Annual Report 2006

JAPAN POWER GENERATION LIMITED

CONTENTS

COMPANY INFORMATION

Board of Directors	Maj. Gen. Khalid Zahir Akhtar	- Chairman
	Mr. Nadeem Babar	- Chief Executive
	Mr. Zafar Iqbal	
	Mr. Istaqbal Mehdi	
	Mr. Abdul Jaleel Shaikh	
	Brig. Noor-ul-Amin Butt	
	Mr. Saeed-ur-Rehman	
	Mr. Arshed Ahmed Khan	
	Ms. Ayesha Aziz	
	Mr. Kashif Khan	
	Mr. Najeeb Ahmed Shaikh	
	Mr. Khalid Imran	- Nominee Prime Commercial Bank Ltd
	Mr. Muhammad Hanif Abbasi	- Nominee National Bank of Pakistan
Company Secretary	Mr. Waseem Zafar	
Chief Financial Officer	Mr. Zain ul Abidin	
Company's Audit Committee	Mr. Zafar Iqbal	- Chairman
	Mr. Abdul Jaleel Shaikh	
	Mr. Saeed ur Rahman	
Auditors	Hyder Bhimji & Co. Chartered Accountants & Javaid Jalal Amjad & Co. Chartered Accountants	
Shares Registrar Office	Hameed Majeed Associates (Pvt) Limited. HM House, 7 Bank Square, Lahore Tel: +92-42-7235081-2 Fax: +92-42-7358817	
Legal Advisor	Sami, Zafar & Islam	
Bankers	Prime Commercial Bank Limited Allied Bank Limited	
Lending Bank Syndicate	Prime Commercial Bank Limited Askari Commercial Bank Limited National Bank of Pakistan Faysal Bank Limited Allied Bank Limited Crescent Commercial Bank Limited PICIC Commercial Bank Limited Saudi Pak Commercial Bank Limited Prudential Investment Bank Limited	
Registered Office/Plant	Near Jia Bagga Railway Station Off Raiwind Road, Chowk Araian, Lahore Tel: +92-42-5835864-8 Fax: +92-42-5835860 Email: jpgl@brain.net.pk	
Website	www.jpglpk.com	

NOTICE OF 12TH ANNUAL GENERAL MEETING

Notice is hereby given that the 12th Annual General Meeting of Japan Power Generation Limited will be held on Friday, October 20, 2006 at 9:00 a.m. at registered office/plant located at Jia Bagga, off Riawind Road, Lahore to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 11th Annual General Meeting of the company held on Thursday, October 27, 2005.

2. To receive, consider and adopt the audited financial statements of the Company for the financial year ended June 30, 2006, together with the Directors' and Auditors' Reports thereon.

3. To appoint auditors for the Company for the financial year ending June 30, 2007 and fix their remuneration.

4. To transact any other business that may be placed before the meeting with the permission of the Chair.

SPECIAL BUSINESS:

5. To pass the following Resolution(s) with or without modification, addition or deletion:

IT IS HEREBY RESOLVED:

1. That the Company, as per Section 86 of the Companies Ordinance, 1984 (the "Ordinance"), be and is hereby authorized to issue 14,418,846 (fourteen million four hundred eighteen thousand eight hundred and forty six) further shares of Rs. 10 (Rupees ten) each (that is of Rs. 144,188,460) as follows without issue of right shares against the loan of the following shareholders in the amount of Rs. 144,188,468 subject to the approval of the shareholders in their general meeting and the Securities and Exchange Commission of Pakistan ("SECP") under the first proviso to Section 86(1) of the Ordinance:

(a)	Pak Oman Investment Company Limited	5,453,293 shares
(b)	Saudi Pak Industrial & Agricultural Investment Company (Private) Limited	2,403,118 shares
(c)	National Logistics Cell	5,453,293 shares
(d)	Patagonia Corporation (Private) Limited	1,109,142 shares
	Total:	14,418,846 shares

2. That the above shares shall be issued in proportion to the existing shares held by the said members, who have given their consent in this regard.

3. The new shares shall rank *pari passu* in all respect with the existing shares of the Company.

4. The Chief Executive Officer of the Company be and is hereby authorized to complete all necessary legal and corporate formalities with regard to the above Resolution and to take such action as he may consider necessary or expedient to complete the process of raising further capital without issue of right shares.

5. That in case any error, omission or mistake is pointed out by the SECP and any other competent authority in the aforesaid Resolution, the Chief Executive Officer be and is hereby authorized to make necessary corrections as permitted under the law.

By order of the Board

Lahore
September 28, 2006

Waseem Zafar
Company Secretary

Statement Under Section 160(1)(b) of the Companies Ordinance, 1984

1. The Board of Directors of the Company (the "Board"), at their meeting held on Saturday, September 23, 2006, unanimously approve the raising of further capital without right issue as per the proposed special resolution subject to the approval of the shareholders of the Company in their general meeting and the SECP. Material facts concerning the said issuance are as follows:

(1) the shareholders' loan to the Company in the amount of Rs. 144,188,468 is converted into shares at Rs. 10 per share (shares proposed to be issued against the said loan are 14,418,846) without issue of right shares. The present market price of the share of the Company is approximately Rs. 5. The average share price in the last twelve months has been Rs. 7. Accordingly, the right shares may not be subscribed because of the price differential between the issuance price of the share (that is Rs.10) and the market price of the share (that is Rs. 5 approximately). It is, therefore, in the interest of the Company to have its liabilities reduced without any impact on its cash flows. After issuance of the said further shares, the shareholding of the shareholders to whom the said further shares are issued will be as follows:

(a)	Pak Oman Investment Company Limited,	23,076,171 shares
(b)	Saudi Pak Industrial & Agricultural Investment Company (Private) Limited,	10,169,081 shares
(c)	National Logistics Cell,	23,076,171 shares
(d)	Patagonia Corporation (Private) Limited,	4,693,423 shares
	Total:	61,014,846 shares

(2) 14,418,846 further shares are issued to the shareholders, who have extended the loan of Rs. 144,188,468, in the percentage *vis a vis* to their existing shareholding in the Company. Their shareholding in the total paid up capital of the Company after the said issue will be 46% approximately.

(3) the shareholders to whom the further shares will be issued have given their consent to the same.

(4) the new shares shall rank *pari passu* in all respect with the existing shares of the Company.

2. There is no direct interest of any of the directors of the Company in the special business, and their interest is the same as the interest of the shareholders of the Company. The directors are nominees of certain shareholders/institutions.

NOTES :

1. The Share Transfer Book of the Company will remain closed from October 18, 2006 to October 24, 2006 (Both days inclusive).

2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote in his/her place. Proxies, complete in every respect, in order to be effective, must be received at the Registered Office of the Company located at Jia Bagga, off Raiwind Road, Lahore, not less than 48 hours before the time of holding the meeting.

3. Members are requested to promptly notify the Company any change in their addresses.

4. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in circular -1 dated January 20, 2000 issued by the SECP:

A. For Attending the Meeting

1. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original Passport, Account and Participant's ID number at the time of attending the Meeting.

2. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

1. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.

2. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

3. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

4. The proxy shall produce his original NIC or original passport at the time of the Meeting.

5. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

DIRECTORS' REPORT TO THE MEMBERS

The directors are pleased to present their 12th Annual Report, the audited financial statements and auditors' report for the year ended June 30, 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are to own, operate and maintain an oil-fired power station with an installed capacity of 135 MW (gross).

ACQUISITION OF THE SPONSORS' SHARES BY THE NEW CONSORTIUM

On February 23, 2006, a consortium comprising of Pak Oman Investment Company Limited, National Logistics Cell, Saudi Pak Industrial & Agricultural Investment Company (Pvt.) Limited and Patagonia Corporation (Pvt.) Limited acquired management rights and control of the company from the original sponsors by purchasing their entire shareholding, which represents approximately 35% of the issued and outstanding shares of the company. Simultaneously, the old management/directors of the Company resigned and the new management/directors took over.

At the time of take-over, the company required major reforms to stabilize its operations and financial condition. The company never declared profits since its formation. The new management of your company has developed short term and long term plans to make the company a profitable venture. Many of the short term strategies are either already in place, or in the process of being implemented. This will be followed by certain plans, which can generate sizeable revenue to make the project profitable.

TURNAROUND STRATEGY

a) Financial Restructuring

The new management of your company has successfully restructured the long term financial arrangements with its lender consortium of nine banks/financial institutions. At the time of the takeover, the company was non-compliant on various matters and since the completion of this work, the loans have been regularized. This will facilitate the company to implement medium and long term plans.

b. Resolution of Contractual Issues

When the new management took over, the company was beset with numerous long outstanding disputes with WAPDA.

During the period of July 1, 2001 to June 30, 2006, WAPDA claimed liquidated damages of Rs. 484.568 and deducted Rs. 349.556 million of these amounts. As you will see from the Company's accounts, a major non-recurring charge of Rs 135 million was booked during the tenure of the previous management. After the take over, the new management initiated the process of reconciliation / settlement of liquidated damages with WAPDA. However, no settlement was reached between WAPDA and the company. The parties decided to refer the total claim of liquidated damages for resolution by an expert as per the dispute resolution mechanism provided in the Power Purchase Agreement. The management believes that after taking into account the allowances for forced outages and providing cogent reasons duly substantiated by documentary evidences, it will not have to pay any more damages.

Similarly, WAPDA is claiming back indexation payment made on account of indexation of non-escalable component of capacity purchase price (CPP) from March 2004 to June 2006, to the tune of Rs.432.347 million. The management has obtained opinion from an independent legal counsel and had company's legal counsel review of a legal opinion obtained by WAPDA. Based on the opinion and review, the management is confident that the matter will be finally settled in its favor. This has also been agreed to be submitted to an expert for resolution. We expect both the issues to be resolved within the next six months.

With the assistance of the new sponsors and board members issue of fuel loss on generation are now under discussion at the highest level within WAPDA. We expect to report positive developments on this in the very near future.

C. Short Term Capital Initiatives

The company is negotiating with WAPDA for sale of an additional 10.5 MW by additional capital investments. This sale will result in the improvement of the financials of the company. Further, a plan to install a steam turbine, will generate additional 5 - 7 MW electricity is developed, which will also contribute positively towards the profitability.

These developments have already been communicated to WAPDA and WAPDA has shown keen interest in these proposals. This will improve the financial condition of the company.

d. Long Term Capital Initiatives

As a part of our long term strategy, the company is working on expanding its capacity by 100 MW in response to a Request For Proposals by the GoP. The company is confident that such expansion rights will be awarded to the company.

This expansion will allow us to better utilize our current assets, lower our per unit costs and result in significant long term value enhancement for the shareholders.

PLANT PERFORMANCE

The fourth quarter was the first quarter under new management. During this quarter, the availability and usage of the plant increased. Given the high prices of fuel, successful efforts were made to secure advance payments for fuel from WAPDA, and as a result, there was no shortage of fuel. Due to these facts, the plant delivered 455,908 MW energy during the year.

Over the last six years, very little funds have been spent in maintaining the plant and investing in parts/spare of capitalized nature. The company needs to invest such funds to maintain and improve the reliability of the plant operations. Efforts are underway to do so.

FINANCIAL PERFORMANCE

The sales revenue for the year increased to Rs. 3.176 billion compared to Rs. 2.195 billion last year. A decrease in operating profit of only 3% is despite almost doubling of the absolute value of the fuel loss, which is approximately 6% of fuel burnt. Hence, the fuel loss is overshadowing the other operational improvements already put in place. The resolution of this loss is very important for the company's financial survival, and is being addressed with WAPDA on priority basis as mentioned earlier.

The key operating and financial data of the Company with the comparatives for the last year is as follows:

Financial year ended June 30 Rupees in million	**2006** **Rupees '000'**	**2005** Rupees '000'
Turnover	**3.176**	2.195
Cost of Sales	**(2.815)**	(1.819)

Gross Profit	**361**	376
Operating Expenses	**(50)**	(53)
Operating Profit	**311**	323
Other Income	**12**	7
Financial Charges	**(424)**	(411)
Net Loss Prior to Non-Recurring Charges	**(101)**	(81)
Non-Recurring Charges (LDs)/Other Charges	**(167)**	(9)
Net Loss After taxation	**(268)**	(90)
Loss per Share (excl. non-recurring charges)	**Rs. 0.76**	Rs. 0.61
Loss per Share (with non-recurring charges)	**Rs. 2.02**	Rs. 0.67

EXTERNAL AUDITORS' APPOINTMENT

The company's auditors M/s Hyder Bhimji & Co., Chartered Accountants and M/s Javaid Jalal Amjad & Co. Chartered Accountants shall retire at the conclusion of the 12th annual general meeting. The auditors have indicated their willingness to continue in office as auditors. M/s Deloitte (M/s M Yousaf Adil Saleem & Co.) Chartered Accountants have also offered themselves for the appointment of external auditors for the next financial year. The appointments shall be made in the next AGM.

CORPORATE AND FINANCIAL REPORTING

The Financial Statements together with the Notes thereto have been drawn up by the management in conformity with the Companies Ordinance, 1984.

These statements present fairly the company's state of affairs, the results of its operations, cash flow and changes in equity.

Proper books of accounts have been maintained by the company.

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 financial statements and any departure there-from has been adequately disclosed.

The system of internal control is sound in design and has been effectively implemented and monitored.

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 Code of Corporate Governance, as detailed in the listing regulations.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The company's Statement of Compliance with the Code of Corporate Governance is annexed with the report.

ETHICS AND BUSINESS CONDUCT

The company endeavors to conduct business honestly, in good faith and to comply with such regulations, codes, guidelines and procedures, which govern its business.

The relationship between the management and employees is exemplary. The Directors are pleased to record their appreciation for the hard work and devotion to duty by all cadres of employees.

PATTERN OF SHAREHOLDING

Pattern of Shareholding of the Company as at 30 June 2006, along with the necessary information is attached to this report.

FUTURE PROSPECTS

There is a substantial increase in the demand of electricity in the country owning to the economic activity. WAPDA depends on IPPs to produce almost half of its energy and is encouraging this sector for more investment. This will assist in materializing our plans and goals in reasonably short time. The Company has been beset with numerous problems in the past, but supported by the dire need for additional energy for the economic growth, we are putting an effective and workable plan in action, to turn the company into a profitable unit. We are confident that with our vision for the future, our strategy, technical skills, and most of all with the support of the new sponsors, we will turn this company around in a short period of time.

CONCLUSION

The Company is proud of its human capital for demonstrating commitment and for consistently delivering outstanding performances. We would also like to thank our shareholders, business partners, the Government of Pakistan and WAPDA whose faith and support over the years has nurtured a mutually beneficial relationship which has played an important role in improving our services and contributions to the economy at large.

On behalf of the Board

Chief Executive Officer

Lahore: September 23, 2006

OPERATING AND FINANCIAL DATA
SIX YEARS SUMMARY

	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
DISPATCH LEVEL(%)	**48.64**	**40.68**	**42.78**	**52.39**	**45.88**	**30.04**
DISPATCH (MWH)	**455,908**	**381,320**	**401,001**	**491,066**	**430,058**	**281,544**
REVENUE (Rs. 000)						
Energy Purchase Price	2,272,271	1,284,440	1,142,901	1,421,255	1,098,617	707,637
Capacity Purchase Price	904,113	910,377	876,974	851,559	861,521	800,449
TOTAL REVENUE	**3,176,384**	**2,194,817**	**2,019,875**	**2,272,814**	**1,960,138**	**1,508,086**
Cost of Sales	(2,814,905)	(1,818,782)	(1,635,978)	(1,859,306)	(1,483,974)	(1,084,055)
GROSS PROFIT	**361,479**	**376,035**	**383,897**	**413,508**	**476,164**	**424,031**
PROFITABILITY (Rs. 000)						
Profit / (Loss) Before Tax	(268,251)	(89,866)	(91,467)	(299,272)	(256,666)	(187,177)
Provision for Taxation	(326)	622	(2,168)	(588)	(384)	(387)
PROFIT / (LOSS) AFTER TAX	**(268,577)**	**(89,244)**	**(93,635)**	**(299,860)**	**(257,050)**	**(187,564)**
FINANCIAL POSITION (Rs. 000)						
Non Current Assets	6,007,310	5,713,498	5,947,918	6,077,589	6,406,051	6,649,956
Current Assets	1,130,351	520,298	449,969	480,925	489,488	310,601
Less Current Liabilities	(1,100,470)	(666,542)	(429,480)	(468,267)	(483,502)	(1,489,910)
NET WORKING CAPITAL	**29,881**	**(146,244)**	**20,489**	**12,658**	**5,986**	**(1,179,309)**
CAPITAL EMPLOYED	**5,494,274**	**5,567,254**	**5,968,407**	**6,090,247**	**6,412,037**	**5,470,647**
Less Non Current Liabilities	(5,281,584)	(5,230,174)	(5,542,083)	(5,570,289)	(5,592,219)	(4,393,778)
SHAREHOLDERS' EQUITY	**212,690**	**337,080**	**426,324**	**519,958**	**819,818**	**1,076,869**
REPRESENTED BY (Rs. 000)						
Share Capital	1,332,000	1,332,000	1,332,000	1,332,000	1,332,000	1,332,000
Share deposit money	144,188	–	–	–	–	–
Accumulated Loss	(1,263,498)	(994,920)	(905,676)	(812,042)	(512,182)	(255,131)
	212,690	**337,080**	**426,324**	**519,958**	**819,818**	**1,076,869**
SHARE VALUE (RUPEES):						
Market Value	**5.00**	**4.00**	**5.30**	**4.10**	**3.35**	**3.80**
Breakup Value	1.44	2.53	3.20	3.90	6.15	8.08
RATIOS:						
Gross Profit to Sales (%)	11.38	17.13	19.01	18.19	24.29	28.12
Net Profit to Sales (%)	(8.46)	(4.07)	(4.64)	(13.19)	(13.11)	(12.44)
Earning per Share (Rupees)	(2.02)	(0.67)	(0.70)	(2.25)	(1.93)	(1.41)
Current Ratio (times)	1.03	0.78	1.05	1.03	1.01	0.21
Liquidity Ratio (times)	0.69	0.37	0.58	0.70	0.83	0.16
Debt to Equity (times)	32.56	17.49	14.01	11.61	7.41	5.46
Number of Employees	**43**	**94**	**92**	**111**	**122**	**98**

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 cultured 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 frame work 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.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. All directors from the old sponsors resigned and new sponsors appointed new directors 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 alongwith 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), 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, alongwith agenda and working papers, were circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has approved appointment of the Company Secretary.

10. The directors' report for the year ended June 30, 2006 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 three members, all of whom are non executive directors including the Chairman of the Committee.

15. Meetings of the Audit Committee were held prior to the approval of interim and final results of the company.

16. The Board has directed to set up an effective internal audit function either within the Company or by outsourcing to comply with the Code.

17. The statutory auditors of the company have confirmed that they have been given satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of their firms, their spouses and minor children do not hold shares of the company and that the firms and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Charted 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 auditors have 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.

On behalf of the Board

Lahore: September 23, 2006

Chief Executive Officer

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 reflects 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, 2006.

Lahore: September 23, 2006	**Javaid 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, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

b) in our opinion:

i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and further in accordance with accounting policies consistently applied;

ii. the expenditure incurred during the year was for the purpose of the company's business; and

iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2006 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 towards note 13.1 and 13.2 of the financial statements, which disclosed company's contingent liabilities for WAPDA's claims on account of indexation of non-escalable component of capacity purchase price (CPP) in the sum of Rs. 432.347 million, of which Rs. 48.315 million has already been deducted by WAPDA unilaterally, and liquidated damages totaling Rs. 349.556 million uptil the terminal date, that are being denied and disputed by the company for reason fully explained in the above stated notes. Furthermore, it has been decided among the parties to refer the disputes for adjudication to an expert as per the dispute resolution mechanism provided in the Power Purchase Agreement (PPA). Since the management of the company believes that its contention would prevail and no liability on these accounts would arise. Hence no provision of these claims has been made in these financial statements.

Lahore:	**Javaid Jalal Amjad & Co.**	**Hyder Bhimji & Co.**
September 23, 2006	Chartered Accountants	Chartered Accountants

BALANCE SHEET

	Note	2006 Rupees '000'	2005 Rupees '000'
EQUITY AND LIABILITIES			
Capital and reserves			
Authorized capital			
150,000,000 ordinary shares of Rs. 10 each		**1,500,000**	1,500,000
Issued, subscribed and paid-up capital			
133,200,000 ordinary shares of Rs.10 each, fully paid in cash		**1,332,000**	1,332,000
Share deposit money	4	**144,188**	--
Accumulated loss		**(1,263,498)**	(994,920)
Shareholders' equity		**212,690**	337,080
Surplus on revaluation of fixed assets	14	**542,917**	--
Non current liabilities			
Sponsors' interest free loan - unsecured		**--**	228,376
Loan from others - unsecured	5	**84,188**	--
Long term loans / finances	6	**5,194,486**	4,992,092
Liabilities against assets subject to finance lease	7	**--**	3,942
Deferred liability	8	**2,910**	5,764
		5,281,584	5,230,174
Current liabilities			
Short term borrowings	9	**97,685**	56,470
Current portion of long term liabilities	10	**115,101**	326,949
Trade and other payables	11	**789,024**	162,474
Accrued markup	12	**98,660**	120,649
		1,100,470	666,542
Contingencies and commitments	13		
		7,137,661	6,233,796

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman / Director

AS AT JUNE 30, 2006

	Note	2006 Rupees '000'	2005 Rupees '000'
ASSETS			
Non current assets			
Property, plant and equipment	14	6,004,510	5,699,811
Capital work-in-progress	15	2,700	3,413
Long term deposits and prepayments	16	100	10,274
		6,007,310	5,713,498
Current assets			
Stores and spares	17	12,767	26,502
Stock in trade	18	208,935	70,034
Trade debts	19	540,946	92,451
Advances, deposits, prepayments and other receivables	20	363,699	326,452
Cash and bank balances	21	4,004	4,859
		1,130,351	520,298
		7,137,661	6,233,796

Chief Executive

Chief Financial Officer

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006 Rupees '000'	2005 Rupees '000'
Sales	22	**3,176,384**	2,194,817
Cost of sales	23	**(2,814,905)**	(1,818,782)
Gross profit		**361,479**	376,035
Operating expenses			
Administrative and general	24	**(50,141)**	(53,006)
Operating profit		**311,338**	323,029
Other income	25	**12,255**	7,487
		323,593	330,516
Financial and other charges			
Financial charges	26	**(423,927)**	(411,237)
Other charges	27	**(167,918)**	(9,145)
		(591,845)	(420,382)
Net loss before taxation		**(268,251)**	(89,866)
Provision for taxation:			
Current - on other income		**(326)**	(221)
Prior years		–	843
		(326)	622
Net loss after taxation		**(268,577)**	(89,244)
Loss per share	28	**(2.02)**	(0.67)

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman / Director **Chief Executive** **Chief Financial Officer**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006 Rupees '000'	2005 Rupees '000'
CASH FLOW FROM OPERATING ACTIVITIES			
Cash inflow after working capital changes	29	**415,399**	560,234
Financial charges paid		**(445,916)**	(417,682)
Gratuity paid		**(4,208)**	(232)
Income tax recovered / (paid)		**1,990**	(3,319)
Net cash (used in)/generated from operating activities		**(32,734)**	139,001
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(2,314)**	(14,047)
Proceeds from sale of property, plant and equipment		**6,426**	1,550
Capital work in progress		**(360)**	–
Change in long term deposits		**491**	1,037
Net cash provided by/(used in) investing activities		**4,243**	(11,460)
CASH FLOW FROM FINANCING ACTIVITIES			
Change in long term loans / finances		**(9,341)**	(106,490)
Change in short term borrowings		**41,215**	(17,611)
Payment of lease rentals - principal amount		**(4,238)**	(4,696)
Net cash provided by/(used in) financing activities		**27,636**	(128,797)
Net decrease in cash and cash equivalents		**(855)**	(1,256)
Cash and cash equivalents at beginning of the year		**4,859**	6,115
Cash and cash equivalents at end of the year	21	**4,004**	4,859

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman / Director **Chief Executive** **Chief Financial Officer**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2006

	Share Capital Rs. '000'	Share deposit money Rs. '000'	Accumulated Loss Rs. '000'	Total Rs. '000'
Balance as at June 30, 2004	1,332,000	–	(905,676)	426,324
Net loss for the year	–	–	(89,244)	(89,244)
Balance as at June 30, 2005	1,332,000	–	(994,920)	337,080
Share deposit money	–	144,188	–	144,188
Net loss for the year	–	–	(268,577)	(268,577)
Balance as at June 30, 2006	1,332,000	144,188	(1,263,498)	212,690

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman / Director **Chief Executive** **Chief Financial Officer**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Japan Power Generation Limited was incorporated in Pakistan on September 29, 1994 as public limited company 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. Through an agreement dated February 23, 2006 the management of the company has been vested to the new shareholders who acquired the entire shareholding of 35% of the outgoing management.

1.2 Although the company's accumulated loss has increased to Rs. 1,263 million (2005: Rs. 995 million), as reflected in the financial statements, it is primarily attributed to the recognition of loss on account of liquidated damages receivable from WAPDA which have been accounted for in these financial statements. The other major loss contributing factor has been shortfall in reimbursement from WAPDA of actual fuel cost incurred viz-a-viz WAPDA's standard formulae. The going concern assumption is appropriate in view of the fact that no material uncertainty exists as the project is financed/supported by WAPDA and the syndicated banks, as well as by a sound financial group who has acquired the controlling shares and management of the company on February 23, 2006. The new management would ensure the availability of adequate working capital and fulfill the company's other financial needs.

2. STATEMENT OF COMPLIANCE

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except for staff retirement benefits (note 3.2) that are measured at present value, revaluation of fixed assets (note 3.4) and capitalization of exchange differences on foreign currency loans (note 3.10). In these financial statements, except for cash flow statement, all the transactions have been accounted for on accrual basis.

The preparation of financial statements in conformity with IASs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underline assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of the management estimates in these financial statements relate to the useful life of the depreciable assets and provision for doubtful debts on account receivables. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3.2 Staff retirement benefits - defined benefit plan

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, 2006. The actuary used the 'Projected Unit Credit Method' relying on the following significant assumptions:

	2006	2005
Discount rate	9%	9%
Expected rate of salary increase	8%	8%
Average expected remaining working life of employees	12	12 years

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

3.3 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.

3.4 Property, plant and equipment - owned

Operating fixed assets except land are stated at cost less accumulated depreciation except for building and plant & machinery, which are stated at revalued amount. Land is stated at revalued amount whereas capital work in progress is stated at cost. Cost of certain fixed assets comprises of historical cost and exchange differences referred to in note 3.10.

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 14 to the financial statements. The net exchange differences relating to an asset at the end of each year is amortized in equal installments over its remaining useful life. However, the basis for depreciation charge during the year was changed to comply with the new requirements of IAS 16, whereby, depreciation is now charged on the basis of period of use i.e. full month's depreciation is charged in the month of purchase while no depreciation is charged in the month of disposal. Previous policy was that full year's depreciation was charged on additions during the year while no depreciation was charged on deletions.

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.

3.5 Property, plant and equipment - leased

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.

3.6 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:

Stores and spares	Moving average basis
Stock in trade	
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 related charges incurred thereon.

3.7 Trade debts and other receivables

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

3.8 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.

3.9 Trade and other payables

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.

3.10 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 exchange differences are charged to income currently.

3.11 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.

3.12 Contingencies and commitments

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

3.13 Borrowing costs

Borrowing costs are charged to income when incurred.

3.14 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, trade debts, receivables, cash and cash equivalents, loans and creditors, accrued and other liabilities. Any gain or loss on subsequent re-measurement to fair value of a financial asset and a financial liability is taken to profit and loss account on occurrence. The particular measurement method adopted is 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 intends either to settle on net basis or realize the asset and settle the liability simultaneously.

3.15 Impairment

The carrying amounts 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.

3.16 Revenue recognition

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

	2006 Rupees '000'	2005 Rupees '000'
4. Share deposit money	**144,188**	–

In compliance with the terms and conditions of the Syndicated Term Finance Agreement-II, an amount of Rs. 144.188 million out of the total of sponsors' interest free loan of Rs. 228.376 million was transferred to the new shareholders' account as share deposit money for further issue of share capital, as permitted by State Bank of Pakistan.

5. Loan from others - unsecured	**84,188**	–

This interest free loan is payable to an ex-director of the outgoing sponsors, and is treated as a subordinated loan.

6. Long term loans / finances	Note	2006 Rupees '000'	2005 Rupees '000'
Secured			
Syndicated term finance agreement - I	6.1		
Banking companies			
Prime Commercial Bank Limited		25,714	28,053
National Bank of Pakistan		30,629	21,615
Askari Commercial Bank Limited		24,870	26,600
Allied Bank Limited		14,632	13,290
PICIC Commercial Bank Limited		9,327	9,975
Saudi Pak Commercial Bank Limited		5,054	5,537
Crescent Commercial Bank Limited		10,680	4,433
		120,906	109,503
Non-banking financial institution			
Prudential Investment Bank Limited		2,744	4,059
		123,650	113,562
Morabaha finance agreement - I	6.2		
Banking company			
Faysal Bank Limited		20,706	22,137
Syndicated term finance agreement - II	6.3		
Banking companies			
Prime Commercial Bank Limited		935,018	935,018
National Bank of Pakistan		761,720	761,720
Askari Commercial Bank Limited		914,474	914,272
Allied Bank Limited		635,572	635,581
PICIC Commercial Bank Limited		343,000	343,002
Saudi Pak Commercial Bank Limited		185,898	189,886
Crescent Commercial Bank Limited		533,161	152,860
Trust Commercial Bank Limited		--	380,301
		4,308,843	4,312,640
Non-banking financial institution			
Prudential Investment Bank Limited		52,093	52,093
		4,360,936	4,364,733
Morabaha finance agreement - II	6.4		
Banking company			
Faysal Bank Limited		761,372	761,147
Finance against dishonored bills	6.5		
Banking company			
Allied Bank Limited		17,342	28,412
Un-secured			
Supplier's credit -			
Power cable	6.7	22,820	25,993
		5,306,826	5,315,984
Less: Current and overdue portion shown under current liabilities	10		
Overdue portion			
Supplier's credit - power cable		22,820	25,993
Finance against dishonored bills		11,461	–
		34,281	25,993

Current maturity		
Syndicated term finance agreement - I	**61,825**	135,699
Morabaha finance agreement - I	**10,353**	–
Syndicated term finance agreement - II	–	162,200
Finance against dishonored bills	**5,881**	–
	78,059	297,899
	112,340	323,892
	5,194,486	4,992,092

6.1 Syndicated term finance agreement - I

Syndicated loan I under financing arrangement alongwith overdue markup was restructured on June 28, 2006 effective from April 01, 2006 as Syndicated Term Finance Agreement I. The syndicate has agreed to purchase assets of the company at the purchase price of Rs. 123.650 million and sell the same to the company at a marked up price of Rs. 154.563 million. The principal is repayable in two equal installments due on March 31, 2007 and September 30, 2007 respectively. It carries mark up @ three months KIBOR plus 1.5% per annum payable on a quarterly basis.

6.2 Morabaha finance agreement - I

As part of the restructuring arrangement of existing loans, a morabaha finance agreement was signed with the Faysal Bank Limited whereby the Bank has agreed to purchase the goods at a purchase price of Rs. 20.705 million and sell the same to the company at a price of Rs. 25.882 million. The principal is repayable in two equal installments on March 31, 2007 and September 30, 2007 respectively.

6.3 Syndicated term finance agreement - II

Syndicated loan II under financing arrangement was restructured on June 28, 2006 effective from April 01, 2006 as Syndicated Term Finance Agreement II. Under the new arrangement, the syndicate has agreed to purchase all the fixed and current assets of the company at the purchase price of Rs. 4,360.936 million and sell the same to the company at marked up price of Rs. 9,724.887 million. The principal is repayable in two phases. Phase-I as per repayment schedule A, comprises of 38 equal installments due from June 30, 2009 to September 30, 2018, while Phase-II represents the remaining principal, as per repayment schedule B and consists of 16 equal installments due from June 30, 2022 to March 31, 2026. The facility carries mark up @ three months KIBOR plus 0.25% per annum payable on a quarterly basis.

6.4 Morabaha finance agreement - II

As part of the restructuring arrangement of existing loans, a morabaha finance agreement was signed with Faysal Bank Limited whereby the Bank agreed to purchase the goods at a purchase price of Rs. 761.372 million and sell the same to the company at a price of Rs. 1,697.859 million. The principal is repayable in two phases. Phase-I as per repayment schedule A, comprises of 38 equal installments due from June 30, 2009 to September 30, 2018, while Phase-II represents the remaining principal, as per repayment schedule B and consists of 16 equal installments due from June 30, 2022 to March 31, 2026.

6.5 Finance against dishonored bills

This facility was extended by Allied Bank Limited as part of syndicated finance loan - II, renamed as syndicated term finance agreement, which was separated from this arrangement w.e.f March 15, 2005. According to the new terms and conditions the principal is payable in 7 - quarterly installments starting from March 15, 2005. Markup is payable quarterly @ 7% per annum till the final settlement of the liability.

6.6 All the above finance arrangements are secured by a first pari passu fixed charge by way of hypothecation over the company's entire present and future fixed and current assets, a mortgage by deposit of title deeds over its land and building and by pledge of the new management's shareholding.

6.7 Supplier's credit – power cable

This credit was obtained from Toyota Tsusho Corporation, Japan (TTC) 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. No payment has been made since June 30, 2004. However the TTC has confirmed during the year that an amount equivalent to JPY 43.884 million is receivable from the company at the terminal date.

	2006 Rupees '000'	2005 Rupees '000'

7. Liabilities against assets subject to finance lease

7.1 The movement in this account during the year is as follows:

	2006 Rupees '000'	2005 Rupees '000'
Opening balance	6,999	11,695
Less: Paid during the year	4,238	4,696
	2,761	6,999
Less: Current portion shown under current liabilities:	2,761	3,057
	–	3,942

7.2 These represent finance leases entered into with leasing companies for motor vehicles. 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.

7.3 These are secured by demand promissory notes, personal guarantees of the directors and security deposits (Note - 16)

7.4 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."

7.5 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.

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

	2006		2005	
	Minimum lease Payments Rs. '000s	Present values Rs. '000s	Minimum lease payments Rs. '000s	Present values Rs. '000s
Not later than one year	2,816	2,761	3,734	3,057
Later than one year but not later than five years	--	--	4,036	3,942
Total minimum lease payments	2,816	2,761	7,770	6,999
Less: amounts representing financial charges	55	--	771	-
Present value of minimum lease payments	2,761	2,761	6,999	6,999

8. Deferred Liability

8.1 Movement during the year in the net liability recognised in the financial statements is as under:

	2006 Rupees '000'	2005 Rupees '000'
Opening net liability	5,764	4,792
Add: expense recognised	1,354	1,204
	7,118	5,996
Less: paid during the year	4,208	232
Closing net liability	2,910	5,764

	2006 Rupees '000'	2005 Rupees '000'
8.2 The amounts recognized in balance sheet are as follow:		
Present value of defined benefit obligation	**1,321**	4,046
Payables as on June 30	**1,463**	1,198
Unrecognized actuarial gains	**126**	520
Total balance sheet liability	**2,910**	5,764

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

	2006	2005
Current service cost	**1,000**	947
Interest cost	**364**	259
Actuarial gain	**(10)**	(2)
	1,354	1,204

9. Short term borrowings

Names of lenders		**Sanctioned Limit**	**Disbursed Amount**	
Banking companies		**Rs.'000s**	**2006 Rs.'000s**	**2005 Rs.'000s**
Prime Commercial Bank Ltd (PCBL)	9.1	53,891	**53,891**	17,000
Allied Bank Limited (ABL)	9.2	39,470	**39,470**	39,470
Prime Commercial Bank Limited (PCBL) - Overdrawn account	9.3	–	**4,324**	--
		93,361	**97,685**	56,470

9.1 The borrowing from PCBL is secured by a first charge, ranking pari passu on all present and future assets including plant and machinery, equipment, inventories, trade debts and other receivables of the company and the personal guarantees of the existing directors. The facility carries mark up @ six months KIBOR plus 2% per annum on a daily basis, payable quarterly. Since the balance disbursed was in excess of the bank per party sanctioned limit, therefore a penalty of Rs. 952,000 (2005 - Rs. Nil) was levied by the State Bank of Pakistan (SBP) on PCBL, which was charged to and recovered from the company. The same penalty is expected this year as well.

9.2 The borrowing from ABL is secured by a first charge, ranking pari passu on all present and future assets including plant and machinery, equipment, inventories, trade debts and other receivables of the company and the personal guarantees of the existing directors. The facility carries mark up @ six months KIBOR plus 2% per annum on a daily basis, payable quarterly.

9.3 This represents unpresented cheques at the terminal date.

		2006 Rupees '000'	2005 Rupees '000'
10. Current portion of long-term liabilities			
Long term loans / finances	6	**112,340**	323,892
Liabilities against assets subject to finance lease	7	**2,761**	3,057
		115,101	326,949
11. Trade and other payables			
Creditors		**24,375**	10,505
Accrued liabilities		**8,503**	5,734
Advance from WAPDA for purchase of HFO	11.1	**743,245**	133,333
Liquidated damages payable		--	--
Provision for sales tax		**2,238**	2,238
Infrastructure tax payable		**4,397**	4,397
Guarantee commission payable		**6,267**	6,267
		789,024	162,474

11.1 This advance carries markup @ 11.00% (2005: @ 9.5%) per annum and is secured against company's billings to WAPDA.

	2006 Rupees '000'	2005 Rupees '000'
12. Accrued markup		
Interest / markup payable on secured borrowings	**98,660**	118,048
Interest / markup payable on unsecured borrowings	–	2,601
	98,660	120,649

13. Contingencies and commitments

Contingencies:

13.1 WAPDA has disputed payments amouting to Rs. 384. 032 million, relating to indexation of non-escalable components of capacity purchase price (CPP) already paid to the company from March 14, 2004 to March 13, 2006 and disputed and withheld further amount of Rs. 48.315 million from company's CPP invoices for the period from March 14, 2006 to June 30, 2006. The total disputed amount comes to Rs. 432.347 million, out of which WAPDA has arbitrarily withheld a total amount of Rs. 92.038 million from company's CPP invoices uptil June 30, 2006. The matter is in the process of reconciliation/settlement with WAPDA. The management has obtained opinon from an independent legal counsel and had company's legal counsel review of a legal openion obtained by WAPDA. Based on the opinion and review, the managment is confident that the matter will be finally settled in its favour. Accordingly, the indexation charges deducted/claimed by WAPDA have not been provided for in these financial statements.

13.2 The company is contingently liable for the liquidated damages claimed by WAPDA for the period from July 1, 2001 to June 30, 2006, to the tune of Rs. 484.568 million. The outgoing management was in the process of reconciliation / settlement of the liquidated damages with WAPDA and a provision of Rs. 135.012 million had been made in the accounts against WAPDA's claim of Rs. 484.568 million. After the take over, the new management continued the process of reconciliation / settlement of liquidated damages with WAPDA. However, no settlement has been reached between WAPDA and the company. It has therefore been decided to refer the total claim of liquidated damages for resolution by an expert as per the dispute resolution mechanism provided in the Power Purchase Agreement. The management believes that after taking into account the allowances for forced outages and providing cogent reasons duly substantiated by documentary evidences, it will not have to pay damages over and above the amount already provided for in the books of account.

13.3 The company is also contingently liable for infrastructure fee/cess amounting to Rs. 4.396 million imposed by the Sindh Government under the provision of Sindh Finance (Amendment) Ordinance, 2001. The company challenged the levy and collection of the fee in the Sindh High Court. The suit was decided against the company, however, the verdict was suspended for 15 days by the honorable court to enable the company to file an intercourt appeal against the judgment. The appeal was filed before the Honorable Division Bench of the Sindh High Court and the Bench passed an order staying the recovery of the impugned cess on furnishing of a bank guarantee (non-encashable till the pendency of the suit) by the company to the satisfaction of the Excise department. The appeal is pending adjudication and the company is confident that the matter will be ultimately settled in its favour.

Commitments:

13.4 The company has no capital or other commitments at the terminal date (2005: Nil).

14. Property, plant and equipment

PARTICULARS	COST					DEPRECIATION					Written Down Value as at June 30, 2006	Revaluation surplus as at June 30, 2006	Written don value after revaluation as at June 30, 2006
	As at July 01, 2005	Additions	Adjustments	Deletions	As at June 30, 2006	Rate (%)	As at July 01, 2005	Deletions/ adjustments	Charge for the year	As at June 30, 2006			
Owned													
Land - freehold	16,979	-	-	-	16,979		-	-	-	-	16,979	51,468	68,446
Buildings and civil works on free hold land	367,307	-	-	-	367,307	3.3 ~ 4.0	63,654	-	12,277	75,931	291,377	1,107	292,484
Plant an machinery	6,478,297	2,314	183	-	6,480,794	3.3 ~ 4.17	1,124,788	-	216,641	1,341,429	5,139,365	490,342	5,628,707
Workshop equipment	16,085	-	-	-	16,085	10	8,042	-	1,609	9,651	6,434	-	6,434
Weighbridge	1,175	-	-	-	1,175	10	588	-	118	705	470	-	470
Furniture and fixtures	2,417	-	-	-	2,417	10	1,074	-	241	1,316	1,101	-	1,101
Electric installations	1,890	-	-	(150)	1,740	10	834	-140	234	928	812	-	812
Office equipment	1,521	-	-	-	1,521	10	610		152	762	759	-	759
Laboratory equipment	929	-	-	-	928	10	255		93	348	580	-	580
Computers	2,053	-	-	-	2,053	30	1,947	-	84	2,031	22	-	22
Tubewell	1,724	-	-	-	1,724	10	912	-	172	1,085	639	-	639
Railways sidings	6,650	-	-	-	6,650	10	3,519	-	665	4,184	2,466	-	2,466
Vehicles	15,481	-	-	(12,390)	3,092	20	11,365	(11,165)	2,302	2,502	590	-	590
	6,912,508	2,314	183	(12,540)	6,902,465		1,217,588	(11,305)	234,588	1,440,871	5,461,594	542,917	6,004,510
Leased													
Office Premises	775	-	-	(775)	-	10	410	-442	32	-	-	-	-
Vehicles	12,470	-	-	(5,080)	7,390	20	7,944	(2,709)	2,155	7,390	-	-	-
	13,245	-	-	(5,855)	7,390		8,354	(3,151)	2,187	7,390	-	-	-
2005 Rs. '000'	**6,925,753**	**2,314**	**183**	**(18,395)**	**6,909,855**		**1,225,942**	**(14,457)**	**236,775**	**1,448,261**	**5,461,594**	**542,917**	**6,004,510**
2004 Rs. '000'	6,890,709	36,254	640	(1,850)	6,925,753		988,867	(756)	237,831	1,225,942	5,699,811	-	5,699,811

14.1 Adjustments to plant and machinery include exchange loss on foreign currency loan amounting to Rs. 0.183 million (2005: exchange loss of Rs.0.640 million) utilized on the acquisition of plant and machinery.

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

		2006 Rs. '000'	2005 Rs. '000'
Cost of sales	(Note-23)	231,573	231,525
Administrative and general expenses	(Note-24)	5,202	6,306
		236,775	237,831

14.3 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	
Electric Installations	150	140	10	14	4	Negotiation	**M/s Cooling Centre**	Lahore
Leased hold - office premises	775	442	333	-	(333)	Negotiation	**Mr. Asad Ali Uppal**	Ex-Director
Vehicles								
Suzuki Khyber	404	404	-	150	150	Negotiation	**Mr. Khurshid**	Ex-employee
Sunny Nissan	235	235	-	85	85	Negotiation	**Mr. Mohsin**	Employee
AEU 077	1,224	878	347	489	142	Negotiation	**Muhammad Ali**	Ex-director
Toyota Corolla	1,284	663	621	770	149	Negotiation	**Walayat Ali**	Ex-director
Honda Civic	1,272	1,272	-	254	254	Negotiation	**Haseeb Khan**	Ex-director
Honda Civic	1,196	1,196	-	239	239	Negotiation	**Qasim Ali**	Ex-director
Honda Civic	1,183	1,183	-	236	236	Negotiation	**Liaqat Khan**	Ex-Chief Executive
Honda Civic	1,192	1,192	-	238	238	Negotiation	**Walayat Ali**	Ex-director
Honda Civic	1,183	1,183	-	237	237	Negotiation	**Zafar Iqbal**	Ex-director
Honda City	799	732	67	160	93	Negotiation	**Mr. Mahmood**	Ex-director
Honda Civic	1,180	1,081	98	236	138	Negotiation	**Naeema Rashid**	Lahore
Toyota Corolla	1,098	1,006	91	220	129	Negotiation	**Muhammad Ali**	Ex-director
Honda CD - 70	69	69	-	28	28	Negotiation	**Mr. Rafique**	Ex-employee
Honda CD - 70	71	71	-	20	20	Negotiation	**Mr. Subtain Hyder**	Employee
Honda Civic	1,276	681	595	766	171	Negotiation	**Muhammad Ali**	Ex-director
Honda Civic	1,276	681	595	766	171	Negotiation	**Liaqat Khan**	Ex-director
Honda Civic	1,274	679	595	765	170	Negotiation	**Zafar Iqbal**	Ex-director
Honda Civic	1,255	669	586	753	167	Negotiation	**Sheikh Nazaz Ali**	Ex-Chairman/director
2006 Rupees '000'	**18,395**	**14,457**	**3,938**	**6,426**	**2,488**			
2005 Rupees '000'	1,850	756	1,094	1,550	456			

	Note	2006 Rupees '000'	2005 Rupees '000'
15. Capital work in progress			
Plant and machinery		2,700	2,340
Advance for land		--	1,073
		2,700	3,413
16. Long term deposits and prepayments			
Central Depository Company (CDC)		100	100
Security deposits with leasing companies		1,700	2,191
Prepaid mark up		--	8,922
		1,800	11,213
Less: Adjustable within one year			
Security deposits with leasing companies	20	1,700	-
Prepaid mark up		-	939
		1,700	939
		100	10,274
17. Stores and spares			
Stores		1,411	1,495
Spares		11,356	25,007
		12,767	26,502
18. Stock in trade-raw materials			
Residual fuel oil (RFO) (including in transit Rs. 101.757 million (2005: Rs. 5.881 million)		202,566	51,507
High speed diesel (HSD)		3,913	3,526
Lube oil (including in transit Rs. Nil million (2005: Rs. 3.246 million)		1,008	12,692
Chemicals and other lubricants		1,448	2,309
		208,935	70,034
19. Trade debts - considered good		540,946	92,451
These are receivable from WAPDA and are fully secured.			
20. Advances, deposits, prepayments and other receivables			
Advances - considered good			
To directors	20.1	-	1,389
To executives	20.1	-	130
		-	1,519
To employees		77	283
For expenses		50	1,220
To suppliers		1,776	3,860
To Pakistan State Oil Co. Ltd. (PSO)		91,900	16,399
Income tax		2,236	4,552
To others		266	-
		96,305	26,314
Deposits			
Letters of credit margin		9,393	-
Lease key money adjustable within year	16	1,700	-
Others		6	137
		11,099	137
Prepayments - including current portion of long term prepayments		23,659	25,681
Other receivables			
Claims receivable		1,811	1,401
Sales tax recoverable		52,147	12,686
Liquidated damages recoverable		177,872	258,481
Others		806	233
		232,636	272,801
		363,699	326,452

	Note	2006 Rupees '000'	2005 Rupees '000'

20.1 These advances are against salaries and are interest free. The movement in these accounts is as under:

Balance at the beginning of the year		**1,519**	639
Disbursement		**200**	950
Repayments / adjustment		**(1,719)**	(70)
Balance at end of the year		-	1,519

The maximum aggregated amount of advances due from outgoing directors and ex-executive at the end of any month during the year was Rs. 1.389 million and Rs. 0.130 million (2005: Rs 1.389 million and Rs. 0.130 million) respectively.

21. Cash and bank balances

Cash in hand		-	6
Cash with banks :			
In current accounts		**250**	765
In saving accounts		**3,754**	4,088
		4,004	4,853
		4,004	4,859

22. Sales

Energy payments		**2,612,851**	1,477,367
Capacity payments		**904,113**	910,377
		3,516,964	2,387,744
Less: Sales tax		**340,580**	192,927
		3,176,384	2,194,817

23. Cost of sales

Fuel and oils consumed		**2,434,626**	1,399,799
Salaries, wages and benefits	23.1	**7,320**	7,090
Operating and maintenance fee		**54,000**	54,000
Stores and spares consumed		**30,140**	60,820
Electricity consumed in house		**7,901**	6,948
Communication charges		**1,807**	1,787
Repair and maintenance		**4,713**	12,732
Environmental monitoring		**526**	526
Power generation licencing expenditure		**910**	974
Insurance		**41,389**	42,581
Depreciation	14.3	**231,573**	231,525
		2,814,905	1,818,782

23.1 Salaries, wages and benefits include Rs. 0.104 million (2005: Rs. 0.441 million) for staff gratuity.

24. Administrative and general expenses

Directors' remuneration		**8,814**	11,700
Salaries and benefits	24.1	**10,999**	12,214
Plant security services		**1,650**	2,030
Staff transportation		**2,141**	2,033
Traveling and conveyance		**2,181**	1,828
Rent, rates and taxes		**601**	1,052
Postage and courier		**91**	160
Electricity and utility charges		**4**	140
Telephone, mobile and telex		**1,198**	2,459
Printing and stationery		**602**	567
Vehicle running and maintenance		**2,956**	2,287
Entertainment		**963**	1,460
Newspapers and periodicals		**4**	5
Legal, professional and consultancy charges		**8,948**	4,112
Registrar services		**300**	300
Fee and subscription		**265**	203
Auditors' remuneration	24.2	**978**	978
Charity and donation	24.3	**133**	345
Advertisement		**151**	127
Insurance		**1,095**	1,121
Repair and maintenance		**865**	1,579
Depreciation	14.3	**5,202**	6,306
		50,141	**53,006**

24.1 Salaries and benefits include Rs. 1.250 million (2005: Rs. 0.763 million) for staff gratuity.

24.2 Auditors' remuneration

	2006		2005	
	Hyder Bhimji & Co	Javaid Jalal Amjad & Company	Hyder Bhimji & Co	Javaid Jalal Amjad & Company
Audit fee	**275**	**275**	275	275
Review engagement	**150**	**150**	150	150
Out of pocket expenses	**64**	**64**	64	64
Rs.'000'	**489**	**489**	489	489

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

	Note	2006 Rupees '000'	2005 Rupees '000'
25. Other income			
Profit on bank deposits		**932**	632
Sale of scrap / sludge		**8,576**	6,399
Profit on sale of fixed assets	14.4	**2,488**	456
Exchange gain		**259**	-
		12,255	7,487
26. Financial charges			
Interest / mark up on:			
Long term loans / finances		**355,946**	387,240
Short term borrowings		**52,026**	15,632
Lease finance		**742**	1,381
Guarantee commission		**84**	70
Exchange loss		**-**	36
Bank fee and other charges		**15,129**	6,878
		423,927	411,237
27. Other charges			
Liquidated damages - WAPDA	27.1	**135,012**	-
Loss due to adjustment of correction factor		**19,876**	-
Sales tax on short payment received from WAPDA		**2,694**	-
Other receivables written off		**10,336**	-
Deferred cost amortized		**-**	9,145
		167,918	9,145

27.1 The outgoing management was in the process of reconciliation / settlement of the liquidated damages with WAPDA and provision of Rs. 135.012 million was made in the accounts against WAPDA's claim of Rs. 484.568 million. After the take over, the new management continued the process of reconciliation / settlement of liquidated damages with WAPDA. Since no settlement could be reached between WAPDA and the company, therefore, it has been decided to refer the dispute for resolution by an expert as per the dispute resolution mechanism provided in the Power Purchase Agreement.

28. Loss per share-basic and diluted

	2006	2005
Net loss for the year	**(268,577)**	(89,244)
Weighted average number of ordinary shares	**133,200**	133,200
Loss per share - Rupees	**(2.02)**	(0.67)

29. Cash inflow after working capital changes

	2006 Rupees '000'	2005 Rupees '000'
Net loss before taxation	(268,251)	(89,866)
Adjustment for non-cash and other items:		
Depreciation	236,775	237,831
Gain/(loss) on disposal of fixed assets	(2,488)	(456)
Provision for gratuity	1,354	1,204
Provision for doubtful receivables	10,336	-
Amortization of deferred cost	8,922	9,145
Financial charges	423,927	411,237
	678,826	658,961
Operating profit before working capital changes	410,575	569,095
Working capital changes		
Stores and spares	13,735	9,488
Stock in trade	(138,901)	(14,078)
Trade debts	(448,495)	135,222
Advances, deposits, prepayments and other receivables	(48,066)	(198,276)
Trade and other payables	626,551	58,783
	4,824	(8,861)
	415,399	560,234

30. Plant capacity and actual production

	2006	2005
Installed annual capacity in MWH	937,320	937,320
Actual energy delivered in MWH	455,908	381,320

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

31. Financial assets and liabilities

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

2006 Rs. '000'

	Interest / Markup bearing		Non-interest bearing		
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year	Total
Financial assets					
Long term deposits	-	-	1,700	100	1,800
Trade debts	540,946	-	-	-	540,946
Advances, deposits, prepayments and other receivables	-	-	188,470	-	188,470
Cash and bank balances	3,754	-	250	-	4,004
	544,700	-	190,420	100	735,220
Financial liabilities					
Loan from others - unsecured	-	-	-	84,188	84,188
Long term loans					
- Secured	89,520	5,194,486	-	-	5,284,006
- Unsecured	22,820	-	-	-	22,820
Liabilities against assets subject to finance lease	2,761	-	-	-	2,761
Short term borrowings	97,685	-	-	-	97,685
Trade and other payables	-	-	39,145	-	39,145
Accrued mark up	-	-	98,660	-	98,660
	212,785	5,194,486	137,804	84,188	5,629,264

	2005 Rs. '000'				
	Interest / Markup bearing		Non-interest bearing		
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year	Total
Financial assets					
Long term deposits	-	-	-	2,291	2,291
Trade debts	92,451	-	-	-	92,451
Advances, deposits, prepayments and other receivables	-	-	261,872	-	261,872
Cash and bank balances	4,088	-	765	-	4,853
	96,540	-	262,637	2,291	361,468
Financial liabilities					
Long term loans					
- Secured	297,899	4,992,091	-	-	5,289,990
- Unsecured	25,993	-	-	-	25,993
Sponsors' loan	-	-	-	228,376	228,376
Liabilities against assets subject to finance lease	3,057	3,942	-	-	6,999
Short term borrowings	56,470	-	-	-	56,470
Trade and other payables	-	-	22,505	-	22,505
Accrued markup	-	-	120,649	-	120,649
	383,419	4,996,033	143,154	228,376	5,750,982

31.1 Interest rate risk

Markup rate risk is the risk that the value of financial instruments will fluctuate due to change in market markup rates. The effective markup rates as at June 30, 2006 for the company's financial instruments are given in the relevant notes except for trade debts, liquidated damages, deposits in PLS account for which effective rates are given as follows:

		2006	2005
Trade debts-interest charged after 25 days of the invoice delivered to WAPDA	Fixed	**11.00%**	9.50%
Liquidated damages-interest is payable after 25 days of invoice received from WAPDA	Fixed	**11.00%**	9.50%
Deposits in PLS accounts	Variable	**As determined by the bank**	As determined by the bank
Liabilities against assets subject to finance lease	Fixed	**12% to 28%**	12% to 28%
Short term borrowings	Variable	**6 months KIBOR plus 2%**	7%
Long term loans / finances	Variable	**three months KIBOR plus 0.25% and 1.5%**	7%

31.2 Credit risk and concentration of credit risk

The credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The maximum exposure to credit risk is presented by the carrying amount of each financial asset. All the trade receivables are due from WAPDA and are secured by sovereign guarantee of the Government of Pakistan.

31.3 Foreign exchange risk management

Foreign exchange risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Total payables of Rs. 26.176 million (2005: Rs.33.936 million) in foreign currency are , exposed to foreign exchange risk.

31.4 Fair value of financial instruments

The carrying values of all financial assets and financial liabilities reflected in the financial statements approximate to their fair values.

32. Remuneration of chief executive, directors and executives

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

	Chief Executive		Directors		Executives	
	2006	2005	2006	2005	2006	2005
No of persons						
- before February 2006	1	1	4	4	4	4
- after February 2006	1	1	-	4	5	4
Managerial remuneration	3,314	3,273	4,188	7,364	3,357	2,794
House rent	562	-	-	-	1,343	812
Utilities	331	327	419	736	336	280
Other benefits	-	-	-	-	201	585
Rs. '000s	4,207	3,600	4,607	8,100	5,237	4,471

32.1 Board meeting fee was not paid to the directors.

32.2 Company maintained vehicles and mobile telephones were provided to the chairman, chief executive and four directors (2005: five) till February, 2006. After takeover by the new management, only the chief executive is provided remuneration and other benefits.

33. Environmental risk exposure

The company is fully compliant with the environmental regulations.

34. Date of Authorization

These financial statements were authorized for issue on September 23, 2006 in accordance with the resolution of the Board of Directors.

35. General

35.1 Figures of corresponding period have been re-arranged where necessary for the purpose of comparision and better presentation, however, no major restatement has been made in these financial statements.

35.2 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 JUNE 30, 2006

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL NUMBER OF SHARES HELD	PERCENTAGE OF TOTAL CAPITAL
	FROM	TO		
11	1	100	469	0.00
460	101	500	229,393	0.17
645	501	1000	644,720	0.48
1,265	1001	5000	4,017,580	3.02
424	5001	10000	3,645,333	2.74
142	10001	15000	1,920,525	1.44
104	15001	20000	1,997,500	1.50
70	20001	25000	1,670,880	1.25
45	25001	30000	1,295,100	0.97
24	30001	35000	806,500	0.61
21	35001	40000	819,500	0.62
12	40001	45000	522,500	0.39
55	45001	50000	2,737,000	2.05
16	50001	55000	850,500	0.64
10	55001	60000	586,000	0.44
8	60001	65000	500,500	0.38
5	65001	70000	346,500	0.26
13	70001	75000	959,500	0.72
8	75001	80000	630,500	0.47
7	80001	85000	587,500	0.44
9	85001	90000	796,500	0.60
4	90001	95000	375,500	0.28
27	95001	100000	2,692,000	2.02
1	100001	105000	102,000	0.08
5	105001	110000	542,600	0.41
3	110001	115000	342,000	0.26
1	115001	120000	120,000	0.09
2	120001	125000	250,000	0.19
2	125001	130000	254,000	0.19
2	130001	135000	270,000	0.20
2	135001	140000	277,500	0.21
2	140001	145000	281,900	0.21
3	145001	150000	450,000	0.34
1	150001	155000	150,500	0.11
1	155001	160000	158,500	0.12
1	160001	165000	160,500	0.12
1	165001	170000	170,000	0.13
3	170001	175000	521,000	0.39
2	175001	180000	357,000	0.27
2	180001	185000	368,000	0.28
4	195001	200000	796,500	0.60
1	200001	205000	204,000	0.15
1	215001	220000	216,000	0.16
2	220201	225000	450,000	0.34
2	240001	245000	490,000	0.37

1	245001	250000	247,500	0.19
2	250001	255000	506,500	0.38
1	255001	260000	259,000	0.19
1	280001	285000	285,000	0.21
1	285001	290000	290,000	0.22
7	295001	300000	2,100,000	1.58
1	340001	345000	345,000	0.26
1	370001	375000	371,000	0.28
1	385001	300000	385,500	0.29
2	430001	435000	868,000	0.65
1	455001	460000	460,000	0.35
1	505001	510000	508,500	0.38
2	595001	600000	1,200,000	0.90
1	665001	670000	666,000	0.50
1	695001	700000	700,000	0.53
1	895001	900000	900,000	0.68
1	920001	925000	925,000	0.69
1	995001	1000000	1,000,000	0.75
1	1000001	1005000	1,001,000	0.75
1	1205001	1210000	1,208,500	0.91
1	1275001	1280000	1,276,500	0.96
1	1420001	1425000	1,422,000	1.07
1	1350001	2355000	2,350,500	1.76
1	2595001	2600000	2,600,000	1.95
1	3250001	3255000	3,250,500	2.44
2	3395001	3400000	6,800,000	5.11
1	3580001	3585000	3,584,281	2.69
1	3645001	3650000	3,650,000	2.74
1	7765001	7770000	7,765,963	5.83
1	11860001	11865000	11,862,500	8.91
1	18720001	18725000	18,724,378	14.06
1	20120001	20125000	20,122,878	15.11
3,471	**TOTAL**		**133,200,000**	**100.00**

CATEGORIES OF SHAREHOLDERS
AS ON JUNE 30, 2006

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	TOTAL SHARED HELD	PERCENTAGE
Sponsors / Directors / Chief Executive Officer			
And their spouse and minor Children			
Pak Oman Investment Company Limited	1	17,622,878	13.23
National Logistics Cell	1	17,622,878	13.23
Saudi Pak Industrial & Agricultural Company (Private) Limited	1	7,765,963	5.83
Patagonia Corporation (Private) Limited	1	3,584,281	2.69
(The directors are nominees of institutions)	-	-	-
TOTAL:-	**4**	**46,596,000**	**34.98**
Executives	-	-	-
Please enter the executive detail, if any			
Associated Companies, Undertakings and related parties	-	-	**0.00**
Public Sectors Companies & Corporations	-	-	**0.00**
NIT and ICP	-	-	**0.00**
Banks, Development Financial Institutions & Non-Banking Financial Institutions	**14**	**21,695,563**	**16.29**
Insurance Companies	**2**	**310,000**	**0.23**
Modarabas & Mutual Funds	**2**	**200,000**	**0.15**
Others	**102**	**15,786,437**	**11.85**
General Public	**3,347**	**48,612,000**	**36.50**
TOTAL:-	3,471	133,200,000	100.000

FORM OF PROXY

Please quote

Folio No:
Shares 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 12th Annual General Meeting of the Company to be held at registered office / plant located at Jia Bagga, Off Raiwind Road, Lahore on Friday, 20th October 2006 at 09:00 a.m. and at every adjournment thereof.

As witness my / our hand this ______________ day of ______________ 2006.

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.

PLANT: Jia Bagga Railway Station, Raiwind Road, District Lahore - Pakistan.

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