



KOHINOOR

ENERGY LIMITED

ANNUAL REPORT 2004

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COMPANY INFORMATION

Board of Directors

Mr. M. Naseem Saigol	(Chairman)
Mr. Haruyoshi Murakami	(Chief Executive)
Mr. Umer Masood Tariq	(Nominee of Tomen Power (Singapore) Pte. Limited)
Sheikh Muhammad Shakeel	
Mr. Muneki Udaka	
Mr. Makoto Nakano	
Mr. Rolf Andersson	

Company Secretary

Mr. Muhammad Asif

Audit Committee

Mr. Umer Masood Tariq	(Chairman)
Sheikh Muhammad Shakeel	
Mr. Muneki Udaka	

Management

Mr. Haruyoshi Murakami	Chief Executive Officer
Mr. Umer Masood Tariq	Chief Operating Officer
Mr. Ghazanfar Ali Zaidi	General Manager Technical
Mr. Muhammad Saleem Akhtar	General Manager Operations
Mr. Muhammad Asad Khan	General Manager Maintenance
Mr. Ahmed Zia Haider	Chief Financial Officer

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Bankers

Off Shore Trustee

U.S. Bank, New York

On Shore Trustee

Union Bank Limited

Others

Faysal Bank Limited
Standard Chartered Bank
ABN Amro Bank
Bank Alfalah Limited

Registered Office

2nd Floor, Rashid Plaza
24-D, Blue Area
Islamabad, Pakistan.
Tel : +92-51-2828941
Fax : +92-51-2273858

Project/Head Office/Share Department

Near Tablighi Ijtima, Raiwind Bypass,
Post Office Kohinoor Energy
Lahore, Pakistan.

UAN : +92-42-111-111-535

Tel : +92-42-5392317

Fax : +92-42-5393415-7

Lahore Office

17-Aziz Avenue, Unit # 4, Canal Bank,
Gulberg V, Lahore, Pakistan.

Tel : +92-42-5717861-2

Fax : +92-42-5715090

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eleventh Annual General Meeting of Shareholders of Kohinoor Energy Limited will be held on October 30, 2004 (Saturday) at 11:00 A.M. at Registered Office, Rashid Plaza, 2nd Floor, 24-D, Blue Area, Islamabad to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Annual General Meeting held on October 30, 2003.
2. To receive and adopt the Annual Audited Accounts of the Company for the financial year ended June 30, 2004 along with Directors' and Auditors' Reports thereon.
3. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.
4. To approve the Final Dividend @ 10% i.e. Rs. 1.00 per share as recommended by the Board in addition to the Interim Dividend already paid @ 15% i.e. Rs. 1.50 per share in March, 2004 making a total dividend of 25% i.e. Rs. 2.50 per share for the year ended June 30, 2004.

Special Business:

5. To consider and approve the following resolution as Ordinary Resolution:

"Resolved that the quarterly accounts of the Company be placed on its website instead of circulating the same by post to the shareholders, subject to compliance of the Securities and Exchange Commission of Pakistan's Circular No. 19 of 2004 dated April 14, 2004.
6. Any other business with the permission of the Chair.

By order of the Board

Lahore:
September 23, 2004

(Muhammad Asif)
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from October 30, 2004 to November 06, 2004 (both days inclusive). Transfers received at Head Office/Shares Department of the Company situated Near Tablighi Ijtima, Raiwind Bypass, Post Office Kohinoor Energy, Lahore upto the close of business on October 29, 2004 will be treated in time for the purpose of entitlement of Cash Dividend to the transferees.
2. A member entitled to attend and vote at this meeting may appoint a proxy. Proxies in order to be effective, must be received at Head Office/Shares Department of the Company situated Near Tablighi Ijtima, Raiwind Bypass, Post Office Kohinoor Energy, Lahore, not less than forty-eight hours before the time of the meeting and must be duly stamped, signed and witnessed.
3. Members holding shares within the Central Depository System are requested to bring their original National Identity Card or Original Passport together with their Account and Participant's Id number for attending the meeting.
4. Members are requested to notify the Company for change in their addresses, if any.

STATEMENT U/S 160(1) OF THE COMPANIES ORDINANCE, 1984:

The Securities and Exchange Commission of Pakistan (SECP) has allowed the listed companies vide its Circular No. 19 of 2004 CLD/D-II/51/2003 dated April 14, 2004 to place the quarterly accounts on their website which will be treated compliance of the provisions of Section 245 of the Companies Ordinance, 1984 subject to fulfillment of the certain conditions including seeking the consent of its shareholders in general meeting as mentioned in the above referred circular.

In order to avoid cumbersome exercise and save the cost of printing and dispatching of periodical accounts, the Board of Directors has recommended to the shareholders of the Company for placement of quarterly/half yearly accounts on its website instead of circulating the same by post to the shareholders, subject to approval from the SECP.

The directors are not interested in this business except as shareholders of the Company.

DIRECTORS' REPORT

Your Directors feel immense pleasure in presenting their Annual Report along with the Audited Accounts of the Company for the financial year ended June 30, 2004.

Principal Activities

The principal activities of the Company are to own, operate, generate and maintain a furnace oil power station with the net capacity of 120 MW (gross capacity 131.44 MW).

Financial Results

It is a matter of great pleasure to inform you that your Company during the fiscal year under review posted an impressive rise in its profits irrespective of the slightly decline in its sales as compare to the previous year. The turnover of the Company remained at Rs. 2,335 million comparing with Rs. 2,397 million of the previous year. The Company earned a net profit of Rs. 828 million as compared to Rs. 713 million in 2003 thereby registered a decent increase of 16% in profit and demonstrated an earning per share of Rs. 4.85 (2003: Rs. 4.13)

Substantial decline in financial charges, reduction in HFO price and less fuel consumption, and saving from fee for produced energy due to revision of contract with Wartsila for major maintenance, played prominent roles towards a good increase in profits of the Company. The financial results of the Company for the year ended June 30, 2004 are as follows:

	2004	2003
	(Rupees in thousand)	
Profit before taxation	828,021	713,349
Provision for taxation	6,292	12,650
Profit after taxation	821,729	700,699
Un-appropriated profit brought forward	2,344,349	2,152,026
Available for appropriations	3,166,078	2,852,725
Interim dividend – Rs. 1.50 per share (2003: Rs. 1.5 per share)	254,188	254,188
Proposed dividend – Rs. 1.00 per share (2003: Rs. 1.5 per share)	169,459	254,188
Un-appropriated profit carried forward	2,742,431	2,344,349
Earnings per share	4.85	4.13

Your Company fully complying with its contractual obligations is regularly paying off its debts and there stands no delays in this regard. Moving on the same pace we are sure that all of the senior debts of the Company will become paid off till September 2008 and your Company will become more healthier by that time.

Operations

The demand from WAPDA for supply of power during the year under review was almost same to the previous financial year. The load factor was 32.25% as compared to 32.27% of the last year. The total dispatch of power during the year was 339,024 MWH (2003: 339,248 MWH) on demand of WAPDA. The plant achieved the thermal efficiency rate of 44.35% (2003: 44.12%).

Your Company successfully qualified the Annual Dependable Capacity Test (ADC), conducted by WAPDA on May 28, 2004. The power plant demonstrated 126.29 MW capacity besides the net capacity requirement of 120 MW.

High profiled business professionals, qualified engineers and expert technical staff backed with abundant experiences in their respective fields are administrating and maintaining the power plant. All the scheduled and preventive maintenance work at power plant remained as per calendar and within the budget allocated for the purpose. The overall fitness and performance of the plant is at its excellence.

Dividend

Your directors have always made their best to pay dividends to shareholders in return to their investment in the equity of the Company. Honoring to the truthful commitment, your directors in addition to the already paid interim dividend of Rs. 1.50 per share (i.e. @ 15%) have recommended another dividend of Re. 1.00 per share (i.e. @ 10%) as a final dividend for the financial ended June 30, 2004. This payout will make the total dividend of Rs. 2.50 per share for the financial year under review.

Statements in compliance to the Code of Corporate Governance

The Directors state that:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The key operating and financial data of last six years is attached to the report.
- During the year under review members of the Board met for six times i.e. on Sep 12, 2003, Oct 09, 2003, Dec 21, 2003, Feb 23, 2004, Apr 26, 2004 and June 30, 2004. Attendance of the Board meetings was as follows:

Name of Directors	No. of Meetings Attended
Mr. Naseem Saigol	4
Mr. Haruyoshi Murakami	6
Mr. Umer Masood Tariq	6
Shiekh Muhammad Shakeel	6
Mr. Hiroshige Uga	0
Mr. Rolf Andersson	4
Mr. Makoto Nakano	0
Mr. Muneki Udaka	1

During the year under review Mr. Hiroshige Uga and Mr. Akira Sasaki resigned from the Board and in their places Mr. Makoto Nakano and Mr. Muneki Udaka joined the Board on February 23, 2004 and May 14, 2004 respectively. Mr. Hiroshige Uga and Mr. Makoto Nakano residing in Japan could not attend the meetings and sought leaves of absence. The Board granted leaves of absence to the members who could not attend meetings of the Board.

- The Chief Executive Officer, Directors, Chief Financial Officer, Company Secretary and their spouse and minor children have made no sale/purchase of Company's shares during the year Jul 01, 2003 to June 30, 2004
- The Company operated an un-funded gratuity scheme for all employees. Annual provision was made on the basis of actuarial valuation to cover obligation under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period. The Company has established the Employees Gratuity Fund and has got registered effective from 20th March 2004.

Changes in the Board of Directors

Since the last annual general meeting Mr. Hiroshige Uga and Mr. Akira Sasaki have resigned from the membership of the Board and in their places Mr. Makoto Nakano and Mr. Muneki Udaka have joined as directors on the Board of the Company. The Board wishes to record its appreciation for the valuable services rendered by the outgoing directors and extends its warm welcome to the newly appointed ones.

Transfer Pricing Policy

Consequent upon the amendments in the 4th Schedule to the Companies Ordinance, 1984 and listing regulations of the stock exchanges the Company has formulated the Transfer Pricing Policy with regard to the transactions between the Company and its related parties. The policy of the Company ensures that all the related party transactions are transacted at arm's length price however exceptionally the Company may enter into transactions other than the arm's length price, subject to the approval of its Audit Committee and the Board of Directors.

Quality Management System

The management of KEL is committed in demonstration of quality at all levels. After achieving the fabulous and internationally recognized quality awards – the ISO 9001:2000, the ISO 14001:1996 and the OHSAS 18001:1999, the management is driving towards the achievement of another highly commendable award of International Quality Rating System (IQRS) with a significant rating. In this regard a vigorous team of professionals has been deployed which is doing at its optimum in enhancing the process capabilities and implementation policy has been formulized which is passing through its due phases.

Community Welfare Program

The management responding to its social responsibility has deployed a handsome amount of resources for welfare of the people of surrounding community of KEL. And in this regard a medical facility is being offered where medicines and doctors' consultation is being provided free of cost. Presently there are two medical centers, working in the vicinity of KEL. Qualified doctor and fully devoted medical staff equipped with patience are serving to the people in need.

Future Prospects

The Company anticipates a favorable playing ground in future due to positive trend in the economic indicators like industrialization, rise in exports, and increase in GDP and foreign exchange reserves of the Country. Moreover the Country faces substantial water shortage this year due to less rain, and therefore WAPDA cannot fully depend on hydropower generation to meet the requirements and hence relied more on the thermal generation.

The Company is enjoying a good relationship with WAPDA and is considered to be the most reliable IPP among others due to its technical and financial strength. Your Company is determined and is prepared to serve the Nation for its current and future power needs.

Auditors

The present auditors of the Company M/s A.F. Ferguson & Co. Chartered Accountants retire and being eligible, offer themselves for reappointment. The Board recommended the appointment of the retiring auditors for the next year as suggested by the Audit Committee.

Pattern of Shareholding

A statement reflecting the pattern of shareholding as at June 30, 2004 is attached to the Annual Report.

Recognition

The directors take this opportunity to thank all the local and foreign shareholders, Water and Power Development Authority, business partners, bankers, lenders, technology partners, regulators and other authorities for their continuous support during the year. Your directors also place on record their appreciation of the contribution made by employees at all levels, for their commendable team work, dedicated and enthusiastic efforts made during the year for the smooth and satisfactory running of the power plant.

For and on behalf of the Board

**Lahore
September 23, 2004**

**Haruyoshi Murakami
Chief Executive**

FINANCIAL DATA

	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999
DISPATCH LEVEL (%)	32.25%	32.27%	17.67%	11.07%	24.43%	45.87%
DISPATCH (MWH)	339,024	339,248	185,767	116,322	256,818	482,152
REVENUE (Rs. 000)						
ENERGY FEE	994,583	1,030,812	551,785	314,624	442,356	700,930
CAPACITY FEE	1,340,893	1,366,279	1,577,590	1,383,873	1,250,902	1,133,262
TOTAL REVENUE	2,335,476	2,397,091	2,129,375	1,698,497	1,693,258	1,834,192
COST OF SALES	1,264,170	1,358,062	972,276	724,217	806,796	1,076,213
GROSS PROFIT	1,071,306	1,039,029	1,157,099	974,280	886,462	757,979
PROFITABILITY (Rs. 000)						
PROFIT/(LOSS) BEFORE TAX	828,021	713,349	847,381	522,947	409,760	325,280
PROVISION FOR INCOME TAX	6,292	12,650	18,442	20,000	16,121	17,831
PROFIT/(LOSS) AFTER TAX	821,729	700,699	828,939	502,947	393,639	307,449
FINANCIAL POSITION (Rs. 000)						
FIXED ASSETS	4,992,485	5,173,798	5,491,190	6,027,792	5,486,520	5,732,977
CURRENT ASSETS	1,862,058	1,968,203	2,388,328	1,881,688	1,515,715	1,344,201
LESS CURRENT LIABILITIES	984,070	1,065,185	1,266,769	1,250,641	970,971	908,306
NET WORKING CAPITAL	877,988	903,018	1,121,559	631,047	544,744	435,895
CAPITAL EMPLOYED	5,870,473	6,076,816	6,612,749	6,658,839	6,031,264	6,168,872
LESS LONG TERM LOANS & DEFERRED LIABILITIES	1,433,456	2,037,881	2,766,137	3,641,166	3,516,538	4,047,785
SHARE HOLDERS EQUITY	4,437,017	4,038,935	3,846,612	3,017,673	2,514,726	2,121,087
REPRESENTED BY (Rs. 000)						
SHARE CAPITAL	1,694,586	1,694,586	1,694,586	1,694,586	1,303,528	1,303,528
SHARE PREMIUM	-	-	-	-	-	140,348
BONUS SHARES	-	-	-	-	391,058	-
UNAPPROPRIATED PROFIT BEFORE APPROPRIATION	3,166,078	2,852,725	2,152,026	1,323,087	820,140	677,211
APPROPRIATION / DIVIDENDS	423,647	508,376	-	-	-	-
UNAPPROPRIATED PROFIT BROUGHT FORWARD	2,742,431	2,344,349	2,152,026	1,323,087	820,140	677,211
	4,437,017	4,038,935	3,846,612	3,017,673	2,514,726	2,121,087
SHARE PRICES AS ON JUNE 30,	34.80	27.30	13.58	10.50	12.70	10.60
EARNING PER SHARE	4.85	4.13	4.89	2.97	2.32	2.36
RATIOS:						
RETURN ON ASSETS	0.12	0.10	0.11	0.06	0.06	0.04
PRICE EARNING RATIO	7.18	6.60	2.78	3.54	5.47	4.49
BREAK UP VALUE PER SHARE OF Rs. 10 EACH	26.18	23.83	22.70	17.81	19.29	16.27
CURRENT RATIO	1.89	1.85	1.89	1.50	1.56	1.48
NET PROFIT/(LOSS) TO SALES (%AGE)	35.18%	29.23%	38.93%	29.61%	23.25%	16.76%

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

1. The Board of the Company comprises of four non-executive and three executive directors. At present there is no representation of independent non-executive director and director representing minority shareholders on the Board of the Company. We shall encourage their representation in the forthcoming elections.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The casual vacancies occurring in the Board on February 10, 2004 and May 10, 2004 were filled up within 13 and 4 days thereof respectively.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors. An executive director is the Chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function, members of which are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Lahore
September 23, 2004

Haruyoshi Murakami
Chief Executive

REVIEW REPORT TO THE MEMBERS

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Kohinoor Energy Limited to comply with the Listing Regulation No. 37 of Karachi Stock Exchange, Chapter XIII of Lahore Stock Exchange and Chapter XI of Islamabad Stock Exchange, where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2004.

Lahore,
September 23, 2004

A. F. Ferguson & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Kohinoor Energy Limited as at June 30, 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2004 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Lahore,
September 23, 2004

A. F. Ferguson & Co.
Chartered Accountants

BALANCE SHEET

	Note	2004 (Rupees in thousand)	2003
SHARE CAPITAL AND RESERVES			
Authorised capital 170,000,000 (2003: 170,000,000) ordinary shares of Rs 10 each		1,700,000	1,700,000
Issued, subscribed and paid up capital 169,458,614 (2003: 169,458,614) ordinary shares of Rs 10 each	3	1,694,586	1,694,586
Unappropriated profit	4	2,742,431	2,344,349
		4,437,017	4,038,935
LONG TERM LOANS			
- Secured	5	1,274,948	1,848,613
- Unsecured	6	136,830	174,629
		1,411,778	2,023,242
STAFF RETIREMENT BENEFITS	7	21,678	14,639
CURRENT LIABILITIES			
Current maturity of long term loans			
- Secured	5	587,390	583,061
- Unsecured	6	39,095	38,806
Creditors, accrued and other liabilities	8	107,944	113,866
Provision for taxation		80,182	75,264
Proposed dividend		169,459	254,188
		984,070	1,065,185
CONTINGENCIES AND COMMITMENTS	9	-	-
		6,854,543	7,142,001

Chief Executive

AS AT JUNE 30, 2004

	Note	2004 (Rupees in thousand)	2003
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	10	4,971,587	5,164,693
Capital work-in-progress	11	20,898	9,105
		4,992,485	5,173,798
LONG TERM LOANS AND			
DEPOSITS - CONSIDERED GOOD	12	4,476	5,084
CURRENT ASSETS			
Stores, spares and loose tools	13	203,822	177,551
Stock in trade	14	121,076	120,045
Trade debts	15	280,563	211,589
Advances, deposits, prepayments and other receivables	16	185,357	220,769
Cash and bank balances	17	1,066,764	1,233,165
		1,857,582	1,963,119
		6,854,543	7,142,001

The annexed notes form an integral part of these accounts

Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2004

	Note	2004 (Rupees in thousand)	2003
Sales	18	2,335,476	2,397,091
Cost of sales	19	<u>1,264,170</u>	<u>1,358,062</u>
Gross profit		1,071,306	1,039,029
Administration and general expenses	20	<u>108,484</u>	<u>110,952</u>
Operating profit		962,822	928,077
Other income	21	<u>46,349</u>	<u>39,236</u>
		1,009,171	967,313
Financial charges	22	<u>181,150</u>	<u>253,964</u>
Profit before tax		828,021	713,349
Provision for taxation	23	<u>6,292</u>	<u>12,650</u>
Profit after taxation		821,729	700,699
Unappropriated profit brought forward		<u>2,344,349</u>	<u>2,152,026</u>
Available for appropriation		3,166,078	2,852,725
Appropriations:			
Interim dividend - Rs 1.50 per share (2003: Rs 1.5 per share)		254,188	254,188
Proposed dividend- Rs 1.00 per share (2003: Rs 1.5 per share)		169,459	254,188
		423,647	508,376
Unappropriated profit carried forward		<u>2,742,431</u>	<u>2,344,349</u>
Earnings per share	29	<u>4.85</u>	<u>4.13</u>

The annexed notes form an integral part of these accounts.

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2004

	Share capital	Un-appropriated profit	(Rupees in thousand)
			Total
Balance as on June 30, 2002	1,694,586	2,152,026	3,846,612
Net profit for the year	-	700,699	700,699
Dividend			
- Interim Rs 1.50 per share	-	(254,188)	(254,188)
- Proposed Rs 1.50 per share)	-	(254,188)	(254,188)
	-----	-----	
Balance as on June 30, 2003	1,694,586	2,344,349	4,038,935
Net profit for the year	-	821,729	821,729
Dividend – interim Rs. 1.50 per share	-	(254,188)	(254,188)
Divident – proposed Rs. 1.00 per share	-	(169,459)	(169,459)
	-----	-----	
Balance as on June 30, 2004	<u><u>1,694,586</u></u>	<u><u>2,742,431</u></u>	<u><u>4,437,017</u></u>

Chief Executive

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2004

	Note	2004 (Rupees in thousand)	2003
Cash flow from operating activities			
Cash generated from operations	24	1,165,596	1,296,272
Staff gratuity paid		(1,281)	(482)
Financial charges paid		(188,898)	(244,801)
Taxes paid		(1,374)	(2,442)
		<hr/>	<hr/>
Net cash inflow from operating activities		974,043	1,048,547
Cash flow from investing activities			
Fixed capital expenditure		(33,261)	(25,469)
Interest/mark-up income received		18,269	38,033
Net increase/(decrease) in long term & deposits		608	(304)
Sale proceeds of fixed assets		1,074	6,901
		<hr/>	<hr/>
Net cash (outflow)/inflow from investing activities		(13,310)	19,161
Cash flow from financing activities			
Repayment of Long term loans		(620,256)	(789,709)
Dividend paid		(506,878)	(253,795)
		<hr/>	<hr/>
Net cash outflow from financing activities		(1,127,134)	(1,043,504)
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(166,401)	24,204
Cash and cash equivalents at beginning of the year		1,233,165	1,208,961
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	17	1,066,764	1,233,165
		<hr/> <hr/>	<hr/> <hr/>

The annexed notes form an integral part of these accounts.

Chief Executive

Director

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2004

1. Legal status and nature of business

The company is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. Its principal activity is to generate and sell electric power.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies' Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of Companies' Ordinance, 1984. Wherever, the requirements of the Companies' Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies' Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention, modified by capitalization of exchange differences referred to in note 2.17, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

2.3 Taxation

Current

Profit and gains derived by the company from electric power generation project are exempt from tax under clause 132 of the Part I of the Second Schedule to the Income Tax Ordinance, 2001.

The company is also exempt from minimum tax on turnover under clause 15 of the Part IV of the Second Schedule to the Income Tax Ordinance, 2001. However, full provision is made in the profit and loss account on income from sources not covered under the above clauses at current rates of taxation after taking into account tax credits and rebates available, if any.

2.4 Employee retirement benefits

The company operates an unfunded gratuity scheme for all employees according to the terms of employment subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period.

The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2004. Projected Unit Credit Method, using the following significant assumptions is used for valuation of the scheme:

- Discount rate 8 percent per annum.
- Expected rate of increase in salary level 7 percent per annum

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

2.5 Fixed capital expenditure and depreciation/amortization

2.5.1 Operating fixed assets

Operating fixed assets except freehold land are stated at cost less accumulated depreciation/amortization and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain operating assets comprises historical cost, exchange differences referred to in note 2.17 and interest etc. in note 2.18.

Depreciation/amortization on all operating fixed assets is charged to profit on the straight line method so as to write off the historical cost of an asset over its estimated useful life at the annual rates mentioned in note 10.

Depreciation/amortization on additions is charged from the month in which the asset acquired or capitalized where no depreciation / amortization is charged for the year in which the asset is disposed off. Impairment loss or its reversal, if any, is also charged to income. Where an impairment loss is recognized, the depreciation/amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

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

During the year, the management carried out a comprehensive review of useful lives of certain computer hardware. Based on this review the management has decided to charge depreciation to profit so as to write off the cost of such assets over the re-estimated useful life.

Had there been no change in the depreciation rate, the charge for depreciation would have been lower by Rs 2.236 million and current profit would have been higher by the same amount.

2.5.2 Capital work-in-progress

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

2.6 Operating leases

The company is the lessee:

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

2.7 Stores and spares

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

2.8 Stock in trade

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

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.

2.9 Related part transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the company and related party or between two or more segments of the company are at arms length prices determined as per the prescribed methods under companies ordinance, 1984, except in circumstances where it is in the interest of the company not to do so.

2.10 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.11 Trade debts

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

2.12 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.

2.13 Borrowings

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

2.14 Creditors, accrued and other liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

2.15 Provisions

Provisions are recorded when the company has a present obligation as a result of past event which it is probable will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

2.16 Derivative financial instruments

These are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

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

All other exchange differences are included in profit currently.

2.18 Financial and other charges

Financial and other charges on long term loans are capitalised up to the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such long term loans. All other financial and other charges are charged to income.

2.19 Revenue recognition

Revenue on account of energy is recognised on transmission of electricity to WAPDA, whereas that on account of capacity is recognised when due. Profit on deposits with onshore banks is recognised on a time proportion basis taking into account the amounts outstanding and the rates applicable thereon, whereas profit on deposits with offshore bank is recognised on receipt basis.

3. Issued, subscribed and paid up capital

2004 (Number of shares)	2003 (Number of shares)		2004 (Rupees in thousand)	2003 (Rupees in thousand)
130,352,780	130,352,780	ordinary shares of Rs 10 each fully paid in cash	1,303,528	1,303,528
		ordinary shares of Rs 10 each issued as fully		
391,058	391,058	paid bonus shares	391,058	391,058
<u>1,694,586</u>	<u>1,694,586</u>		<u>1,694,586</u>	<u>1,694,586</u>

33,891,722 shares (2003: 33,891,722 shares) of the company are held by Tomen Corporation, Japan an associated concern as at June 30, 2004.

4. In accordance with terms of agreement between the company and the lenders of long term loans, there are certain restrictions on distribution of dividends by the company.

5. Long Term loans-secured

Lender	Currency	Foreign currency balance		Rupees equivalent		Rate of interest per annum	No of equal half yearly installments	Interest payable
		2004 (Amount in thousands)	2003	2004 (Rupees in thousands)	2003			
International Finance Corporation								
- Loan A	US \$	11,250	13,750	656,438	796,400	11.25%	9, ending September,2008	Half yearly
- Loan B	US \$	10,167	14,233	593,225	824,394	Libor + 2.5%	5, ending September,2006	Half yearly
ABN Amro Bank								
- Commercial Loan	US \$	10,500	14,000	612,675	810,880	7.45%	6, ending March, 2007	Half yearly
		31,917	41,983	1,862,338	2,431,674			
Less:	Current maturity	10,067	10,067	587,390	583,061			
		21,850	31,916	1,274,948	1,848,613			

Security

These loans are secured by a registered mortgage on the company's freehold land and building, a first charge on present and future moveable assets including plant and machinery, equipment and motor vehicles and a floating charge on the company's present and future current assets including stock in trade, stores and spares, trade debts and other receivables.

6. Long term loans-unsecured

This represents a loan amount of US \$ 6.7 million from Tomen Corporation, Japan availed for meeting loan repayments.

Lender	Currency	Foreign currency balance		Rupees equivalent		Rate of Interest per annum	No of equal half yearly Installments	Interest payable
		2004 (Amount in thousands)	2003	2004 (Rupees in thousands)	2003			
Tomen Corporation, Japan	US Dollar	3,015	3,685	175,925	213,435	Libor + 5%	9, ending September, 2008	Half year
Less:	Current maturity	670	670	39,095	38,806			
		2,345	3,015	136,830	174,629			

7. Staff retirement benefits

2004
2003
(Rupees in thousand)

This represents staff gratuity and the amounts recognized in the Balance sheets are as follows:

Present value of defined benefit obligation	25,392	17,555
Unrecognized actuarial gains	(3,714)	(2,916)
Liability as at June 30	<u>21,678</u>	<u>14,639</u>
Liability as at July 1,	14,639	7,770
Charge to profit and loss account	8,320	7,351
Payments by the company	(1,281)	(482)
Liability as at June 30	<u>21,678</u>	<u>14,639</u>

8. Creditors, accrued and other liabilities

Trade creditors	9,082	7,304
Retention money	512	55
Accrued liabilities	1,876	4,062
Income tax deducted at source	1,030	838
Interest on long term loans		
- Secured	47,516	60,145
- Unsecured	3,659	4,498
Workers' profit participation fund	- note 8.1	35,679
Security deposits	74	74
Unclaimed dividend	1,891	393
Other payables	<u>903</u>	<u>818</u>
	<u>107,944</u>	<u>113,866</u>

8.1 Workers' profit participation fund

		2004	2003
		(Rupees in thousand)	
Opening balance as on July 1		35,679	42,406
Provision for the year	- note 16.1	41,401	35,667
Interest for the year	- note 22	26	15
		<hr/> 77,106	<hr/> 78,088
Less: Payments made during the year		<hr/> 35,705	<hr/> 42,409
		<hr/> <hr/> 41,401	<hr/> <hr/> 35,679

9. Contingencies and commitments**9.1 Contingencies**

- (i) Letter of credit of Rs 215 million (2003: Rs 215 million) in favour of WAPDA on account of liquidated damages, if the company fails to make available electricity to WAPDA on its request. The facility is secured by a second charge on fixed and current assets of the company and assignment on sale proceeds of electricity or any other payments receivable from WAPDA.
- (ii) The Company has issued guarantee in favour of Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs. 4.250 million (2003: Rs. 4.250 million). This is secured by a second charge on fixed assets of the Company.

9.2 Commitments

- (i) Contracts for capital expenditure Rs 6.216 million (2003: Rs 4.270 million).
- (ii) Letter of credit other than capital expenditure Rs 12.423 million (2003: Rs 3.146 million).

10. Operating fixed assets

10.1 The following is a statement of the operating fixed assets

	(Rupees in thousand)							
	Cost as at June 30, 2003	Additions/ (deletions)	Cost as at June 30, 2004	Accumulated depreciation as at June 30, 2003	Depreciation charge for the year/ (deletions)	Accumulated depreciation as at June 30, 2004	Book value as at June 30, 2004	Rate %
Tangible								
Freehold land	9,612	-	9,612	-	-	-	9,612	-
Buildings on freehold land	549,019	1,023	550,042	129,695	17,466	147,161	402,881	4.022 - 4.336
Plant and machinery	6,187,987	24,325	6,212,312	1,521,016	194,875	1,715,891	4,496,421	4.022 - 4.336
Office appliances and equipment	3,516	140	3,511	927	345	1,243	2,268	10
Laboratory equipment	2,576	(145)	2,576	851	(29)	1,109	1,467	10
Electric appliances and equipment	8,041	-	9,229	3,052	258	3,954	5,275	10
Computers	43,173	1,888	45,061	9,591	902	16,248	28,813	10 - 35
Furniture and fixtures	8,296	541	8,837	2,446	870	3,316	5,521	10
Vehicles	16,581	2,559	17,570	2,735	3,280	5,232	12,338	20
		(1,570)			(783)			
	6,828,801	31,664	6,858,750	1,670,313	224,653	1,894,154	4,964,596	
		(1,715)			(812)			
Intangible acquired								
Computer software	11,284	2,018	13,302	5,079	1,232	6,311	6,991	10
2004	6,840,085	33,682 (1,715)	6,872,052	1,675,392	225,885 (812)	1,900,465	4,971,587	
2003	6,945,424	17,669	6,840,085	1,455,538	223,912	1,675,392	5,164,693	
		(123,008)			(4,058)			

Additions to building and plant and machinery include exchange loss on foreign currency loans amounting to Rs 1.023 million and Rs. 11.191 million respectively.

			(Rupees in thousand)	
	Depreciation	Amortization	2004 Total	2003 Total
The depreciation charge for the year has been allocated as follows:				
Cost of sales	- note 19	219,821	220,360	220,852
Administration and selling expenses	- note 20	4,832	5,525	3,060
		224,653	225,885	223,912

10.2 Disposal of operating fixed assets

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

		(Rupees in thousand)				
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposals
Motor vehicles	Outsiders	-				
	Mr. Nazir Ahmed	566	170	396	400	Negotiation
	M/s Masha Allah autos	81	44	37	44	Trade In
Photocopier	Mr. Sakai Kunihiro	923	569	354	600	Negotiation
	Panther Business	145	29	116	30	Trade in
		<u>1,715</u>		<u>903</u>	<u>1,074</u>	
			<u>812</u>			

11. Capital work-in-progress

	2004 (Rupees in thousand)	2003 (Rupees in thousand)
Civil works and buildings	2,744	2,330
Plant and machinery	<u>18,154</u>	<u>6,775</u>
	<u>20,898</u>	<u>9,105</u>

12. Long term loans and deposits

Loans to employees - considered good	- note 12.1	
- Executives	5,640	7,235
- Other employees	<u>1,742</u>	<u>1,869</u>
	7,382	9,104
Less: Current portion included in current assets		
- Executives	2,315	3,386
- Other employees	1,132	1,274
	<u>3,447</u>	<u>4,660</u>
	3,935	4,444
Security deposits	<u>541</u>	<u>640</u>
	<u>4,476</u>	<u>5,084</u>

12.1 These represent interest free loans to executives and employees for purchase of motor cars, motor cycles etc and are repayable in monthly installments over a period of 18 to 60 months.

Loans aggregating Rs 5.219 million (2003: Rs 5.717 million) are secured by registration of motor cars in the name of the company and open transfer letters signed by the employees in the case of Motor cycles.

The balance loans of Rs 2.163 million (2003: Rs 3.387 million) are secured against the employees respective retirement benefits.

Long term loans outstanding for more than 3 years amount to Rs Nil (2003: Rs Nil).

The maximum aggregate amount due at any time during the year from the Chief Executive was Rs Nil (2003: Rs Nil), Directors Rs Nil (2003: Rs Nil) and executives Rs 7.573 million (2003: Rs 7.235 million).

	2004	2003
	(Rupees in thousand)	
13. Stores, spares and loose tools		
Stores	3,283	2,828
Spares including in transit Rs 2.184 million (2003 : Rs 0.162 million)	200,128	174,403
Loose tools	411	320
	<u>203,822</u>	<u>177,551</u>

	2004	2003
	(Rupees in thousand)	
14. Stock in trade		
These comprise of the following		
Furnace oil	117,894	117,761
Diesel	699	490
Lubricating oil	2,483	1,794
	<u>121,076</u>	<u>120,045</u>

15. Trade debts

These are receivable from WAPDA and include secured debts of Rs 281 million (2003: 212 million)

- Considered good
- Considered doubtful

Less: Provision for doubtful debts - note 15.2

2004 **2003**
(Rupees in Thousand)

280,563	211,589
-	907
280,563	212,496
-	907
280,563	211,589

15.1 These are interest free, however, a penal mark-up of six months treasury bill plus 2% is charged in case the amounts are not paid within due dates.

15.2 Provision for doubtful debts

Opening balance as on July 1	907	3,649
Provision for the year	-	907
	907	4,556
Less: Debtors written off	907	3,649
	-	907
	-	907

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

Current portion of long term loans to employees - note 12

Advances - considered good

- To employees

- To suppliers

Prepayments

Sales tax recoverable

Profit receivable on bank deposits

Claims recoverable from WAPDA for pass through items (Workers' Profit Participation Fund)

Security deposits

Other receivables

- Considered good

- Considered doubtful

Less: Provision against doubtful advances

- note 16.1

3,447	4,660
3,624	3,225
40,152	34,610
50,488	49,119
28,458	22,204
636	929
41,401	78,036
-	716
17,151	27,270
-	28,062
17,151	55,332
185,357	248,831
-	28,062
185,357	220,769

Included in advances to employees are amounts due from executives and directors Rs 3.295 million (2003: Rs 2.482 million) and Rs Nil (2003: Rs 0.058 million) respectively. The maximum aggregate amount due from executives and directors at the end of any month during the year was Rs 4.656 million (2003: Rs 2.482 million) and Rs 0.368 million (2003: 0.058 million) respectively.

		2004	2003
		(Rupees in thousand)	
16.1 Workers' profit participation fund			
Opening balance as on July 1		78,036	42,369
Provision for the year	- note 8.1	41,401	35,667
		119,437	78,036
Less: Receipts during the year		78,036	-
		41,401	78,036

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

17. Cash and bank balances

Balance at banks on:

Current accounts	- note 17.1		
- Off shore - US \$ 13,524,553 (2003: US \$ 13,687,012)		789,158	792,752
- On shore		224,661	418,934
Special account related to dividend payable		1,540	394
Saving account - on shore		12,534	20,229
		1,027,893	1,232,309
Cash in hand		38,871	856
		1,066,764	1,233,165

17.1 These bank accounts are governed by Trust and Retention Agreement with lenders, whereby, the company is required to keep its entire funds with the Trustees in Offshore and Onshore Escrow accounts in foreign and local currencies respectively. These funds are released by the Trustees out of Escrow accounts in accordance with annual budgets approved by the lenders. Special permission for operating and maintaining these accounts has been obtained from the State Bank of Pakistan.

17.2 The balances in bank accounts bear mark-up which ranges from 0.1% to 2.75% per annum.

18. Sales

Energy purchase price	994,583	1,030,812
Capacity purchase price	1,340,893	1,366,279
	2,335,476	2,397,091

Energy purchase price is exclusive of sales tax of Rs 141.899 million (2003: Rs 148.805 million).

19. Cost of sales

	2004 (Rupees in thousand)	2003
Raw material consumed	854,595	917,655
Salaries, wages and benefits - note 19.1	36,923	33,523
Operating and maintenance fee	-	1,600
Fee for Produce of Energy (FPE)	23,120	58,094
Stores and spares consumed	52,228	54,875
Depreciation/amortization - note 10	220,360	220,852
Insurance	44,391	49,851
Travelling, conveyance and entertainment	5,065	4,400
Repairs and maintenance	9,438	4,266
Printing and stationery	118	104
Communication charges	2,088	2,051
Electricity consumed in-house	8,449	7,928
Rent, rate and taxes	295	155
Miscellaneous	7,100	2,708
	1,264,170	1,358,062

Miscellaneous expenses include Rs Nil (2003: Rs 0.337 million) being expired chemicals written off.

19.1 Salaries, wages and other benefits

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

Current Service cost	1,807	1,206
Interest cost for the year	618	510
Recognition of past service cost	1,200	2,132
Recognition of loss/(gain)	36	7
	3,661	3,855

		2004	2003
		(Rupees in thousand)	
21. Administration and general expenses			
Salaries, wages and benefits	- note 20.1	46,695	43,494
Printing and stationery		1,669	1,237
Communication charges		1,844	2,205
Depreciation/amortization	- note 10	5,525	3,060
Insurance		984	656
Traveling, conveyance and entertainment		11,910	9,715
Repairs and maintenance		2,197	3,183
Legal and professional charges	- note 20.2	2,075	2,880
Debts written off		3,893	1,095
Other receivable written off		18,578	-
Donations	- note 20.3	304	807
Rents, rates and taxes		1,264	1,053
Fee and subscription		1,019	468
Provision for doubtful debts		-	907
Provision for doubtful advances		-	28,062
Miscellaneous		10,527	12,130
		108,484	110,952

2004 **2003**
(Rupees in thousand)

20.1 Salaries, wages and other benefits

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

Current Service cost	2,299	1,093
Interest cost for the year	787	463
Recognition of past service cost	1,527	1,933
Recognition of loss/(gain)	46	7
	4,659	3,496

20.2 Legal and professional charges

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

Statutory audit	485	485
Half yearly review	150	150
Out of pocket expenses	36	41
	671	676

2004 2003
(Rupees in thousand)

20.3 Donations

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

21. Other income

Interest on bank deposits

- On shore	9,953	21,502
- Off shore	8,023	13,690
Profit on sale of fixed assets	171	1,633
Exchange gain	4,524	-
Provisions no longer required written back	-	116
Insurance claim	22,922	-
Scrap sale	756	2,295
	46,349	39,236
	46,349	39,236

22. Financial charges

Interest on long term loans

- Secured	160,053	210,717
- Unsecured	12,120	22,303
Lender's consultancy charges	-	594
Loan administration fee	5,094	5,876
Bank guarantee, L/C commission	3,775	3,812
Exchange loss	-	10,564
Interest on Worker's Profit Participation Fund	26	15
Others	82	83
	181,150	253,964
	181,150	253,964

23. Provision for taxation

- For the year

	6,292	12,650
- Prior year	-	-
	6,292	12,650
	6,292	12,650

23.1 Tax charge reconciliation

Profit before tax	828,021	713,349
Tax calculation @ 35% (2003: 35%)	289,807	249,672
Tax effect of exempt income referred to in note 2.3	(283,515)	(237,022)
Tax charge	6,292	12,650
	6,292	12,650

2004 2003

(Rupees in thousand)

24. Cash generated from operations

Profit before taxation	828,021	713,349
Adjustment for non cash charges and other items:		
Depreciation/amortization	225,885	223,912
Profit on sale of fixed assets	(171)	(1,633)
Exchange (gain)/loss	(4,524)	10,564
Interest income	(17,976)	(35,192)
Provision for gratuity	8,320	7,351
Debts and advances written off	22,471	1,095
Provision for doubtful debts	-	907
Provision for doubtful advances	-	28,062
Provision no longer required written back	-	(116)
Financial charges	181,150	243,400
	<u>1,243,176</u>	<u>1,191,699</u>
Working capital changes		
(Increase)/decrease in current assets		
Stores and spares	(26,271)	9,648
Stock in trade	(1,031)	(32,293)
Trade debts	(68,974)	511,693
Other receivables	12,648	(77,321)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	6,048	(307,154)
	<u>(77,580)</u>	<u>104,573</u>
	<u>1,165,596</u>	<u>1,296,272</u>

25. Remuneration of Chief Executive, Directors and Executive

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

	(Rupees in thousand)					
	Chief Executive		Directors		Executives	
	2004	2003	2004	2003	2004	2003
Managerial remuneration and allowances	3,255	3,100	6,754	6,206	15,976	12,368
Housing	837	741	3,039	2,783		5,321
Retirement benefits	573	1,252	1,159	886	2,868	6,296
Medical expenses	-	4	31	94	653	721
Bonus	840	800	1,700	1,560	3,953	3,151
Utilities	324	309	588	531	1,530	1,183
Others	2,479	2,142	4,799	4,602	4,787	4,374
	<u>8,308</u>	<u>8,348</u>	<u>18,070</u>	<u>16,662</u>	<u>36,650</u>	<u>33,414</u>
Number of persons	1	1	2	2	68	53

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

25.2 Remuneration to other directors

Aggregate amount charged in the accounts for the year for fee to 4 directors (2003: 4 directors) was Rs Nil (2003: Rs Nil).

26 Transactions with related parties

The related parties comprise associated undertakings and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors are shown under receivables and remuneration of directors is disclosed in note 25. Other significant transactions with related parties are as follows:

Description	2004 (Rupees in thousand)	2003
Purchase of goods and services	1,820	501
Loan repayments	38,706	181,470
Interest expense	12,120	22,303
	52,646	204,274

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

	MWH	MWH
27. Capacity and production		
Installed capacity (Based on 8,760 hours)	1,051,200	1,051,200
Actual energy delivered	339,024	339,248

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

On balance sheet

Long term loans

- Secured

587,390	1,274,948	1,862,338	-	-	-	1,862,338	2,431,674
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- Unsecured

39,095	136,830	175,925	-	-	-	175,925	213,435
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Creditors, accrued and other liabilities

-	-	-	65,513	-	65,513	65,513	77,349
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626,485	1,411,778	2,038,263	65,513	-	65,513	2,103,776	2,722,458
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Off balance sheet

Letters of credit

-	-	-	215,000	-	215,000	215,000	215,000
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Guarantees

-	-	-	4,250	-	4,250	4,250	4,966
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Contracts for capital expenditure

-	-	-	6,216	-	6,216	6,216	4,270
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Letters of credit other than for capital expenditure

-	-	-	12,423	-	12,423	12,423	3,146
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-	-	-	237,889	-	237,889	237,889	227,382
---	---	---	---------	---	---------	---------	---------

Total

626,485	1,411,778	2,038,263	303,402	-	303,402	2,341,665	2,949,840
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On balance sheet gap

(613,951)	(1,411,778)	(2,025,729)	1,331,915	4,476	1,336,391	(689,338)	(1,161,009)
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Off balance sheet gap

-	-	-	(237,889)	-	(237,889)	(237,889)	(227,382)
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The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial

28.1 Financial risk management objectives

The company finances its operation through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk. Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect to such instruments.

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The company believes that it is not exposed to major concentration of credit risk. Out of the total financial assets of Rs 1,414.438 million (2003: Rs 1,561.449 million), the financial assets which are subject to credit risk amounted to Rs 1,368.185 million (2003: Rs 1,551.489 million). To manage exposure to credit risk, the company obtains collaterals.

(b) Interest rate risk

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

(c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. Payables exposed to foreign currency risk are covered through registration of loan agreements with the State Bank of Pakistan thereby the bank is responsible to provide foreign currency at official rates.

(d) Liquidity risk

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

28.2 Fair value of financial assets and liabilities

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

		2004	2003
29.	Earnings per share		
29.1	Basic earnings per share		
Net profit for the year	Rupees in thousands	821,729	700,699
eighted average number of ordinary shares	Numbers	169,458,614	169,458,614
Earnings per share	Rupees	4.85	4.13

29.2 **Diluted earnings per share**

There is no dilution effect on the basic earnings per share of the company as the company has no such commitments.

	2004	2003
	Number	Number
30. Number of employees		
Number of employees as at year end	149	152

31. **Date of authorization for issue**

These financial statements were authorised for issue on September 23, 2004 by the Board of Directors of the Company.

32 **Corresponding figures**

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

Chief Executive

Director

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2004**

NO. OF SHAREHOLDERS	SHAREHOLDING			TOTAL SHARES HELD
	FROM	TO		
51	1	-	100	3,869
124	101	-	500	40,364
118	501	-	1,000	95,067
202	1,001	-	5,000	594,100
83	5,001	-	10,000	698,358
31	10,001	-	15,000	410,150
31	15,001	-	20,000	556,900
9	20,001	-	25,000	217,200
19	25,001	-	30,000	548,500
6	30,001	-	35,000	200,000
8	35,001	-	40,000	307,600
1	40,001	-	45,000	44,500
16	45,001	-	50,000	796,000
3	50,001	-	55,000	158,000
3	55,001	-	60,000	176,500
3	60,001	-	65,000	191,600
2	70,001	-	75,000	145,000
1	80,001	-	85,000	84,375
2	85,001	-	90,000	174,350
5	95,001	-	100,000	495,500
3	100,001	-	105,000	311,100
1	105,001	-	110,000	108,000
1	115,001	-	120,000	119,000
1	120,001	-	125,000	122,000
1	125,001	-	130,000	127,000
2	145,001	-	150,000	300,000
3	150,001	-	155,000	461,500
1	155,001	-	160,000	159,510
1	165,001	-	170,000	167,500
1	170,001	-	175,000	172,500
1	175,001	-	180,000	179,500
1	185,001	-	190,000	186,500
5	195,001	-	200,000	1,000,000
1	200,001	-	205,000	200,150
1	205,001	-	210,000	208,500
1	210,001	-	215,000	214,000
2	225,001	-	230,000	455,500
1	230,001	-	235,000	233,000
1	240,001	-	245,000	242,500
2	245,001	-	250,000	500,000
1	250,001	-	255,000	251,500
1	255,001	-	260,000	260,000
1	275,001	-	280,000	276,769
1	280,001	-	285,000	285,000
1	305,001	-	310,000	310,000
1	315,001	-	320,000	320,000
1	325,001	-	330,000	326,500
1	395,001	-	400,000	400,000

2	420,001	-	425,000	850,000
3	470,001	-	475,000	1,420,000
1	475,001	-	480,000	479,500
2	485,001	-	490,000	980,000
1	495,001	-	500,000	500,000
1	590,001	-	595,000	594,000
1	595,001	-	600,000	600,000
1	720,001	-	725,000	723,000
1	745,001	-	750,000	750,000
1	775,001	-	780,000	776,500
2	955,001	-	960,000	1,917,350
1	1,075,001	-	1,080,000	1,080,000
1	1,660,001	-	1,665,000	1,662,000
1	2,115,001	-	2,120,000	2,116,000
1	3,385,001	-	3,390,000	3,389,171
1	3,635,001	-	3,640,000	3,639,500
1	3,660,001	-	3,665,000	3,663,000
2	7,900,001	-	7,905,000	15,805,998
2	14,125,001	-	14,130,000	28,253,241
1	25,415,001	-	25,420,000	25,418,792
1	27,110,001	-	27,115,000	27,113,378
1	33,890,001	-	33,895,000	33,891,722

786

169,458,614

PATTERN OF SHAREHOLDING

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE
DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSES AND MINOR CHILDREN			
MR. M. NASEEM SAIGOL		14,126,621	8.3363
MRS. SEHYR SAIGOL (W/O M. Naseem Saigol)		7,902,999	4.6637
MR. HARUYOSHI MURAKAMI (Nomination of Tomen Corporation, Japan)		500	0.0003
MR. UMER MASOOD TARIO (Nomination of Tomen Power (Singapore) (Private) Ltd.)		2,500	0.0015
SHEIKH MUHAMMAD SHAKEEL		500	0.0003
MR. MAKOTO NAKANO		500	0.0003
MR. MUNEKI UDAKA		500	0.0003
MR. ROLF ANDERSSON		500	0.0003
	8	22,034,620	
EXECUTIVES			
	-	-	-
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
TOMEN CORPORATION	1	33,891,722	20.0000
TOMEN POWER (SINGAPORE) (PRIVATE) LTD. *(RELATED PARTIES)	1	27,113,378	16.0000
		61,005,100	
NIT AND ICP			
NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.	1	959,850	0.5664
NATIONAL BANK OF PAKISTAN (FORMER NDFC)	1	153,500	0.0906
INVESTMENT CORPORATION OF PAKISTAN	2	475,800	0.2808
		1,589,150	
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.			
	17	7,048,568	4.1595
INSURANCE COMPANIES			
	5	932,269	0.5501
MODARABA AND MUTUAL FUNDS			
	10	2,063,500	1.2177
GENERAL PUBLIC			
a. Local	690	39,174,383	23.1174
b. Foreign (Excluded the shareholders appearing in Associated Companies)	10	29,347,843	17.3186
		68,522,226	
OTHERS			
	40	6,263,181	3.6960
	786	169,458,614	100.000

SHAREHOLDERS HOLDING 10% OR MORE

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

*** RELATED PARTIES**

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

KOHINOOR ENERGY LIMITED

PROXY FORM

Ledger Folio/CDC A/C No.

Shares Held

I/We _____
of _____ being member(s) of Kohinoor Energy Limited
hereby appoint _____
of _____ or failing him _____
of _____ as my/our Proxy in my/our absence to attend and vote
for me/us and on my/our behalf at the eleventh Annual General Meeting of the Company to be held
on October 30, 2004 at 11:00 a.m. and/or at any adjournment thereof.

As witness my/our hand(s) this _____ day of _____ 2004
signed by _____
in the presence of _____

Signed by the said

Witness:

Name _____

NIC No. _____

Address _____

Witness:

Name _____

NIC No. _____

Address _____

Revenue
Stamps

Notes

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

➤ For CDC Account Holders/Corporate Entities

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

- (i) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- (ii) In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company
- (iii) The proxy shall produce his original NIC or original passport at the time of attending the meeting.