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## COMPANY INFORMATION

|                                  |   |  |
|----------------------------------|---|--|
| <b>Board of Directors</b>        | Sheikh Nazaz Ali<br>Mr. Liaqat Khan<br>Mr. Zafar Mahmood<br>Mr. Saito Yoshihiro<br>Mr. Zafar Iqbal<br>Sheikh Mahmood Ali<br>Mr. Qasim Ali Sheikh<br>Mr. Muhammad Ali Tarakai<br>Mr. Walayat Ali Tarakai<br>Mrs. Samina Zafar<br>Mrs. Shahnaz<br>Mr. Khalid Imran<br>Mr. Muhammad Hanif Abbasi | - Chairman<br>- Chief Executive<br><br><br><br><br><br><br><br><br><br><br><br>- Nominee Prime Commercial Bank Ltd.<br>- Nominee National Bank of Pakistan |
| <b>Chief Financial Officer</b>   | Mr. Abdul Rashid  |  |
| <b>Company Secretary</b>         | Syed Zafar Haider   |  |
| <b>Company's Audit Committee</b> | Mr. Muhammad Ali Tarakai<br>Sheikh Mahmood Ali<br>Mr. Zafar Iqbal   | - Chairman   |
| <b>Auditors</b>                  | Hyder Bhimji & Co.,<br>Chartered Accountants<br>&<br>Javid Jalal Amjad & Co.,<br>Chartered Accountants  |  |
| <b>Shares Registrar Office</b>   | Hameed Majeed Associate (Pvt) Ltd.<br>HM House, 7-Bank Square, Lahore.<br>Tel: +92-42-7235081-2<br>Fax: +92-42-7358817  |  |
| <b>Legal Advisor</b>             | Walker Martineau Saleem   |  |
| <b>Bankers</b>                   | Prime Commercial Bank Ltd.<br>Askari Commercial Bank Ltd.<br>Allied Bank Ltd.   |  |
| <b>Lending Banks Syndicate</b>   |   | <b>Participation (%)</b>   |
|                                  | Prime Commercial Bank Limited   | 18.22  |
|                                  | Askari Commercial Bank Ltd.   | 17.27  |
|                                  | National Bank of Pakistan   | 14.39  |
|                                  | Fayasal Bank Limited  | 14.38  |
|                                  | Allied Bank of Pakistan Ltd.  | 12.00  |
|                                  | Crescent Commercial Bank Ltd.   | 10.08  |
|                                  | PICIC Commercial Bank Ltd.  | 6.48   |
|                                  | Saudi Pak Commercial Bank Ltd.  | 3.59   |
|                                  | Prudential Investment Bank Ltd.   | 3.59   |
| <b>Plant Location</b>            | Jia Bagga Railway Station<br>Raiwind Road, District Lahore.<br>Tel: +92-42-5835864-7 Fax: +92-42-5835860  |  |
| <b>Website</b>                   | www.jpplpk.com  |  |

## **NOTICE OF 11TH ANNUAL GENERAL MEETING**

Notice is hereby given that the 11<sup>th</sup> Annual General Meeting of **Japan Power Generation Limited** will be held on Thursday, the 27<sup>th</sup> October 2005 at 11:00 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 of the company held on Monday October 25, 2004.
2. To receive, consider and adopt the Annual audited accounts of the Company for the financial year ended June 30, 2005 along with Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the Company for the year ending June 30, 2006 and fix their remuneration.
4. To transact any other business that may be placed before the meeting with the permission of the chair.

**BY ORDER OF THE BOARD**

Lahore:  
Dated: October 06, 2005.

**ZAFAR HAIDER**  
(Company Secretary)

### **NOTES:**

- I. The Share Transfer Book of the Company will remain closed from October 18, 2005 to October 27, 2005 (Both days inclusive).
- II. CDC shareholders are requested to bring their Original National Identity Card along with Account and CDC participant's ID number at the time of attending the Annual General Meeting.
- 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 the Company's registered office Plant Site, Jia Bagga Railway Station, Off Raiwind Road, District Lahore not later than 48 hours before the time of the meeting and must be duly stamped, signed and witnessed.
- IV. Members are requested to promptly notify the Company any change in their addresses.

## DIRECTORS' REPORT TO THE MEMBERS

The Directors of your company take pleasure in presenting the 11<sup>th</sup> Annual Report and the audited accounts for the year ended June 30, 2005 along with the Auditors' Report.

### Principal Activities

The total power exported during the year ended June 30, 2005 was 381,078 MWH as compared to 491,066 MWH during the corresponding period of 2004.

### Operations

The demand for power declined during the year and reflected a load factor of 42.78% as compared to 52.39% for the previous year. Total power exported during the year was 401,001 MWH (2003: 491,066 MWH).

Routine and preventive maintenance for long term durability of the Plant was as per schedule and also within the budget allocated for the purpose.

### Financial Results

During the year under review your company witnessed decrease in turnover, which was Rs. 2,194.817 million as compared to Rs. 2,019.875 million of the corresponding year. The company suffered a net loss after taxation of Rs. 89.244 million (2004: Rs. 93.635 million). The reduction in net loss achieved due to taxation and financial charges. Unfortunately low power tariff is the factor for continuous loss. The loss per share however reduced during the year as compared to last year i.e. Rs. 0.67 (2004: loss per share Rs. 0.70)

Major reasons for continued losses are as follows:

1. Lowest levelized tariff among the IPPs' located in the same vicinity with the same capacity.
2. The company is paid by WAPDA for consumption of furnace oil @ 211 gm per KWH in fuel component of energy payment against actual average consumption approximately of 222-226 gm at average per KWH.
3. Other factors contributing to the loss in teral i.a include charge of liquidated damages (LDs) levied by WAPDA.

The above fact necessitate the urgency for improving the financial position of the company and your management is trying to overcome this situation. In this regard the management is taking following steps to improve the profitability of the company:

- a. During the year the company successfully negotiated with WAPDA for adjustment on account of liquidated damages for 1<sup>st</sup> agreement year. Presently the company is in the process of reconciling for liquidated damages for the Agreement Years 3<sup>rd</sup> to 5<sup>th</sup>.
- b. During the year your company took further step to reduce administrative expenses.

### Statement pursuant to clause XIX of the Code of Corporate Governance

Statement of Corporate and Financial Reporting Framework.

- 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.

- The financial statements for the year ended June 30, 2005 were presented before the Board after duly signed by the Chief Executive Officer, Director and Chief Financial Officer and the Board after due consideration and approval, authorized the signing of the financial statements for issuance and circulation.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the 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 the financial statements.
- A sound system of internal control is being effectively implemented and continuously reviewed and monitored.
- For the reasons stated in the relevant paras of this report, there are no significant doubts about 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.
- Note 9 of the annexed audited accounts relate to contingencies and commitments.

In compliance with the requirements of the Securities and Exchange Commission of Pakistan, the company has been issuing the quarterly financial statements within the prescribed time limits.

The key operating and financial data of the company is as under:

| Financial year ended June 30, | 2005    | 2004    | 2003    | 2002    | 2001    |
|-------------------------------|---------|---------|---------|---------|---------|
| Turnover Rs. In million       | 2,195   | 2,020   | 2,273   | 1,960   | 1,508   |
| Net loss “                    | (89)    | (94)    | (300)   | (257)   | (187)   |
| Total assets “                | 6,090   | 6,323   | 6,558   | 6,895   | 6,961   |
| Generation MWH                | 381,078 | 401,001 | 491,066 | 430,058 | 281,544 |
| Load factor %                 | 41.00   | 42.78%  | 52.39   | 45.88   | 30.00   |

During the financial year four meetings of the Board of Directors were held; attendance by each Director is as follows:

| Name of Director          | No of meetings attended |
|---------------------------|-------------------------|
| Mr. Liaqat Khan           | 1                       |
| Mr. Zafar Mahmood         | 5                       |
| Sheikh Nazaz Ali          | 5                       |
| Mr. Haseeb Khan           | 3                       |
| Mr. Saito Yoshihiro       | 5                       |
| Mr. Zafar Iqbal           | -                       |
| Mr. Khalid Imran          | 3                       |
| Sheikh Mahmood Ali        | 5                       |
| Mr. Muhammad Hanif Abbasi | 3                       |
| Mr. Qasim Ali Sheikh      | 4                       |
| Mrs. Samina Zafar         | 2                       |
| Mr. Muhammad Ali Taraki   | -                       |
| Mr. Walayat Ali Taraki    | -                       |
| Mrs. Shahnaz              | 2                       |

The leave of absence was granted to Directors who could not attend the Board meetings.

**Changes in the Board**

Since the last Annual General Meeting the changes in the Board of Directors were as follows:

Mr. Haseeb Khan resigned during the year.

The Board of Directors wish to record its appreciation for the valuable services rendered by the outgoing director.

**Auditors**

The present auditors, Messrs, Hyder Bhimji & Company and Javaid Jalal Amjad & Company, Chartered Accountants retire and being eligible, offer themselves for reappointment. The Audit Committee and the Board has recommended their reappointment.

**Pattern of Shareholding**

A statement showing the pattern of shareholding as of June 30, 2005 is attached.

**Acknowledgement**

The Directors wish to acknowledge the services of the company's executives, officers, administrative and technical staff for their contribution and dedication for the smooth and successful running of the plant operations.

And lastly, we highly appreciate the continuous patronage of lenders/bankers and their confidence reposed in the company's management to successfully turn the company into a profitable venture.

**ON BEHALF OF THE  
BOARD OF DIRECTORS**



**CHAIRMAN**

**Lahore:**  
September 27, 2005

**OPERATING AND FINANCIAL DATA**  
SIX YEARSSUMMARY

|                                     | 2004-2005        | 2003-2004        | 2002-2003        | 2001-2002        | 2000-2001          | 1999-2000          |
|-------------------------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|
| <b>DISPATCH LEVEL(%)</b>            | <b>40.68</b>     | <b>42.78</b>     | <b>52.39</b>     | <b>45.88</b>     | <b>30.04</b>       | <b>25.79</b>       |
| <b>DISPATCH (MWH)</b>               | <b>381,320</b>   | <b>401,001</b>   | <b>491,066</b>   | <b>430,058</b>   | <b>281,544</b>     | <b>70,507</b>      |
| <b>REVENUE (Rs. 000)</b>            |                  |                  |                  |                  |                    |                    |
| Energy Purchase Price               | 1,284,440        | 1,142,901        | 1,421,255        | 1,098,617        | 707,637            | 147,122            |
| Capacity Purchase Price             | 910,377          | 876,974          | 851,559          | 861,521          | 800,449            | 227,351            |
| <b>TOTAL REVENUE</b>                | <b>2,194,817</b> | <b>2,019,875</b> | <b>2,272,814</b> | <b>1,960,138</b> | <b>1,508,086</b>   | <b>374,473</b>     |
| Cost of Sales                       | (1,818,782)      | (1,635,978)      | (1,859,306)      | (1,483,974)      | (1,084,055)        | (237,310)          |
| <b>GROSS PROFIT</b>                 | <b>376,035</b>   | <b>383,897</b>   | <b>413,508</b>   | <b>476,164</b>   | <b>424,031</b>     | <b>137,163</b>     |
| <b>PROFITABILITY (Rs. 000)</b>      |                  |                  |                  |                  |                    |                    |
| Profit / (Loss) Before Tax          | (89,866)         | (91,467)         | (299,272)        | (256,666)        | (187,177)          | (67,518)           |
| Provision for Taxation              | 622              | (2,168)          | (588)            | (384)            | (387)              | (49)               |
| <b>PROFIT / (LOSS) AFTER TAX</b>    | <b>(89,244)</b>  | <b>(93,635)</b>  | <b>(299,860)</b> | <b>(257,050)</b> | <b>(187,564)</b>   | <b>(67,567)</b>    |
| <b>FINANCIAL POSITION (Rs. 000)</b> |                  |                  |                  |                  |                    |                    |
| Non Current Assets                  | 5,713,498        | 5,947,918        | 6,077,589        | 6,406,051        | 6,649,956          | 6,724,006          |
| Current Assets                      | 520,298          | 449,969          | 480,925          | 489,488          | 310,601            | 333,875            |
| Less Current Liabilities            | (666,542)        | (429,480)        | (468,267)        | (483,502)        | (1,489,910)        | (1,631,405)        |
| <b>NET WORKING CAPITAL</b>          | <b>(146,244)</b> | <b>20,489</b>    | <b>12,658</b>    | <b>5,986</b>     | <b>(1,179,309)</b> | <b>(1,297,530)</b> |
| <b>CAPITAL EMPLOYED</b>             | <b>5,567,254</b> | <b>5,968,407</b> | <b>6,090,247</b> | <b>6,412,037</b> | <b>5,470,647</b>   | <b>5,426,476</b>   |
| Less Non Current Liabilities        | (5,230,174)      | (5,542,083)      | (5,570,289)      | (5,592,219)      | (4,393,778)        | (4,162,043)        |
| <b>SHAREHOLDERS' EQUITY</b>         | <b>337,080</b>   | <b>426,324</b>   | <b>519,958</b>   | <b>819,818</b>   | <b>1,076,869</b>   | <b>1,264,433</b>   |
| <b>REPRESENTED BY (Rs. 000)</b>     |                  |                  |                  |                  |                    |                    |
| Share Capital                       | 1,332,000        | 1,332,000        | 1,332,000        | 1,332,000        | 1,332,000          | 1,332,000          |
| Accumulated Loss                    | (994,920)        | (905,676)        | (812,042)        | (512,181)        | (255,131)          | (67,567)           |
|                                     | <b>337,080</b>   | <b>426,324</b>   | <b>519,958</b>   | <b>819,819</b>   | <b>1,076,869</b>   | <b>1,264,433</b>   |
| <b>SHARE VALUE (RUPEES):</b>        |                  |                  |                  |                  |                    |                    |
| Market Value                        | <b>4.00</b>      | <b>5.30</b>      | <b>4.10</b>      | <b>3.35</b>      | <b>3.80</b>        | <b>5.30</b>        |
| Breakup Value                       | 2.53             | 3.20             | 3.90             | 6.15             | 8.08               | 9.49               |
| <b>RATIOS:</b>                      |                  |                  |                  |                  |                    |                    |
| Gross Profit to Sales (%)           | 17.13            | 19.01            | 18.19            | 24.29            | 28.12              | 36.63              |
| Net Profit to Sales (%)             | (4.07)           | (4.64)           | (13.19)          | (13.11)          | (12.44)            | (18.04)            |
| Earning per Share (Rupees)          | (0.67)           | (0.70)           | (2.25)           | (1.93)           | (1.41)             | (0.51)             |
| Current Ratio (times)               | 0.78             | 1.05             | 1.03             | 1.01             | 0.21               | 0.20               |
| Liquidity Ratio (times)             | 0.37             | 0.58             | 0.70             | 0.83             | 0.16               | 0.19               |
| Debt to Equity (times)              | 17.49            | 14.01            | 11.61            | 7.41             | 5.46               | 4.58               |
| <b>Number of Employees</b>          | <b>94</b>        | <b>92</b>        | <b>111</b>       | <b>122</b>       | <b>98</b>          | <b>88</b>          |



## Vision Statement

To become partner in progress of the country.





## Mission Statement

- To be a company that endeavors to set the highest standards in corporate ethics.
- To achieve leadership through the use of technology and contribute to the development of the society.
- To transform the company into a modern corporate entity by achieving high standards of good governance.
- To earn better relationship with WAPDA by achieving production at optimum level and efficiency by lowering operating cost.
- To provide congenial working atmosphere to the employees by taking care of their career planning and adequately rewarding them for their contribution.
- To discharge social and cultural obligations towards the society as a patriotic and conscientious corporate entity.

## STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance in the listing regulations of Karachi and Lahore 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 company encourages the representation of independent non-executive directors on its Board of Directors. At present the Board includes three independent non-executive directors. However there is no representation of minority shareholders on the Board.
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 DF or an NBF or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. Mr. Haseeb Khan resigned during the year.
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 statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the date on which they were approved 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 (CEO) and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman 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 has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit. However, their remuneration and terms & conditions of employment, in case of future appointments, will be approved by the Board.
10. The directors' report for the year ended June 30, 2005 has been prepared in compliance with the requirements of the Code and fully describes the matters required to be disclosed.
11. The financial statements of the company were duly endorsed by CEO, Director and CFO before the approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

13. The company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises four members, all of whom are non-executive directors including the Chairman of the Committee.
15. 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 approved by the Board and advised to the committee for compliance.
16. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company and are involved in the internal audit function on a full time basis.
17. 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 the Institute of Chartered Accountants of Pakistan.
18. 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 auditor has confirmed that they have observed IFAC guidelines in this regard.
19. We confirm that all other material principles contained in the Code have been complied with.



Sheikh Nazaz Ali  
Chairman/Director

Lahore: September 27, 2005

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE ON TRANSFER PRICING

The company has fully complied with the best practices on Transfer Pricing as contained in the Regulation No. 38 of the Lahore stock exchange and Karachi stock exchange.



Sheikh Nazaz Ali  
Chairman/Director

Lahore: September 27, 2005

## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE 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 **Japan Power Generation Limited** to comply with the Listing Regulation No. 37 (Chapter XI) and No. 40 (Chapter XIII) of the Karachi and Lahore Stock Exchanges respectively where the Company is listed.

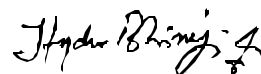
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance 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 system 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 effective for the year ended June 30, 2005.

Lahore:  
September 27, 2005

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

  
**Hyder Bhimji & Co.**  
Chartered Accountants

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Japan Power Generation Limited as at June 30, 2005 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;
  - 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, 2005 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.

Without qualifying our opinion, we draw attention of the members to note 9.1(a) to the financial statements. The company is in the process of reconciliation with WAPDA for the settlement and withdrawal of the liquidated damages, as also acknowledged by WAPDA. Accordingly, the ultimate outcome of this matter cannot presently be determined; and therefore no provision for any liability that may result has been made in these financial statements.

**Hyder Bhimji & Co.**  
Chartered Accountants

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

**Lahore:**  
September 27, 2005

**BALANCE SHEET**

(Rupees in '000s)

|  | Note | 2005<br>Rupees   | 2004<br>Rupees   |
|--|------|------------------|------------------|
| <b>Capital and reserves</b>                                      |      |                  |                  |
| <b>Authorized capital</b>  |      |                  |                  |
| 150,000,000 ordinary shares of Rs.10 each                        |      | <u>1,500,000</u> | <u>1,500,000</u> |
| <b>Issued, subscribed and paid-up capital</b>                    |      |                  |                  |
| 133,200,000 ordinary shares of Rs.10 each,<br>fully paid in cash |      | <u>1,332,000</u> | <u>1,332,000</u> |
| <b>Accumulated loss</b>  |      | <u>(994,920)</u> | <u>(905,676)</u> |
| <b>Shareholders' equity</b>                                      |      | <u>337,080</u>   | <u>426,324</u>   |
| <b>Noncurrent liabilities</b>                                    |      |                  |                  |
| <b>Sponsors' interest free loan-unsecured</b>                    |      | <u>228,376</u>   | <u>228,376</u>   |
| <b>Long term loans/finances</b>                                  | 3    | <u>4,992,092</u> | <u>5,300,937</u> |
| <b>Liabilities against assets</b>                                |      |                  |                  |
| subject to finance lease   | 4    | <u>3,942</u>     | <u>7,978</u>     |
| <b>Deferred liabilities</b>                                      | 5    | <u>5,764</u>     | <u>4,792</u>     |
|  |      | <u>5,230,174</u> | <u>5,542,083</u> |
| <b>Current liabilities</b>                                       |      |                  |                  |
| <b>Short term borrowings</b>                                     | 6    | <u>56,470</u>    | <u>74,081</u>    |
| <b>Current portion of long term liabilities</b>                  | 7    | <u>326,949</u>   | <u>124,614</u>   |
| <b>Creditors, accrued and other liabilities</b>                  | 8    | <u>283,123</u>   | <u>230,785</u>   |
|  |      | <u>666,542</u>   | <u>429,480</u>   |
| <b>Contingencies and commitments</b>                             | 9    | <u>6,233,796</u> | <u>6,397,887</u> |

The annexed notes form an integral part of these financial statements.



Chairman/Director

AS AT JUNE 30, 2005

|  |      | (Rupees in '000s) |                  |
|--|------|-------------------|------------------|
|  | Note | 2005<br>Rupees    | 2004<br>Rupees   |
| <b>Noncurrent assets</b>                                 |      |                   |                  |
| <b>Fixed assets-tangible</b>                             |      |                   |                  |
| Operating fixed assets                                   | 10   | 5,699,811         | 5,901,842        |
| Capital work-in-progress                                 | 11   | 3,413             | 25,620           |
|  |      | <b>5,703,224</b>  | <b>5,927,462</b> |
| <b>Long term deposits, prepayments and deferred cost</b> |      |                   |                  |
| Long term deposits and prepayments                       | 12   | 10,274            | 11,311           |
| Deferred cost  | 13   | --                | 9,145            |
|  |      | <b>10,274</b>     | <b>20,456</b>    |
|  |      | <b>5,713,498</b>  | <b>5,947,918</b> |
| <b>Current assets</b>                                    |      |                   |                  |
| Stores and spares  | 14   | 26,502            | 35,990           |
| Stock in trade   | 15   | 70,034            | 55,956           |
| Trade debts  | 16   | 92,451            | 227,673          |
| Advances, deposits, prepayments and other receivables    | 17   | 326,452           | 124,235          |
| Cash and bank balances                                   | 18   | 4,859             | 6,115            |
|  |      | <b>520,298</b>    | <b>449,969</b>   |
|  |      | <b>6,233,796</b>  | <b>6,397,887</b> |

Chief Executive

  
Chief Financial Officer

**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED JUNE 30, 2005

|  |      | (Rupees in '000s)  |                    |
|--|------|--------------------|--------------------|
|  | Note | 2005<br>Rupees     | 2004<br>Rupees     |
| Sales  | 19   | 2,194,817          | 2,019,875          |
| Cost of sales  | 20   | <u>(1,818,782)</u> | <u>(1,635,978)</u> |
| <b>Gross profit</b>                                      |      | <b>376,035</b>     | <b>383,897</b>     |
| Operating expenses                                       |      |                    |                    |
| Administrative and general                               | 21   | <u>(53,006)</u>    | <u>(57,088)</u>    |
| <b>Operating profit</b>                                  |      | <b>323,029</b>     | <b>326,809</b>     |
| Other income   | 22   | <u>7,487</u>       | <u>7,917</u>       |
|  |      | <b>330,516</b>     | <b>334,726</b>     |
| Financial and other charges                              |      |                    |                    |
| Financial charges  | 23   | <u>(411,237)</u>   | <u>(413,119)</u>   |
| Other charges  | 24   | <u>(9,145)</u>     | <u>(13,074)</u>    |
|  |      | <u>(420,382)</u>   | <u>(426,193)</u>   |
| <b>Net loss before taxation from ordinary activities</b> |      | <b>(89,866)</b>    | <b>(91,467)</b>    |
| Provision for taxation:                                  |      |                    |                    |
| Current taxation on other income                         |      | <u>(221)</u>       | <u>(1,325)</u>     |
| Tax paid under section 52/86                             | 25   | <u>843</u>         | <u>(843)</u>       |
|  |      | <u>622</u>         | <u>(2,168)</u>     |
| <b>Net loss after taxation</b>                           |      | <b>(89,244)</b>    | <b>(93,635)</b>    |
| <b>Accumulated loss brought forward</b>                  |      | <b>(905,676)</b>   | <b>(812,041)</b>   |
| <b>Accumulated loss carried forward</b>                  |      | <b>(994,920)</b>   | <b>(905,676)</b>   |
| <b>Loss per share</b>                                    | 26   | <u><u>0.67</u></u> | <u><u>0.70</u></u> |

The annexed notes form an integral part of these financial statements.



Chairman/Director

Chief Executive



Chief Financial Officer




**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED JUNE 30, 2005

|   |      | (Rupees in '000s) |                  |
|---|------|-------------------|------------------|
|   | Note | 2005<br>Rupees    | 2004<br>Rupees   |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>          |      |                   |                  |
| Cash inflow after working capital changes           | 27   | 560,234           | 506,127          |
| Financial charges paid                              |      | (417,682)         | (467,957)        |
| Gratuity paid                                       |      | (232)             | (2,188)          |
| Income tax paid                                     |      | (3,319)           | 2,948            |
| <b>Net cash generated from operating activities</b> |      | <b>139,001</b>    | <b>38,930</b>    |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>          |      |                   |                  |
| Fixed assets  |      | (14,047)          | (107,971)        |
| Proceed from fixed assets sold                      |      | 1,550             | 36               |
| Long term deposits                                  |      | 1,037             | (6,895)          |
| <b>Net cash used in investing activities</b>        |      | <b>(11,460)</b>   | <b>(114,830)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>          |      |                   |                  |
| Long term loans/finances                            |      | (106,490)         | 53,308           |
| Short term borrowings                               |      | (17,611)          | (51,580)         |
| Payment of lease rentals-principal amount           |      | (4,696)           | (4,703)          |
| <b>Net cash used in financing activities</b>        |      | <b>(128,797)</b>  | <b>(2,975)</b>   |
| <b>Net decrease in cash and cash equivalents</b>    |      | <b>(1,256)</b>    | <b>(78,875)</b>  |
| Cash and cash equivalents at beginning of year      |      | 6,115             | 84,990           |
| <b>Cash and cash equivalents at end of year</b>     | 18   | <b>4,859</b>      | <b>6,115</b>     |



Chairman/Director

Chief Executive



Chief Financial Officer

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED JUNE 30, 2005

|                                    | Share<br>Capital<br>Rs. '000s | Accumulated<br>Loss<br>Rs. '000s | Total<br>Rs. '000s |
|------------------------------------|-------------------------------|----------------------------------|--------------------|
| Balance as at June 30, 2003        | 1,332,000                     | (812,041)                        | 519,959            |
| Net loss for the year              | -                             | (93,635)                         | (93,635)           |
| Balance as at June 30, 2004        | 1,332,000                     | (905,676)                        | 426,324            |
| Net loss for the year              | -                             | (89,244)                         | (89,244)           |
| <b>Balance as at June 30, 2005</b> | <b>1,332,000</b>              | <b>(994,920)</b>                 | <b>337,080</b>     |



Chairman/Director

Chief Executive



Chief Financial Officer

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2005

**1 THE COMPANY AND ITS OPERATIONS**

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 commercial operations from March 15, 2000.

**2 SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

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

**2.2 Accounting convention**

These financial statements have been prepared under the historical cost convention except for staff retirement benefits ( note 2.3) that are measured at present value and capitalization of exchange differences on foreign currency loans (note 2.12). In these financial statements, except for cash flow statement, all the transactions have been accounted for on accrual basis.

**2.3 Staff retirement benefits**

The company operates an unfunded gratuity scheme covering all permanent employees with qualifying service period of six months. The scheme is based on the last drawn salary. The provision which is charged to income is made annually to cover the obligation on the basis of actuarial valuation. The most recent actuarial valuation of the scheme was carried out as at June 30, 2005. The actuary, used the 'Projected Unit Credit Method' relying on the following significant assumptions:

|  | 2005     | 2004     |
|--|----------|----------|
| Discount rate  | 9%       | 8%       |
| Expected rate of salary increase                     | 8%       | 7%       |
| Average expected remaining working life of employees | 12 years | 14 years |

Actuarial gains and losses are recognized in accordance with the recommendations of the actuary.

**2.4 Taxation**

The company's profit and gains from power generation are exempt from tax under clause 132 of the Second Schedule - Part I of the Income Tax Ordinance, 2001. The company is also exempt from minimum tax on turnover under clause 15 of Part - IV of the Second Schedule to the Income Tax Ordinance, 2001. Tax on income from sources not covered under the above clauses is determined in accordance with the normal provisions of the Income Tax Ordinance, 2001.



**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 exchanged differences referred to in note 2.12.

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 exchanged differences relating to an asset at the end of each year is amortized in equal installment 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. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the company. Every other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Gains and losses on deleted assets are included in the profit and loss account.

**2.6 Accounting for leased Assets**

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

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 and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business less estimated cost necessary to make the sale. Cost is calculated as follows:

|                                |                          |
|--------------------------------|--------------------------|
| <b>Stores and spares</b>       | Moving average basis     |
| <b>Stock in trade</b>          |                          |
| Residual fuel oil (RFO)        | First in first out basis |
| High speed diesel (HSD)        | Moving average basis     |
| Lube oil                       | Moving average basis     |
| Chemicals and other lubricants | Moving average basis     |

Items in transit are valued at cost calculated on invoice values plus other charges incurred thereon.

**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 Traded debts and other receivables**

These are carried at amounts recognised at the time of transactions. Bad debts are written off when identified.

**2.10 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash equivalents are short term highly liquid instruments that are readily convertible to known amounts of cash which are subject to insignificant changes.



### 2.11 Creditors, accrued and other liabilities

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

### 2.12 Foreign currency translation

Foreign currency transactions are converted into Pak Rupees at the rates prevailing on the date of transaction. Monetary 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. All other exchanged differences are charged to income currently.

### 2.13 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

### 2.14 Contingencies and commitments

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

### 2.15 Borrowing costs

Borrowing costs are charged to income when incurred.

### 2.16 Financial instruments

#### Recognition and measurement

All financial assets and liabilities are recognized at cost when the company becomes a party to the contractual provisions of the instrument. The financial instruments include long term deposits, receivables, cash and cash equivalents, loans and creditors accrued and other liabilities. Any gain or loss on subsequent re-measurement to fair value of financial asset and financial liability is taken to profit and loss account on occurrence. The particular measurement methods adopted are disclosed in individual policy statements associated with each item.

#### Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset against each other and the net amount is reported in the balance sheet if the company has a legally enforceable right to set off the recognized amount and intend either to settle on net basis or realize the asset and settle the liability simultaneously.

### 2.17 Impairment

The carrying amount of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment loss is recognized in the profit and loss account.

### 2.18 Revenue recognition

Energy sales are 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.

|   |            | (Rupees in '000s) |                |
|---|------------|-------------------|----------------|
|   | Note       | 2005<br>Rupees    | 2004<br>Rupees |
| <b>3. Long term loans/finances</b>  |            |                   |                |
| <b>Secured</b>  |            |                   |                |
| <b>Syndicated loan I under Murabaha arrangement</b>                       | <b>3.1</b> |                   |                |
| Banking companies   |            |                   |                |
| Prime Commercial Bank Limited   |            | 28,053            | 38,236         |
| National Bank of Pakistan   |            | 21,615            | 29,460         |
| Askari Commercial Bank Limited  |            | 26,600            | 36,254         |
| Allied Bank of Pakistan Limited   |            | 13,290            | 18,114         |
| Faysal Bank Limited   |            | 22,137            | 30,172         |
| PICIC Commercial Bank Limited   |            | 9,975             | 13,596         |
| Saudi Pak Commercial Bank   |            | 5,537             | 7,546          |
| Crescent Commercial Bank Limited<br>(formerly Mashreq Bank Pakistan Ltd.) |            | 4,433             | 6,042          |
|   |            | <b>131,640</b>    | 179,420        |
| Non-banking financial institutions  |            |                   |                |
| Prudential Investment Bank Limited  |            | 4,059             | 7,546          |
|   |            | <b>135,699</b>    | 186,966        |
| <b>Syndicated loan II under Murabaha arrangement</b>                      | <b>3.2</b> |                   |                |
| Banking companies   |            |                   |                |
| Prime Commercial Bank Limited   |            | 935,018           | 935,018        |
| National Bank of Pakistan   |            | 761,720           | 761,720        |
| Askari Commercial Bank Limited  |            | 914,272           | 914,272        |
| Allied Bank of Pakistan Limited   |            | 663,993           | 719,217        |
| Faysal Bank Limited   |            | 761,147           | 761,147        |
| PICIC Commercial Bank Limited   |            | 343,002           | 343,002        |
| Saudi Pak Commercial Bank Limited   |            | 189,886           | 189,886        |
| Crescent Commercial Bank Limited<br>(formerly Mashreq Bank Pakistan Ltd.) |            | 152,860           | 152,860        |
| Trust Commercial Bank Limited   |            | 380,301           | 380,300        |
|   |            | <b>5,102,199</b>  | 5,157,422      |
| Non-banking financial institutions  |            |                   |                |
| Prudential Investment Bank Limited  |            | 52,093            | 52,093         |
|   |            | <b>5,154,292</b>  | 5,209,515      |
| <b>Un-secured</b>   |            |                   |                |
| <b>Supplier's credit - Power cable</b>                                    | <b>3.3</b> | <b>25,993</b>     | 25,353         |
|   |            | <b>5,315,984</b>  | 5,421,834      |
| <b>Less: Current portions shown under current liabilities</b>             |            |                   |                |
| Overdue installments - Supplier's credit - power cable                    |            | 25,993            | 25,353         |
| Current maturity - Syndicated Loan I                                      |            | 135,699           | 95,544         |
| Current maturity - Syndicated Loan II                                     |            | 162,200           | -              |
|   |            | <b>323,892</b>    | 120,897        |
|   |            | <b>4,992,092</b>  | 5,300,937      |



### 3.1 Syndicated loan under Murabaha arrangement

The loan was obtained under the markup arrangement to fund the cost overrun of the project. In terms of markup arrangement the company agreed to sell certain assets to the Syndicate for Rs. 253.900 million and simultaneously agreed to buy back the same for Rs. 540.851 million.

The loan is secured by a first charge ranking paripassu on all present and future assets including equipment, inventories and receivables of the company and the personal guarantees of the sponsoring directors including the option to convert the outstanding purchase price into equity at par.

According to the rescheduling/restructuring agreement, duly signed by the company and the Syndicate banks, the loan is repayable in 20 quarterly installments commencing from May 31, 2001 and carries markup @ 12% p.a. However, the syndicate banks have agreed to a markup rate of 7% from July 01, 2003 and onward.

### 3.2 Syndicated loan under Murabaha arrangement

This facility under markup arrangement was created due to non-payment by the company of outstanding installments of supplier's credit, financing fee and interest thereon as well as the repayment of the remaining installments (Note 3.1).

In terms of markup arrangement, the company agreed to sell certain assets to the Syndicate for so much of Rupee that are equivalent of Japanese Yen 8,166,135,552, utilized in accordance with the terms of repayment of supplier's credit along with financing fee, and simultaneously agreed to buy back the same assets for so much of Rupee that equal principal amount plus markup @ 12% p.a. on the principal amount outstanding including so much of mark up that accrued on the amount outstanding for the period from 01-07-2000 to 31-12-2001. However, the Syndicate Banks agreed to a markup rate of 7% from July 01, 2003 and onward.

The facility is secured by a first charge ranking paripassu on all present and future assets including equipment, inventories and receivables of the company and personal guarantees of the sponsoring directors including option to convert the outstanding purchase price into equity at par.

According to the rescheduling/restructuring agreement, signed by the company and the Syndicate Banks, it shall be repayable in 53 installments commencing from May 31, 2001. Repayment of the principal sum will start from March 31, 2006.

### 3.3 Supplier's credit – power cable

This credit was obtained from Toyota Tsusho Corporation, Japan amounting to US \$ 1,315,113 against the import of power 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.

|  |      | (Rupees in '000s) |                |
|--|------|-------------------|----------------|
|  | Note | 2005<br>Rupees    | 2004<br>Rupees |
| <b>4. Liabilities against assets subject to finance lease</b>          |      |                   |                |
| <b>4.1</b> The movement in this account during the year is as follows: |      |                   |                |
| Opening balance  |      | 11,695            | 11,495         |
| Add: Finance obtained during the year                                  |      | -                 | 4,903          |
| Less: Paid during the year   |      | 4,696             | 4,703          |
|  |      | <b>6,999</b>      | 11,695         |
| Less: Current portions shown under current liabilities:                |      | <b>3,057</b>      | 3,717          |
|  |      | <b>3,942</b>      | 7,978          |

**4.2** These represent finance leases entered into with leasing companies for cars. The company intends to exercise its option to purchase the asset on payment of last installment and adjustment of residual value against lease key money.

**4.3** These are secured by demand promissory notes, personal guarantees of the directors and security deposits (note-12).

**4.4** Present value of minimum lease payments has been discounted at an interest rate implicit in lease which equates to an interest rate of approximately 12% to 28% per annum. Repayments are made monthly with an escalable clause for delay on payment ranging from Rs.100 per day to Re.1 per thousand per day.

**4.5** Repair and insurance cost shall be borne by the lessee. The lease may be terminated by the lessee at the end of any completed year of lease after first year, whereby the lessee will be required to pay outstanding principal plus the termination cost which may range from 0 ~ 5% of the outstanding balance.

**4.6** The future minimum lease payments under finance lease together with the present value of the minimum lease payments are as follows:

|   | 2005                                     |                               | 2004                                     |                               |
|---|--|-------------------------------|--|-------------------------------|
|   | Minimum<br>lease<br>Payments<br>Rs.'000s | Present<br>values<br>Rs.'000s | Minimum<br>lease<br>payments<br>Rs.'000s | Present<br>values<br>Rs.'000s |
| Not later than one year                           | 3,734                                    | 3,057                         | 5,983                                    | 4,697                         |
| Later than one year but not later than five years | 4,036                                    | 3,942                         | 7,770                                    | 6,998                         |
| Total minimum lease payments                      | 7,770                                    | 6,999                         | 13,753                                   | 11,695                        |
| Less: amounts representing financial charges      | 771                                      | -                             | 2,058                                    | -                             |
| Present value of minimum lease payments           | 6,999                                    | 6,999                         | 11,695                                   | 11,695                        |

**5. Deferred Liability**

**5.1** Movement during the year in the net liability recognised in the financial statements is:

|                            | 2005<br>Rs.'000s | 2004<br>Rs.'000s |
|----------------------------|------------------|------------------|
| Opening net liability      | 4,792            | 5,593            |
| Add: expense recognised    | 1,204            | 1,387            |
|                            | <b>5,996</b>     | 6,980            |
| Less: paid during the year | 232              | 2,188            |
| Closing net liability      | <b>5,764</b>     | 4,792            |



# JAPAN POWER GENERATION LIMITED

(Rupees in '000s)

2005  
Rupees

2004  
Rupees

## 5.2 The amounts recognized in balance sheet are as follow:

|   |       |       |
|---|-------|-------|
| Present value of defined benefit obligation | 4,046 | 3,240 |
| Payables as on June 30                      | 1,198 | 1,198 |
| Unrecognized actuarial gains                | 520   | 354   |
|   | 5,764 | 4,792 |
|   | 5,764 | 4,792 |

## 5.3 The actuarial expense recognised in the profit and loss account is:

|                               |       |       |
|-------------------------------|-------|-------|
| Current service cost          | 947   | 1,087 |
| Interest cost                 | 259   | 300   |
| Actuarial (gains)/loss charge | (2)   | -     |
|                               | 1,204 | 1,387 |
|                               | 1,204 | 1,387 |

## 6. Short term borrowings

| <u>Names of lenders</u>     |     | <u>Sanctioned Limit</u> | <u>Disbursed Amount</u> |                  |
|-----------------------------|-----|-------------------------|-------------------------|------------------|
|                             |     | Rs.'000s                | 2005<br>Rs.'000s        | 2004<br>Rs.'000s |
| <b>Banking companies</b>    |     |                         |                         |                  |
| Prime Commercial Bank Ltd   | 6.1 | 40,000                  | 17,000                  | 34,611           |
| Allied Bank of Pakistan Ltd | 6.1 | 39,470                  | 39,470                  | 39,470           |
|                             |     | 79,470                  | 56,470                  | 74,081           |
|                             |     | 79,470                  | 56,470                  | 74,081           |

6.1 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 markup @ 7% per annum.

## 7. Current portion of long-term liabilities

|   |        | 2005<br>Rs.'000s | 2004<br>Rs.'000s |
|---|--------|------------------|------------------|
| Long term loans/finances                            | Note-3 | 323,892          | 120,897          |
| Liabilities against assets subject to finance lease | Note-4 | 3,057            | 3,717            |
|   |        | 326,949          | 124,614          |
|   |        | 326,949          | 124,614          |

## 8. Creditors, accrued and other liabilities

|   |          |         |         |
|---|----------|---------|---------|
| Creditors                                       |          | 10,505  | 9,321   |
| Accrued liabilities                             |          | 5,734   | 6,468   |
| Advance from WAPDA for purchase of HFO          | Note-8.1 | 133,333 | 75,000  |
| Provision for sales tax                         |          | 2,238   | 2,238   |
| Infrastructure tax payable                      |          | 4,397   | 4,397   |
| Interest/markup payable on secured borrowings   |          | 118,048 | 126,332 |
| Interest/markup payable on unsecured borrowings |          | 2,601   | 762     |
| Guarantee commission payable                    |          | 6,267   | 6,267   |
|   |          | 283,123 | 230,785 |
|   |          | 283,123 | 230,785 |

8.1 This advance carries markup @ 2% above Reporate (2004: @ 2% above Reporate) per annum and is secured against company's sale invoices.

**9 Contingencies and commitments****Contingencies:**

9.1 The company has the following contingent liabilities/assets in case of WAPDA:

- a) The company is contingently liable for the liquidated damages (LDs) claimed by WAPDA for the period from July 01, 2001 to June 30, 2005 to the tune of Rs. 458.691 million (including Rs. 205.014 million for the year ended June 30, 2005), out of which WAPDA has forcefully deducted Rs. 258.481 million (including Rs. 143.695 million for the year under report) from company's Capacity Purchase Price and Energy Purchase Price (CPP and EPP) invoices without its prior consent; and this matter is in the process of reconciliation. The company's management believes that after taking into account the allowances for forced outages and providing cogent reasons, it will not have to pay the damages to this extent. Accordingly, the liquidated damages invoiced by WAPDA have not been provided for in these financial statements since the company has contested the validity of this claim. The company is confident that the matter will be positively settled in its favour on reconciliation.
- b) Amounts totalling to Rs. 23.420 million included in trade debts (note-16) are disputed with WAPDA due to difference in multiplying factor used in meter reading formulae applied by WAPDA. Management believes that its contention would prevail and accordingly, no provision against this debt has been recognized in these financial statements.

**Commitments:**

9.2 The company had the following commitments at the terminal date:

- I) Commitments under the letters of credit for capital expenditure at the year end were equivalent to Nil (2004: Rs. 8.3 million).
- II) Commitments under the letters of credit other than capital expenditure at the year end were equivalent to Nil (2004: Rs. 4.6 million).

10. Operating fixed assets

| PARTICULARS                                 | COST                |               |               |              | DEPRECIATION        |            |                     |                        | Written Down Values as at June 30, 2005 |                     |                     |
|---|---------------------|---------------|---------------|--------------|---------------------|------------|---------------------|------------------------|---|---------------------|---------------------|
|   | As at July 01, 2004 | Additions     | Adjustments   | Deletions    | As at June 30, 2005 | Rate (%)   | As at July 01, 2004 | Deletional adjustments |   | Charge for the year | As at June 30, 2005 |
| <b>Owned</b>                                |                     |               |               |              |                     |            |                     |                        |   |                     |                     |
| Land - freehold                             | 16,979              | -             | -             | -            | 16,979              | -          | -                   | -                      | -                                       | -                   | 16,979              |
| Buildings and civil works on free hold land | 366,551             | 756           | -             | -            | 367,307             | 3.3 ~ 3.85 | 51,377              | -                      | 12,277                                  | 63,654              | 303,653             |
| Plant and machinery                         | 6,442,438           | 35,219        | 640           | -            | 6,478,297           | 3.3 ~ 3.85 | 908,196             | -                      | 216,592                                 | 1,124,788           | 5,353,509           |
| Workshop equipment                          | 16,085              | -             | -             | -            | 16,085              | 10         | 6,433               | -                      | 1,609                                   | 8,042               | 8,043               |
| Weighbridge                                 | 1,173               | -             | -             | -            | 1,173               | 10         | 470                 | -                      | 118                                     | 588                 | 587                 |
| Furniture and fixtures                      | 2,362               | 53            | -             | -            | 2,417               | 10         | 833                 | -                      | 241                                     | 1,074               | 1,343               |
| Electric installations                      | 1,880               | 10            | -             | -            | 1,890               | 10         | 645                 | -                      | 189                                     | 834                 | 1,056               |
| Office equipment                            | 1,346               | 175           | -             | -            | 1,521               | 10         | 458                 | -                      | 152                                     | 610                 | 911                 |
| Laboratory equipment                        | 892                 | 37            | -             | -            | 929                 | 10         | 163                 | -                      | 92                                      | 255                 | 674                 |
| Computers                                   | 2,048               | 4             | -             | -            | 2,053               | 30         | 1,798               | -                      | 149                                     | 1,947               | 106                 |
| Tube/well                                   | 1,724               | -             | -             | -            | 1,724               | 10         | 740                 | -                      | 172                                     | 912                 | 812                 |
| Railways sidings                            | 6,650               | -             | -             | -            | 6,650               | 10         | 2,854               | -                      | 665                                     | 3,519               | 3,131               |
| Vehicles                                    | 7,265               | -             | 10,066        | 1,850        | 5,461               | 20         | 3,077               | 5,282                  | 3,004                                   | 11,365              | 4,116               |
| <b>Leased</b>                               |                     |               |               |              |                     |            |                     |                        |   |                     |                     |
| Office Premises                             | 775                 | -             | -             | -            | 775                 | 10         | 333                 | -                      | 78                                      | 411                 | 364                 |
| Vehicles                                    | 22,536              | -             | (10,066)      | -            | 12,470              | 20         | 11,490              | (6,040)                | 2,493                                   | 7,943               | 4,527               |
| <b>2005 Rs. '000'</b>                       | <b>6,839,709</b>    | <b>36,254</b> | <b>640</b>    | <b>1,850</b> | <b>6,925,733</b>    |            | <b>968,867</b>      | <b>(746)</b>           | <b>237,831</b>                          | <b>1,225,365</b>    | <b>5,699,611</b>    |
| <b>2004 Rs. '000'</b>                       | <b>6,779,001</b>    | <b>44,668</b> | <b>67,273</b> | <b>183</b>   | <b>6,890,719</b>    |            | <b>751,657</b>      | <b>(60)</b>            | <b>237,270</b>                          | <b>988,867</b>      | <b>5,901,842</b>    |

10.1 Adjustments to plant and machinery represents exchange loss on the repayment of foreign currency loans amounting to Rs. 640 million (2004: exchange loss of Rs. 67,223 million) utilized for the acquisition of plant and machinery.

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

|                                     | 2005       | 2004       |
|-------------------------------------|------------|------------|
|                                     | Rs. '000's | Rs. '000's |
| Cost of sales                       | 231,525    | 230,057    |
| Administrative and general expenses | 6,306      | 7,213      |
|                                     | 237,831    | 237,270    |

10.3 The detail of fixed assets disposed of during the year is as follows:

| Depreciation           | Cost         | Accumulated Depreciation | Book Value   | Sale Proceeds | Profit/ (Loss) | Mode of Sale | Particulars of Buyer  |
|------------------------|--------------|--------------------------|--------------|---------------|----------------|--------------|---|
| <b>Vehicles</b>        |              |                          |              |               |                |              |   |
| Toyota Hiace           | 886          | 177                      | 709          | 800           | 51             | Negotiation  | Saimad Tours & Transport Co. 1st Floor, Flat # 5, Sultan Arcade, Gulberg III, Lahore. |
| Honda Civic            | 964          | 519                      | 385          | 750           | 365            | Negotiation  | Malik Muhammad Azhar, employee of the company.  |
| <b>2005 Rs. '000's</b> | <b>1,850</b> | <b>756</b>               | <b>1,094</b> | <b>1,550</b>  | <b>456</b>     |              |   |
| <b>2004 Rs. '000's</b> | <b>183</b>   | <b>60</b>                | <b>123</b>   | <b>36</b>     | <b>(87)</b>    |              |   |

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|   |        | (Rupees in '000s) |                |
|---|--------|-------------------|----------------|
|   | Note   | 2005<br>Rupees    | 2004<br>Rupees |
| <b>11. Capital work in progress</b>   |        |                   |                |
| Plant and machinery   |        | 2,340             | 24,547         |
| Advance for land  |        | 1,073             | 1,073          |
|   |        | <u>3,413</u>      | <u>25,620</u>  |
| <b>12. Long term deposits and prepayments</b>   |        |                   |                |
| Central Depository Company (CDC)  |        | 100               | 200            |
| Security deposits with Leasing companies  |        | 2,191             | 3,168          |
| Prepaid markup  |        | 8,922             | 9,861          |
|   |        | <u>11,213</u>     | <u>13,229</u>  |
| Less: Adjustable within one year  |        |                   |                |
| Security deposits with Leasing companies  |        | -                 | 979            |
| Prepaid markup  | 17     | 939               | 939            |
|   |        | <u>939</u>        | <u>1,918</u>   |
|   |        | <u>10,274</u>     | <u>11,311</u>  |
| <b>13. Deferred cost</b>  |        |                   |                |
| Balance at July 01,   |        | 9,145             | 22,132         |
| Less: amortized during the year   |        | 9,145             | 12,987         |
|   |        | <u>-</u>          | <u>9,145</u>   |
| <b>14. Stores and spares</b>  |        |                   |                |
| Stores  |        | 1,495             | -              |
| Spares  |        | 25,007            | 35,990         |
|   |        | <u>26,502</u>     | <u>35,990</u>  |
| The company does not hold any stores and spares for specific capitalization.                |        |                   |                |
| <b>15. Stock in trade - raw materials</b>   |        |                   |                |
| Residual fuel oil (RFO) (including in transit Rs. 5.881 million (2004: Rs. 21.871 million)) |        | 51,507            | 46,577         |
| High speed diesel (HSD)   |        | 3,526             | 2,170          |
| Lube oil (including in transit Rs. 3.246 million (2004: Rs. 1.212 million))                 |        | 12,692            | 4,157          |
| Chemicals and other lubricants  |        | 2,309             | 3,052          |
|   |        | <u>70,034</u>     | <u>55,956</u>  |
| <b>16. Trade debts - considered good</b>  |        |                   |                |
| These are receivable from WAPDA and are fully secured.                                      |        | <u>92,451</u>     | <u>227,673</u> |
| <b>17. Advances, deposits, prepayments and other receivables</b>                            |        |                   |                |
| Advances - considered good  |        |                   |                |
| To directors  | 17.1   | 1,389             | 639            |
| To executives   | 17.1   | 130               | -              |
|   |        | <u>1,519</u>      | <u>639</u>     |
| To employees  |        | 283               | 333            |
| For expenses  |        | 1,220             | 4              |
| To suppliers  |        | 3,860             | 40,363         |
| To Pakistan State Oil Co. Ltd. (PSO)  |        | 16,399            | 4,997          |
| Income tax  |        | 4,552             | 611            |
| To others   |        | -                 | 2,257          |
|   |        | <u>26,314</u>     | <u>48,565</u>  |
| Deposits  |        |                   |                |
| Letters of credit margin  |        | -                 | 6,405          |
| Lease key money adjustable within year  | 12     | -                 | 979            |
| Others  |        | 137               | 137            |
|   |        | <u>137</u>        | <u>7,521</u>   |
| Prepayments - including current portion of long term prepayments                            |        |                   |                |
| Other receivables   |        | 25,681            | 26,873         |
| Claims receivable   |        | 1,401             | 2,037          |
| Sales tax recoverable   |        | 12,686            | 5,290          |
| Liquidated damages recoverable  | 9.1(a) | 258,481           | 31,195         |
| Others  |        | 233               | 2,115          |
|   |        | <u>272,801</u>    | <u>40,637</u>  |
|   |        | <u>326,452</u>    | <u>124,235</u> |

# JAPAN POWER GENERATION LIMITED



|  |   |                | (Rupees in '000s) |  |
|--|---|----------------|-------------------|--|
|  | Note  | 2005<br>Rupees | 2004<br>Rupees    |  |
| 17.1   | These advances are against salaries and are interest free. The movement in these accounts is as under:  |                |                   |  |
|  |   | 639            | 1,119             |  |
|  |   | 950            | 100               |  |
|  |   | (70)           | (580)             |  |
|  |   | 1,519          | 639               |  |
|  | The maximum aggregated amount of advances due from directors and executives at the end of any month during the year was Rs. 1.389 million and Rs. 0.130 million (2004: Rs. 0.639 million and Rs. 0.266 million) respectively. |                |                   |  |
| <b>18. Cash and bank balances</b>              |   |                |                   |  |
|  |   | 6              | 18                |  |
|  |   |                |                   |  |
|  |   | 765            | 831               |  |
|  |   | 4,088          | 5,266             |  |
|  |   | 4,853          | 6,097             |  |
|  |   | 4,859          | 6,115             |  |
| <b>19. Sales</b>                               |   |                |                   |  |
|  |   | 1,284,440      | 1,142,901         |  |
|  |   | 910,377        | 876,974           |  |
|  |   | 2,194,817      | 2,019,875         |  |
| <b>20. Cost of sales</b>                       |   |                |                   |  |
|  |   | 1,399,799      | 1,255,062         |  |
|  | 20.1  | 7,090          | 5,146             |  |
|  |   | 54,000         | 53,900            |  |
|  |   | 60,820         | 34,299            |  |
|  |   | 6,948          | 6,346             |  |
|  |   | 1,787          | 1,725             |  |
|  |   | 12,732         | 3,222             |  |
|  |   | 526            | 519               |  |
|  |   | 974            | 2,000             |  |
|  |   | 42,581         | 43,702            |  |
|  | 10.2  | 231,525        | 230,057           |  |
|  |   | 1,818,782      | 1,635,978         |  |
|  | 20.1 Salaries, wages and benefits include Rs. 0.441 million (2004: Rs. 0.300 million) in respect of staff gratuity.   |                |                   |  |
| <b>21. Administrative and general expenses</b> |   |                |                   |  |
|  |   | 11,700         | 11,400            |  |
|  | 21.1  | 12,214         | 14,972            |  |
|  |   | 2,030          | 1,946             |  |
|  |   | 2,033          | 2,434             |  |
|  |   | 1,828          | 1,292             |  |
|  |   | 1,052          | 1,322             |  |
|  |   | 160            | 150               |  |
|  |   | 140            | 363               |  |
|  |   | 2,459          | 2,746             |  |
|  |   | 567            | 686               |  |
|  |   | 2,287          | 2,401             |  |
|  |   | 1,460          | 1,245             |  |
|  |   | 5              | 7                 |  |
|  | 21.2  | 4,112          | 4,493             |  |
|  |   | 300            | 300               |  |
|  |   | 203            | 276               |  |
|  | 21.3  | 978            | 920               |  |
|  | 21.4  | 345            | 295               |  |
|  |   | 127            | 117               |  |
|  |   | 1,121          | 1,050             |  |
|  |   | 1,579          | 1,460             |  |
|  | 10.2  | 6,306          | 7,213             |  |
|  |   | 53,006         | 57,088            |  |

21.1 Salaries and benefits include Rs. 0.763 million (2004: Rs. 1.087 million) in respect for staff gratuity.

21.2 It includes retainership fee of Rs. 0.285 million per month (2004: Rs. 0.285 million per month) paid to Haseeb Khan & Co. Chartered Accountants, whose proprietor was also a director in the company till December 31, 2004.

### 21.3 Auditors' remuneration

|                        | 2005                |                              | 2004                |                              |
|------------------------|---------------------|------------------------------|---------------------|------------------------------|
|                        | HyderBhimji<br>& Co | JavaidJalal<br>Amjad&Company | HyderBhimji<br>& Co | JavaidJalal<br>Amjad&Company |
| Audit fee              | 275                 | 275                          | 250                 | 250                          |
| Review engagement      | 150                 | 150                          | 150                 | 150                          |
| Out of pocket expenses | 64                  | 64                           | 60                  | 60                           |
| <b>Rs.'000s</b>        | <b>489</b>          | <b>489</b>                   | <b>460</b>          | <b>460</b>                   |

21.4 None of the directors or their spouses have any interest in the funds of the donees.

|  |      | (Rupees in '000s) |                |
|--|------|-------------------|----------------|
|  |      | 2005<br>Rupees    | 2004<br>Rupees |
| <b>22. Other income</b>                    |      |                   |                |
| Profit on bank deposits                    |      | 632               | 871            |
| Sale of scrap/sludge                       |      | 6,399             | 4,130          |
| Profit on sale of fixed assets             | 10.3 | 456               | -              |
| Compensation received from tax authorities |      | -                 | 2,916          |
|  |      | <b>7,487</b>      | <b>7,917</b>   |

### 23. Financial charges

|                            |  |                |                |
|----------------------------|--|----------------|----------------|
| Interest/markup on:        |  |                |                |
| Long term loans/finances   |  | 387,240        | 384,432        |
| Short term borrowings      |  | 15,632         | 15,498         |
| Lease finance              |  | 1,381          | 2,539          |
| Guarantee commission       |  | 70             | 5,783          |
| Exchange loss              |  | 36             | 926            |
| Bank fee and other charges |  | 6,878          | 3,941          |
|                            |  | <b>411,237</b> | <b>413,119</b> |

### 24. Other charges

|                              |      |              |               |
|------------------------------|------|--------------|---------------|
| Deferred cost amortized      |      | 9,145        | 12,987        |
| Loss on sale of fixed assets | 10.3 | -            | 87            |
|                              |      | <b>9,145</b> | <b>13,074</b> |

### 25. Appeal under section 52/86 of the Income Tax Ordinance, 1979.

As reported in the previous year the company's appeal filed against the order passed by the assessing officer regarding its failure to deduct tax under section 52/86 during the year 2001 and 2002 along with additional tax has succeeded. The appeal effect has been duly incorporated in these accounts.

### 26. Loss per share - basic and diluted

|  |  |                |         |
|--|--|----------------|---------|
| Net loss for the year                      |  | <b>89,244</b>  | 93,635  |
| Weighted average number of ordinary shares |  | <b>133,200</b> | 133,200 |
| Loss per share - rupees                    |  | <b>0.67</b>    | 0.70    |

# JAPAN POWER GENERATION LIMITED



|   | (Rupees in '000s) |                |
|---|-------------------|----------------|
|   | 2005<br>Rupees    | 2004<br>Rupees |
| <b>27. Cash inflow after working capital changes</b>  |                   |                |
| Net loss before taxation                              | (89,866)          | (91,467)       |
| Adjustment for non-cash and other items:              |                   |                |
| Depreciation  | 237,831           | 237,270        |
| Loss/(profit) on disposal of fixed assets             | (456)             | 87             |
| Provision for gratuity                                | 1,204             | 1,387          |
| Amortization of deferred cost                         | 9,145             | 12,987         |
| Financial charges                                     | 411,237           | 413,119        |
|   | 658,961           | 664,850        |
| Operating profit before working capital changes       | 569,095           | 573,383        |
| Working capital changes                               |                   |                |
| Stores and spares                                     | 9,488             | (7,319)        |
| Stock in trade  | (14,078)          | (2,592)        |
| Traded debts  | 135,222           | 46,995         |
| Advances, deposits, prepayments and other receivables | (198,276)         | (16,059)       |
| Creditors, accrued and other liabilities              | 58,783            | (88,281)       |
|   | (8,861)           | (67,256)       |
|   | 560,234           | 506,127        |
| <b>28. Plant capacity and actual production</b>       |                   |                |
| Installed annual capacity in MWH                      | 937,320           | 937,320        |
| Actual energy delivered in MWH                        | 381,320           | 401,001        |

Utilization of available capacity depends on the load demanded by WAPDA.

## 29. Financial assets and liabilities

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

|  | 2005 Rs. '000s            |                            |                           |                            |           |
|--|---------------------------|----------------------------|---------------------------|----------------------------|-----------|
|  | Interest/Markup bearing   |                            | Non-interest bearing      |                            |           |
|  | Maturity<br>upto one year | Maturity<br>after one year | Maturity<br>upto one year | Maturity<br>after one year |           |
| <b>Financial assets</b>                                  |                           |                            |                           |                            |           |
| Long term deposits                                       | -                         | -                          | -                         | 2,291                      | 2,291     |
| Traded debts   | 92,451                    | -                          | -                         | -                          | 92,451    |
| Advances, deposits,<br>prepayments and other receivables | -                         | -                          | 1,771                     | -                          | 1,771     |
| Cash and bank balances                                   | 4,088                     | -                          | 771                       | -                          | 4,859     |
|  | 96,539                    | -                          | 2,542                     | 2,291                      | 101,372   |
| <b>Financial liabilities</b>                             |                           |                            |                           |                            |           |
| Long term loans  |                           |                            |                           |                            |           |
| -Secured   | 297,899                   | 4,992,092                  | -                         | -                          | 5,289,991 |
| -Unsecured   | 25,993                    | -                          | -                         | -                          | 25,993    |
| Sponsors' loan   | -                         | -                          | -                         | 228,376                    | 228,376   |
| Liabilities against assets subject to<br>finance lease   | 3,057                     | 3,942                      | -                         | -                          | 6,999     |
| Short term borrowings                                    | 56,470                    | -                          | -                         | -                          | 56,470    |
| Creditors, accrued and other liabilities                 | -                         | -                          | 276,488                   | -                          | 276,488   |
| Letters of credit at sight                               | -                         | -                          | -                         | -                          | -         |
| Claims not acknowledged as debt                          |                           |                            |                           |                            |           |
| -Liquidated damages<br>and markup thereon                | 200,210                   | -                          | -                         | -                          | 200,210   |
|  | 583,629                   | 4,996,034                  | 276,488                   | 228,376                    | 6,084,527 |

|  | 2004Rs.'000s           |                       |                      |                       | Total            |
|--|------------------------|-----------------------|----------------------|-----------------------|------------------|
|  | Interest/Markupbearing |                       | Non-interestbearing  |                       |                  |
|  | Maturity uptooneyear   | Maturity afteroneyear | Maturity uptooneyear | Maturity afteroneyear |                  |
| <b>Financialassets</b>                           |                        |                       |                      |                       |                  |
| Longtermdeposits                                 | -                      | -                     | 979                  | 2,389                 | 3,368            |
| Tradedebts                                       | 227,673                | -                     | -                    | -                     | 227,673          |
| Advances,deposits,prepaymentsandotherreceivables | -                      | -                     | 11,673               | -                     | 11,673           |
| Cashandbankbalances                              | 5,266                  | -                     | 849                  | -                     | 6,115            |
|  | <u>232,939</u>         | <u>-</u>              | <u>13,501</u>        | <u>2,389</u>          | <u>248,829</u>   |
| <b>Financialliabilities</b>                      |                        |                       |                      |                       |                  |
| Longtermloans                                    |                        |                       |                      |                       |                  |
| -Secured   | 95,544                 | 5,300,937             | -                    | -                     | 5,396,481        |
| -Unsecured                                       | 25,353                 | -                     | -                    | -                     | 25,353           |
| Sponsors'loan                                    | -                      | -                     | -                    | 228,376               | 228,376          |
| Liabilitiesagainstassetssubjecttofinancelease    | 3,717                  | 7,978                 | -                    | -                     | 11,695           |
| Shorttermborrowings                              | 74,081                 | -                     | -                    | -                     | 74,081           |
| Creditors,accruedandotherliabilities             | -                      | -                     | 224,150              | -                     | 224,150          |
| Lettersofcreditatsight                           | -                      | -                     | 12,900               | -                     | 12,900           |
| Claimsnotacknowledgedasdebt                      |                        |                       |                      |                       |                  |
| -Liquidateddamagesandmarkupthereon               | 222,482                | -                     | -                    | -                     | 222,482          |
|  | <u>421,177</u>         | <u>5,308,915</u>      | <u>237,050</u>       | <u>228,376</u>        | <u>6,195,518</u> |

## 29.1 Interestrisk

Interestriskistheriskthatthevalueoffinancialinstrumentswillfluctuateduetochangeinmarketinterest rates. TheeffectiveinterestratesasatJune30,2005forfinancialinstrumentsaregivenintherelevantnotesexcepttrade debts,liquidateddamages,depositsinPLSaccountsforwhicheffectiverateisgiven:

|  |          | 2005                  | 2004                  |
|--|----------|-----------------------|-----------------------|
| Tradedebts-interestchargedafter25daysoftheinvoicedeliveredtoWAPDA        | Variable | 2%aboveRepoRate       | 2%aboveRepoRate       |
| Liquidateddamages-interestispayableafter25daysofinvoicereceivedfromWAPDA | Variable | 2%aboveRepoRate       | 2%aboveRepoRate       |
| DepositsinPLSaccounts  | Variable | AsdeterminedBytheBank | AsdeterminedBytheBank |

## 29.2 Creditriskandconcentrationofcreditrisk

Thecreditriskrepresentstheaccountinglossthatwouldberecognisedatthereportingdateifcounterpartiesfailedto performascontracted. Themaximumexposuretocreditriskisrepresentedbythecarryingamountofeachfinancial asset.

AllthetradereceivablesareduefromWAPDAandaresecuredbythesovereignguaranteeoftheGovernmentof Pakistan.

## 29.3 Foreignexchangeriskmanagement

Foreign exchange risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Outoftotalpayables ofRs.33.936million(2004:Rs.33.942million)inforeigncurrencyare,exposedto foreignexchangerisk33.936million(2004:Rs.33.942million).

## 29.4 Fairvalueoffinancialinstruments

Thecarryingvaluesofallfinancialassetsandfinancialliabilitiesreflectedinthefinancialstatementsapproximateto theirfairvalues.



|   |             |             |
|---|-------------|-------------|
| <b>30. Number of employees</b>          | <b>2005</b> | <b>2004</b> |
| Number of employees at the year end was | 94          | 92          |

**31. Remuneration of chief executive, directors and executives**

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

|                         | <u>Chief Executive</u> |                     | <u>Directors</u>    |                     | <u>Executives</u>   |                      |
|-------------------------|------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
|                         | <u>2005</u>            | <u>2004</u>         | <u>2005</u>         | <u>2004</u>         | <u>2005</u>         | <u>2004</u>          |
| No of persons           | 1                      | 1                   | 4                   | 5                   | 4                   | 25                   |
| Managerial remuneration | 3,273                  | 3,273               | 7,364               | 7,091               | 2,794               | 6,417                |
| House rent              | -                      | -                   | -                   | -                   | 812                 | 2,266                |
| Utilities               | 327                    | 327                 | 736                 | 709                 | 280                 | 642                  |
| Gratuity                | -                      | -                   | -                   | -                   | -                   | 1,212                |
| Other benefits          | -                      | -                   | -                   | -                   | 585                 | 1,404                |
| <b>Rs. '000s</b>        | <b><u>3,600</u></b>    | <b><u>3,600</u></b> | <b><u>8,100</u></b> | <b><u>7,800</u></b> | <b><u>4,471</u></b> | <b><u>11,941</u></b> |

31.1 Board meeting fee was not paid to the directors.

31.2 Company maintained vehicles and mobile telephones are provided to the chairman, chief executive and five directors (2004: five).

**32. Environmental risk exposure**

The company is fully compliant with the environmental regulations.

**33. Date of Authorization**

These financial statements were authorized for issue on September 27, 2005 in accordance with the resolution of the Board of Directors.

**34. General**

34.1 Figures of corresponding period have been re-arranged where necessary for the purpose of comparison.

Major restatements and re-classification for better presentation are as follows:

|   | <b>2004</b>     | <b>2004</b>                   |
|---|-----------------|-------------------------------|
|   | <b>Restated</b> | <b>As previously reported</b> |
|   | <b>Rs.000s</b>  | <b>Rs.000s</b>                |
| Long term deposits and prepayments                    | 11,311          | 10,372                        |
| Advances, deposits, prepayments and other receivables | 124,235         | 124,174                       |
| Trade debts   | 227,673         | 152,673                       |
| Creditors, accrued and other liabilities              | 230,785         | 155,785                       |

34.2 Figures in these accounts have been rounded off to the nearest thousand rupees.



Chairman/Director

Chief Executive



Chief Financial Officer

**Consolidated  
CDC+Non-CDC**

**PATTERN OF SHAREHOLDINGS AS ON 30-06-2004**

| NUMBER OF SHAREHOLDERS | SHAREHOLDING |        | TOTAL NUMBER OF SHARES HELD |
|------------------------|--------------|--------|-----------------------------|
|                        | FROM         | TO     |                             |
| 8                      | 1            | 100    | 552                         |
| 428                    | 101          | 500    | 213,623                     |
| 635                    | 501          | 1000   | 634,720                     |
| 1244                   | 1001         | 5000   | 4,072,475                   |
| 485                    | 5001         | 10000  | 4,169,026                   |
| 169                    | 10001        | 15000  | 2,252,500                   |
| 119                    | 15001        | 20000  | 2,276,525                   |
| 70                     | 20001        | 25000  | 1,682,000                   |
| 60                     | 25001        | 30000  | 1,720,400                   |
| 22                     | 30001        | 35000  | 749,100                     |
| 20                     | 35001        | 40000  | 778,000                     |
| 13                     | 40001        | 45000  | 563,800                     |
| 43                     | 45001        | 50000  | 2,127,000                   |
| 6                      | 50001        | 55000  | 320,499                     |
| 8                      | 55001        | 60000  | 460,680                     |
| 9                      | 60001        | 65000  | 565,000                     |
| 10                     | 65001        | 70000  | 696,500                     |
| 9                      | 70001        | 75000  | 671,000                     |
| 7                      | 75001        | 80000  | 551,500                     |
| 5                      | 80001        | 85000  | 413,500                     |
| 4                      | 85001        | 90000  | 345,500                     |
| 5                      | 90001        | 95000  | 465,000                     |
| 17                     | 95001        | 100000 | 1,696,000                   |
| 6                      | 100001       | 105000 | 620,500                     |
| 4                      | 105001       | 110000 | 433,000                     |
| 4                      | 110001       | 115000 | 446,500                     |
| 2                      | 115001       | 120000 | 238,500                     |
| 4                      | 120001       | 125000 | 495,500                     |
| 4                      | 130001       | 135000 | 525,500                     |
| 2                      | 135001       | 140000 | 273,600                     |
| 1                      | 140001       | 145000 | 141,000                     |
| 8                      | 145001       | 150000 | 1,186,500                   |
| 1                      | 155001       | 160000 | 160,000                     |
| 2                      | 160001       | 165000 | 329,000                     |
| 4                      | 165001       | 170000 | 673,000                     |
| 1                      | 175001       | 180000 | 176,500                     |
| 1                      | 185001       | 190000 | 189,000                     |
| 6                      | 195001       | 200000 | 1,200,000                   |
| 1                      | 210001       | 215000 | 215,000                     |
| 3                      | 215001       | 220000 | 653,000                     |
| 1                      | 225001       | 230000 | 229,500                     |
| 3                      | 245001       | 250000 | 750,000                     |
| 1                      | 250001       | 255000 | 250,500                     |
| 1                      | 255001       | 260000 | 257,500                     |
| 1                      | 260001       | 265000 | 261,500                     |



|             |              |          |                    |
|-------------|--------------|----------|--------------------|
| 1           | 265001       | 270000   | 265,500            |
| 1           | 280001       | 285000   | 283,500            |
| 6           | 295001       | 300000   | 1,800,000          |
| 1           | 345001       | 350000   | 350,000            |
| 1           | 350001       | 355000   | 354,000            |
| 2           | 370001       | 375000   | 746,000            |
| 1           | 375001       | 380000   | 377,546            |
| 1           | 395001       | 400000   | 400,000            |
| 1           | 415001       | 420000   | 420,000            |
| 1           | 455001       | 460000   | 460,000            |
| 4           | 485001       | 490000   | 485,416            |
| 1           | 495001       | 500000   | 500,000            |
| 1           | 575001       | 580000   | 575,500            |
| 1           | 625001       | 630000   | 628,500            |
| 1           | 640001       | 645000   | 645,000            |
| 1           | 670001       | 675000   | 675,000            |
| 1           | 695001       | 700000   | 700,000            |
| 1           | 755001       | 760000   | 3,020,372          |
| 4           | 785001       | 790000   | 786,000            |
| 1           | 925001       | 930000   | 926,500            |
| 7           | 930001       | 935000   | 932,000            |
| 1           | 970001       | 975000   | 972,500            |
| 1           | 990001       | 995000   | 993,000            |
| 2           | 995001       | 1000000  | 2,000,000          |
| 1           | 1195001      | 1200000  | 1,197,000          |
| 1           | 1205001      | 1210000  | 1,208,500          |
| 1           | 1220001      | 1225000  | 1,225,000          |
| 1           | 1420001      | 1425000  | 1,422,000          |
| 1           | 1660001      | 1665000  | 11,650,000         |
| 1           | 1845001      | 1850000  | 1,846,664          |
| 1           | 1860001      | 1865000  | 1,862,000          |
| 2           | 3250001      | 3255000  | 3,250,500          |
| 1           | 3395001      | 3400000  | 6,800,000          |
| 1           | 3870001      | 3875000  | 3,874,500          |
| 1           | 3880001      | 3885000  | 3,883,333          |
| 1           | 4150001      | 4155000  | 4,153,000          |
| 1           | 6305001      | 6310000  | 6,306,520          |
| 1           | 7980001      | 7985000  | 7,982,150          |
| 1           | 8245001      | 8250000  | 8,249,999          |
| 1           | 11860001     | 11865000 | 11,862,500         |
| <b>3517</b> | <b>TOTAL</b> |          | <b>133,200,000</b> |

## CATEGORIES OF SHAREHOLDERS AS ON JUNE 30, 2005

| CATEGORIES OF SHAREHOLDERS  | NO. OF<br>SHAREHOLDERS | TOTAL<br>SHAREHELD | PERCENTAGE    |
|---|------------------------|--------------------|---------------|
| <b>Directors/Chief Executive Officer and their spouse and minor children</b>              |                        |                    |               |
| 1 Sheikh Nazaz Ali (Chairman)   |                        | 8,249,999          | 6.19          |
| 2 Mr. Liaqat Khan (C.E.O)   |                        | 500                | 0.00          |
| 3 Mr. Zafar Mahmood (Director)  |                        | 1,846,664          | 1.39          |
| 4 Mr. Saito Yoshihiro (Director)  |                        | 6,306,520          | 4.73          |
| 5 Mr. Zafar Iqbal (Director)  |                        | 1,000              | 0.00          |
| 6 Sheikh Mahmood Ali (Director)   |                        | 3,883,333          | 2.92          |
| 7 Mr. Qasim Ali Sheikh (Director)   |                        | 755,093            | 0.57          |
| 8 Mrs. Samina Zafar (Director)  |                        | 1,862,000          | 1.40          |
| 9 Mr. Muhammad Ali Tarakai (Director)   |                        | 1,000              | 0.00          |
| 10 Mr. Walayat Ali Tarakai (Director)   |                        | 1,000              | 0.00          |
| 11 Mrs. Shahnaz (Director)  |                        | 485,416            | 0.36          |
| 12 Mr. Khalid Imran (Nominee Director)  |                        | -                  | 0.00          |
| 13 Mr. M. Hanif Abbasi (Nominee Director)   |                        | -                  | 0.00          |
| 14 Mr. Imran Ali (Minor)  |                        | 755,093            | 0.57          |
| 15 Mr. Kamran Ali (Minor)   |                        | 755,093            | 0.57          |
| 16 Mr. Zain Ali (Minor)   |                        | 755,093            | 0.57          |
| 17 Miss. Saleema Nizar (Minor)  |                        | 377,546            | 0.28          |
| <b>TOTAL</b>  | <b>17</b>              | <b>26,035,350</b>  | <b>19.55</b>  |
| <b>Executives</b>   |                        |                    |               |
| Abdul Rashid (Chief Financial Officer)  | 1                      | 2,000              | 0.00          |
| Syed Zafar Haider (Company Secretary)   | 1                      | 1,000              | 0.00          |
| <b>Associated Companies, Undertakings and related parties</b>                             |                        |                    |               |
|   | -                      | -                  | 0.00          |
| <b>Public Sectors Companies &amp; Corporations</b>  |                        |                    |               |
|   | -                      | -                  | 0.00          |
| <b>NIT and ICP</b>  |                        |                    |               |
|   | -                      | -                  | 0.00          |
| <b>Banks, Development Financial Institutions &amp; Non-Banking Financial Institutions</b> |                        |                    |               |
|   | 19                     | 16,315,100         | 12.25         |
| <b>Insurance Companies</b>  |                        |                    |               |
|   | 4                      | 580,000            | 0.44          |
| <b>Modarabas &amp; Mutual Funds</b>   |                        |                    |               |
|   | 1                      | 1,500              | 0.00          |
| <b>Shareholding 10% or more voting interest</b>   |                        |                    |               |
|   | -                      | -                  | 0.00          |
| <b>Others</b>   |                        |                    |               |
|   | 87                     | 19,852,899         | 14.90         |
| <b>General Public</b>   |                        |                    |               |
|   | 3,387                  | 70,412,151         | 52.86         |
| <b>TOTAL: -</b>   | <b>3,517</b>           | <b>133,200,000</b> | <b>100.00</b> |



**FORM OF PROXY**

Please quote

*Folio No:*

*Share held*

I/We \_\_\_\_\_

being shareholder(s) of **JAPAN POWER GENERATION LIMITED** and entitled to vote

hereby appoint \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy to attend and vote for me/us on my/our behalf at the 11<sup>th</sup> Annual General Meeting of the Company to be held at Plant premises located at Khan-e-Nepal Road, Near Jia Bagga Railway Station, District Lahore on Thursday, 27th October 2005 at 11:00a.m. and at every adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2005.

**Revenue  
Stamp**

Signature

**NOTE:**

Signature must be in accordance with the specimen signature registered with the Company. This Form of Proxy, completed, must be deposited at the Company's Registered Office at Jia Bagga Railway Station, Raiwind Road, District Lahore at least 48 hours before the time for holding the meeting.