

# **Ellahi Electric Company Limited**

**ANNUAL REPORT 1998**

## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

Mr. Shaikh Enam ELLAHI, Chairman

Mr. S.M. Yusuf

Mr. Shahzada ELLAHI Shaikh

Mr. M. Ejaz Ahmad Baig

Mr. Shafqat ELLAHI Shaikh

Mr. Shaukat ELLAHI Shaikh

Mr. Tahir Hussain Raza

### **MANAGING DIRECTOR**

Mr. Shaukat ELLAHI Shaikh

### **COMPANY SECRETARY**

Mr. Sheikh Muhammad Shafi

### **AUDITORS**

M/s. Hameed Chaudhri & Co.,

Chartered Accountants

3rd Floor, H.M. House,

7, Bank Square, Lahore.

### **REGISTERED OFFICE**

NAGINA HOUSE,

91-B-1, M.M. Alam Road,

Gulberg III, Lahore-54660

### **POWER HOUSES**

1. Mouza Rossa, Manga Mahdi

Raiwind Road, Tehsil & District Kasur.

2. Ellahipur, Sheikhpura-Sharaqpur Road,

Tehsil & District Sheikhpura.

3. Aminabad, S.I.T.E., Kotri,

Taluka & District Kotri, Sindh.

**REGIONAL OFFICE**

2rid Floor, Shaikh Sultan Trust Bldg. No. 2,  
26- Civil Lines, Beaumont Road,  
KARACHI- 75530.

**NOTICE OF MEETING**

The sixth Annual General Meeting of ELLAHI ELECTRIC COMPANY LTD., will be held at its registered office, Nagina House, 91 -B-1, M.M. Alam Road, Gulberg-III, Lahore-54660, on Tuesday the 29th December, 1998, at 11:00 a.m. to transact the followin9 business:

1. To confirm minutes of the fifth Annual General Meeting held on 22nd September 1997.
2. To receive and adopt audited accounts of the Company for the year ended on 30th June, 1998 together with the Auditor's and Director's report thereon.
3. To approve payment of cash dividend @ 15% i.e. Rs. 1/50 (Rupee one and paisas fifty only) per ordinary share of Rs. 10/= each.
4. To appoint auditors and fix their remuneration.
5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

**Sheikh Muhammad Shafi**  
Corporate Secretary

Lahore: November 21, 1998.

**NOTES :**

- 1) The share transfer books of the Company will be closed from Tuesday, the 22nd December, 1998 to Tuesday the 29th December, 1998 (both days inclusive). Transfer(s) received in order at the registered office of the Company by the close of business on Monday the 21st December, 1998 will be in time to be passed for payment of dividend to transferee(s).
2. A member entitled to attend and vote at this Meeting may appoint an another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at the Company's registered office not less than 48 hours before the time for holding the meeting.
3. Shareholders are requested to promptly notify the Company of any change in their address.
4. Account holders and sub-account holders' holding book entry securities of the Company in Central

Depository System of Central Depository Company of Pakistan Ltd., who wish to attend the annual General Meeting are requested to please bring original I. D. Card with copy thereof duly attested by their Bankers for identification purposes.

## **DIRECTORS' REPORT**

**IN THE NAME OF ALLAH THE MOST GRACIOUS  
THE MOST BENEVOLENT THE MOST MERCIFUL**

The Directors have the pleasure to herewith submit audited accounts of the Company for the year ended 30th June, 1998 together with the auditors and Directors reports thereon.

During the year, 42,294 (1997:39,154) engines hours were operated. The salient features of the operations are as under:-

	1998		1997	
	Mwh	%	Mwh	%
Electricity generated	83,288	100.00	77,612	100.00
Electricity Sold/billed	79,863	95.89	74,103	95.48
Used in house	3,236	3.88	3,172	4.09
Transmission/line losses	188	0.23	336	0.43

Sales revenue during the year amounted to Rs. 269,367,038/00 (1997: Rs. 231,769,480/00). Cost of sales amounted to Rs. 192,048,531/00 (1997: Rs.168,132,443/00), leaving gross profit of Rs. 77,318,507/00 or 28.70% of sales (1997: Rs. 63,637,037/00= 27.46%). Net profit for the year amounts to Rs. 61,609,638/00 = 22.87% of sales (1997: Rs. 48,030,956/00 = 20.72%).

Provision for income tax and/or Turnover tax are not required as Profit & Gains of the Company are exempt from Income Tax and Turnover tax by virtue of Clause 176 of Part 1 and Clause 20 of Part IV of the Second Schedule to the Income Tax Ordinance, 1979.

Notwithstanding the legal provisions, Income Tax authorities have, in the opinion of the Counsel, illegally taxed/imposed penalties, as detailed in note 23.3. These are under appeal at various forums. Upto 30th June, 1998 the Company has paid Rs. 4,022,582/00 under protest.

Fuel prices have remained stable between February 4,1997 and June 27, 1 998 when fuel oil price was reduced by Rs. 775/70 per ton or by 12.32%. The price was reduced just 3 days before the close of financial year. Benefit of reduction will be apparent in the next financial year. The prices are still too high. Diesel oil/Fuel oil prices need to be considerably reduced for production of electricity at remunerative prices and to reduce the power cost of the industries specially exporting units. Table of Diesel/Fuel oil prices is as follows:

**Date of High Speed**

change.	Diesel	Increase		Fuel Oil	Increase	
	Rs. per liter	(Decrease)		Rs. Per ton	(Decrease)	
		Rs.	%		Rs.	%
19-08-93	6.10			2,843/50		
14-06-95	6.48	0.38	6.23	2,986/00	142/50	05/01
28-10-95	6.94	0.46	7.10	3,195/00	209/00	7.00
12-02-96	7.17	0.21	3.02	3,323/00	128/00	04.00
14-03-96	7.44	0.29	4.04	3,090/00	(238/00)	(07.16)
14-04-96	7.44	---	---	3,640/00	550/00	17.80
23-05-96	7.44	---	---	4,914/71	1,274/71	35.02
12-06-96	7.44	---	---	4,514/71	(400/00)	(08.14)
21-07-96	7.09	(0.35)	(4.70)	4,234/71	(280/00)	(06.20)
19-08-96	7.09	---	---	4,323/71	98/00	2.31
12-09-96	7.43	0.34	4.79	4,575/71	243/00	5.60
07-10-96	8.00	0.57	7.67	4,935/71	360/00	7.87
22-10-96	8.78	0.78	9.75	5,867/71	932/00	18.88
13-11-96	9.44	0.64	7.29	6,116/37	248/96	4.24
17-11-96	9.44	---	---	6,296/37	180/00	2.94
05-12-96	9.91	0.47	4.98	6,665/66	369.29	5.86
12-01-97	10.25	0.34	3.43	6,665/66	---	---
04-02-97	9.64	(0.61)	(5.95)	6,296/70	' (368.96)	' (05.86)
27-06-98	9.64	---	---	5,521/00	(775/70)	(12.32)

The Directors have the pleasure to recommend payment of cash dividend @ 15% i.e. Rs. 1/50 (Rupee one and paisas fifty only) per ordinary share of Rs. 10/00 to those members who are registered on the books of the Company on Monday, the 21 st December, 1998. The dividend will absorb Rs. 54,000,000/= (Rupees fifty four million only).

Trade debt of Rs. 24,595,891/00 (including Rs. 20 026 million due from the Associated Companies - Note 11) is the value of electricity supplied during the month of June, 1998. The bills were payable by 25th July, 1998 Payments were received by due date.

Inspire of the continued increases in the price of basic inputs, Private Power Generation continues to be profitable. In the present environment, established power units have definite edge over new units. In view of the fact that basic infra structure facilities are already in place and therefore, the cost of capacity expansion will be far less. The Directors are of the opinion that the Company has a bright and profitable future and are therefore, planning for further expansion of the Capacities.

Shares of the Company were declared "eligible security" with effect from October 14, 1998 (later changed to October 22, 1998) by the Central Depository Company of Pakistan Ltd. Creation of Central Depository system is said to be to bring efficiency in Capital market of Pakistan, avoid delays, reduce costs involved in handling mass of paper and to eliminate the risk of bad deliveries i.e. fake/forged/stolen shares or Transfer deeds.

While the objects are laudable, the Companies called "Issuer" are being forced to enter into inequitable

one sided agreements with CDC and are required to make unnecessary large return free deposit with CDC and to pay large yearly fee.

In the opinion of the Company, the costs of the system should be transaction related, agreement should be equitable and there should be no deposit. The Company has therefore, joined the system under protest. Delivery of the shares of the Company with effect from 22nd October, 1998 is in electronic form only. Till date less than 3% (three percent) of the issued shares of the Company are reported to have been enrolled in the Central Depository system.

The Directors have the pleasure to state that the Computers and the software of the Company are year

Mr. Muhammad Iqbal Khan, after serving less then a year, resigned from the office of Director of the Company. In the vacancy on the Board Mr. Tahir Hussain Raza has been co-opted.

The Directors wish to thank the workers, staff and Officer's of the Company for their devotion and hard work and are confident that Inshallah, with their whole hearted efforts better results and increased profitability will be achieved

By Order of the Board

**Shaukat ELLAHI Shaikh**  
**Mg. Director (Chief Executive)**

**Lahore: November 21, 1998.**

		1998	1997	1996*
Cost of sales as % of sales	%	71.30	72.54	59.88
Gross profit as % of sales	%	28.70	27.46	40.12
Operating profit as % of sales	%	26.21	26.08	36.34
Net profit/(Loss) as % of sales	%	22.87	20.72	41.38
Shareholders' equity (millions)	Rs.	374.18	366.57	372.54
Pretax profit to equity	%	16.47	13.10	3.36
Sales to capital employed		0.66	0.56	0.07
Gross profit to capital employed	%	18.98	15.37	2.82
Pretax profit to capital employed	%	15.12	11.60	2.90
Earning per share - pretax	Rs.	1.71	1.33	0.35
Dividend to capital-Cash	%	15.00	15.00	0.00
Break up value per share	Rs.	10.39	10.18	10.35
Debt equity ratio		11.29	13.94	15.18
Current ratio		1.54	1.21	2.81
Acid ratio		1.16	1.06	2.46
Total debts to total assets	%	9.48	11.92	14.60

\* Results for 2 months operation

ELLAHI ELECTRIC COMPANY LIMITED

**AUDITORS' REPORT TO THE MEMBERS**

**HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS  
7-BANK SQUARE  
LAHORE**

**AUDITORS' REPORT TO THE MEMBERS OF  
ELLAHI ELECTRIC COMPANY LIMITED**

We have audited the annexed Balance Sheet of ELLAHI ELECTRIC COMPANY LIMITED as at 30 June, 1998 and the related Profit and Loss Account and Cash Flow Statement together with the notes forming 'pad 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 and, after due verification thereof, 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 and the Cash Flow Statement together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 1998 and of the profit and cash flows for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under

section 7 of that Ordinance.

Without qualifying our opinion we draw attention to the matters, detailed in notes to the accounts nos.6.1 and 23.3, the ultimate outcome of which cannot presently be determined by the Company with any degree of certainty,

Lahore: 21 Nov 1998

HAMEED CHAUDHRI & CO.  
Chartered Accountants

**BALANCE SHEET  
AS AT 30 JUNE, 1998**

	Note	1998 Rupees	1997 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorised capital</b>			
40,000,000 ordinary shares of Rs. 10/= each		400,000,000	400,000,000
		=====	=====
Issued, subscribed and paid-up capital			
36,000,000 ordinary shares of Rs. 10 each issued for cash		360,000,000	360,000,000
Un-appropriated profit		14,175,942	6,566,304
		-----	-----
		374,175,942	366,566,304
<b>LIABILITIES AGAINST ASSETS</b>			
<b>SUBJECT TO FINANCE LEASE</b>	3	33,243,975	47,600,238
<b>DEFERRED LIABILITY FOR GRATUITY</b>			
		1,814,034	526,582
<b>CURRENT LIABILITIES</b>			
Current portion of liabilities against assets subject to finance lease	3	14,356,262	11,766,154
Short term finances	4	10,902,687	8,466,704
Creditors, accruals and other liabilities	5	10,806,645	9,042,168
Proposed dividend		54,000,000	54,000,000
Unclaimed dividend		2,948,736	-
		-----	-----

		93,014,330	83,275,026
CONTINGENCIES AND COMMITMENTS	6	----- 502,248,281	----- 497,968,150
		=====	=====
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating fixed assets	7	354,048,321	380,636,295
Capital work-in-progress	8	54,850	9,196,279
Stores held for capital expenditure		--	292,353
		-----	-----
		354,103,171	390,124,927
<b>LONG TERM DEPOSITS AND DEFERRED COSTS</b>			
	9	5,272,254	7,132,732
<b>CURRENT ASSETS</b>			
Inventories	10	34,878,166	12,101,866
Trade debts	11	24,595,891	22,253,347
Advances, deposits, prepayments and other receivables	12	8,202,032	6,465,922
Cash and bank balances	13	75,196,767	59,889,356
		-----	-----
		142,872,856	100,710,491
		-----	-----
		502,248,281	497,968,150
		=====	=====

The annexed notes form an integral part of these accounts.

Lahore, November 21, 1998

**Shahzada Ellahi Shaikh**  
Director

**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

**PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE, 1998**

Note	1998 Rupees	1997 Rupees
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<b>SALES</b>	14	269,367,038	231,769,480
<b>COST OF SALES</b>	15	192,048,531	168,132,443
		-----	-----
<b>GROSS PROFIT</b>		77,318,507	63,637,037
		-----	-----
<b>ADMINISTRATIVE EXPENSES</b>	16	6,718,292	3,202,454
<b>OPERATING PROFIT</b>		70,600,215	60,434,583
<b>OTHER INCOME</b>	17	309,262	246,117
		-----	-----
		70,909,477	60,680,700
<b>OTHER CHARGES</b>			
Financial - Net	18	3,946,748	8,211,321
Miscellaneous	19	5,353,091	4,438,423
		-----	-----
		9,299,839	12,649,744
		-----	-----
<b>PROFIT FOR THE YEAR</b>		61,609,638	48,030,956
<b>UNAPPROPRIATED PROFIT</b>			
- Brought forward		6,566,304	12,535,348
		-----	-----
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		68,175,942	60,566,304
<b>APPROPRIATION</b>			
Proposed dividend @ 15% (1997'@ 15%) i.e. Rs. 1.50 per ordinary share of Rs. 10		54,000,000	54,000,000
<b>UNAPPROPRIATED PROFIT</b>		-----	-----
- Carried to Balance Sheet		14,175,942	6,566,304
		=====	=====

The annexed notes form an integral part of these accounts

Lahore, November 21, 1998

**Shahzada Ellahi Shaikh**  
Director

**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE. 1998**

1998

1997

	Note	Rupees	Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	20	82,485,824	90,191,754
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(2,576,599)	(59,756,552)
Long term deposits		--	(900)
Term deposit receipts		--	2,221,220
		-----	-----
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		(2,576,599)	(57,536,232)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Lease finances repaid		(11,766,155)	(7,323,484)
Short term finance obtained		9,997,660	--
Dividend paid		(51,051,264)	--
Financial charges paid - Net		(4,220,378)	(9,663,453)
		-----	-----
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>		(57,040,137)	(16,986,937)
		-----	-----
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		22,869,088	15,668,585
<b>CASH AND CASH EQUIVALENTS</b>			
- At the beginning of the year		51,422,652	35,754,067
		-----	-----
<b>CASH AND CASH EQUIVALENTS</b>			
- At the end of the year	21	74,291,740	51,422,652
		=====	=====

The annexed notes form an integral part of these accounts.

Lahore, November 21, 1998

**Shahzada Ellahi Shaikh**  
Director

**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1998**

**1. THE COMPANY AND ITS OPERATIONS**

The Company was incorporated on 24 April, 1993 as a Private Company, It was converted into a Public Company on 08 August, 1994. Its shares are quoted on Karachi and Lahore Stock Exchanges. The Company is principally engaged in generation and sale of electric power.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

### **2.2 Staff retirements benefits**

The Company operates an un-funded Gratuity Scheme for all its eligible employees. Provision is made annually to cover obligation under the Scheme.

### **2.3 Foreign currency translation**

Transactions in foreign currencies are translated into Pak Rupees at rates of exchange prevailing on transactions' dates. Assets and liabilities in foreign currencies are converted into Pak Rupees at exchange rates prevailing on the balance sheet date.

### **2.4 Fixed assets and depreciation thereon**

Operating fixed assets, except freehold land, are stated at cost less accumulated depreciation. Freehold land and capital work-in-progress are stated at cost. Borrowing costs pertaining to erection/construction period are capitalised as part of the historical cost.

Depreciation is charged to income applying Reducing Balance Method to write-off the historical cost over estimated remaining useful life of assets. Current rates of depreciation are stated in note 7. No depreciation is provided on assets in the year of disposal whereas full year's depreciation is charged in the year of purchase.

Gain/loss on disposal of fixed assets is included in income currently.

Major improvements and modifications are capitalised and assets replaced, if any, other than those kept as stand-by, are retired. Normal repairs and replacements are charged to income currently.

### **2.5 Assets subject to finance lease**

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of the leases are accounted for as liabilities.

Cost of assets acquired under Finance Lease is depreciated over estimated useful life of assets applying Reducing Balance Method at the rates stated in note 7.

Finance charges under the lease agreements are allocated to various periods during the lease terms so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each such period.

## 2.6 Deferred costs

Expenses, the benefit of which is expected to spread over several years, are deferred and amortized over a period of not more than five years.

## 2.7 Inventories

- Fuel and lubricants are valued at lower of annual average cost and net realisable value.
- Stores, spares and loose tools are valued at moving average cost.
- Items-in-transit are valued at cost accumulated to balance sheet date.

## 2.8 Revenue recognition

Revenue from sale of electricity to Consumers is recognised on supply of electricity based on monthly meter readings.

## 2.9 Cash equivalents

For the purpose of Cash Flow Statement, cash equivalents, include highly liquid investments with a maturity date of not more than three months and which are subject to insignificant risk of change in value. These also include bank balances which frequently convert from favourable to overdraft.

## 3. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The value of minimum lease payments has been discounted at interest rates ranging from 20.5% to 21.7% per annum to arrive at their present value. The amounts of future minimum lease payments and the periods during which these will become due are as follows'

		1998	1997
		Rupees	Rupees
Year ending	1998	--	23,267,636
	1999	23,221,651	23,221,651
	2000	23,146,216	23,146,216
	2001	20,859,662	20,859,662
		-----	-----
		67,227,529	90,495,165
Less: Finance charges:			
Accrued during the year		2,008,469	2,505,762
Allocated to future periods		14,104,098	25,108,286
		-----	-----

	16,112,567	27,614,048
	-----	-----
	51,114,962	62,881,117
Less: Security deposits adjustable against residual value of leased assets	3,514,725	3,514,725
	-----	-----
	47,600,237	59,366,392
Less: Current portion grouped under current liabilities	14,356,262	11,766,154
	-----	-----
	33,243,975	47,600,238
	=====	=====

The lease rentals are payable in quarterly instalments. The lease terms are expiring on various dates by January, 2001.

	Note	1998 Rupees	1997 Rupee
<b>4. SHORT TERM FINANCE</b>			
Secured			
Running finance	4.10	9,997,660	-
Unsecured			
Temporary bank overdrafts	4.20	905,027	8,466,704
		-----	-----
		10,902,687	8,466,704
		=====	=====

4.1 Short term running finance facility available from a commercial bank amounts to Rs. 10.0 million (1997:Nil). Facility available for opening letters of credit amounts to Rs. 20.0 million (1997: Nil). These facilities are secured against first registered charge on fixed assets of the Company, hypothecation of stocks and trade debtors and personal guarantees of some of the Company's directors. The running finance facility carries mark-up @ 17.5% per annum. These facilities are available upto 31 December, 1998.

Facilities available for letters of guarantees aggregate Rs. 46.172 million (1997: Rs. 46.172 million) and are secured hypothecation charge over Plant & Machinery and Banks's lien over deposit accounts.

4.2 These have arisen due to issuance of cheques for amounts in excess of balances at the bank accounts.

#### 5. CREDITORS, ACCRUALS AND OTHER LIABILITIES

Due to Associated Undertakings	5.10	144,169	128,270
Security deposits - Interest free		20,000	20,000
Creditors for:			
Inventories		378,330	450,842
Tangible fixed assets		1,939,761	1,327,115
Accrued expenses		2,792,280	1,234,631
Accrued lease finance charges		2,008,469	2,505,762
Mark-up on short term finances		33,992	--
Electricity duty payable		79,885	79,413
Workers' (Profit) Participation Fund	5.20	3,242,613	3,270,169
Income tax deducted at source		1,800	25,966
Others		165,346	--
		-----	-----
		10,806,645	9,042,168
		=====	=====

#### 5.1 ACCOCIATED UNDERTAKINGS

a) Mark-up ranging from Re 0.50 to Re. 0.60 per thousand Rupees per day has been allowed/earned on the outstanding balances of Associated Undertakings.

b) The Company purchased from and sold to Associated Undertakings goods and services aggregating Rs. 3,146,645 and Rs. 232,606,286 (1997: Rs. 45,085,088 and Rs. 207,947,208) respectively.

c) Maximum aggregate debit balance of Associated Undertakings at any month end during the year was Rs. 61,777,939 (1997: Rs. 45,866,372).

	1998	1997
	Rupees	Rupees
<b>5.2 Worker's (Profit) Participation Fund</b>		
Opening balance	3,270,169	659,755
Interest for the year	272,140	82,469
	-----	-----
	3,542,309	742,224
Less: Payments during the year	3,542,309--	
	-----	-----
	--	742,224
Contribution for the year	3,242,613	2,527,945
	-----	-----
	3,242,613	3,270,169
	=====	=====

#### 6. CONTINGENCIES AND COMMITMENTS

6.1 The Company has filed a Writ Petition with the Honourable Lahore High Court (Rawalpindi Bench) against imposition of Sales Tax, Customs and Regulatory Duties on imported Plant and Machinery. The Honourable Court by passing interim orders has stayed recovery of the said levies. Plant and Machinery have been released against submission of Bank and Insurance Guarantees. The disputed amount of levies as at 30 June, 1998 worked-out Rs. 79.852 million.

As the Company has a good case in the said Writ Petition and it is expected that relief against the impugned levies would be granted by the Honourable Lahore High Court, therefore, no provision has been made for the said levies in these accounts. Had the provision been made, Profit for the year and Unappropriated Profit, without taking effect of contribution to Workers' (Profit) Participation Fund, as at 30 June, 1998 would have been lower by Rs. 7.067 million and Rs. 16.250 million respectively.

6.2 The Company has filed a writ petition with the Honourable Lahore High Court, Lahore Bench against imposition of Central Excise Duty on Lease Finances. The Honourable Court has stayed recovery of the said levy. Provision for the said levy aggregating Rs. 0.665 million approximately has not been made in these accounts as the Management is confident for a favourable outcome of the Petition.

6.3 Refer contents of note 23.3.

6.4 Commitments for capital expenditure outstanding as at 30 June, 1998 were for Rs. 5.652 million (1997: Rs. 5.048 million)

**OPERATING FIXED ASSETS - Tangible**

PARTICULARS	As at 30 June, 1997	COST			DEPRECIATION			Book Value as At 30 June, 1998
		Additions during the year	As at 30 June, 1998	Rate %	As at 30 June, 1997	For the year	To 30 June, 1998	
OWNED:								
Land - Freehold	2,597,052	--	2,597,052	--	--	--	--	2,597,052
Factory building on:								
- Freehold land	13,928,427	1,081,510	15,009,937	10	1,600,948	1,340,899	2,941,847	12,068,090
- Leasehold land	27,328,966	--	27,328,966	10	3,142,831	2,418,614	5,561,445	21,767,521
	-----	-----	-----	-----	-----	-----	-----	-----
	41,257,393	1,081,510	42,338,903		4,743,779	3,759,513	8,503,292	38,835,611
Non-factory buildings	1,861,097	11,053,630	12,914,727	10	213,782	1,270,095	1,483,877	11,430,850
Paint and machinery	299,512,789	--	299,512,789	10	33,796,368	26,571,642	60,368,010	239,144,779
Electric installations	10,805,668	1,725	10,807,393	10	1,185,537	962,186	2,147,723	8,659,670

Fire extinguishing equipment	113,815	6,975	120,790	10	13,605	10,719	24,324	96,466
Office equipment	281,217	156,760	437,977	10	45,173	39,280	84,453	353,524
Arms and ammunition	6,708	--	6,708	10	1,275	543	1,818	4,890
Furniture and fixtures	1,002,841	261,402	1,264,243	10	139,464	112,478	251,942	1,012,301
Vehicles	1,871,944	61,025	1,932,969	20	673,726	251,849	925,575	1,007,394
	-----	-----	-----	-----	-----	-----	-----	-----
	359,310,524	12,623,027	371,933,551		40,812,709	32,978,305	73,791,014	298,142,537
	-----	-----	-----	-----	-----	-----	-----	-----
LEASED:								
Plant and machinery	70,000,000	--	70,000,000	10	8,050,000	6,195,000	4,245,000	55,755,000
Vehicles	294,500	--	294,500	23	106,020	37,696	143,716	150,784
	-----	-----	-----	-----	-----	-----	-----	-----
	70,294,500	--	70,294,500		8,156,020	6,232,696	14,388,716	55,905,784
	-----	-----	-----	-----	-----	-----	-----	-----
Rupees	429,605,024	12,623,027	442,228,051		48,968,729	39,211,001	88,179,730	354,048,321
	=====	=====	=====	=====	=====	=====	=====	=====
1997 Rupees	381,570,167	48,034,857	429,605,024		6,771,772	42,196,957	48,968,729	380,636,295
	=====	=====	=====	=====	=====	=====	=====	=====

**7.1 Depreciation for the year has been apportioned as under:**

	Note	1998 Rupees	1997 Rupees
<b>Cost of sales</b>		38,769,155	41,727,521
<b>Administrative expenses</b>		441,846	469,436
		-----	-----
		39,211,001	42,196,957
		=====	=====

	Note	1998 Rupees	1997 Rupees
<b>8. CAPITAL WORK-IN-PROGRESS</b>			
Buildings			
Cost of material		-	3,634,671
Advance Payments		54,850	5,561,608
		-----	-----
		54,850	9,196,279
		=====	=====

**9. LONG TERM DEPOSITS AND DEFERRED COSTS**

Long term deposits		900	900
Deferred costs	9.1		



Preliminary expenses	613,050	613,050
Shares issue expenses	8,689,340	8,689,340
	-----	-----
	9,302,390	9,302,390
Less: Amortised till 30 June,	4,031,036	2,170,558
	-----	-----
	5,271,354	7,131,832
	-----	-----
	5,272,254	7,132,732
	=====	=====

9.1 These are being amortised over a period of five years.

#### 10. INVENTORIES

Fuel	14,339,017	9,200,151
Lubricants	987,490	890,495
Stores	984,341	1,203,593
Spares	18,462,324	702,632
Loose tools	104,994	104,995
	-----	-----
	34,878,166	12,101,866
	=====	=====

#### 11. TRADE DEBIT- Unsecured

- Considered good

These include Rs. 20.026 million (1997: Rs. 18.544 million) due from Associated Undertakings against supply of electricity which have been received subsequent to the balance sheet date.

	Note	1998 Rupees	1997 Rupees
<b>12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances to:			
Employees Considered good		59,487	32,818
Suppliers - Considered good		830,228	1,288,691
Margin deposits		1,747,800	1,747,800
Prepayments		1,252,299	2,993,209
Income tax:			
Deducted at source		87,373	47,409
Paid under protest	23.30	4,022,582	200,000
Letters of credit		6,706	--
Others		195,557	155,995
		-----	-----
		8,202,032	6,465,922
		=====	=====

#### 13. CASH AND BANK BALANCES

Cheques in hand	13.10	70,654,284	56,644,515
Bank balances on:			
Current accounts		727,242	283,717
Savings accounts		74,441	13,082
Deposit accounts	13.20	3,740,800	2,948,042
		-----	-----
		75,196,767	59,889,356
		=====	=====

13.1 These represent Cheques received from Associated Undertakings before the year-end. These Cheques were deposited into the Banks on 02 July, 1998 and the Banks credit them on the same date.

13.2 These are under Banks' lien against guarantees issued by them as stated in note 6.1.

#### 14. SALES

Electricity		270,010,215	232,186,405
Wastes		337,425	538,424
		-----	-----
		270,347,640	232,724,829
Less: Electricity duty		980,602	955,349
		-----	-----
		269,367,038	231,769,480
		=====	=====

#### 15. COST OF SALES

Fuel consumed	15.10	120,049,934	99,734,655
Salaries, wages and benefits		12,066,946	9,264,458
Stores consumed		17,133,344	13,515,405
Repair and maintenance		220,466	98,023
Rent, rates and taxes		470,386	500,567
Insurance		2,525,832	2,553,266
Depreciation		38,769,155	41,727,521
Others		812,468	738,548
		-----	-----
		192,048,531	168,132,443
		=====	=====

#### 15.1 Fuel consumed

Opening stock		9,200,151	6,552,263
Purchases		123,722,494	101,731,253
Direct expenses		1,473,820	1,219,758

	-----	-----
	134,396,465	109,503,274
Less:		
Sales	7,514	568,468
Closing stock	14,339,017	9,200,151
	14,346,531	9,768,619
	-----	-----
	120,049,934	99,734,655
	=====	=====

#### 16. ADMINISTRATIVE EXPENSES

Directors' remuneration	967,694	--
Salaries and benefits	2,871,928	1,079,263
Travelling and conveyance	209,055	189,446
Rent, rates and taxes	630,000	600,000
Utilities	336,087	135,292
Entertainment/Hotel bills	10,585	13,757
Communication	122,472	43,493
Printing and stationery	216,245	136,609
Vehicles' running and maintenance	169,625	129,455
Insurance	44,850	53,910
Fees and subscription	174,058	233,699
Legal and professional charges (other than Auditors)	400,200	33,200
Depreciation	441,846	469,436
Others	123,647	84,894
	-----	-----
	6,718,292	3,202,454
	=====	=====

	Note	1998 Rupees	1997 Rupees
17. OTHERS INCOME			
		309,262	221,117
Unclaimed balance written-back		--	25,000
		-----	-----
		309,262	246,117
		=====	=====

#### 18. FINANCE CHARGES-Net

Lease finance charges	18.10	2,363,411	7,561,574
Mark-up on advance against lease	18.20	348,986	--
Commission on bank guarantees		830,182	525,664
Interest on Workers' (Profit)			
Participation Fund		272,140	82,469
Mark-up on short term finances		33,992	--

Bank charges	98,037	41,614
	-----	-----
	3,946,748	8,211,321
	=====	=====

18.1 Lease finance charges are after deducting net mark-up received/earned from banks and on advances to Associated Undertakings.

18.2 This represents mark-up on an advance of Rs. 19.300 million obtained from a Leasing Company. The Leasing Company disbursed this advance during April, 1998 and the Company repaid it in lump sum during May, 1998.

#### 19. MISCELLANEOUS CHARGES

Contribution to Worker's (Profit)		
Participation Fund	3,242,613	2,527,945
Auditors' remuneration		
Audit fee	50,000	50,000
Consultancy and certification charges	50,000	
	100,000	50,000
Deferred costs amortised	1,860,478	1,860,478
Donations	19.10 150,000--	
	-----	-----
	5,353,091	4,438,423
	=====	=====

19.1 Recipients of donations do not include any donee in whom any director or his spouse had any interest.

#### 20. CASH FLOW FROM

OPERATING ACTIVITIES		
Profit for the year	61,609,638	48,030,956
Adjustments for:		
Depreciation	39,211,001	42,196,957
Deferred costs amortised	1,860,478	1,860,478
Provision for gratuity	1,427,980	548,972
Financial charges - Net	3,946,748	8,211,321
	-----	-----
	108,055,845	100,848,684

Adjustments for working capital changes		
(Increase)/decrease in current assets		
Inventories	(22,776,300)	(3,433,391)
Trade debts	(2,342,544)	(8,062,025)
Advances, deposits, prepayments and other receivables excluding income tax	2,126,436	(497,514)
	-----	-----

(22,992,408) (11,992,930)

Increase in creditors, accruals and  
Other liabilities excluding accrued  
finance charges and creditors for  
fixed assets

1,425,461	1,629,419
-----	-----
(21,566,947)	(10,363,511)

Income tax paid under protest/deducted at source  
Gratuity paid

(3,862,546)	(231,999)
(140,528)	(61,420)
-----	-----

NET CASH INFLOW FROM  
OPERATING ACTIVITY ES

82,485,824	90,191,754
=====	=====

**21. CASH AND CASH EQUIVALENTS**

Cheques in hand

70,654,284	56,644,515
------------	------------

Cash at banks on:

- Current accounts  
- Savings account  
- Deposit accounts

727,242	283,717
74,441	13,082
3,740,800	2,948,042

Bank overdrafts

(905,027)	(8,466,704)
-----	-----
74,291,740	51,422,652
=====	=====

**22. REMUNERATION OF DIRECTOR AND EXECUTIVES**

PARTICULARS	Director		Executives	
	1998 Rupees	1997 Rupees	1998 Rupees	1997 Rupees
Managerial remuneration	600,000	--	2,561,533	1,580,000
Allowances	367,694	--	1,280,767	790,000
Retirement benefits	--	--	338,464	223,697
	-----	-----	-----	-----
	967,694	--	4,180,764	2,593,697
	=====	=====	=====	=====
Number of persons	1	--	15	11

22.1 Seven (1997: Six) of the Company's Executives are provided with free use of Company's maintained cars. Further, some of the Executives are also provided with free housing

22.2 The Mg. Director (Chief Executive) has foregone his remuneration and allowances. The Directors have foregone their meeting fee.

### 23. TAXATION

23.1 Profit and gains of the Company are exempt from levy of income tax under Clause 1 76 of the Second Schedule to the Income Tax Ordinance, 1979. Moreover, provisions of Section 80-D of the Income Tax Ordinance, 1979 are also not applicable under Clause 20 Part IV of the Second Schedule to the Income Tax Ordinance, 1979.

23.2 Income tax assessments of the Company have been completed upto the Income Year ended 30 June, 1 997 (Assessment Year 1 997-98).

23.3 The Assessing Officer for the Income Years ended 30 June, 1995 to 30 June, 1997 (Assessment Years 1995-96 to 1997-98) have taxed mark-up income earned on amount advanced to Associated Undertaking and on profit on bank deposits on the grounds that this income is not directly connected with the process of electric power generation. The Assessing Officers have raised following demands for tax/penalties which are sub judice before Commissioner of Income Tax (Appeals)/Income Tax Appellate Tribunal, Lahore:

Assessment Y	Demand raised under Income Tax Ordinance, 1979's section	Demand Amount Rupees
1995-96	62	48,590
1996-97	66-A	7,332,468
	111	2,926,631
	108	97,400
1997-98	62	1,826,650

In addition to above demands, demands raised for Workers' Welfare Fund aggregated Rs. 364,1 69 for the Assessment Year 1995-96 to 1997-98.

Provision for the above demands have not been made in these accounts as the Company has filed appeals before the Appellate Forums and is hopeful for favourable outcome of these appeals.

The Company upto 30 June, 1998 has paid Rs. 4,022,582 under protest and the said amount has been grouped under Advances (note 12).

23.4 There were no tax effects of timing differences as at 30 June, 1998 (1997:Nil).

1998                      1997

### 24. CAPACITY AND PRODUCTION



1	105,001	115,000	110,500
1	115,001	120,000	115,700
1	120,001	160,000	160,000
1	160,001	165,000	163,100
1	165,001	190,000	189,299
1	190,001	200,000	200,000
1	200,001	225,000	221,600
1	225,001	305,000	301,100
1	305,001	445,000	443,200
1	445,001	465,000	461,700
1	465,001	500,000	500,000
1	500,001	545,000	544,000
1	545,001	765,000	762,500
1	765,001	950,000	947,000
1	950,001	990,000	986,300
1	990,001	1,120,000	1,118,100
2	1,120,001	1,150,000	2,300,000
1	1,150,001	2,095,000	2,090,800
1	2,095,001	2,145,000	2,141,700
1	2,145,001	3,865,000	3,864,267
1	2,865,001	4,020,000	4,018,403
1	4,020,001	4,090,000	4,086,330
1	4,090,001	6,530,000	6,527,416

-----  
1,912 TOTAL:-

36,000,000  
-----

<b>Categories of shareholders</b>	<b>Number of Shareholders</b>	<b>Shares Held</b>	<b>Percentage</b>
Individuals	1,881	3,870,984	10.75
Investment Companies	8	4,577,600	12.72
Insurance Company	1	10,000	0.03
Joint Stock Companies	12	22,133,916	61.48
Financial Institutions	7	3,080,800	8.56
Modaraba Companies	2	185,000	0.51
Foreign Company	1	2,141,700	5.95
	-----	-----	-----
	1,912	36,000,000	100.00