

DIRECTORS' REPORT

For the Period Ended March 31, 2011 (Un-audited)

We are pleased to present the un-audited financial statements of Kot Addu Power Company Limited for the nine months period ended March 31, 2011.

From January 1, 2011 to March 31, 2011, the Power Plant generated 1,338 GWh of electricity (year to date generation level 4,061 GWh) at a load factor of 46.3% (year to date load factor 46.1%) with an overall availability of 78.9% (year to date overall availability 84.3%). The fuel mix was 97.2% on Low Sulphur Furnace Oil (year to date LSFO fuel mix 87.2%); and 2.8% on High Speed Diesel (year to date HSD fuel mix 1.5%). There was no generation on Gas (year to date Gas fuel mix 11.3%).

The Company's turnover during the review period was Rs. 48,777 Million (Rs. 62,880 Million in Jul 09 - Mar 10) and cost of sales was Rs. 40,525 Million (Rs. 55,600 Million in Jul 09 - Mar 10). Profit from operations was Rs. 14,293 Million (Rs. 9,255 Million in Jul 09 - Mar 10); and profit after tax was Rs. 5,254 Million (Rs. 3,718 Million in Jul 09 - Mar 10). The resultant earnings per share were Rs. 5.97 per share (Rs. 10 each) (Rs. 4.22 per share in July 09 -March 10).

WAPDA, the Company's sole customer, continues its payment default against capacity and energy invoices raised. On March 31, 2011, the overdue receivables from WAPDA amounted to Rs. 54,208 Million. For details you may review Note 8 to the Financial Statements. The Company being fully cognizant of the matter continues to pursue not only WAPDA but also the concerned Ministries in the Government of Pakistan.

Between January 1 and March 31, 2011, major over hauling of 2 Gas Turbines (year to date 3 MOH of Gas Turbines) and one Steam Turbine was carried out as per plan. Also, Combustion Inspection of 4 Gas Turbines (year to date 13 CI of Gas Turbines); and Hot Gas Path Inspection of one Gas Turbine, was duly completed.

On behalf of the Board



Aftab Mahmood Butt
Chief Executive

Lahore: April 20, 2011

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2011 (UN-AUDITED)

| | March 31, 2011 | June 30, 2010 |
|---|----------------------|------------------|
| Note | (Rupees in thousand) | |
| EQUITY AND LIABILITIES | | |
| CAPITAL AND RESERVES | | |
| Authorised capital 3,600,000,000 (June 30, 2010: 3,600,000,000) ordinary shares of Rs 10 each | 36,000,000 | 36,000,000 |
| Issued, subscribed and paid up capital 880,253,228 (June 30, 2010: 880,253,228) ordinary shares of Rs 10 each | 8,802,532 | 8,802,532 |
| Capital reserve | 444,451 | 444,451 |
| Unappropriated profit | 13,440,171 | 13,247,745 |
| | 22,687,154 | 22,494,728 |
| NON-CURRENT LIABILITIES | | |
| Long term loan - unsecured | 3,828,692 | 4,247,761 |
| Liabilities against assets subject to finance lease | 51,488 | 45,728 |
| Deferred liabilities | 3,301,074 | 3,178,013 |
| | 7,181,254 | 7,471,502 |
| CURRENT LIABILITIES | | |
| Current portion of long term liabilities | 885,256 | 912,181 |
| Finances under mark-up arrangements - secured | 20,158,148 | 17,230,710 |
| Trade and other payables | 44,284,986 | 29,490,972 |
| | 65,328,390 | 47,633,863 |
| CONTINGENCIES AND COMMITMENTS | | |
| | 95,196,798 | 77,600,093 |

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive



ASSETS

NON-CURRENT ASSETS

| | | March 31, 2011 | June 30, 2010 |
|---------------------------------|------|----------------------|-------------------|
| | Note | (Rupees in thousand) | |
| Property, plant and equipment | 7 | 17,250,018 | 17,800,135 |
| Intangible assets | | 2,427 | 2,415 |
| Assets subject to finance lease | | 58,238 | 50,476 |
| Capital work-in-progress | | 73,947 | 81,068 |
| Long term loans and deposits | | 45,210 | 31,515 |
| | | <u>17,429,840</u> | <u>17,965,609</u> |

CURRENT ASSETS

| | | | |
|---|---|-------------------|-------------------|
| Stores and spares | | 3,506,172 | 3,183,207 |
| Stock-in-trade | | 3,444,331 | 2,267,205 |
| Trade debts | 8 | 67,378,263 | 51,702,270 |
| Loans, advances, deposits, prepayments and other receivables | | 3,190,816 | 2,237,806 |
| Cash and bank balances | | 247,376 | 243,996 |
| | | <u>77,766,958</u> | <u>59,634,484</u> |
| | | <u>95,196,798</u> | <u>77,600,093</u> |


 Malcom P. Clampin
 Director


CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011 (UN-AUDITED)

| | | Quarter ended | | Nine months ended | |
|--------------------------|--------|----------------------|-------------------|-------------------|-------------------|
| | | March 31, 2011 | March 31, 2010 | March 31, 2011 | March 31, 2010 |
| | Note | (Rupees in thousand) | | | |
| Sales | | 18,740,141 | 21,771,818 | 48,777,155 | 62,879,801 |
| Cost of sales | 9 | (16,352,607) | (19,652,583) | (40,525,350) | (55,599,526) |
| Gross profit | | 2,387,534 | 2,119,235 | 8,251,805 | 7,280,275 |
| Administrative expenses | | (92,852) | (104,146) | (321,554) | (321,589) |
| Other operating expenses | | (16,150) | - | (16,150) | (8,000) |
| Other operating income | | 2,011,805 | 914,988 | 6,379,259 | 2,304,545 |
| Profit from operations | | 4,290,337 | 2,930,077 | 14,293,360 | 9,255,231 |
| Finance cost | | (2,128,765) | (1,387,906) | (6,292,972) | (3,537,152) |
| Profit before tax | | 2,161,572 | 1,542,171 | 8,000,388 | 5,718,079 |
| Taxation | | (757,969) | (540,698) | (2,746,506) | (1,999,947) |
| Profit for the period | | 1,403,603 | 1,001,473 | 5,253,882 | 3,718,132 |
| Earnings per share | | | | | |
| - basic and diluted | Rupees | 1.59 | 1.14 | 5.97 | 4.22 |

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

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.


Aftab Mahmood Butt
Chief Executive


Malcom P. Clampin
Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011 (UN-AUDITED)

| | Quarter ended | | Nine months ended | |
|--|----------------------|-------------------|-------------------|-------------------|
| | March 31, 2011 | March 31, 2010 | March 31, 2011 | March 31, 2010 |
| | (Rupees in thousand) | | | |
| Profit for the period | 1,403,603 | 1,001,473 | 5,253,882 | 3,718,132 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | <u>1,403,603</u> | <u>1,001,473</u> | <u>5,253,882</u> | <u>3,718,132</u> |

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive




Malcom P. Clampin
Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE NINE MONTHS ENDED MARCH 31, 2011 (UN-AUDITED)

| | | Nine months ended | |
|---|------|----------------------|-------------------|
| | | March 31, 2011 | March 31, 2010 |
| | Note | (Rupees in thousand) | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 11 | 6,183,474 | 4,148,079 |
| Finance cost paid | | (2,849,193) | (2,765,743) |
| Taxes paid | | (2,709,144) | (1,189,715) |
| Staff retirement benefits paid | | (20,998) | (23,820) |
| Net cash from operating activities | | 604,139 | 168,801 |
| Cash flows from investing activities | | | |
| Fixed capital expenditure and capital work in progress | | (651,540) | (877,076) |
| Income on bank deposits received | | 1,826 | 1,112 |
| Net increase in long term loans and deposits | | (13,695) | (3,532) |
| Proceeds from sale of property, plant and equipment | | 3,525 | 2,966 |
| Net cash used in investing activities | | (659,884) | (876,530) |
| Cash flows from financing activities | | | |
| Repayment of liabilities against assets subject to finance lease | | (9,974) | (9,076) |
| Repayment of long term loan | | (449,858) | (449,858) |
| Dividend paid | | (2,408,481) | (3,677,603) |
| Net cash used in financing activities | | (2,868,313) | (4,136,537) |
| Net decrease in cash and cash equivalents | | (2,924,058) | (4,844,266) |
| Cash and cash equivalents at beginning of the period | | (16,986,714) | (8,217,288) |
| Cash and cash equivalents at the end of the period | 12 | (19,910,772) | (13,061,554) |

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive


Malcom P. Clampin
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED MARCH 31, 2011 (UN-AUDITED)

| | Share capital | Capital reserve | Un-appropriated profit | Total |
|---|----------------------|-----------------|------------------------|-------------|
| | (Rupees in thousand) | | | |
| Balance as on June 30, 2009 | 8,802,532 | 444,451 | 13,836,253 | 23,083,236 |
| Total comprehensive income for the period | - | - | 3,718,132 | 3,718,132 |
| Final dividend for the year ended June 30, 2009 - Rs 4.20 per share | - | - | (3,697,064) | (3,697,064) |
| Interim dividend - Rs 2.25 per share | - | - | (1,980,570) | (1,980,570) |
| Balance as on March 31, 2010 | 8,802,532 | 444,451 | 11,876,751 | 21,123,734 |
| Total comprehensive income for the period | - | - | 1,370,994 | 1,370,994 |
| Balance as on June 30, 2010 | 8,802,532 | 444,451 | 13,247,745 | 22,494,728 |
| Total comprehensive income for the period | - | - | 5,253,882 | 5,253,882 |
| Final dividend for the year ended June 30, 2010 - Rs 2.75 per share | - | - | (2,420,696) | (2,420,696) |
| Interim dividend - Rs 3.00 per share | - | - | (2,640,760) | (2,640,760) |
| Balance as on March 31, 2011 | 8,802,532 | 444,451 | 13,440,171 | 22,687,154 |

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.


Aftab Mahmood Butt
Chief Executive


Malcom P. Clampin
Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011 (UN-AUDITED)**

1. This condensed interim financial information is un-audited and is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges.
2. The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2010.
- 2.1 IFRS 2, 'Share-based Payment-Group Cash-settled Share-based Payment Transactions' was amended by the International Accounting Standards Board (IASB) whereby an entity receiving goods or services is to apply this IFRS in accounting for group cash settled share based payment transactions in its financial statements when that entity has no obligation to settle the share-based payment transaction. This amended IFRS is effective for the annual periods beginning on or after January 1, 2010.

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the Scheme) for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investment (non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and permanent employees in certain instances.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP. In case of the Company, the Trust has not yet been formed.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of SOEs, need to be accounted for by the covered entities, including the Company under the provisions of amended IFRS 2 - Share Based Payments. Keeping in view the difficulties that may be faced under the Scheme, the Company requested The Institute of Chartered Accountants of Pakistan (ICAP) to provide further guidance on the issue. ICAP has informed the Company that the issue has been forwarded to Securities and Exchange Commission of Pakistan (SECP) for notification of exemption from application of IFRS 2. Pending the directive of SECP, the Company has not accounted for these transactions in this condensed interim financial information.

3. This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting'. This condensed interim financial information should be read in conjunction with annual published financial statements of the Company for the year ended June 30, 2010.
4. Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.
5. **Trade and other payables**

Trade creditors include payable to Pakistan State Oil amounting to Rs 31,995 million (June 30, 2010: Rs 22,951 million).

6. Contingencies and commitments

6.1 Contingencies

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

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

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

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

The Company filed an appeal before the Commissioner of Income Tax (Appeals) ['CIT(A)'] against the foregoing amended assessments, which was rejected by maintaining the tax department's position. Aggrieved with the decision, Company has filed appeal before Income Tax Appellate Tribunal ('ITAT') contesting such amendments which is pending adjudication.

The return for tax year 2008 was also filed on the basis of written down values of assets brought forward from tax year 2007, as computed in the revised return of income in accordance with position explained above. Such return has also been amended by tax authorities in line with the action taken in respect of revised returns for tax year 2003 through 2007 and has also been endorsed by CIT(A). The Company has preferred appeal before ITAT against the decision of CIT(A) in this respect also which is yet to be taken up for hearing.

In view of the fact that management considers that position adopted by Company is in accordance with relevant provisions of law, as interpreted by Sindh High Court, and that litigation would eventually be settled in Company's favour, the income tax liabilities determined by tax authorities have not been accounted for in these financial statements. Had such liabilities been recognized, the profit for the period would have been lower by Rs 2,706.091 million (June 30, 2010: Rs 2,708.647 million).

- (ii) The Company had an available refund of Rs 389 million from tax year 2009 which it adjusted against its advance tax liability in 2010. The tax department adjusted this refund against tax demand for tax years 2007 and 2008 for which the Company is already in appeal with ITAT and started proceedings against the Company to recover a default surcharge of Rs 149 million against the short payment of tax. The management has preferred an appeal before the Lahore High Court against the recovery order on which an interim stay has been granted till the court decides on the adjustment of refund. In view of the fact that the management considers that the position taken by the Company is as per law and this litigation would eventually be settled in Company's favour, no provision has been made for the default surcharge in this condensed interim financial information.
- (iii) The Company had obtained legal advice in connection with the establishment of Workers' Profit Participation Fund under the Companies Profit (Workers' Participation) Act, 1968 (the Act). The legal advisor advised the Company that since it did not employ any person who fell under the definition of Worker as defined in the Act of 1968, the Company was not required to establish the Fund under the Act. As a consequence the Company was not required to make contributions to the Fund established pursuant to Workers' Welfare Fund Ordinance, 1971.

Furthermore, the question whether a company to which the Act and its scheme applies but which does not employ any Worker is nevertheless obliged to establish and pay contributions into the Fund under the Act and thereafter transfer the same to the Fund established under the WWF Ordinance, 1971 is pending adjudication in Supreme Court of Pakistan on a constitutional petition filed by another company in February 2011.

If it is established that the scheme is applicable to the Company and the Company is liable to pay contribution to the Workers' Welfare Fund then these amounts would be recoverable from WAPDA as a pass through item under the provisions of Power Purchase Agreement.

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

Furthermore, the Company has obtained opinion from its legal advisors who have confirmed that in case WPPF becomes payable as a consequence of the decision by the Supreme Court of Pakistan, the Company will not be required to pay any interest, as interest is payable to workers only. It is an established fact that the Company did not have any worker as per the applicable definition up to June 30, 2006.

In case this liability materializes, the cumulative amount of contributions to WPPF would be Rs 3.463 billion (June 30, 2010: Rs 3.463 billion). However, it is not certain at the moment that any penalties will be levied on non-payment of WPPF as the relaxation provided under the Finance Act 2006 is still applicable.

In view of the foregoing, the Company did not make any provision for Workers' Profit Participation Fund and interest thereon in the financial statements up to June 30, 2006.

- (iv) The Company has a 'Long Term Supply Agreement' (LTSA) with one of the Original Equipment Manufacturers (OEM) for the supply of spares to the Company. According to the terms of LTSA, the Company has availed discount amounting to Rs 920.399 million upto March 31, 2011 (June 30, 2010: Rs 466.830 million). This discount is contingent upon the Company procuring at least a specified amount of spares from the OEM during the tenure of LTSA. Inability of the Company to achieve the desired level of purchases would result in payment of compensation fee amounting to Rs 138.060 million (June 30, 2010: Rs 116.708 million) to the OEM out of the discount recognised upto March 31, 2011. The management of the Company feels that the minimum specified level of purchases will be achieved during the contractual period and no compensation fee would be payable to the OEM, consequently no provision for compensation fee as referred above has been made in this condensed interim financial information.
- (v) WAPDA may impose liquidated damages (after taking into account forced outage allowance stipulated under the terms of Power Purchase Agreement) on account of short supply of electricity by the Company, which was due to cash flow constraints of the Company as a result of default by WAPDA in making timely payments. Currently, liquidated damages cannot be estimated reliably, however, these are not expected to increase up to March 31, 2011 beyond Rs 3.380 billion (June 30, 2010: Rs 2.274 billion) approximately based on the best available estimate to the management.

The Company disputes and rejects any claim on account of liquidated damages that may be raised by WAPDA on the premise that its failure to despatch electricity was due to WAPDA's non-payment of dues on timely basis to the Company and consequential inability of the Company to make timely payments to its fuel supplier (PSO) that resulted in inadequate level of electricity production owing to shortage of fuel.

According to legal advice available with the Company, there are adequate grounds to defend any claim by WAPDA for such liquidated damages since these conditions were imposed on the Company due to circumstances beyond its control. The ultimate outcome of the matter cannot presently be determined, and consequently, no provision for such liquidated damages has been made in this condensed interim financial information.

- (vi) Claims against the Company not acknowledged as debts Rs 88.111 million (June 30, 2010: Rs 88.111 million).

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011 (UN-AUDITED)**

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

Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales et c., amounting to Rs 576.197 million (June 30, 2010: Rs 164.707 million).

Custom Authorities for import of professional equipment, tools etc., amounting to Rs 1.380 million (June 30, 2010: Rs Nil).

6.2 Commitments

(i) Contracts for capital expenditure Rs 788.451 million (June 30, 2010: Rs 292.793 million).

(ii) Letters of credit other than for capital expenditure Rs 493.139 million (June 30, 2010: Rs 359.655 million).

| | | March 31, 2011 | June 30, 2010 |
|---|------|----------------------|------------------|
| | Note | (Rupees in thousand) | |
| 7. Property, plant and equipment | | | |
| Opening book value | | 17,800,135 | 18,504,118 |
| Add: Additions/transfers during the period | 7.1 | 656,460 | 858,539 |
| | | 18,456,595 | 19,362,657 |
| Less: Disposals during the period (at book value) | | 324 | 2,142 |
| Depreciation charged during the period | | 1,206,253 | 1,560,380 |
| | | 1,206,577 | 1,562,522 |
| | | 17,250,018 | 17,800,135 |

7.1 Following is the detail of additions/transfers during the period

| | | |
|-------------------------------|---------|---------|
| Buildings on freehold land | 8,367 | 171 |
| Gas turbine blading | 610,523 | 800,646 |
| Auxiliary plant and machinery | 30,993 | 43,663 |
| Office equipment | 6,488 | 5,661 |
| Fixtures and fittings | 89 | 324 |
| Vehicles | - | 8,074 |
| | 656,460 | 858,539 |

8. Trade debts

| | | | |
|------------------------------------|-----|------------|------------|
| Trade debts | 8.1 | 67,488,745 | 51,812,752 |
| Less: Provision for doubtful debts | | 110,482 | 110,482 |
| | | 67,378,263 | 51,702,270 |

8.1 These are considered good and include an overdue amount of Rs 54,208 million (June 30, 2010: Rs 41,645 million) receivable from WAPDA. The trade debts are secured by a guarantee from the Government of Pakistan under the Facilitation Agreement. These are in the normal course of business and are interest free, however, a penal mark-up of SBP discount rate plus 4 percent per annum is charged in case the amounts are not paid within due dates.

| | Quarter ended | | Nine months ended | |
|---|----------------------|-------------------|-------------------|-------------------|
| | March 31, 2011 | March 31, 2010 | March 31, 2011 | March 31, 2010 |
| 9. Cost of sales | (Rupees in thousand) | | | |
| Fuel cost | 15,223,498 | 18,144,838 | 37,790,801 | 52,576,138 |
| Salaries, wages and benefits | 221,840 | 150,433 | 628,851 | 542,846 |
| Plant maintenance | 51,828 | 33,903 | 137,533 | 137,889 |
| Gas turbines overhauls | 381,957 | 397,103 | 565,264 | 521,702 |
| Repair and renewals | 64,400 | 541,665 | 191,822 | 679,263 |
| Depreciation on property, plant and equipment | 399,444 | 383,341 | 1,182,210 | 1,135,719 |
| Amortisation on intangible assets | 340 | 270 | 969 | 809 |
| Provision for store obsolescence | 9,300 | 1,030 | 27,900 | 5,160 |
| | 16,352,607 | 19,652,583 | 40,525,350 | 55,599,526 |

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011 (UN-AUDITED)**

10. Transactions with related parties

| | | Nine months ended | |
|-----------------------------------|----------------------------------|----------------------|-------------------|
| | | March 31, 2011 | March 31, 2010 |
| | | (Rupees in thousand) | |
| Relationship with the Company | Nature of transaction | | |
| i. Associated undertakings | Purchase of services | 1,360 | 714 |
| | Sale of electricity | 48,777,155 | 62,879,801 |
| | Interest expense | 525,851 | 620,667 |
| | Interest income on late payments | 6,049,647 | 2,283,173 |
| ii. Post retirement benefit plans | Expense charged | 88,095 | 69,902 |
| iii. Key management personnel | Compensation | 87,091 | 83,040 |

All transactions with related parties have been carried out on commercial terms and conditions.

Period end balances

Receivable from related parties
Payable to related parties

| March 31, 2011 | June 30, 2010 |
|----------------------|------------------|
| (Rupees in thousand) | |
| 68,326,086 | 52,245,750 |
| 289,052 | 502,443 |

They are in the normal course of business and are interest free.

11. Cash generated from operations

| | | Nine months ended | |
|--|--|----------------------|-------------------|
| | | March 31, 2011 | March 31, 2010 |
| | | (Rupees in thousand) | |
| Profit before tax | | 8,000,388 | 5,718,079 |
| Adjustments for: | | | |
| - Depreciation on property, plant and equipment | | 1,206,253 | 1,160,738 |
| - Amortisation on intangible assets | | 969 | 809 |
| - Depreciation on assets subject to finance lease | | 13,058 | 10,677 |
| - Profit on disposal of property, plant and equipment | | (3,201) | (754) |
| - Income on bank deposits | | (1,826) | (1,112) |
| - Provision for store obsolescence | | 27,900 | 5,160 |
| - Staff retirement benefits accrued | | 71,544 | 56,494 |
| - Finance cost | | 6,292,972 | 3,537,152 |
| Profit before working capital changes | | 15,608,057 | 10,487,243 |
| Effect on cash flow due to working capital changes | | | |
| - Increase in stores and spares | | (350,865) | (192,672) |
| - Increase in stock-in-trade | | (1,177,126) | (1,553,541) |
| - Increase in trade debts | | (15,675,993) | (8,981,494) |
| - Increase in loans, advances, deposits, prepayments and other receivables | | (917,858) | (354,706) |
| - Increase in trade and other payables | | 8,697,259 | 4,743,249 |
| | | (9,424,583) | (6,339,164) |
| | | 6,183,474 | 4,148,079 |

12. Cash and cash equivalents

Cash and bank balances
Finances under mark up arrangements - secured

| March 31, 2011 | March 31, 2010 |
|----------------------|-------------------|
| (Rupees in thousand) | |
| 247,376 | 243,650 |
| (20,158,148) | (13,305,204) |
| (19,910,772) | (13,061,554) |

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011 (UN-AUDITED)**

13. Date of authorisation for issue

This condensed interim financial information was authorised for issue on April 20, 2011 by the Board of Directors of the Company.

14. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

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

| Reclassification from | Reclassification to | (Rupees in thousand) Amount |
|-------------------------|--------------------------|--------------------------------|
| Administrative expenses | Other operating expenses | |
| - Donations | - Donations | 8,000 |



Aftab Mahmood Butt
Chief Executive



Malcom P. Clampin
Director