

Japan Power Generation Limited

(Annual Report 1996)

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COMPANY INFORMATION

BOARD OF DIRECTORS

MR. ZAFAR MAHMOOD (Chief Executive)
MR. HASEEB KHAN
MR. TAKASHI KABURAGI
MR. SAITO YOSHIHIRO
MR. AKHTAR ALI UPPAL
MR. ASAD ALI UPPAL
MR. FAISAL QAMMAR UPPAL
SHFIKH NIZAR ALI
SHEIKH NIZAZ ALI
SHEIKH MAHMOOD ALI
MOHAMMAD ALI
MS. SAMINA ZAFAR

COMPANY SECRETARY

SYED ZAFAR HALDER

AUDITORS

COOPERS & LYBRAND
JAVAIQ IQBAL & CO.

LEGAL ADVISORS

WALKER MARTINEAU & SALEEM SAHGAL

SYED RASHID RAHIM

BANKERS OF THE COMPANY

PRIME COMMERCIAL BANK LTD.
ASKARI COMMERCIAL BANK LTD.
ALLIED BANK OF PAKISTAN LTD.
FAYSAL BANK LTD.
AL-FAYSAL INVESTMENT BANK LTD.

REGISTERED OFFICE

26, PESHAWAR BLOCK.
FORTRESS STADIUM.
LAHORE-CANTT

PLANT

JIA BAGGA RAILWAY STATION,
RAIWAND ROAD, DISTRICT LAHORE.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2nd Annual General Meeting of the Members of the Company will be held at 11.00 A.M. on Monday the 30th December 1996 at 131-A, Tufail Road, Lahore Cantt. to transact the following business:

1. To confirm the minutes of last Extra Ordinary General Meeting held on February 22, 1996.
2. To receive, consider and adopt the audited accounts of the Company for the financial year ended June 30, 1996 together with the Auditors' and Directors' Reports thereon.
3. To appoint Auditors for the financial year, 1996-97 and fix their remuneration.
4. To transact any other business that may be placed before the meeting with the permission of the Chair.

For and on behalf of the
Board of Directors.

Dated: 8th December, 1996.

(ZAFAR HALDER)
Company Secretary

Note:

The Share Transfer Books of the Company will remain closed from December 22, 1996. to December 31 st, 1996 (both days inclusive).

i) A member entitled to attend and vote at the above meeting may appoint another person as proxy.

Proxies, in order to be effective, must be received at 26-Peshawar Block, Fortress Stadium, Lahore Cantt, the registered office of the Company not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

ii) Members are requested to immediately notify the change in address, if any.

DIRECTORS' REPORT

Your Directors feel an immense pleasure in presenting the 2nd Annual Report and the Audited Accounts for the year ended June 30, 1996.

PRINCIPAL OBJECTIVES

The principal objectives of the company are to design, construct, own and operate a 135 MW oil fired power station in Pakistan.

ACHIEVEMENTS OF THE YEAR

The year under review has seen very hectic efforts to achieve very pivotal targets on the front of finance and construction.

Financial:

23-11-1995	Placement of the off shore shares floatation.
24-01-1996	Financial closure achieved.
08-04-1996	Underwriting agreements for public floatation of shares were completed.
08-04-1996	Placement of local shares floatation.
30-05-1996	Letter of Credit was established for import of 24 sets of diesel generators alongwith auxiliaries.

Construction:

25-09-1995	Engineering, Procurement and Construction (EPC). Contract was signed.
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CONSTRUCTION PROGRESS

Almost 90% of the civil engineering design and about 35% of the civil construction works have been completed. Remaining civil work is likely to be completed by May, 1997.

Complete blue prints of plant mechanical design done by Mitsubishi and its associates in Japan have been received.

90% of design and procurement work to be done locally has been completed. Local design and procurement work represents less than 5% of the total plant.

Entire designing of the electrical work to be supplied by Mitsubishi Heavy Industries has been completed and received.

Work of mechanical erection has also been embarked upon.

Civil works of the 11/132 KV step-up grid station has been started and necessary Letter of Credit has been established in favour of Siemens Germany.

SHIPMENTS :

Letter of Credit for the supply of plant comprising 24 power generating sets of 5.65 MW each with an installed capacity of 135.6 MW (which can be considered as available net capacity of 120 MW) has been established in favour of Toyota Tsusho Corporation through Allied Bank of Pakistan. Out of total 8 major shipments, spread over a period of 9 months commencing from 31st July, 1996 to 31st March, 1997, 4 number of shipments, as per schedule, have been effected. First major shipment comprising 6 number engines and auxiliaries weighing about 730 tons has been safely stored at site. Remaining shipment No.2 and 3 having 3 number of engines are under custom clearance at Karachi port and will soon be transported to site. 4th shipment comprising 3 number of engines and auxiliaries dispatched from Japan is in the high seas and is expected to reach Karachi in the beginning of December, 1996. The consignments so far shipped represent 50% of the entire plant and equipment to be supplied by Mitsubishi Heavy Industries through Toyota Tsusho Corporation.

The activities undertaken are well within the schedule worked out together with Mitsubishi for the timely implementation of the project.

STAFF

A team of professionals has been formed for the successful and timely implementation of the project. The team shall further strengthen itself by inducting more professionals at an appropriate time.

AUDITORS

Retiring Auditors M/s Coopers & Lybrand and Javaid Iqbal & Co., Chartered Accountants, have offered themselves for re-appointment.

SHARE HOLDING PATTERN

Statement reflecting the pattern of share holding is attached to the Annual Report.

BY ORDER OF THE BOARD

Date: 02-12-1996

CHIEF EXECUTIVE

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Japan Power Generation Limited for the year ended June 30, 1996 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 and, after due verification thereof, we report that:

a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984.

b) In our opinion:

i) the balance sheet 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, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1996; and

d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Coopers & Lybrand
Chartered Accountants

Javaid Iqbal & Co.
Chartered Accountants

Lahore : December 2, 1996.

BALANCE SHEET AS AT JUNE 30, 1996

	1996	1995	
	Note	Rupees	Rupees
FIXED CAPITAL EXPENDITURE			
Fixed assets	3	22,627,520	19,018,455
Capital work in progress	4	15,868,000	135,521
Pre-operational cost	5	20,149,804	7,766,830
		-----	-----
		58,645,324	26,920,806
Deferred cost	6	44,587,657	36,180
Current assets			
Advances, deposits and prepayments	7	556,795,027	325,593,525
Cash and bank balances	8	461,221,703	46,641,991
		-----	-----
		1,018,016,730	372,235,516
		-----	-----
		1,121,249,711	399,192,502
		=====	=====

SHARE CAPITAL

Authorized

150,000,000 (1995-1,000.000) ordinary shares of Rs.10/- each	1,500,000,000	10,000,000
	=====	=====

Issued, subscribed and paid- up

67,013,000 (1995- 100,000)ordinary shares of Rs.10/- each fully paid in cash	670,130,000	1,000,000
Share application money	450,488,200	381,701,052

Current liabilities

Short term borrowings	9	-	15,295,643
Creditors, accrued and other liabilities	10	631,511	1,195,807

		-----	-----
		631,511	16,491,450

Contingencies and commitments	11	-	-
		-----	-----
		1,121,249,711	399,192,502
		=====	=====

The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT**FOR THE YEAR ENDED JUNE 30, 1996**

	1996	1995
	Rupees	Rupees

CASH FLOW FROM INVESTING ACTIVITIES**Working capital changes:**

(Increase)/decrease in current assets	(231,201,502	(325,593,525)
Advances, deposits and prepayments		

Increase/(decrease) in current liabilities

Creditors, accrued and other liabilities	(564,296	1,195,807
	-----	-----
	(231,765,798)	(324,397,718)

Fixed capital expenditure	-31,724,518	(26,920,806)
Deferred cost	(44,551,477)	(36,180)
	-----	-----

Net cash outflow from investing activities	A	(76,275,995)	(26,956,986)
		(308,041,793)	(351,354,704)

CASH FLOW FROM FINANCING ACTIVITIES

Short term borrowings	(15,295,643)	15,295,643
issue of share capital	669,130,000	1,000,000
Share application money	68,787,148	381,701,052
	-----	-----
Net cash from B	722,621,505	397,996,695
Net increase in cash and cash equivalents (A+B)	414,579,712	46,641,991
Cash and cash equivalents at the beginning of the year	46,641,991	-
	-----	-----
Cash and cash equivalents at the end of the year	461,221,703	46,641,991
	=====	=====

NOTES TO THE ACCOUNTS**FOR THE YEAR ENDED JUNE 30, 1996****1. STATUS AND ACTIVITIES**

The Japan Power Generation Limited is a public company, limited by shares, incorporated on September 29, 1994 under the Companies Ordinance. 1984. The principal business of the Company is to generate and supply of electric power to WAPDA. The Company has not yet commenced its business operations, therefore, no profit and loss account has been prepared.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

2.2 Fixed assets

All fixed assets are stated at cost and no depreciation has been charged as yet. Depreciation will be provided on the commencement of the Company's commercial operations.

2.3 Capital work in progress

All costs/expenditure related to specific assets incurred during the project implementation period are carried under this head. These will be transferred to specific assets as and when these assets will be available for use.

2.4 Pro-operation cost

This includes all costs/expenditures not directly related to specific assets incurred before the commencement of business. These will be allocated to building and plant and machinery at the time of commencement of commercial production.

2.5 Deferred Cost

Deferred cost consists of expenses incurred in connection with the company's formation and issue of shares including brokerage and commission etc. These will be amortized over a period of five years starting from the year of commercial production.

2.6 Foreign currencies

Foreign currency transactions are converted into Pak Rupees at rates ruling on the date of transaction. Since the Company has not yet commenced commercial production, exchange gains and

losses on conversion are accounted for in pre-operational cost.

	1996	1995
	Rupees	Rupees
3. FIXED ASSETS		
Land	16,046,645	16,046,645
Leasehold office premises	775,000	-
Furniture & fixtures	295,850	292,400
Office equipments	96,900	34,900
Motor vehicles	5,321,615	2,600,000
Air conditioners	91,510	44,510
	-----	-----
	22,627,520	19,018,455
	=====	=====
4. CAPITAL WORK IN PROGRESS		
Building - civil work	15,868,000	135,521
	=====	=====
5. PRE-OPERATION AT COST		
Directors' remuneration	1,140,000	480,000
Traveling and conveyance	6,698,075	3,376 508
Staff salaries and benefits	777,116	81 600
Rent, rates and taxes	48,925	22 800
Postage and telegrams	36,649	13 893
Telephone and telex	912,528	275,097
Printing and stationery	392,491	150,974
Newspapers and periodicals	6,515	1.09
Legal, professional and consultancy charges	14,252,178	2,668,712
Auditors' remuneration 5.10	245.70	55,000
Fee and subscription	37.75	-
Insurance	51,595	27,783
Vehicle running expenses	184.62	44,050
Entertainment	377.50	124,752
Charity and donation 5.20	151.09	7,550
Electricity and utilities	89.68	22,726
Repair and maintenance	23.48	4,271
Publicity and advertisement	335.99	16,850
Bank charges and excise duty'	331.26	72.94
Financial cha .	4,210,934	1,000,000
Guarantee charges	2,465,124	240,000
Miscellaneous expenses	248,617	80,704
	-----	-----
	33,017,802	8,767,299

Less: Interest received on	-----	-----
foreign currency accounts	3,033,367	1,000,469
Exchange gain	9,834,631	-
	-----	-----
	12,867,998	1,000,469
	-----	-----
	20,149,804	7,766,830
	=====	=====

5.1 Auditors' remuneration

	1996		1995	
	Coopers & Lybrand Rupees	Javaid Iqbal & Co. Rupees	Coopers & Lybrand Rupees	Javaid Iqbal & Co. Rupees
Audit fee	110,000	79,200	27,500	27,500
Out of pocket expenses	1,500	-	-	-
	-----	-----	-----	-----
	111,500	79,200	27,500	27,500
	=====	=====	=====	=====

5.2 Charity and donation

None of the directors or their spouses have any interest in the donations paid.

	1996 Rupees	1995 Rupees
6. DEFERRED COST		
Preliminary expenses	2,285,540	36,180
Commission & other charges on Int'l. placement	33,361,891	-
Public issue expenses	4,075,699	-
Underwriting commission	4,864,527	-
	-----	-----
	44,587,657	36,180
	=====	=====

7. ADVANCES, DEPOSITS AND PREPAYMENTS

Advances:		
For plant and machinery (11.2)	301,412,143	301,412,143
For equipments	99,284,355	23,117,742
For civil work	33,710,000	-
For construction of railway sidings	154,226	-
For office premises	-	700,000

Income tax	3,000	1,500
Letters of credit	122,144,405	360,000
Others	14,000	2,140
Deposits:		
Leasehold premises	31,356	-
Prepayments:		
Insurance	41,542	-
	-----	-----
	556,795,027	325,593,525
	=====	=====

8. CASH AND BANK BALANCES

Cash in hand	132,952	94,064
Cash with banks:		
in current accounts	121,023,707	10,000
in saving accounts	340,065,044	46,537,927
	-----	-----
	461,221,703	46,641,991
	=====	=====

9. SHORT TERM BORROWINGS

Running finance	-	15,295,643
	=====	=====

This running finance facility was obtained from Allied Bank of Pakistan Limited and was secured against foreign currency deposits. It carried mark-up @ 15.5% per annum.

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

Markup payable	-	1,000,000
Accrued expenses	631,511	195,807
	-----	-----
	631,511	1,195,807
	=====	=====

11. CONTINGENCIES AND COMMITMENTS

Commitments

11.1 The Company has arranged a letter of credit from Allied Bank of Pakistan Limited in favour of WAPDA for US\$ 2.675 million against Company's commitment to achieve Commercial Operation Date and for liquidity damages in the event of default as per items 4.7, 9.4 or any other relevant Article/Section of the Power Purchase Agreement (PPA).

11.2 The Company has executed Suppliers' Credit arrangements with Toyota Tsusho (Singapore) PTE Limited for the supply of plant and machinery amounting to Rs. 3,014,121,430 (Japanese Yen 8,254,000,000). The terms of the arrangements are 10 percent advance payment (as shown in note

7 above) and 90 percent amount is to be paid in 12 biannual installments with a grace period of 18 months commencing after the last major shipment. The loan is secured against an irrevocable letter of credit obtained from Allied Bank of Pakistan Limited and carries an interest at the rate of 7.90 percent per annum.

12. MANagements' Remuneration

	1996			1995		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
Managerial remuneration	220,000	220,000	114,570	160,000	160,000	-
House rent and utilities	110,000	110,000	56,430	80,000	80,000	-
	330,000	330,000	171,000	240,000	240,000	-
	-----	-----	-----	-----	-----	-----
No. of persons	1	3	1	1	3	-
	=====	=====	=====	=====	=====	=====

-- No Board meeting fee has been paid to directors.

-- The Company provides Company maintained vehicles to the Chief Executive and the Directors.

13. FIGURES

- have been rounded off to the nearest rupee.

- of prior period have been rearranged wherever necessary for the purpose of comparison only.

PATTERN OF HOLDING OF SHARES

HELD BY THE SHAREHOLDERS AS AT JUNE 30, 1996.

No. of Shareholder.	Shareholding		Shares	Total Shares Held
	From	To		
1	950001	100000	Shares	100,000
1	490001	500000	"	500,000
2	775001	780000	"	1,560,000
5	930001	935000	"	4,660,000
1	1241001	1245000	"	1,241,000
7	1660001	1645000	"	11,650,000
1	2199501	2200000	"	2,200,000
1	2495001	2500000	"	2,500,000
1	2760001	2765000	"	2,761,500
1	3250001	3255000	"	3,250,500
3	3880001	3885000	"	11,650,000
1	6295001	6300000	"	6,300,000

1	8635001	18640000	"	18,640,000
-----				-----
26				670,013,000
=====				=====

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	17	46,700,000	69.69
Investment Companies	3	10,050,500	15.00
Insurance Companies	-	-	-
Joint Stock Companies	4	7,282,500	10.87
Financial Institutions	2	2,980,000	4.44
Modaraba Companies	-	-	-
Others (to be specified).	-	-	-
	-----	-----	-----
Total	26	67,013,000	100.00