

Japan Power Generation Limited
Annual Report 2001

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COMPANY INFORMATION

BOARD OF DIRECTORS

MR. ZAFAR MAHMOOD (CHIEF EXECUTIVE)
SHEIKH NAZAZ ALI
MR. HASEEB KHAN
MR. SAITO YOSHIHIRO
MR. MUHAMMAD ALI
MR. ASAD ALI UPPAL
MR. AKHTAR ALI UPPAL
MR. FAISAL QAMAR UPPAL
MR. TAKASHI KABURAGI
MR. SHAHARYAR AHMED
MR. MAHMOOD AHMED
MR. JAMSHED A. KHALIQ DINA
SHEIKH MAHMOOD ALI
MRS. SAMINA ZAFAR

COMPANY SECRETARY

SYED ZAFAR HAIDER

AUDITORS

HYDER BHIMJI & CO.,
CHARTERED ACCOUNTANTS
&
JAVAID JALAL AMJAD & CO.,
CHARTERED ACCOUNTANTS

LEGAL ADVISORS

WALKER MARTINEAU
SALEEM

BANKERS

PRIME COMMERCIAL BANK LTD.
ASKARI COMMERCIAL BANK LTD.
ALLIED BANK OF PAKISTAN LTD.

REGISTERED OFFICE

26, PESHAWAR BLOCK,
FORTRESS STADIUM,
LAHORE CANTT.
TEL: 6668156 - 57
FAX: 6664625

PLANT LOCATION

JIA BAGGA RAILWAY STATION,
RAIWIND ROAD, DISTRICT LAHORE.
TEL: 5835864 - 68
FAX: 5835860

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 7th Annual General Meeting of the members of Japan Power Generation Limited will be held on Monday the 31st December, 2001, at 10:00 A.M. at plant site located at Khan - e - Nepal Road, near Jia Bagga Railway Station, Raiwind Road, District Lahore to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on December 26, 2000.
2. To receive, consider and adopt the audited accounts of the Company for the financial year ended June 30, 2001 together with the Auditors' and Directors' reports thereon.
3. To appoint auditors of the company for the year ending June 30, 2002 and fix their remuneration.
4. To elect twelve Directors of the company for a period of three years in accordance with section 178(1) of the Companies Ordinance, 1984 in place of the retiring Directors namely:

MR. ZAFAR MAHMOOD
MR. HASEEB KHAN
MR. ASAD ALI UPPAL
SHEIKH MAHMOOD ALI
MR. SAITO YOSHIHIRO
MRS. SAMINA ZAFAR

SHEIKH NAZAZ ALI
MR. AKHTAR ALI UPPAL
MR. FAISAL QAMAR UPPAL
MR. MUHAMMAD ALI
MR. TAKASHI KABURAGI
MR. MAHMOOD AHMED

All retiring Directors are eligible for re-election.

5. 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**

Lahore:
Dated: December 09, 2001.

**SYED ZAFAR HAIDER
(Company Secretary)**

Notes:

- i) The Share Transfer Books of the company will remain closed from December 21, 2001 to December 31, 2001 (both days inclusive).
- ii) In terms of Section 178(3) of the Companies Ordinance, 1984 any candidate who seeks to contest the election shall file with the Company at the Head Office, not later than 14 days before the date of meeting, a notice of his/her intention to offer himself/herself for election as a director.
- iii) 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 of the meeting and must be duly stamped, signed and witnessed.
- iv) Members are requested to immediately notify the change in address, if any.

DIRECTORS' REPORT

Your Directors feel pleasure in presenting the seventh Annual Report and Audited Accounts for the year ended June 30, 2001.

PRINCIPAL ACTIVITIES

The principal activities of the company are to own, operate and maintain a thermal power house with an installed capacity of 135 MW.

PRESENT STATUS

The plant was operated to a high standard of efficiency and availability. The high efficiency rates were achieved through regular maintenance carried out on all 24 units during the year. Routine and preventive maintenance programs have been completed within budget as scheduled.

Necessary work for increasing stack heights to meet the environmental standards have been successfully completed and the independent engineer from Holland have issued the certificate in satisfaction of conditions laid down for granting commercial operation by WAPDA. Now all the conditions precedent for commercial operation stand fully met.

The company has finalized repayment arrangement with Banks Syndicate for their outstanding loans. The revised agreements have been signed by majority of the Syndicate Members. The company is upto date in meeting its obligations towards its lenders in accordance with the said arrangements.

GENERAL

Turnover for the year was Rs.1,508,086,301 and production cost was Rs.1,084,055,027 resulting into a gross profit of Rs.424,031,274 but due to heavy burden of financial cost of Rs.541,267,420, the gross profit has been converted into net loss. It is expected that as the company is making payments to reduce its debt these financial charges will be reduced accordingly and gradually the company will be in a position to show positive results.

The Directors wish to thank the members, staff and management of the company for their devotion and hard work.

AUDITORS

Retiring Auditors Messrs Hyder Bhimji & Company and Javaid Jalal Amjad & Company, Chartered Accountants, being eligible, offer themselves for reappointment.

DIRECTORS

The term of present Directors ceases on 31-12-2001. The Board of Directors has fixed the number of Directors to be elected at twelve, as required under section 178(1) of the Companies Ordinance, 1984. The present Directors retire but are eligible for re-election.

PATTERN OF SHARE HOLDING

Statement reflecting the Pattern of shareholding as at June 30, 2001 is attached.

**ON BEHALF OF THE
BOARD OF
DIRECTORS**

LAHORE: November 28, 2001.

CHIEF EXECUTIVE

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Japan Power Generation Limited as at June 30, 2001 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 purpose 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 conducted 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, 2001 and of the loss, its cash flows and changes in equity for the year then ended; and

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

**Javaid Jalal Amjad &
Co.
Chartered Accountants**

**Hyder Bhimji & Co.
Chartered Accountants**

Lahore: November 28, 2001.

BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
Share capital			
Authorized 150,000,000 Ordinary shares of Rs. 10 each		1,500,000,000 =====	1,500,000,000 =====
Issued, subscribed and paid-up 133,200,000 Ordinary shares of Rs. 10 each, Issued for cash		1,332,000,000	1,332,000,000
Accumulated loss		(255,131,474)	(67,567,284)
Shareholders' equity		1,076,868,526	1,264,432,716
Sponsors' interest free loan - unsecured		168,375,918	168,375,918
Long term loans / finances	3	4,221,590,446	3,989,830,228
Liabilities against assets subject to finance lease	4	--	1,292,779
Deferred liabilities - gratuity		3,812,900	2,545,200
Current liabilities			

Shod term borrowings	5	76,607,678	102,104,065
Finance against dishonoured bill	6	--	7,386,718
Current portion of long term liabilities	7	820,166,402	733,600,387
Creditors, accrued and other liabilities	8	593,136,412	788,313,808
		-----	-----
		1,489,910,492	1,631,404,978
Contingencies and commitments	9		
		-----	-----
		6,960,558,282	7,057,881,819
		=====	=====

The annexed notes form an integral part of these accounts.

DIRECTOR

Fixed capital expenditure

Operating Fixed assets	10	6,575,065,767	6,662,913,491
Capital work-in-progress	11	26,785,070	1,072,500
		-----	-----
		6,601,850,837	6,663,985,991
Deferred cost	2.8	48,105,980	61,093,172
Current assets			
Stores and spares	12	7,997,450	--
Stock in trade	13	48,702,941	23,377,062
Trade debts	14	140,895,047	156,859,790
Advances, deposits, prepayments and other receivables	15	64,048,141	97,534,213
Cash and bank balances	16	48,957,886	55,031,591
		-----	-----
		310,601,465	332,802,656
		-----	-----
		6,960,558,282	7,057,881,819
		=====	=====

DIRECTOR

CHIEF EXECUTIVE

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2001

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
Sales	17	1,508,086,301	374,473,635
Cost of sales	18	1,084,055,027	237,310,344
		-----	-----
Gross profit		424,031,274	137,163,291

Operating expenses			
Administration and general	19	41,477,608	7,049,700
		-----	-----
Operating profit		382,553,666	130,113,591
Other income	20	7,931,784	1,139,270
		-----	-----
		390,485,450	131,252,861
Financial and other Charges			
Financial charges	21	541,267,420	143,597,279
Other charges	22	36,395,425	55,173,706
		-----	-----
		577,662,845	198,770,985
		-----	-----
Operating loss before taxation		(187,177,395)	(67,518,124)
Provision for taxation:			
Current taxation on other income		(386,795)	(49,160)
		-----	-----
Loss after taxation		(187,564,190)	67,567,284)
Accumulated loss brought forward		(67,567,284)	--
		-----	-----
Accumulated loss carried forward		(255,131,474)	67,567,284)
		=====	=====
Earnings per share of Rs. 10 each	23	(1.41)	(0.51)
		=====	=====

The annexed notes form an integral part of these accounts.

DIRECTOR

DIRECTOR

CHIEF EXECUTIVE

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2001

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss before taxation	(187,177,395)	(67,518,124)
Adjustment for non-cash and other items:		
Depreciation	230,050,399	65,299,753
Provision for gratuity	1,337,700	693,900
Amortisation of deferred cost	12,987,192	3,842,785
Financial Charges	541,267,420	143,597,279
	-----	-----

	785,642,711	213,433,717
	-----	-----
Operating profit before working capital changes	598,465,316	145,915,593
Working capital changes		
Stores and spares	(7,997,450)	--
Stock in trade	(25,325,879)	36,430,308
Trade debts	15,964,743	(156,859,790)
Advances, deposits, prepayments and other receivables	33,279,303	(90,291,809)
Creditors, accrued and other liabilities	(93,767,656)	121,355,497
	-----	-----
	(77,846,939)	(89,365,794)
	-----	-----
Cash inflow after working capital changes	520,618,377	56,549,799
Financial charges paid	(642,677,160)	--
Gratuity paid	(70,000)	--
Income tax paid	(180,026)	(6,012,419)
	-----	-----
	(642,927,186)	(6,012,419)
	-----	-----
Net cash (used in) / generated from operating activities	(122,308,808)	50,537,380
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(167,915,245)	(1,154,228,663)
	-----	-----
Net cash used in investing activities	(167,915,245)	(1,154,228,663)
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term loans / finances	317,033,454	947,969,277
Sponsors' interest free loan	--	597,906,921
Finance against dishonoured bill (FADB)	(7,386,718)	(11,106,069)
Short term borrowings	(25,496,387)	102,104,065
	-----	-----
Net cash provided by financing activities	284,150,349	1,098,757,965
	-----	-----
Net decrease in cash and cash equivalents	(6,073,705)	(4,933,318)
Cash and cash equivalents at the beginning of the year	55,031,591	59,964,909
	-----	-----
Cash and cash equivalents at the end of the year (Note-16)	48,957,886	55,031,591
	=====	=====

DIRECTOR

DIRECTOR

CHIEF EXECUTIVE

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2001

	<i>Share Capital</i>	<i>Accumulated Profit/(Loss)</i>	<i>Total</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Balance as at July 1, 1999	1,332,000,000	--	1,332,000,000
Profit / (loss) for the period	--	(67,567,284)	(67,567,284)
	-----	-----	-----
Balance as at June 30, 2000	1,332,000,000	(67,567,284)	1,264,432,716
Profit / (loss) for the year	--	(187,564,190)	(187,564,190)
	-----	-----	-----
Balance as at June 30, 2001	1,332,000,000	(255,131,474)	1,076,868,526
	=====	=====	=====

DIRECTOR

DIRECTOR

CHIEF EXECUTIVE

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2001

1. STATUS AND ACTIVITIES

Japan Power Generation Limited is a public company, incorporated on September 29, 1994 under the Companies Ordinance, 1984 and its shares are quoted on Lahore and Karachi Stock Exchanges. The principal business of the company is to generate and supply electric power to WAPDA. The company commenced actual commercial operations w.e.f. March 15, 2000.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards (IAS) as applicable in Pakistan.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention modified by capitalization of exchange differences referred to in note 2.9.

2.3 Staff retirement benefits

The company operates an unfunded gratuity scheme covering all its permanent employees. Provision is made annually to cover the liability under the scheme.

2.4 Taxation

The company's profit and gains from Power Generation are exempt from tax under clause 176 of the Second Schedule - Part I to the Income Tax Ordinance, 1979. The company is also exempt from minimum tax on turnover under clause 20 of the Second Schedule - Part IV to the Income Tax Ordinance, 1979. Tax on income from sources not covered under the above clauses is determined in accordance with the normal provisions of the Income Tax Ordinance, 1979.

2.5 Operating fixed assets and depreciation

Operating fixed assets except land are stated at cost less accumulated depreciation. Land and capital work in progress are stated at cost. Cost of certain fixed assets comprises of historical cost and exchange differences referred to in note 2.9.

Depreciation on operating fixed assets is charged to profit on 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. The net exchange difference relating to an asset, at the end of each year is amortized in equal installments over its remaining useful life. Full year's depreciation is charged on additions during the year, while no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal are taken to income.

2.6 Accounting for leased Assets

a) Assets under finance lease are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of assets. Depreciation on these assets is charged according to company's policy for similar assets.

b) The aggregate amount of obligation relating to assets subject to finance lease is accounted for at the net principal liability under the lease agreement.

c) Finance charges are allocated over the lease term so as to produce constant periodic rate of return on the outstanding principal liability for each period.

2.7 Stores, spares and stock in trade

These are valued at lower of cost or net realizable value. Cost is calculated as follows:

Stores and spares	Moving average
Stock in trade	
Residual fuel oil	First in first out basis
High Speed diesel	Moving average
Lube oil	Moving average
Chemicals and other lubricants	Moving average

2.8 Deferred Cost

Deferred cost consists of expenses incurred in connection with the company's formation and public issue of shares including brokerage and commission etc. These are being amortized over a period of five years starting from March 15, 2000, the date of commercial operations.

2.9 Foreign currency translation

Foreign currency transactions are converted into Pak Rupees at the rates prevailing on the date of transaction. Assets and liabilities in foreign currencies at the year-end are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date.

Exchange gains and losses on translation of foreign currency loans utilized for the acquisition of fixed assets are capitalized and incorporated in the cost of such assets.

2.10 Commitments and contingencies

Capital commitments and contingencies, unless those are actual liabilities, are not incorporated in the accounts.

2.11 Revenue recognition

Energy sale is recognized on transmission of electricity to WAPDA, whereas revenue on account of Capacity Purchase Price is recognized when invoiced. Profit on bank deposits is recognized on receipt basis. ~.

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
3. Long term loans / finances			
Secured			
Supplier's Credit			
Plant and machinery	3.1	2,110,219,255	2,701,101,768
Syndicated loan I			
	3.2		
Prime Commercial Bank Limited		51,110,000	51,920,000
National Development Finance Corporation		39,376,000	40,000,000
Askari Commercial Bank Limited		48,462,000	49,230,000
Allied Bank of Pakistan Limited		24,216,000	24,600,000
Al-Faysal Investment Bank Limited		20,170,000	20,490,000
Faysal Bank Limited		20,170,000	20,490,000
PICIC Commercial Bank Limited		18,172,000	18,460,000
Prudential Commercial Bank Limited		10,090,000	10,250,000
Prudential Investment Bank Limited		10,090,000	10,250,000
Crescent investment Bank Limited		8,082,000	8,210,000
		-----	-----
		249,938,000	253,900,000
Syndicated loan II			
	3.3		
Prime Commercial Bank Limited		472,920,788	309,176,777
National Development Finance Corporation		244,185,170	234,024,056
Askari Commercial Bank Limited		448,262,459	293,056,143
Allied Bank of Pakistan Limited		557,660,436	235,675,251
Al-Faysal Investment Bank Limited		186,624,613	122,007,739
Faysal Bank Limited		186,624,613	122,007,739
PICIC Commercial Bank Limited		168,195,758	109,959,688
Prudential Commercial Bank Limited		60,918,820	60,918,820
Prudential Investment Bank Limited		39,034,141	39,034,141
Crescent Investment Bank Limited		75,013,231	49,040,663
Fidelity Investment Bank Limited		156,173,511	122,007,739
		-----	-----
		2,595,613,540	1,696,908,756
Un-secured			
Supplier's credit			
Power cable	3.4	84,693,277	68,780,414

		----- 5,040,464,072	----- 4,720,690,938
Less: Current portion shown under current liabilities:			
Overdue installments	3 (a)	63,519,958	34,390,179
Current maturity	3 (b)	755,353,668	696,470,531
		----- 818,873,626	----- 730,860,710
		----- 4,221,590,446	----- 3,989,830,228
		=====	=====

3(a). Overdue installments

Supplier's credit - power cable		63,519,958	34,390,179
		=====	=====

3(b). Current maturity

Supplier's credit-plant and machinery		703,406,418	675,275,442
Syndicated loan -I		30,773,931	4,000,000
Supplier's credit - power cable		21,173,319	17,195,089
		----- 755,353,668	----- 696,470,531
		=====	=====

3.1 Supplier's Credit- plant and machinery

The supplier's credit was obtained in Japanese Yen from Toyota Tsusho (Singapore) PTE Limited (TTC) amounting to Japanese Yen 7,428,600,000 representing 90% of the total value of the plant and machinery whereas 10% of the total value of Japanese Yen 825,400,000 was paid in advance as down payment. The credit carries an interest at the rate of 7.9% per annum and was repayable in twelve equal half yearly installments alongwith interest commencing from September 26, 1998. Financing fee of Japanese Yen 735,535,552 was payable in twelve equal half yearly installments commencing from September 26, 1998.

This credit facility is secured by an irrevocable Letter of Credit established by Allied Bank of Pakistan Limited (ABL) in favour of TTC. ABL is secured by a counter guarantee issued by a Syndicate of twelve banks.

The Syndicate's counter guarantee is secured by a first equitable mortgage / charge on all the present and future assets including equipment, inventories and receivables of the company, personal guarantees of the sponsoring directors and pledge of sponsors' shares.

3.2 Syndicated Facility Agreement - I

This facility is secured by a first charge ranking pari passu on all present and future assets including equipment, inventories and receivables of the company and personal guarantees of the sponsoring directors. According to the rescheduling/restructuring agreement, signed by the company and majority of the syndicate banks, it shall be repayable in 20 quarterly installments commencing from May 31, 2001 and carries mark up @ 12% p.a.

3.3 Syndicated Facility Agreement - II

This is a forced facility which was created due to non-payment by the company of outstanding installments of supplier's credit alongwith financing fee and is secured by a first charge ranking pari passu on all present and future assets including equipment, inventories and receivables of the company and personal guarantees of the sponsoring directors. According to

the rescheduling/restructuring agreements, signed by the company and majority of the syndicate banks, it shall be repayable in 53 installments commencing from May 31, 2001 and carries mark up @ 12% p.a.

3.4 Supplier's credit - power cable

This credit was also obtained from Toyota Tsusho Corporation, Japan amounting to US\$ 1,315,113 against the import of cables. It is unsecured and carries interest @ 7% per annum with additional interest @ 7% on delayed payments, and was repayable in eight equal consecutive semi-annual installments commencing from July 8, 1998.

4. Liabilities against assets subject to finance lease

Opening balance	4,032,450	4,032,456
Less: paid during the year	2,739,680	--
	-----	-----
	1,292,776	4,032,456
Less: Current portion shown under current liabilities:		
Overdue installments	--	1,604,701
Installments due within next twelve months	1,292,778	1,134,976
	-----	-----
	1,292,776	2,739,677
	-----	-----
	--	1,292,779
	=====	=====

This represents finance obtained against a vehicle under lease agreement with First Crescent Modaraba. The purchase option is available to the company on payment/adjustment of residual value alongwith the last installment. Other significant terms and conditions are as follows:

Lease amount	Rs. 4,700,000
Installment amount	Rs. 128,762
No. of monthly installments	60
Implicit rate of return	28.03%
Deposit	10%
Penalty	Rs. 100 per day for delay in payment of installment

The future minimum lease payments which the company has committed under the lease agreement are as follows:

Year ending June 30

2001	--	3,634,643
2002	1,371,354	1,371,334
	-----	-----
	1,371,334	5,205,977
Less: financial charges allocated to future periods	78,558	1,173,521
	-----	-----
	1,292,776	4,032,456
	=====	=====

5. Short term borrowings

These borrowings are obtained from:

<i>Name of Bank</i>	<i>Sanctioned Limit</i>	<i>Disbursed Amount</i>	
		<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Prime Commercial Bank Limited	51,406,596	6,056,977	31,553,364
Askari Commercial Bank Limited	10,811,850	10,811,850	10,811,850
Allied Bank of Pakistan Limited	44,873,000	44,873,000	44,873,000
Al Faysal Investment Bank Limited	4,501,286	4,501,286	4,501,286
Faysal Bank Limited	4,501,286	4,501,286	4,501,286
PICIC Commercial Bank Limited	4,054,000	4,054,000	4,054,000
Crescent Investment Bank Limited	1,809,279	1,809,279	1,809,279
		-----	-----
		76,607,678	102,104,065
		=====	=====

These borrowings are secured by a first charge ranking pari passu on all present and future assets including equipment, inventories and receivables of the company and personal guarantees of the sponsoring directors and carry mark up @12% per annum.

6. Finance against dishonoured bill (FADB)

	--	7,386,718
	=====	=====

FADB resulted from the company's inability to meet its commitment against an import letter of credit opened by Allied Bank of Pakistan Limited in favour of lube oil supplier in the year 1999. It was secured by pledge of the lube oil and was settled during the year.

7. Current portion of long-term liabilities

Long term loans / finances	(Note-3)	818,873,626	730,860,710
Liabilities against assets subject to finance lease	(Note-4)	1,292,776	2,739,677
		-----	-----
		820,166,402	733,600,387
		=====	=====

8. Creditors, accrued and other liabilities

Creditors		77,676,104	91,604,414
Accrued liabilities		10,985,871	45,930,094
Interest/mark up payable on secured borrowings		303,708,996	392,014,634
Interest/mark up payable on unsecured borrowings		17,671,811	6,633,398
Guarantee commission payable		83,112,185	120,711,891
Penalty for delay on payment of long-term borrowings and guarantee commission		66,352,708	52,895,517
Liquidated damages		6,718,301	51,330,921

Retention money	25,297,874	25,912,655
Other liabilities	1,612,562	1,280,284
	-----	-----
	593,136,412	788,313,808
	=====	=====

9. Contingencies and commitments

Contingencies:

9.1 WAPDA has raised a bill of Rs. 5,575,286 being interest for delayed payment of liquidated damages; the company has not only challenged the levy of interest but also the amount of liquidated damages paid and is confident that the matter will be settled in its favour. Accordingly, the amount of this bill has not been recognised in these accounts.

9.2 The Deputy Commissioner of Income Tax (DCIT) imposed certain penalties / additional tax amounting to Rs.8,451,549 on account of non / delayed payments of income tax demands for the assessment years 1997-98 and 1998-99. The company considered these levies as arbitrary and accordingly filed appeals at the appropriate forums; the final outcome of which is pending adjudication. These liabilities, however, have been fully paid and incorporated in these accounts.

Commitments:

The company has future capital commitments for the construction of mosque amounting to Rs. 2.500 million (2000: Rs. 3.117 million) at the terminal date.

10. Operating fixed assets

<i>PARTICULARS</i>	<i>COST</i>				<i>Rate</i> %	<i>DEPRECIATION</i>		<i>BOOK VALUE</i>	
	<i>As at</i> <i>July 1, 2000</i>	<i>Additions/</i> <i>(deletions)</i>	<i>As at</i> <i>June 30, 2001</i>			<i>As at</i> <i>July 1, 2000</i>	<i>Charge for the</i> <i>year</i>	<i>As at</i> <i>June 30, 2001</i>	<i>as at</i> <i>June 30, 2001</i>
Owned									
Land-freehold	16,046,645	--	16,046,645	--	--	--	--	--	16,046,645
Buildings and civil works	354,564,231	--	354,564,231	3.3	3,412,681	11,700,620	15,113,301	339,450,930	
Plant and machinery	6,335,527,269	124,024,407	6,459,551,676	3.3-3.5	60,979,450	213,413,254	274,392,704	6,185,158,972	
Workshop equipment	--	16,081,888	16,081,888	10	--	1,608,189	1,608,189	14,473,699	
Weighbridge	--	1,175,000	1,175,000	10	--	117,500	117,500	1,057,500	
Furniture and fixtures	2,152,935	380,275	2,533,210	10	62,794	253,321	316,115	2,217,095	
Office equipment	1,730,023	472,605	2,202,628	10	50,459	220,263	270,722	1,931,906	
Tubewell	1,723,760	--	1,723,760	10	50,276	172,376	222,652	1,501,108	
Railway sidings	6,650,000	--	6,650,000	10	193,958	665,000	858,958	5,791,042	
Vehicles	4,343,381	68,500	4,411,881	20	253,364	882,376	1,135,740	3,276,141	
Leased									
Office premises	775,000	--	775,000	10	22,604	77,500	100,104	674,896	
Vehicles	4,700,000	--	4,700,000	20	274,167	940,000	1,214,167	3,485,833	
	-----	-----	-----		-----	-----	-----	-----	
Rupees 2001	6,728,213,244	142,202,675	6,870,415,919		65,299,753	230,050,399	295,350,152	6,575,065,767	
	=====	=====	=====		=====	=====	=====	=====	
Rupees 2000	37,584,697	6,690,547	6,728,213,244		--	65,299,753	65,299,753	6,662,913,491	

10.1 Addition to plant and machinery includes exchange loss on foreign currency loans utilised for acquisition of plant and machinery.

10.2 The depreciation charge for the year has been allocated to:

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Cost of sales	227,676,939	64,636,365
Administration and general expenses	2,373,460	663,388
	-----	-----
	230,050,399	65,299,753
	=====	=====

10.3 Fixed assets register is in the process of being written up.

11. Capital work in progress

This comprises of:

Civil work	7,229,870	--
Plant and machinery	18,482,700	--
Advance for land	1,072,500	1,072,500
	-----	-----
	26,785,070	1,072,500
	=====	=====

12. Stores and spares

Stores	184,781	--
Spares	7,812,669	--
	-----	-----
	7,997,450	--
	=====	=====

The company does not hold any stores and spares for specific capitalization.

13. Stocks in trade

Residual fuel oil	25,442,251	7,700,150
High speed diesel	2,765,799	892,093
Lube oil	48,862,480	12,156,512
Chemicals and other lubricants	1,632,441	2,628,307
	-----	-----
	48,702,944	23,377,062
	=====	=====
	140,895,047	156,859,790
	=====	=====

14. Trade debts - considered good

These are receivable from WAPDA and are fully secured.

15. Advances, deposits, prepayments and other receivables**Advances - unsecured, considered good:**

To executives and employees	(Note - 15.1)	355,950	13,500
For expenses		104,853	139,300
Pakistan State Oil Co. Ltd. (PSO)		22,814,398	59,907,300
Income tax		171,511	378,280
Others		466,373	979,116
		-----	-----
		23,913,085	61,477,556

Deposits

Leasing company		470,000	470,000
Rented property		31,356	31,356
Central Depository Company Ltd. (CDC)		800,000	800,000
Others		81,500	61,500
		-----	-----
		1,382,856	1,362,856

Prepayments

		14,972,545	10,314
--	--	------------	--------

Other receivables - unsecured, considered good

Sales tax from WAPDA		14,771,706	30,195,087
Claim from Siemens Pakistan Engineering Co. Ltd.		1,475,248	1,475,248
Others		7,532,701	3,013,152
		-----	-----
		23,779,655	34,683,487
		-----	-----
		64,048,141	97,534,213
		=====	=====

The maximum aggregated amount of advances due from executives at the time of any month during the year was Rs. 262,500 (2000: Rs. 4,000).

16. Cash and bank balances

Cash in hand		28,236	5,116
Cash with banks:			
In current accounts		25,030,679	356,258
In saving accounts		23,898,971	54,670,217
		-----	-----
		48,929,650	55,026,475
		-----	-----
		48,957,886	55,031,591
		=====	=====

17. Sales

Energy payments	707,636,812	147,121,862
Capacity payments	800,449,489	227,351,773
	-----	-----
	1,508,086,301	374,473,635
	=====	=====

18. Cost of sales

Fuels and oils consumed	759,081,285	150,810,350
Salaries, wages, and benefits	5,399,952	1,168,265
Operating and maintenance fee	50,014,753	12,396,349
Stores and spares consumed	8,387,157	--
Electricity consumed inhouse	5,563,288	2,062,704
Repair and maintenance	2,857,941	63,196
Insurance	25,073,712	6,173,115
Depreciation	227,676,939	64,636,365
	-----	-----
	1,084,055,027	237,310,344
	=====	=====

19. Administration and general expenses

Directors' remuneration	7,200,000	--
Salaries, wages, and benefits	9,328,450	1,706,995
Plant security services	1,718,157	484,335
Staff transportation	3,048,756	595,738
Travelling and conveyance	1,238,383	143,133
Rent, rates and taxes	338,455	216,718
Postage and telegram	80,287	21,697
Electricity and utility charges	278,643	89,007
Telephone and communication charges	4,525,200	1,266,501
Printing and stationery	794,272	120,044
Newspaper and periodicals	14,603	4,607
Legal, professional and consultancy charges	(Note - 19.1) 4,906,786	833,379
Fee and subscription	292,896	25,840
Auditors' remuneration	(Note - 19.2) 425,000	305,000
Charity and donations	(Note - 19.3) 50,000	--
Advertisement	327,979	--
Insurance	204,358	15,899
Vehicle running and maintenance	1,676,859	339,170
Entertainment	784,835	137,204
Repair and maintenance	1,772,117	74,397
Depreciation	2,373,460	663,388
Miscellaneous	98,112	6,648
	-----	-----
	41,477,608	7,049,700
	=====	=====

19.1 It includes a retainership fee of Rs. 225,000 per month (2000: Rs.150,000 p.m.) to Haseeb Khan & Co., Chartered Accountants, whose proprietor is also a director in the company.

19.2 Auditors' remuneration

	<i>2001</i>		<i>2000</i>	
	<i>Rupees</i>		<i>Rupees</i>	
	<i>Hyder Bhimji & Co.</i>	<i>Javaid Jalal Amjad & Co.</i>	<i>Hyder Bhimji & Co.</i>	<i>Javaid Jalal Amjad & Co.</i>
Audit fee	175,000	175,000	150,000	95,000
Out of pocket expenses	37,500	37,500	30,000	30,000
	-----	-----	-----	-----
Total	212,500	212,500	180,000	125,000
	=====	=====	=====	=====

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

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
20. Other income		
Return on bank deposits	4,221,798	377,700
Sale of scrap / sludge	3,709,986	761,570
	-----	-----
	7,931,784	1,139,270
	=====	=====
21. Financial charges		
Interest / mark up on:		
Long term loans / finances	485,560,602	125,644,498
Shod term borrowings	12,611,147	3,156,376
Lease finance	936,765	444,057
Guarantee commission	37,309,924	11,735,968
Exchange loss	--	1,431,790
Bank fee and other charges	4,848,982	1,184,590
	-----	-----
	541,267,420	143,597,279
	=====	=====
22. Other charges		
Deferred cost amortized	12,987,192	3,842,785
Liquidated damages	23,408,233	51,330,921
	-----	-----
	36,395,425	55,173,706
	=====	=====
23. Earning per share		
Net loss for the year	(187,564,190)	(67,567,284)

Weighted average number of ordinary shares	=====	=====
	133,200,000	133,200,000
Earnings per share	=====	=====
	(1.41)	(0.51)
	=====	=====

24. Plant capacity and actual production

Installed annual capacity in MWH	=====	=====
	937,320	937,320
Actual energy delivered in MWH (2000: for 3.5 months)	=====	=====
	281,544	70,507
	=====	=====

25. Financial assets and liabilities

Interest rate sensitivity position based on the earlier of contractual repricing or maturity date is as follows;

	<i>Interest/markup bearing</i>			<i>Non Interest bearing</i>			<i>2001 Rupees</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub Total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub Total</i>	
Financial assets							
Trade debts	--	--	--	140,895,047	--	140,895,047	140,895,047
Advances, deposits, Prepayments and other receivable	--	--	--	23,235,376	--	23,235,376	23,235,376
Cash and bank balances	23,898,971	--	23,898,971	25,058,915	--	25,058,915	48,957,886
	-----	-----	-----	-----	-----	-----	-----
	23,898,971	--	23,898,971	189,189,338	--	189,189,338	213,088,309
	=====	=====	=====	=====	=====	=====	=====
Financial liabilities							
Long term loans/finances							
Secured	735,473,125	4,221,590,446	4,957,063,571	--	--	--	4,957,063,571
Unsecured	84,693,277	--	84,693,277	--	--	--	84,693,277
Sponsors loan	--	--	--	--	168,375,918	168,375,918	168,375,918
Short term borrowings	76,607,678	--	76,607,678	--	--	--	76,607,678
Creditors, accrued and other liabil	--	--	--	593,136,412	--	593,136,412	593,136,412
	-----	-----	-----	-----	-----	-----	-----
	896,774,080	4,221,590,446	5,118,364,526	593,136,412	168,375,918	761,512,330	5,879,876,856
	=====	=====	=====	=====	=====	=====	=====

	<i>Interest/markup bearing</i>			<i>Non Interest bearing</i>			<i>2000 Rupees</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub Total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub Total</i>	
Financial assets							
Trade debts	--	--	--	156,859,790	--	156,859,790	156,859,790
Advances, deposits,							

Prepayments and other receivable	--	--	--	36,568,959	--	36,568,959	36,568,959
Cash and bank balances	54,670,217	--	54,670,217	361,374	--	361,374	55,031,591
	-----	-----	-----	-----	-----	-----	-----
	54,670,217	--	54,670,217	193,790,123	--	193,790,123	248,460,340
	=====	=====	=====	=====	=====	=====	=====
Financial liabilities							
Long term loans/finances							
Secured	682,015,119	3,973,927,861	4,655,942,980	--	--	--	4,655,942,980
Unsecured	51,585,268	17,195,146	68,780,414	--	--	--	68,780,414
Sponsors loan	--	--	--	--	168,375,918	168,375,918	168,375,918
Finance against dishonoured bill	--	--	--	7,386,718	--	7,386,718	7,386,718
Short term borrowings	102,104,065	--	102,104,065	--	--	--	102,104,065
Creditors, accrued and other liabil	--	--	--	788,313,808	--	788,313,808	788,313,808
	-----	-----	-----	-----	-----	-----	-----
	835,704,452	3,991,123,007	4,826,827,459	795,700,526	168,375,918	964,076,444	5,790,903,903
	=====	=====	=====	=====	=====	=====	=====

25.1 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to change in market interest rates. The effective interest rates as at June 30, 2001 for financial instruments are given in the relevant notes.

25.2 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. Out of total financial assets of Rs. 213,088,309 (2000: Rs. 248,460,340), the financial assets which are subject to credit risk amounts to Rs. 72,165,026 (2000: 91,595,434). The company believes that it is not exposed to major concentration of credit risk.

25.3 Foreign exchange risk management

Foreign exchange risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Out of total payables of Rs. 2,194,912,532 (2000: Rs. 2,769,882,182) in foreign currency, the payable exposed to foreign exchange risk amounts to Rs. 84,693,277 (2000: Rs. 68,780,414).

25.4 Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities approximates to their fair value.

	<i>2000</i>	<i>2001</i>
26. Number of employees		
Number of employees at the year end was	88	98
	=====	=====

27. Management remuneration

The aggregated amounts charged in the accounts for the year for remuneration, including benefits to chief executive, directors and executives of the company are as follows:

<i>Chief Executive</i>		<i>Directors</i>		<i>Executive</i>	
<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>

Number of persons	1	--	4	--	15	10
Managerial remuneration	2,408,639	--	3,062,148	--	4,174,984	2,113,408
House rent	--	--	--	--	238,827	874,233
Utilities	240,864	--	306,212	--	417,497	211,342
Gratuity	--	--	--	--	513,600	243,500
Other benefits	665,497	--	516,640	--	1,388,891	--
Total	3,315,000	--	3,885,000	--	6,733,799	3,442,483

27.1 Board meeting fee has not been paid to the directors of the company.

27.2 Company maintained vehicles are provided to the chief executive and one of the directors, whereas the reimbursement of vehicle running expenses has been made to three other directors during the year.

28. Environmental risk exposure

The company is fully compliant with the environmental risk exposure.

29. General

29.1 Previous period's figures of profit and loss account are for the period of three and a half months.

29.2 Previous period's figures have been rearranged and reclassified where necessary for the purpose of comparison.

29.3 Figures have been rounded off to the nearest rupee.

DIRECTOR

DIRECTOR

CHIEF EXECUTIVE

PATTERN OF SHAREHOLDINGS AS ON 30-06-2001

NUMBER OF SHARE HOLDERS	SHAREHOLDIN G		TOTAL SHARES HELD
	FROM	TO	
3	1	--	100
396	101	--	500
585	501	--	1,000
1263	1,001	--	5,000
501	5,001	--	10,000
151	10,001	--	15,000
129	15,001	--	20,000
72	20,001	--	25,000
55	25,001	--	30,000

32	30,001	--	35,000	1,070,000
16	35,001	--	40,000	618,000
21	40,001	--	45,000	895,000
44	45,001	--	50,000	2,163,500
15	50,001	--	55,000	796,500
14	55,001	--	60,000	818,000
11	60,001	--	65,000	695,000
9	65,001	--	70,000	619,525
10	70,001	--	75,000	738,000
10	75,001	--	80,000	788,500
7	80,001	--	85,000	582,500
7	85,001	--	90,000	606,100
6	90,001	--	95,000	557,500
24	95,001	--	100,000	2,386,500
9	100,001	--	105,000	930,000
4	105,001	--	110,000	432,000
5	110,001	--	115,000	564,000
7	115,001	--	120,000	824,500
1	120,001	--	125,000	125,000
2	125,001	--	130,000	260,000
4	130,001	--	135,000	532,500
2	135,001	--	140,000	280,000
4	145,001	--	150,000	589,000
2	155,001	--	160,000	317,500
3	160,001	--	165,000	488,000
6	170,001	--	175,990	1,031,658
1	180,001	--	185,000	184,500
1	185,001	--	190,000	130,000
1	190,001	--	195,000	192,000
3	210,001	--	215,000	633,500
2	215,001	--	220,000	436,000
1	225,001	--	230,000	227,000
1	235,001	--	240,000	239,500
1	240,001	--	245,000	240,500
1	245,001	--	250,000	250,000
1	250,001	--	255,000	255,000
1	255,001	--	260,000	256,500
1	265,001	--	270,000	269,500
1	275,001	--	280,000	278,200
2	295,001	--	300,000	600,000
2	315,001	--	320,000	636,000
2	320,001	--	325,000	646,500
1	325,001	--	330,000	326,500
1	330,001	--	335,000	334,000
2	350,001	--	355,000	709,000
6	340,001	--	345,000	2,052,948
1	360,001	--	365,000	363,500
1	370,001	--	375,000	375,000

2	395,001	--	400,000	795,500
1	400,001	--	405,000	403,000
1	405,001	--	410,000	408,000
1	410,001	--	415,000	415,000
1	440,001	--	445,000	442,500
2	475,001	--	480,000	956,500
2	495,001	--	500,000	1,000,000
1	510,001	--	515,000	514,500
1	515,001	--	520,000	519,000
1	530,001	--	535,000	534,000
1	535,001	--	540,000	537,000
1	555,001	--	560,000	1,113,500
2	605,001	--	610,000	610,000
1	620,001	--	625,000	625,000
1	695,001	--	700,000	698,000
1	855,001	--	860,000	855,395
1	860,001	--	865,000	865,000
1	930,001	--	935,000	4,660,000
5	995,001	--	1,000,000	1,000,000
1	1,025,001	--	1,030,000	1,026,409
1	1,030,001	--	1,035,000	1,034,500
1	1,200,001	--	1,205,000	1,202,000
1	1,425,001	--	1,430,000	1,425,500
1	1,595,001	--	1,600,000	1,596,000
7	1,710,001	--	1,715,000	1,710,790
1	2,285,001	--	2,290,000	2,286,100
1	3,250,001	--	3,255,000	3,250,500
1	3,395,001	--	3,400,000	6,800,000
2	3,880,001	--	3,885,000	11,650,000
3	18,635,001	--	18,640,000	18,640,000
1	6,390,001	--	6,395,000	6,391,500
-----			-----	
3520				133,200,000
=====			=====	

CATEGORIES OF SHAREHOLDERS

<i>Description</i>	<i>Number of Shareholders</i>	<i>Number of Shares held</i>	<i>Percentage</i>
Individuals	3,140	88,845,800	66.70
Investment Companies	19	2,860,700	2.15
Insurance Companies	2	350,000	0.26
Joint Stock Companies	72	8,615,600	6.47
Financial Institutions	22	11,587,200	8.70
Modaraba Companies	10	682,000	0.51
Foreign Companies	28	18,823,700	14.13

Leasing Companies	3	825,000	0.62
Modaraba Management Companies	2	223,500	0.17
Charitable	1	1,000	0.00
Others	221	385,500	0.29
	-----	-----	-----
Total:	3,520	133,200,000	100.00
	=====	=====	=====