfare Fund then these amounts would be recoverable from WAPDA as a pass through item under the provisions of Power Purchase Agreement. However it is not certain presently whether or not any penalties payable in connection with this contribution would also be recoverable from WAPDA under the Power Purchase Agreement.

Certain amendments were introduced in Finance Act 2006, to relax the conditions of payment of interest and penalty for companies defaulting in creating Fund under the Act. If it is established that Workers' Profit Participation Fund is applicable to the Company and Company makes the principal payment on or before the date which is to be decided by the Federal Government, no such penalty may be imposed and the Company may not be liable to pay interest.

In case this liability materializes, the cumulative amount of contributions to WPPF would be Rs 3.463 billion (2007: Rs 3.463 billion). Further, if it is established that interest is also applicable the maximum liability for interest would amount to Rs 12.397 billion (2007: Rs 10.067 billion) as on the date of these financial statements.

Based on the above grounds, the Company did not make any provision for Workers' Profit Participation Fund and interest thereon in the financial statements upto June 30, 2006, as according to the management of the Company, there are meritorious grounds that the ultimate decision would be in its favour.

- (iii) Claims against the Company not acknowledged as debts Rs 58.576 million (2007: Rs 58.576 million).

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(iv) The Company has provided following guarantees in favour of:

Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 1,185.827 million (2007: Rs 1,248.618 million).

Custom Authorities for import of professional equipment, tools etc., amounting to Nil (2007: Rs 0.638 million).

14.2 Commitments

(i) Contracts for capital expenditure Rs 13.149 million (2007: Rs 7.801 million).

(ii) Letters of credit other than for capital expenditure Rs 219.373 million (2007: Rs 213.930 million).

15. Property, plant and equipment

		2008						
		(Rupees in thousand)						
	Cost as at June 30, 2007	Additions/ (deletions)	Cost as at June 30, 2008	Accumulated depreciation as at June 30, 2007	Depreciation charge for the year/ (deletions)	Accumulated depreciation as at June 30, 2008	Book value as at June 30, 2008	Rate %
Freehold land	46,285	-	46,285	-	-	-	46,285	-
Buildings on freehold land	684,902	7,490	692,392	288,931	28,548	317,479	374,913	4 - 7.55
Plant and machinery	34,208,900	29,203	34,238,103	14,656,908	1,275,251	15,932,159	18,305,944	4 - 7.45
Gas turbine blading	2,859,728	1,966	2,861,694	1,773,184	215,677	1,988,861	872,833	10
Auxiliary plant and machinery	164,932	14,210	179,142	113,798	19,247	133,045	46,097	20
Office equipment	66,315	13,703	80,018	54,721	5,205	59,926	20,092	20
Fixtures and fittings	17,037	-	17,037	12,316	1,542	13,858	3,179	20
Vehicles	74,963	64	48,270	48,744	5,472	33,948	14,322	25
		(26,757)			(20,268)			
2008	38,123,062	66,636	38,162,941	16,948,602	1,550,942	18,479,276	19,683,665	
		(26,757)			(20,268)			

		2007						
		(Rupees in thousand)						
	Cost as at June 30, 2006	Additions/ (deletions)	Cost as at June 30, 2007	Accumulated depreciation as at June 30, 2006	Depreciation charge for the year/ (deletions)	Accumulated depreciation as at June 30, 2007	Book value as at June 30, 2007	Rate %
Freehold land	46,285	-	46,285	-	-	-	46,285	-
Buildings on freehold land	679,038	5,864	684,902	260,682	28,249	288,931	395,971	4 - 6.28
Plant and machinery	34,207,863	1,037	34,208,900	13,382,536	1,274,372	14,656,908	19,551,992	4 - 6.10
Gas turbine blading	2,818,829	40,899	2,859,728	1,523,346	249,838	1,773,184	1,086,544	10
Auxiliary plant and machinery	153,680	11,252	164,932	93,187	20,611	113,798	51,134	20
Office equipment	63,212	3,250	66,315	48,277	6,515	54,721	11,594	20
		(147)			(71)			
Fixtures and fittings	15,856	2,987	17,037	11,832	1,503	12,316	4,721	20
		(1,806)			(1,019)			
Vehicles	73,091	3,541	74,963	42,478	7,509	48,744	26,219	25
		(1,669)			(1,243)			
2007	38,057,854	68,830	38,123,062	15,362,338	1,588,597	16,948,602	21,174,460	
		(3,622)			(2,333)			

15.1 Disposal of property, plant & equipment

2008						
Particular of Assets	Sold to	Cost	Accumulated depreciation	(Rupees in thousand)		Mode of Disposal
				Book value	Sales proceeds	
Vehicles	Employees					
	Mr. Mohtashim Aftab	1,306	1,045	261	261	Company Policy
	Mr. Khalid Pervaiz Bajwa	1,196	957	239	239	Company Policy
	Mr. Iqbal Khattak	869	695	174	174	Company Policy
	Mr. Ehsan-ul-Haq	869	695	174	174	Company Policy
	Mr. Waheed Sohail	869	695	174	165	Company Policy
	Mr. Sajjad Mehmood	869	695	174	174	Company Policy
	Mr. Ghulam Muhammad	801	641	160	160	Company Policy
	Mr. Fazal-ur-Rehman	802	641	161	160	Company Policy
	Mr. Iftikhar-ul-Hassan	802	641	161	160	Company Policy
	Mr. Muhammad Idrees	802	641	161	160	Company Policy
	Mr. Muhammad Khan	802	641	161	160	Company Policy
	Mr. Muhammad Tanveer Zaidi	802	641	161	160	Company Policy
	Mr. Abdul Salam	802	641	161	160	Company Policy
	Mr. Muhammad Asif	802	641	161	160	Company Policy
	Mr. Muhammad Younus	802	641	161	160	Company Policy
	Mr. Atta-ur-Rehman	869	695	174	174	Company Policy
	Mr. Ghulam Rasool Saber	869	695	174	156	Company Policy
	Mr. Muhammad Bilal	869	695	174	174	Company Policy
	Mr. Nadeem Mukhtar Rana	869	695	174	174	Company Policy
	Mr. Shakeel Ahmad Khan	869	695	174	174	Company Policy
	Mr. Muhammad Anwar	802	641	161	159	Company Policy
	Mr. Muhammad Jamal Younus	865	561	304	591	Negotiation
	Mr. Naeem Ahmad Tariq	886	479	407	742	Negotiation
	Mr. Muhammad Ashfaq Mehmood	1,363	591	772	951	Negotiation
	Mr. Khalid Naseem	801	641	160	160	Company Policy
	Mr. Muhammad Asim	750	600	150	150	Company Policy
	Mr. Irfan-ur-Rab Siddiqui	868	694	174	174	Company Policy
	Widow of Ex-employee					
	Mrs. Aslam Shad	869	695	174	174	Company Policy
	Third Parties					
	M/s Jan & Co.	986	713	273	636	Negotiation
	Mr. Muhammad Aamir Saleem Malik	1,027	627	400	657	Negotiation
		<u>26,757</u>	<u>20,268</u>	<u>6,489</u>	<u>7,873</u>	
2007						
Particular of Assets	Sold to	Cost	Accumulated depreciation	(Rupees in thousand)		Mode of Disposal
				Book value	Sales proceeds	
Office Equipment	Ex-employee					
	Mr Malcolm P. Clampin	147	71	76	76	Negotiation
Furniture and fixture	Ex-employee					
	Mr Malcolm P. Clampin	786	95	691	691	Negotiation
	Local schools	898	824	74	-	Community initiative
Vehicles	Ex-employee					
	Mr Muhammad Yaseen	802	636	166	325	Company Policy
	Mr Abdul Qayyum Butt	867	607	260	415	Company Policy
Other assets with book value less than Rs 50,000		122	100	22	3,033	
		<u>3,622</u>	<u>2,333</u>	<u>1,289</u>	<u>4,540</u>	

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16. Intangible assets

(Rupees in thousand)

	Cost as at June 30, 2007	Additions	Cost as at June 30, 2008	Accumulated amortisation as at June 30, 2007	Amortisation charge for the year	Accumulated amortisation as at June 30, 2008	Book value as at June 30, 2008
Computer software (acquired)	23,924	468	24,392	21,250	744	21,994	2,398
2008	23,924	468	24,392	21,250	744	21,994	2,398
2007	21,031	2,893	23,924	20,786	464	21,250	2,674

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

		Depreciation	Amortisation	Total 2008
Cost of sales	- note 26	1,515,380	744	1,516,124
Administrative expenses	- note 27	35,562	-	35,562
		<u>1,550,942</u>	<u>744</u>	<u>1,551,686</u>
		Depreciation	Amortisation	Total 2007
Cost of sales	- note 26	1,551,338	464	1,551,802
Administrative expenses	- note 27	37,261	-	37,261
		<u>1,588,599</u>	<u>464</u>	<u>1,589,063</u>

17. Assets subject to finance lease

(Rupees in thousand)

	Cost as at June 30, 2007	Additions	Cost as at June 30, 2008	Accumulated depreciation as at June 30, 2007	Depreciation charge for the year	Accumulated depreciation as at June 30, 2008	Book value as at June 30, 2008	Rate %
Vehicles	-	43,754	43,754	-	7,229	7,229	36,525	25
2008	-	43,754	43,754	-	7,229	7,229	36,525	
2007	-	-	-	-	-	-	-	

17.1 The depreciation charge for the year has been allocated to administrative expenses.

18. Capital work-in-progress

(Rupees in thousand)

	2008	2007
Civil works	50,422	36,460
Plant and machinery	3,336	868
Others	79,518	53,396
	<u>133,276</u>	<u>90,724</u>

	2008	2007
	(Rupees in thousand)	
19. Long term loans and deposits		
Loans to employees - considered good	26,041	22,941
Security deposits	<u>4,240</u>	<u>1,682</u>
	30,281	24,623
Less: Receivable within one year	<u>5,027</u>	<u>4,406</u>
	<u>25,254</u>	<u>20,217</u>

These represent unsecured loans to non-executive employees for the purchase of plot, car, construction of house etc. and are repayable in monthly instalments over a maximum period of 120 months. These loans carry interest of 9 percent per annum (2007: 9 percent per annum).

	2008	2007
	(Rupees in thousand)	
20. Stores and spares		
Stores and spares including in transit Rs 9.037 million (2007: Rs 13.860 million)	- note 20.1 2,625,775	2,594,632
Less: Provision for store obsolescence	- note 20.2 <u>74,593</u>	<u>40,931</u>
	<u>2,551,182</u>	<u>2,553,701</u>

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

20.1 Included in stores are items valuing Rs 0.628 million (2007: Rs 102.066 million) which are being held by the following suppliers:

	2008	2007
	(Rupees in thousand)	
Siemens AG Germany	312	14,794
Middle East Engineering Company (MEELSA)	-	45,282
Wood Group Heavy Industrial Turbines Limited	-	8,900
Scherzinger Pump Technology, Germany	-	1,287
MJB International, UAE	316	17,716
Siemens Pakistan Engineering Limited	<u>-</u>	<u>14,087</u>
	<u>628</u>	<u>102,066</u>

20.2 Provision for store obsolescence

Opening balance	40,931	37,976
Add: Provision for the year	<u>43,811</u>	<u>19,588</u>
	84,742	57,564
Less: Stores written off against provision	<u>10,149</u>	<u>16,633</u>
	<u>74,593</u>	<u>40,931</u>

21. Stock in trade

Furnace oil	1,843,789	1,450,921
Diesel	<u>347,779</u>	<u>308,538</u>
	<u>2,191,568</u>	<u>1,759,459</u>

Notes to and Forming Part of the Financial Statements

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22. Trade debts

Trade debts	- note 22.1	29,355,713	11,588,884
Less: Provision for doubtful debts	- note 22.2	52,260	14,500
		<u>29,303,453</u>	<u>11,574,384</u>

22.1 These are considered good and include an overdue amount of Rs 20,341 million (2007: Rs 6,198 million) receivable from WAPDA. The trade debts are secured by a guarantee from the Government of Pakistan under the Facilitation Agreement. These are in the normal course of business and are interest free, however, a penal mark-up of SBP discount rate plus 4 percent per annum is charged in case the amounts are not paid within due dates.

2008
2007
(Rupees in thousand)

22.2 Provision for doubtful debts

Opening balance		14,500	-
Add: Provision for the year		37,870	14,500
		<u>52,370</u>	<u>14,500</u>
Less: Trade debts written off against provision		110	-
		<u>52,260</u>	<u>14,500</u>

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

Loans to employees - considered good		5,027	4,406
Advances to suppliers - considered good	- note 23.1	11,633	792,354
Claims recoverable from Government			
- Sales tax	- note 23.2	202,626	197,455
- Income tax		1,542,972	-
Insurance claim receivable		-	2,043
Prepayments		5,731	2,889
Income receivable on bank deposits		600	930
Claims recoverable from WAPDA for pass through items			
Workers' Welfare Fund		319,480	158,289
Workers' Profit Participation Fund		759,407	379,182
	- note 23.3	1,078,887	537,471
Security deposits		1,416	1,568
Other receivables	- note 23.4	8,809	7,292
		<u>2,857,701</u>	<u>1,546,408</u>

23.1 Advances to suppliers include amounts due from WAPDA Rs 1.313 million (2007: Nil). These are in the normal course of business and are interest free.

23.2 Sales tax recoverable includes an amount of Rs 16.972 million (2007: Rs 16.994 million), which represents refund for input tax on purchase of diesel for start-up. This refund was withheld by Deputy Collector (Refunds) and has also been adjudicated against the Company by Collector of Customs, Federal Excise & Sales Tax. Company has filed an appeal before the Customs, Excise and Sales Tax Appellate Tribunal.

Pending the outcome of the appeal the amount has been shown as recoverable in the financial statements as according to the management of the Company, there are meritorious grounds that the ultimate decision would be in its favour.

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

23.4 Other receivables include amounts due from International Power plc Rs 0.299 million (2007: Rs 0.057 million).

		2008	2007
		(Rupees in thousand)	
24. Cash and bank balances			
At banks on:			
- Current accounts		177,534	138,476
- Savings accounts	- note 24.1	<u>1,752</u>	<u>70,444</u>
		179,286	208,920
In hand		<u>153</u>	<u>79</u>
		<u>179,439</u>	<u>208,999</u>

24.1 Included in these are total restricted funds of Rs 12.805 million (2007: Rs 0.357 million) held by banks under lien as margin against letters of credit. The balances in saving accounts bear mark up which ranges from 0.50 percent to 7.50 percent per annum (2007: 0.5 percent to 10 percent per annum).

		2008	2007
		(Rupees in thousand)	
25. Sales			
Energy purchase price		44,988,378	26,337,276
Capacity purchase price		<u>10,958,700</u>	<u>10,749,374</u>
		<u>55,947,078</u>	<u>37,086,650</u>

Energy purchase price is exclusive of sales tax of Rs 6,727.495 million (2007: Rs 3,982.009 million).

		2008	2007
		(Rupees in thousand)	
26. Cost of sales			
Fuel cost		43,960,675	25,572,789
Salaries, wages and benefits	- note 26.1	458,561	390,394
Plant maintenance		158,120	140,011
Gas turbines overhauls		249,448	430,064
Repair and renewals		213,209	237,873
Depreciation on property, plant and equipment	- note 16.1	1,515,380	1,551,338
Amortisation on intangible assets	- note 16.1	744	464
Liquidated damages		537	768
Provision for store obsolescence	- note 20.2	<u>43,811</u>	<u>19,588</u>
		<u>46,600,485</u>	<u>28,343,289</u>

Cost of sales include Rs 365.893 million (2007: Rs 329.745 million) for stores and spares consumed.

Notes to and Forming Part of the Financial Statements

for the year ended June 30, 2008

	2008	2007
	(Rupees in thousand)	
26.1 Salaries, wages and benefits		
Salaries, wages and benefits include following in respect of staff retirement benefits:		
Pension		
Current service cost	21,800	21,139
Interest cost for the year	53,148	36,618
Expected return on plan assets	(59,369)	(44,901)
Amortisation of actuarial gain	-	(1,605)
	<u>15,579</u>	<u>11,251</u>
Medical		
Current service cost	3,831	3,501
Interest cost for the year	10,278	8,041
Amortisation of actuarial gain	(631)	(984)
	<u>13,478</u>	<u>10,558</u>
Free electricity		
Current service cost	5,229	4,645
Interest cost for the year	13,646	9,826
Amortisation of actuarial gain	(2,109)	(3,465)
	<u>16,766</u>	<u>11,006</u>

In addition to above, salaries, wages and benefits also include Rs 12.255 million (2007: Rs 11.090 million) in respect of provident fund contribution by the Company.

	2008	2007
	(Rupees in thousand)	
27. Administrative expenses		
Travelling	7,775	8,667
Motor vehicles running	23,161	13,924
Postage, telephone and telex	8,974	10,065
Legal and professional charges	18,417	28,448
Computer charges	4,965	5,392
Auditors' remuneration	- note 27.1	1,267
Printing, stationery and periodicals	5,286	7,586
Repairs and maintenance infrastructure	21,317	17,459
Training expenses	11,109	4,391
Rent, rates and taxes	10,079	4,175
Depreciation on property, plant and equipment	- note 16.1	37,261
Depreciation on assets subject to finance lease	- note 17.1	-
Infrastructure cost	9,778	13,708
Differential payable to WAPDA	- note 27.2	74,665
Education fee	22,187	19,578
Donations	- note 27.3	210
Bad debts written off	-	12,723
Advances written off	581	-
Provision for doubtful debts	- note 22.2	14,500
Other expenses	15,916	15,594
	<u>381,261</u>	<u>289,613</u>

	2008	2007
	(Rupees in thousand)	
27.1 Auditors' remuneration		
The charges for auditor's remuneration include the following in respect of auditors' services for:		
Statutory audit	970	970
Half yearly review	300	110
Employees pension fund and provident fund audit	100	80
Out of pocket expenses	137	107
	<u>1,507</u>	<u>1,267</u>
27.2	This represents income tax differential payable to WAPDA in accordance with clause 6.7 and 6.15(a) of Part I of Schedule 6 of Power Purchase Agreement (PPA) on account of difference in income tax rate as provided for in the PPA and the current tax rate as applicable to the Company.	
27.3	None of the directors and their spouses had any interest in any of the donees during the year.	
	2008	2007
	(Rupees in thousand)	
28. Other operating income		
Income from financial assets		
Income on bank deposits	2,046	140,060
Interest on loans to employees	2,415	1,943
Interest on late payment - WAPDA	1,244,746	278,385
	<u>1,249,207</u>	<u>420,388</u>
Income from non-financial assets		
Profit on disposal of property, plant and equipment	1,384	3,251
Colony electricity	1,577	1,662
Provisions and unclaimed balances written back	34,836	4,010
Others	15,319	28,011
	<u>53,116</u>	<u>36,934</u>
	<u>1,302,323</u>	<u>457,322</u>
29. Finance costs		
Interest and mark up including commitment charges on		
- long term loan from WAPDA - unsecured	1,065,656	1,202,739
- finances under markup arrangements - secured	1,103,508	115,590
- liabilities against assets subject to finance lease	3,723	-
Exchange loss	29,813	1,486
Bank and other charges	5,430	7,615
	<u>2,208,130</u>	<u>1,327,430</u>

Notes to and Forming Part of the Financial Statements

for the year ended June 30, 2008

		2008	2007
		(Rupees in thousand)	
30. Taxation			
For the year			
- Current		2,601,032	2,491,738
- Deferred		218,605	162,455
		<u>2,819,637</u>	<u>2,654,193</u>
Prior years	- note 30.2		
- Current		(1,621,164)	(25,462)
- Deferred		(1,105,091)	(36,500)
		<u>(2,726,255)</u>	<u>(61,962)</u>
		<u>93,382</u>	<u>2,592,231</u>
		2008	2007
		%age	%age

30.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate

Applicable tax rate	35.00	35.00
Effect of change in prior years' tax	(33.84)	(0.82)
Average effective tax rate	<u>1.16</u>	<u>34.18</u>

30.2 These reversals are primarily attributable to revision of income tax returns for tax years 2003 through 2007 as explained, in detail, in note 14.1(i).

31. Directors' Remuneration

31.1 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		Executives	
	2008	2007	2008	2007
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration including bonus and other allowances	14,303	16,147	67,738	52,142
Contribution to provident & pension funds and other retirement benefit plans	1,430	1,615	7,827	5,092
Leave passage	-	-	2,759	1,834
	<u>15,733</u>	<u>17,762</u>	<u>78,324</u>	<u>59,068</u>
Number of Persons	1	1	42	32

The Company also provides the chief executive and some of the executives with Company transport and telephones.

31.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 6 directors (2007: 6 directors) was Rs 0.265 million (2007: Rs 0.225 million).

32. Transactions with related parties

The related parties comprise associated undertakings, key management personnel and post retirement benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due to/from related parties are shown under payables and receivables and remuneration of the key management personnel is disclosed in note 31. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transaction	2008	2007
		(Rupees in thousand)	
i. Associated undertakings	Purchase of services	1,426	1,016
	Sale of electricity	55,947,078	37,086,650
	Interest expense	1,065,656	1,202,739
	Interest income on late payment	1,244,746	278,385
	Bad debts written off	-	12,723
ii. Post retirement benefit plans	Expense charged	58,078	32,815
iii. Key management personnel	Sale of property, plant and equipment	1,733	767
	Consultancy charges	-	11,206

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

33. Proposed dividend

The Board of Directors of the Company have proposed a final dividend for the year ended June 30, 2008 of Rs 2.20 (2007: Rs 3.00) per share amounting to Rs 1,936.557 million (2007: Rs 2,640.760 million) at their meeting held on August 28, 2008 for approval of members at the Annual General Meeting to be held on October 23, 2008. These financial statements do not reflect this dividend payable.

	2008	2007
	MWh	MWh
34. Capacity and production		
Annual dependable capacity (Based on 8,760 hours)	11,755,920	11,755,920
Actual energy delivered	8,862,957	8,183,241

Capacity for the power plant taking into account all the planned scheduled outages is 10,983,251 MWh (2007: 10,709,371 MWh). Actual energy delivered by the plant is dependent on the load demanded by WAPDA and the plant availability.

35. Rates of exchange

Liabilities in foreign currencies have been translated into Rupees at USD 1.4663 (2007: USD 1.6502), EURO 0.9289 (2007: EURO 1.2186), GBP 0.7356 (2007: GBP 0.8217) and YEN 155.8118 (2007: YEN 203.2520) equal to Rs 100.

Notes to and Forming Part of the Financial Statements

for the year ended June 30, 2008

	2008	2007	
	(Rupees in thousand)		
36. Cash generated from operations			
Profit before tax	8,059,525	7,583,640	
Adjustments for:			
- Depreciation on property, plant and equipment	1,550,942	1,588,599	
- Amortisation on intangible assets	744	464	
- Depreciation on assets subject to finance lease	7,229	-	
- Profit on disposal of property, plant and equipment	(1,384)	(3,251)	
- Income on bank deposits	(2,046)	(140,060)	
- Bad debts written off	-	12,723	
- Advances written off	581	-	
- Provision for store obsolescence	43,811	19,588	
- Provision for doubtful debts	37,870	14,500	
- Staff retirement benefits accrued	45,823	32,815	
- Finance costs	2,208,130	1,327,430	
	<u>11,951,225</u>	<u>10,436,448</u>	
Profit before working capital changes			
Effect on cash flow due to working capital changes			
- Increase in stores and spares	(41,292)	(100,751)	
- Increase in stock-in-trade	(432,109)	(629,795)	
- Increase in trade debts	(17,766,939)	(8,486,607)	
- Increase/ (decrease) in loans, advances, deposits, prepayments and other receivables	230,768	(1,129,239)	
- (Decrease)/increase in trade and other payables	(353,168)	234,415	
	<u>(18,362,740)</u>	<u>(10,111,977)</u>	
	<u>(6,411,515)</u>	<u>324,471</u>	
37. Cash and cash equivalents			
Cash and bank balances	179,439	208,999	
Finances under mark up arrangements - secured	(23,637,028)	(6,431,343)	
	<u>(23,457,589)</u>	<u>(6,222,344)</u>	
38. Earnings per share			
38.1 Basic earnings per share			
Profit for the year	Rupees in thousand	7,966,143	4,991,409
Weighted average number of ordinary shares	Numbers	880,253,228	880,253,228
Earnings per share	Rupees	9.05	5.67
38.2 Diluted earnings per share			

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

39. Financial assets and liabilities

2008

	2008						(Rupees in thousand)	
	Interest/mark up bearing			Non interest bearing			Total	Credit risk
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2008	2008
Financial assets								
On balance sheet								
Long term loans and deposits	5,027	21,014	26,041	-	4,240	4,240	30,281	30,281
Trade debts	-	-	-	29,303,453	-	29,303,453	29,303,453	29,303,453
Loans, advances, deposits, prepayments and other receivables								
- Profit receivable on bank deposits	600	-	600	-	-	-	600	600
- Workers' Welfare Fund receivable from WAPDA	-	-	-	319,480	-	319,480	319,480	319,480
- Workers' Profit Participation Fund receivable from WAPDA	-	-	-	759,407	-	759,407	759,407	759,407
- Security deposits	-	-	-	1,416	-	1,416	1,416	1,416
- Others receivables	-	-	-	1,973	-	1,973	1,973	1,973
Cash and bank balances	1,752	-	1,752	177,687	-	177,687	179,439	179,286
	<u>7,379</u>	<u>21,014</u>	<u>28,393</u>	<u>30,563,416</u>	<u>4,240</u>	<u>30,567,656</u>	<u>30,596,049</u>	<u>30,595,896</u>
Off balance sheet	-	-	-	-	-	-	-	-
Total	<u>7,379</u>	<u>21,014</u>	<u>28,393</u>	<u>30,563,416</u>	<u>4,240</u>	<u>30,567,656</u>	<u>30,596,049</u>	<u>30,595,896</u>
Financial liabilities								
On balance sheet								
Long term loan - unsecured	899,715	6,047,191	6,946,906	-	-	-	6,946,906	
Liabilities against assets subject to finance lease	6,627	30,924	37,551	-	-	-	37,551	
Finances under mark up arrangements - secured	23,637,028	-	23,637,028	-	-	-	23,637,028	
Trade and other payables	-	-	-	2,117,673	-	2,117,673	2,117,673	
	<u>24,543,370</u>	<u>6,078,115</u>	<u>30,621,485</u>	<u>2,117,673</u>	<u>-</u>	<u>2,117,673</u>	<u>32,739,158</u>	
Off balance sheet								
Guarantees	-	-	-	1,185,827	-	1,185,827	1,185,827	
Contracts for capital expenditure	-	-	-	13,149	-	13,149	13,149	
Letters of credit other than for capital expenditure	-	-	-	219,373	-	219,373	219,373	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,418,349</u>	<u>-</u>	<u>1,418,349</u>	<u>1,418,349</u>	
Total	<u>24,543,370</u>	<u>6,078,115</u>	<u>30,621,485</u>	<u>3,536,022</u>	<u>-</u>	<u>3,536,022</u>	<u>34,157,507</u>	
On balance sheet gap	<u>(24,535,991)</u>	<u>(6,057,101)</u>	<u>(30,593,092)</u>	<u>28,445,743</u>	<u>4,240</u>	<u>28,449,983</u>	<u>(2,143,109)</u>	
Off balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,418,349)</u>	<u>-</u>	<u>(1,418,349)</u>	<u>(1,418,349)</u>	

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

Notes to and Forming Part of the Financial Statements

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2007

	2007						(Rupees in thousand)	
	Interest/mark up bearing			Non interest bearing			Total	Credit risk
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2007	2007
Financial assets								
On balance sheet								
Long term loans and deposits	4,406	18,535	22,941	-	1,682	1,682	24,623	24,623
Trade debts	-	-	-	11,574,384	-	11,574,384	11,574,384	11,574,384
Loans, advances, deposits, prepayments and other receivables								
- Insurance claim receivable	-	-	-	2,043	-	2,043	2,043	2,043
- Profit receivable on bank deposits	930	-	930	-	-	-	930	930
- Workers' Welfare Fund receivable from WAPDA	-	-	-	158,289	-	158,289	158,289	158,289
- Workers' Profit Participation Fund receivable from WAPDA	-	-	-	379,182	-	379,182	379,182	379,182
- Security deposits	-	-	-	1,568	-	1,568	1,568	1,568
- Others receivables	-	-	-	1,751	-	1,751	1,751	1,751
Cash and bank balances	70,444	-	70,444	138,555	-	138,555	208,999	208,920
	<u>75,780</u>	<u>18,535</u>	<u>94,315</u>	<u>12,255,772</u>	<u>1,682</u>	<u>12,257,454</u>	<u>12,351,769</u>	<u>12,351,690</u>
Off balance sheet	-	-	-	-	-	-	-	-
Total	<u>75,780</u>	<u>18,535</u>	<u>94,315</u>	<u>12,255,772</u>	<u>1,682</u>	<u>12,257,454</u>	<u>12,351,769</u>	<u>12,351,690</u>
Financial liabilities								
On balance sheet								
Long term loan - unsecured	899,715	6,946,906	7,846,621	-	-	-	7,846,621	
Long term advances	2,406	14,414	16,820	-	-	-	16,820	
Finances under markup arrangement - secured	6,431,343	-	6,431,343	-	-	-	6,431,343	
Trade and other payables	-	-	-	1,620,808	-	1,620,808	1,620,808	
	<u>7,333,464</u>	<u>6,961,320</u>	<u>14,294,784</u>	<u>1,620,808</u>	<u>-</u>	<u>1,620,808</u>	<u>15,915,592</u>	
Off balance sheet								
Guarantees	-	-	-	1,273,616	-	1,273,616	1,273,616	
Contracts for capital expenditure	-	-	-	7,801	-	7,801	7,801	
Letters of credit other than for capital expenditure	-	-	-	213,930	-	213,930	213,930	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,495,347</u>	<u>-</u>	<u>1,495,347</u>	<u>1,495,347</u>	
Total	<u>7,333,464</u>	<u>6,961,320</u>	<u>14,294,784</u>	<u>3,116,155</u>	<u>-</u>	<u>3,116,155</u>	<u>17,410,939</u>	
On balance sheet gap	<u>(7,257,684)</u>	<u>(6,942,785)</u>	<u>(14,200,469)</u>	<u>10,634,964</u>	<u>1,682</u>	<u>10,636,646</u>	<u>(3,563,823)</u>	
Off balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,495,347)</u>	<u>-</u>	<u>(1,495,347)</u>	<u>(1,495,347)</u>	

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

39.1 Financial risk management objectives

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates such as State Bank of Pakistan's repo rate and treasury bills rate, credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in note 39.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimise risk.

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk and the risk attributable to trade debts is mitigated by guarantee from the Government of Pakistan under the Facilitation Agreement. Out of the total financial assets of Rs 30,596.049 million (2007: Rs 12,351.769 million), the financial assets that are subject to credit risk amounted to Rs 30,595.896 million (2007: Rs 12,351.690 million).

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company borrows at fixed and market based rates and as such the risk is minimized.

(c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The Company where considered necessary, uses forward contracts against payables exposed to foreign currency risks.

(d) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

39.1.1 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term loan obtained by the Company as referred to in note 7. Total capital employed includes equity as shown in the balance sheet, plus borrowings. The Company's strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ended June 30, 2008 and June 30, 2007 are as follows:

Notes to and Forming Part of the Financial Statements

for the year ended June 30, 2008

		2008	2007
Borrowings	Rupees in thousand	6,946,906	7,846,621
Total equity	Rupees in thousand	21,328,008	18,863,448
Gearing ratio	Percentage	25	29

39.2 Fair value of financial assets and liabilities

The carrying value 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.

40. Date of authorization for issue

These financial statements were authorised for issue on August 28, 2008 by the Board of Directors of the Company.

41. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.



Aftab Mahmood Butt
(Chief Executive)



Vince R. Harris OBE
(Director)

