ANNUAL REPORT

29

JAPAN POWER GENERATION LIMITED

بسم الله الرحمن الرحيم

شروع اللہ کے پاک نام سے جو بڑا مہربان اور نہایت رحم کرنے والا ہے

JAPAN POWER GENERATION LIMITED

CONTENTS

COMPANY INFORMATION

Board of Directors	Col.(R) Shahid Qamar Yazdanie	- Chairman
	Mr. Shahzad Mehmood	
	Mr. Mansoor Ur Rehman	
	Mr. Jehangir Shah	
	Mr. Kashif Muhammad Khan	
	Mr. Shahbaz Jameel	
	Mr. Zafar Iqbal	
	Mr. Muhammad Faisal Israr	
	Mr. Syed Mujahid Hussain Naqvi	
	Mr. Najeeb Ahmed Shaikh	
	Mr. Adnan Qayum Khan	- Nominee The Royal Bank of Scotland Ltd
	Mr. Muhammad Hanif Abbasi	- Nominee National Bank of Pakistan
Chief Executive Officer	Mr. Khan Ahmed Saleem	
Company Secretary & Chief Financial Officer	Mr. Zain ul Abidin	
Company's Audit Committee	Col.(R) Shahid Qamar Yazdanie	- Chairman
	Mr. Kashif Muhammad Khan	
	Mr. Zafar Iqbal	
Auditors	Hyder Bhimji & Co. Chartered Accountants	
Shares Registrar Office	Hameed Majeed Associates (Pvt.) Limited. HM House, 7 – Bank Square, Lahore Tel: +92-42-37235081-2, Fax: +92-42-37358817	
Legal Advisor	Sami, Zafar & Islam	
Bankers	The Royal Bank of Scotland Limited Allied Bank Limited	
Lending Bank Syndicate	The Royal Bank of Scotland Limited Askari Bank Limited National Bank of Pakistan Faysal Bank Limited Allied Bank Limited Samba Bank Limited (Formerly Crescent Commercial Bank Limited) NIB Bank Limited (Formerly PICIC Commercial Bank Limited) SILK Bank Limited (Formerly Saudi Pak Commercial Bank Limited) Prudential Investment Bank Limited	
Registered Office/Plant	Near Jia Bagga Railway Station Chowk Araian Off Raiwind Road, Lahore Tel: +92-42-35835864-6 Fax: +92-42-35835860	
Email	Email: jpgl@brain.net.pk	
Website	Website: www.jpglpk.com	

NOTICE OF 15TH ANNUAL GENERAL MEETING

Notice is hereby given that the 15th Annual General Meeting of Japan Power Generation Limited will be held on Wednesday, November 25, 2009 at 9:00 AM at registered office/plant located at Jia Bagga, off Raiwind Road, Lahore to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 14th Annual General Meeting of the Company held on Friday, November 14, 2008.
2. To receive, consider and adopt the audited financial statements of the company for the financial year ended June 30, 2009, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors, M/s Hyder Bhimji & Co, Chartered Accountants, for the Company for the financial year ending June 30, 2010 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
November 04, 2009

Zain ul Abidin
Company Secretary

NOTES

1. The Share Transfer Book of the Company will remain closed from November 17, 2009 to November 25, 2009 (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 board of directors of your Company are pleased to present the 15th Annual Report together with the audited financial statements of your Company and auditors' report thereon for the year ended June 30, 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to own, operate and maintain an oil-fired power station with a net contracted capacity of 120.5 MW (gross capacity of 135 MW).

MAJOR STRATEGIC ISUUES:

Your Company is in extreme financial distress due to the on going dispute with WAPDA, whereby WAPDA has completely stopped payments from January 2009 onwards. This is a departure from WAPDA's obligations under the PPA. Since the country is in dire need of electricity, the management started numerous initiatives with WAPDA to re-start operations of the plant. In this connection, the WAPDA / PEPCO / Financial Institutions alongwith the Company are working on various proposals and plans to resume the operations of Company.

RESOLUTION OF CONTRACTUAL ISSUES – AUDITORS' QUALIFICATIONS

i) As reported in the last year's annual report, the Company was contingently liable for the liquidated damages claimed by WAPDA for the period from July 1, 2001 to June 30, 2009, to the tune of Rs. 1,598.215 million (including 505.654 million billed during the year under report), out of which WAPDA has already arbitrarily deducted an amount of Rs. 458.255 million from Company's capacity invoices. The Company disputed the liquidated damages and arbitrary deduction by WAPDA from the Company's capacity invoices.

ii) WAPDA had disputed payments amounting 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 further amount of Rs. 506.290 million against the Company's CPP invoices for the period from March 14, 2006 to June 30, 2009. The total amount disputed by WAPDA comes to Rs. 890.322 million, against which WAPDA has arbitrarily withheld a total amount of Rs. 542.109 million from the Company's CPP invoices up-till June 30, 2009.

These disputes were referred to a mutually agreed Expert, as per the dispute resolution mechanism provided in the Power Purchase Agreement (the "PPA"), who gave his recommendations that fully support the Company's position. Both Parties initialed a settlement based on the Expert's recommendations but with certain concessions given to WAPDA. WAPDA, however, failed to sign the said settlement. Therefore, neither the recommendations of the Expert are implemented nor the settlement was implemented by WAPDA. WAPDA is, therefore, in breach of the terms of the PPA. Under the circumstances, the Company is not able to continue its operations and hence has shutdown its plant in last week of December 2008.

In January 2009, the Company has referred the matter to the International Court of Arbitration under the International Chamber of Commerce's (the "ICC") Rules as per the provisions of the PPA for the implementation of the Expert's recommendations. The claimed amount as per recommendations of the Expert is Rs. 3.6 billion (approximately). After adjusting the Company's liabilities to WAPDA, net expected cash inflow could be Rs. 2.5 billion (approximately). The management of the Company is optimistic about the outcome of the arbitration. The arbitration process is expected to be completed in another year's time.

In view of the above stated reasons as well as Company's initiatives undertaken for the early resumption of operations of its power project with the assistance of WAPDA / PEPCO and Financial Institutions, the management of the Company believes that the going concern assumption used by it for the preparation of the financial statements for the year ended June 30, 2009 is appropriate.

PLANT PERFORMANCE

During the current financial year, the plant usage decreased to 256,870MWh as compared to 506,924MWh in the previous year, as the plant remained shutdown from last week of December 2008 due to default of WAPDA as per the provisions of the PPA.

FINANCIAL PERFORMANCE

The key operating and financial data of the Company with the comparatives of the corresponding period is as follows:

Financial year ended June 30,	2009	2008
	Rupees 'million'	
Turnover	**3,505.76**	4,499.15
Cost of Sales	**(3,281.18)**	(4,214.07)
Gross Profit	**224.58**	285.08
Operating Expenses	**(70.96)**	(41.78)
Operating Profit	**153.62**	243.30
Other Income	**14.55**	118.57
Financial Charges	**(760.24)**	(523.98)
Provision for Taxation	**(0.44)**	(0.56)
Net Loss After taxation	**(592.51)**	(162.67)
Profit / (Loss) per Share	**Rs. (3.86)**	Rs. (1.10)

The sales revenue for the current year decreased to Rs. 3.51 billion as compared to Rs. 4.50 billion last year due to shutdown of plant from last week of December 2008. However, the gross profit margin has slightly increased as compared to last year due to the reason that operational losses of fuel consumption reduced as the plant remained shutdown in last six months of the current year.

The operating Expenses increased as compared to last year because of the payments to lawyers and International Chamber of Commerce's (the "ICC") fee for arbitration proceedings. The increase in financial charges as compared to last year is mainly due to increase in applicable KIBOR rates. Further, last year's other income included non-recurring adjustments.

For the above mentioned reasons, the net loss after taxation increased to Rs. 592.51 million as compared to Rs. 162.67 million in the last year.

APPOINTMENT OF CHIEF EXECUTIVE OFFICER

Mr. Nadeem Babar submitted his resignation on October 14, 2008 on personal grounds which was accepted by the Board and Mr. Khan A Saleem was appointed as the CEO.

EXTERNAL AUDITORS' APPOINTMENT

The Company's auditors M/s Hyder Bhimji & Co., Chartered Accountants shall retire at the conclusion of the 15th annual general meeting. The auditors have indicated their willingness to continue in office as auditors. The appointment in the office of the external auditors shall be made in the next AGM.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

a) 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 flows and changes in equity.

b) Proper books of account have been maintained by the Company.

c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Accounting Standards, as applicable in Pakistan have been followed in preparation of the financial statements.

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

f) There are no significant doubts about the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of Code of Corporate Governance, as detailed in the listing regulations.

h) The key operating and financial data of last six years is attached to the report.

i) **BOARD OF DIRECTORS MEETING HELD DURING THE YEAR**

During the financial year under review the Board of Directors met for four times and the attendance of the meetings is as follows:

Name	No. of Meeting Attended	Name	No. of Meeting Attended
Maj. Gen. Imtiaz Ahmed (Resigned)	0	Mr. Arshed Ahmed Khan (Resigned)	2
Col. (R) Shahid Qamar Yazdanie (New appointment)	2	Mr. Zafar Iqbal (New appointment)	2
Mr. Nadeem Babar (Resigned)	1	Mr. Saeed-ur-Rehman (Resigned)	1
Mr. Zafar Iqbal (Resigned)	1	Mr. Mansoor ur Rehman (New appointment)	0
Mr. Shahbaz Jameel (New appointment)	2	Ms. Sumbul Munir (Resigned)	0
Mr. Abdul Jaleel Shaikh (Resigned)	2	Mr. Jehangir Shah (New appointment)	2
Mr. Muhammad Faisal Israr (New appointment)	2	Mr. Kashif Muhammad Khan	4
Mr. Syed Mujahid Hussain Naqvi	2	Mr. Najeeb Ahmed Shaikh	1
Brig. Shah Jahan Ali Khan (Resigned)	0	Mr. Adnan Qayum Khan	1
Mr. Shahzad Mahmood (New appointment)	0	Mr. Muhammad Hanif Abbasi	3

Leave of absence, where requested, was granted to the Directors who could not attend the Board Meetings.

During the financial year ended June 30, 2009, seven causal vacancies have been filled in the Board of Directors as per Section 180(2) of the Companies Ordinance 1984.

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 2009, along with the necessary information is attached to this report.

FUTURE PROSPECTS

Though the Company is in extreme financial distress at the moment, however, as soon as the disputes with WAPDA are resolved in favor of the Company, its cash flows will improve. Accordingly, the Company will be in a position to carry out necessary plant improvements as well as meet its obligations towards lenders.

CONCLUSION

The Company is proud of its human capital for demonstrating commitment and loyalty with the Company in its difficult times.

We also wish to thank our valuable shareholders, lenders, business partners and other suppliers for their valuable support that enabled the Company to manage its operations.

Lahore: October 28, 2009

On behalf of the Board
Chief Executive Officer

OPERATING AND FINANCIAL DATA SIX YEARS SUMMARY

	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004
DISPATCH LEVEL(%)	**24.33**	**48.07**	**56.65**	**48.64**	**40.68**	**42.78**
DISPATCH (MWh)	**256,870**	**506,924**	**531,015**	**455,908**	**381,320**	**401,001**
REVENUE (Rs. 000)						
Energy Purchase Price	2,644,434	3,583,596	2,694,553	2,272,271	1,284,440	1,142,901
Capacity Purchase Price	861,324	915,548	920,345	904,113	910,377	876,974
TOTAL REVENUE	**3,505,758**	**4,499,144**	**3,614,898**	**3,176,384**	**2,194,817**	**2,019,875**
Cost of Sales	(3,281,175)	(4,214,069)	(3,336,485)	(2,814,905)	(1,818,782)	(1,635,978)
GROSS PROFIT	**224,583**	**285,075**	**278,413**	**361,479**	**376,035**	**383,897**
PROFITABILITY (Rs. 000)						
Profit / (Loss) Before Tax	(592,065)	(162,114)	(216,444)	(268,252)	(89,866)	(91,467)
Provision for Taxation	(444)	(556)	(191)	(326)	622	(2,168)
PROFIT I (LOSS) AFTER TAX	**(592,509)**	**(162,670)**	**(216,635)**	**(268,578)**	**(89,244)**	**(93,635)**
FINANCIAL POSITION (Rs. 000)						
Non Current Assets	5,316,919	5,538,638	5,749,999	6,007,310	5,713,498	5,947,918
Current Assets	1,112,711	1,577,505	1,247,371	1,130,351	520,298	449,969
Less Current Liabilities	(1,905,488)	(1,624,257)	(1,248,390)	(1,100,470)	(666,542)	(429,480)
NET WORKING CAPITAL	**(792,777)**	**(46,752)**	**(1,019)**	**29,881**	**(146,244)**	**20,489**
CAPITAL EMPLOYED	**4,043,389**	**4,990,438**	**5,226,798**	**5,494,274**	**5,567,254**	**5,968,407**
Less Non Current Liabilities	(4,656,121)	(5,031,396)	(5,210,009)	(5,281,584)	(5,230,174)	(5,542,083)
SHAREHOLDERS' EQUITY	**(612,732)**	**(40,958)**	**16,789**	**212,690**	**337,080**	**426,324**
REPRESENTED BY (Rs. 000)						
Share Capital	1,560,376	1,476,188	1,476,188	1,332,000	1,332,000	1,332,000
Share deposit money	-	84,188	-	144,188	-	-
Accumulated Loss	(2,173,108)	(1,601,334)	(1,459,399)	(1,263,498)	(994,920)	(905,676)
	(612,732)	**(40,958)**	**16,789**	**212,690**	**337,080**	**426,324**
SHARE VALUE (RUPEES):						
Market Value	1.80	5.30	6.00	5.00	4.00	5.30
Breakup Value	(0.39)	(0.28)	0.11	1.44	2.53	3.20
RATIOS:						
Gross Profit to Sales (%)	6.41	6.34	7.70	11.38	17.13	19.01
Net Profit to Sales (%)	(16.90)	(3.62)	(5.99)	(8.46)	(4.07)	(4.64)
Earning per Share (Rupees)	(3.86)	(1.10)	(1.57)	(2.02)	(0.67)	(0.70)
Current Ratio (times)	0.58	0.97	1.00	1.03	0.78	1.05
Liquidity Ratio (times)	0.54	0.88	0.91	0.69	0.37	0.58
Debt to Equity (times)	(8.36)	(125.06)	384.66	32.56	17.49	14.01
Number of Employees	**43**	**42**	**42**	**43**	**94**	**92**

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 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 more than 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 DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Company.

5. Causal vacancies occurring in the Board were filled up by the directors within 30 days thereof.

6. The Board has developed a vision/mission 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, in his absence, by a director elected by the Board for this purpose 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 members were offered orientation courses on their duties and responsibilities.

10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The directors' report for the year ended June 30, 2009 has been prepared in compliance with the requirements of the Code and fully describes the matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO, Director and CFO before the approval of the Board.

13. 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.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the Chairman of the Committee.

16. The meeting of the Audit Committee were held 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 formed and advised to the Committee for compliance.

17. The Board has set up an effective internal audit function through outsourcing to qualified and experienced personnel who are conversant with the policies and procedures of the Company.

18. 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 Chartered Accountants of Pakistan.

19. 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.

20. We confirm that all other material principles contained in the Code have been complied with.

Lahore
October 28, 2009

On behalf of the Board
Chief Executive Officer

REVIEW REPORT TO THE MEMBERS
On Statement of Compliance with Best Practices of 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 (the company) for the year ended June 30, 2009 to comply with the Listing Regulations of the respective stock exchanges, 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 the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, sub-regulations (xiii a) of the Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, as applicable to the company for the year ended June 30, 2009.

Lahore:
October 28, 2009

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
(Shabir Ahmad, FCA)

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Japan Power Generation Limited as at June 30, 2009 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) The company has been suffering losses since the year 2000, when it commenced commercial operation, resulting in an accumulated loss of Rs. 2.173 billion as at June 30, 2009, which exceeded the shareholders' equity and as of that date its total liabilities exceeded the total assets by Rs. 612.732 million, in addition to adverse current working capital ratio. The power project of the company is also not in operation since December 24, 2008 for reasons stated in note 20 of the financial statements.

   Furthermore, the company has two major disputes involving significant amount of contingent liabilities of the company as fully explained in note 20.1 and 20.2 of these financial statements. Although the company for reasons stated in note 20.3 claims that these disputes will be decided in its favour due to which a huge amount of cash flow will accrue to it, yet the outcome of these disputes cannot be determined with any degree of certainty at this stage.

   The company is in negotiation with WAPDA / PEPCO / Financial Institutions (as detailed in note 1.2 to the financial statements) on various proposals /alternatives for immediate resumption of the operations, yet nothing has been materialized until the date of this report, and the power project is still closed.

   The above stated factors indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a Going Concern; the going concern assumption used by the management of the company for the preparation of these financial statements may not be valid, until the above mentioned factors are not favourably resolved within a reasonable period of time.

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

c) 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;

d) in our opinion and to the best of our information and according to the explanations given to us and except for the matters discussed in paragraph (a) above, 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, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and

e) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), if any, was deducted by the Company and deposited into the Central Zakat Fund established under Section 7 of that Ordinance.

LAHORE:
October 28, 2009

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
(Shabir Ahmad, FCA)

BALANCE SHEET AS AT JUNE 30, 2009

	Note	2009 Rupees '000'	2008 Rupees '000'
Non current assets			
Property, plant and equipment	5	**5,316,819**	5,538,538
Long term deposit	6	**100**	100
		5,316,919	5,538,638
Current assets			
Stores and spares	7	**37,633**	41,419
Stock in trade	8	**105,484**	131,696
Trade debts	9	**680,994**	865,226
Advances, deposits, prepayments and other receivables	10	**194,262**	446,814
Tax refunds due from the Government	11	**69,492**	71,452
Cash and bank balances	12	**24,846**	20,898
		1,112,711	1,577,505
TOTAL ASSETS		**6,429,630**	7,116,143
Capital and reserves			
Authorized capital			
160,000,000 (2008: 160,000,000) ordinary shares of Rs. 10 each		**1,600,000**	1,600,000
Issued, subscribed and paid-up capital	13	**1,560,376**	1,476,188
Share deposit money		**-**	84,188
Accumulated loss		**(2,173,108)**	(1,601,334)
Shareholders' equity		**(612,732)**	(40,958)
Surplus on revaluation of property , plant and equipment	14	**480,713**	501,448
Non current liabilities			
Long term finances	15	**4,650,516**	5,027,950
Deferred liability	16	**5,645**	3,446
		4,656,161	5,031,396
Current liabilities			
Short term borrowings	17	**221,400**	235,344
Current portion of long term finances	15	**471,792**	94,358
Trade and other payables	18	**666,890**	1,185,141
Accrued markup	19	**545,406**	109,414
		1,905,488	1,624,257
Contingencies and commitments	20		
TOTAL EQUITY AND LIABILITIES		**6,429,630**	7,116,143

The annexed notes 1 to 36 form an integral part of these financial statements.

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

October 28, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees '000'	2008 Rupees '000'
Sales	21	**3,505,758**	4,499,145
Cost of sales	22	**(3,281,175)**	(4,214,069)
Gross profit		**224,583**	285,076
Operating expenses			
Administrative and general expenses	23	**(70,961)**	(41,783)
Operating profit		**153,622**	243,293
Other income	24	**14,550**	118,570
		168,172	361,863
Finance and other cost			
Finance cost	25	**(760,237)**	(523,976)
Net loss before taxation		**(592,065)**	(162,113)
Provision for taxation:			
Current - on other income		**(444)**	(557)
Net loss after taxation		**(592,509)**	(162,670)
Loss per share - basic and diluted	26	**(3.86)**	(1.10)

Appropriations are reflected in the statement of changes in equity.

The annexed notes 1 to 36 form an integral part of these financial statements.

Lahore: **Chairman / Director** **Chief Executive** **Chief Financial Officer**
October 28, 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees '000'	2008 Rupees '000'
CASH FLOW FROM OPERATING ACTIVITIES			
Cash inflow after working capital changes	27	**376,724**	605,283
Finance cost paid		**(324,245)**	(548,995)
Gratuity paid		**(81)**	(610)
Income tax paid		**(208)**	(972)
Net cash inflow from operating activities		**52,190**	54,706
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of operating assets		**(27,224)**	(13,920)
Addition in capital work in progress during the year		**(8,085)**	(18,406)
Proceeds from sale of property, plant and equipment		**1,011**	1,148
Net cash outflow from investing activities		**(34,298)**	(31,178)
CASH FLOW FROM FINANCING ACTIVITIES			
Change in long term finances		**-**	(166,203)
Change in short term borrowings		**(13,944)**	155,875
Net cash outflow from financing activities		**(13,944)**	(10,328)
Net increase in cash and cash equivalents		**3,948**	13,200
Cash and cash equivalents at the beginning of year		**20,898**	7,698
Cash and cash equivalents at the end of year	12	**24,846**	20,898

The annexed notes 1 to 36 form an integral part of these financial statements.

Lahore: October 28, 2009

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

	Share capital Rupees '000'	Share deposit money Rupees '000'	Accumulated loss Rupees '000'	Total Rupees '000'
Balance as at June 30, 2007	1,476,188	-	(1,459,399)	16,789
Share deposit money	-	84,188	-	84,188
Incremental depreciation on revaluation of property, plant & equipment	-	-	20,735	20,735
Net loss for the year	-	-	(162,670)	(162,670)
Balance as at June 30, 2008	1,476,188	84,188	(1,601,334)	(40,958)
Share issued against share deposit money	84,188	(84,188)	-	-
Incremental depreciation on revaluation of property, plant & equipment			20,735	20,735
Net loss for the year	-	-	(592,509)	(592,509)
Balance as at June 30, 2009	**1,560,376**	**-**	**(2,173,108)**	**(612,732)**

The annexed notes 1 to 36 form an integral part of these financial statements.

Lahore: **Chairman / Director** **Chief Executive** **Chief Financial Officer**
October 28, 2009

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 registered office and plant of the company is situated at Near Jia Bagga Railway Station, Chowk Araian, Off Raiwind, Lahore. 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 The major loss contributing factor has been shortfall in reimbursement from WAPDA of actual fuel cost incurred vis-à-vis Power Purchase Agreement (PPA's) standard formula. This issue has been addressed materially through amendment to the PPA. The effect of this amendment together with proposed modification in engines would eliminate fuel loss and would contribute to the profitability of the company. Due to a couple of disputes with WAPDA as explained in note 20.1 and 20.2 of these financial statements, the Capacity Price Payments (CPP) were withheld by WAPDA to adjust these against its own disputed dues / amount of fuel advance; the disputes were referred to an expert but on the non-implementation of the recommendations of the expert, the company has suspended its operations w.e.f. December 24, 2008. In order to expedite the settlements of above disputes, the company has taken up the matter with International Chamber of Commerce (ICC) and expects a favourable decision, which will generate a substantial cash inflow to the company as fully explained in Note - 20.3 of these financial statements.

However, the going concern assumption used by the management in preparing these financial statements is still appropriate in view of the fact that the company is actively pursuing WAPDA / PEPCO / Financial Institutions (which request is being favourably considered) to facilitate the company by providing cash flow support so that the plant is back in operations, particularly considering the dire need of electricity in the Country. On the other hand, the company is also negotiating with Syndicated Banks to get concession for restructuring of its loans so that the project becomes financially viable.

2. Basic of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or the directives of the Companies Ordinance, 1984 shall prevail.

2.2 Adoption of approved accounting standards

Adoption of International Financial Reporting Standard - 7 " Financial Instruments: Disclosures"

During current year, the company adopted IFRS 7 "Financial Instruments: Disclosures" which is applicable for annual periods beginning on or after 01 July 2008. IFRS 7 requires extensive disclosures about the significance of financial instruments for the company's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. These requirements include many disclosures previously required by International Accounting Standard (IAS) 32- "Financial Instruments : Presentation". The company has adopted this standard from the financial year beginning on 01 July 2008 and its initial application has led to extensive disclosures presented in notes 29 and 30 to the company's financial statements.

Standards, interpretations and amendments to published to approved accounting satandrds that are not yet effective

The following standards, interpretations and amendments of approved accounting standards, effective for accounting periods beginning on or after the dates specified below as relevant to the company's operations are not expected to have significant impact on its financial statements other than increased disclosures in certain cases:

	Effective from
IAS 1- Presentation of Financial Statements (as revised)	January 1, 2009
IAS 7- Statement of cash flows (amendments)	January 1, 2009
IAS 12- Income taxes (amendments)	January 1, 2009
IAS 16- Property, plant and equipments (amendments)	January 1, 2009
IAS 18- Revenue (amendments)	January 1, 2009
IAS 19- Employee benefits (amendments)	January 1, 2009
IAS 20- Government grants and disclosure of government assistance (amendments)	January 1, 2009
IAS 21- The effects of changes in foreign exchange rates (amendments)	January 1, 2009
IAS - 23 Borrowing cost (as revised)	January 1, 2009
IAS - 28 Investment in associates (amendments)	January 1, 2009
IAS - 31 Interest in joint ventures (amendments)	January 1, 2009
IAS - 32 (amendments) - Financial instruments: Presentation and consequential amendments to IAS 1 Presentation of Financial Statements	January 1, 2009
IAS - 33 Earnings per share (amendments)	January 1, 2009
IAS - 34 Interim financial reporting (amendments)	January 1, 2009
IAS - 36 Impairment of assets (amendments)	January 1, 2009
IAS - 38 Intangible assets (amendments)	January 1, 2009
IAS - 40 Investment property (amendments)	January 1, 2009
IAS - 41 Agriculture (amendments)	January 1, 2009
Amendments to IAS - 27 Consolidated and separate financial Statements	January 1, 2009
IFRS - 1 First time adoption of IFRS (revised)	July 1, 2009
IFRS - 2 Share based payment	January 1, 2009
IFRS - 3 Business combinations	January 1, 2009
IFRS - 4 Insurance contracts (amendments)	January 1, 2009
IFRS - 5 Non current assets held for sale and discontinued operations (amendments)	January 1, 2009
IFRS - 8 Operating segments	January 1, 2009
IFRIC - 1 Changes in existing decommissioning, restoration and similar liabilities (amendments)	January 1, 2009
IFRIC - 2 Member's share in corporate entities and similar liabilities (amendments)	January 1, 2009
IFRIC - 4 Determining whether an arrangement contains a lease	July 1, 2010
IFRIC - 15 Agreements for the construction of real estate	January 1, 2009
IFRIC - 16 Hedge of net investment in a foreign operation	October 1, 2008
IFRIC - 17 Distribution of non-cash assets to owners	January 1, 2009
IFRIC - 18 Transfer of assets from customers	January 1, 2009
Amendments to IAS - 39 Financial Instruments: Recognition and Measurement	January 1, 2009
Amendments to IFRS - 7 Improving disclosures about financial instruments	January 1, 2009
Amendments to IAS - 39 and IFRIC 9: Embedded derivatives	January 1, 2009
Amendments to IFRS - 2 Share based payments	January 1, 2010

The management believes that these accounting standards and interpretations do not have any impact on the present transactions of the company or the company would comply with these standards, interpretations and amendments when applicable.

2.3 Interpretations to existing standards that are effective and not applicable to the company

The following interpretation to existing standards has been published and is mandatory for the company's accounting year beginning on July 01, 2008 but is not relevant for the company's operations for the time being:

IFRIC 12 - Service Concession Agreements July 1, 2008

It applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Since the company is not directly involved in public sector services, the implementation of this interpretation does not affect its financial statements.

IFRIC 13 - Customer Loyalty Programs July 1, 2008

It clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement by using fair values. The adoption of this Interpretation has led to a change in the timing of recognition of revenue at the time of making sale.

IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction July 1, 2008

It provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

3. Basis of measurement

These financial statements have been prepared under the historical cost convention except for staff retirement benefits that are measured at present value and capitalization of exchange differences on foreign currency loans. The company's significant accounting policies are stated in note 4. 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 IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, 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 underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions effect only that period, or in the period of revision and future periods if revisions effect both current and future periods.

Significant areas requiring the use of the management estimates in these financial statements relate to the useful life of the depreciable assets, provision for doubtful debts on account receivables, slow moving inventory and staff retirement benefits. 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. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Staff retirement benefits - (note 4.1)
b) Provision for taxation - (note 4.2)
c) Useful for and residual values of property, plant and equipment - (notes 4.3 and 5)

4. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 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 defined benefit asset or liability comprises the present value of defined benefit obligation less unrecognized past service cost. The most recent actuarial valuation of the scheme was carried out as at June 30, 2009. The actuary used the 'Projected Unit Credit Method' relying on the following significant assumptions:

	2009	2008
Discount rate	**12%**	12%
Expected rate of salary increase	**11%**	11%
Average expected remaining working life of employees	**13 years**	14 years

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

4.2 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.

4.3 Property, plant and equipment - owned, tangible

Operating Assets

Operating fixed assets except land are stated at cost / revalued amount less accumulated depreciation and accumulated impairment losses, if any. Free hold land is stated at revalued amount. Cost of certain fixed assets is comprised of historical cost and exchange differences referred to in note 4.9.

Depreciation on operating fixed assets is charged to profit on straight line method so as to write off the historical cost of an asset over its estimated useful life at the annual rates mentioned in note 5 of 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.Depreciation is 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.

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.

Capital Work in Progress

Capital work-in-progress represents expenditure on property, plant and equipment in the course of construction and installation. Transfers are made to relevant category of property, plant and equipment as and when assets are available for use. Capital work in progress is stated at cost, less any identified impairment loss.

4.4 Surplus on revaluation of property, plant and equipment

The incremental depreciation of surplus on revaluation of building & civil works and plant & machinery is transferred to revaluation reserves. The same amount of incremental depreciation has been transferred to accumulated loss through statement of changes in equity.

4.5 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, comprising invoice values plus other related charges incurred thereon.

4.6 Trade debts and other receivables

These are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amount at the year end. Other receivables are recognised at nominal amount which is the fair value of the consideration to be received in future. Bad debts are written off when identified.

4.7 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.

4.8 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.

4.9 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.

4.10 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.

4.11 Contingencies and commitments

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

4.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit and loss account whenever incurred.

4.13 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the company to do so.

4.14 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.

4.15 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.

4.16 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.

			2009 Rupees '000'	2008 Rupees '000'
5	**Property, plant and equipment**			
	Operating assets - Tangible	5.1	**5,285,924**	5,515,728
	Capital work in progress	5.2	**30,895**	22,810
			5,316,819	5,538,538

5.1 Operating assets

2009

PARTICULARS	COST						DEPRECIATION						WRITTEN DOWN VALUE AS AT JUNE 30, 2009
	As at July 01, 2008	Additions	Adjustments	Deletions	Surplus on revaluation of fixed assets	As at June 30, 2009	Rate (%)	As at July 01, 2008	Deletions/ adjustments	Charge for the year	Surplus on revaluation of fixed assets	As at June 30, 2009	
Owned													
Land - freehold	16,979	-	-	-	51,467	68,446		-	-	-	-	-	68,446
Buildings and civil works on freehold land	367,307	-	-	-	1,107	368,414	3.3 ~ 4.40	100,611	-	12,294	47	112,952	255,462
Plant and machinery	6,495,409	25,638	-	-	490,343	7,011,390	3.3 ~ 4.40	1,816,707	-	219,984	20,688	2,057,379	4,954,011
Workshop equipment	16,085	-	-	-	-	16,085	10	12,867	-	1,609	-	14,476	1,609
Weighbridge	1,175	-	-	-	-	1,175	10	940	-	118	-	1,058	117
Furniture and fixtures	1,606	-	-	-	-	1,606	10	1,046	-	161	-	1,207	399
Electric installations	1,383	54	-	(34)	-	1,403	10	850	(30)	141	-	961	442
Office equipment	1,212	80	-	-	-	1,292	10	613	-	122	-	735	557
Laboratory equipment	1,398	465	-	-	-	1,863	10	593	-	159	-	752	1,111
Computers	1,214	987	-	(321)	-	1,880	30	1,035	(321)	272	-	986	894
Tubewell	1,723	-	-	-	-	1,723	10	1,429	-	171	-	1,600	123
Railways sidings	6,650	-	-	-	-	6,650	10	5,514	-	665	-	6,179	471
Vehicles	10,432	-	-	(7,390)	-	3,042	20	7,556	(7,390)	594	-	760	2,282
2009 Rupees	**6,922,573**	**27,224**	**-**	**(7,745)**	**542,917**	**7,484,969**		**1,949,761**	**(7,741)**	**236,290**	**20,735**	**2,199,045**	**5,285,924**

2008

PARTICULARS	COST						DEPRECIATION						WRITTEN DOWN VALUE AS AT JUNE 30, 2008
	As at July 01, 2007	Additions	Adjustments	Deletions	Surplus on revaluation of fixed assets	As at June 30, 2008	Rate (%)	As at July 01, 2007	Deletions/ adjustments	Charge for the year	Surplus on revaluation of fixed assets	As at June 30, 2008	
Owned													
Land - freehold	16,979	-	-	-	51,467	68,446		-	-	-	-	-	68,446
Buildings and civil works on freehold land	367,307	-	-	-	1,107	368,414	3.3 ~ 4.40	88,271	-	12,294	46	100,611	267,803
Plant and machinery	6,479,537	10,152	5,720	-	490,343	6,985,752	3.3 ~ 4.40	1,578,900	-	217,119	20,689	1,816,708	5,169,044
Workshop equipment	16,085	-	-	-	-	16,085	10	11,259	-	1,608	-	12,867	3,218
Weighbridge	1,175	-	-	-	-	1,175	10	823	-	117	-	940	235
Furniture and fixtures	1,522	94	-	(10)	-	1,606	10	900	(7)	153	-	1,046	560
Electric installations	1,412	175	-	(204)	-	1,383	10	852	(143)	142	-	851	532
Office equipment	1,023	323	-	(134)	-	1,212	10	561	(53)	105	-	613	599
Laboratory equipment	1,398	-	-	-	-	1,398	10	453	-	140	-	593	805
Computers	1,008	206	-	-	-	1,214	30	1,008	-	27	-	1,035	179
Tubewell	1,724	-	-	-	-	1,724	10	1,257	-	172	-	1,429	295
Railways sidings	6,650	-	-	-	-	6,650	10	4,849	-	665	-	5,514	1,136
Vehicles	9,539	2,971	-	(2,078)	-	10,432	20	9,244	(2,045)	357	-	7,556	2,876
2008 Rupees	6,905,359	13,921	5,720	(2,426)	542,917	7,465,491		1,698,377	(2,248)	232,899	20,735	1,949,763	5,515,728

		2009 Rupees '000'	2008 Rupees '000'
5.2 Capital work in progress			
Land		**15,720**	15,700
Preoperational expenses	(note- 5.2.1)	**15,175**	7,110
		30,895	22,810

5.2.1 Capital work in progress - expansion project

	2009	2008
Fees paid to NEPRA	**4,403**	4,403
Fees and subscription	**7,312**	1,468
Travelling and conveyance	**1,938**	431
Legal, professional and consultancy charges	**1,515**	808
Other expenses	**7**	-
	15,175	7,110

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

		2009 Rupees '000'	2008 Rupees '000'
Cost of sales	(note- 22)	**255,735**	252,851
Administrative and general expenses	(note- 23)	**1,290**	783
		257,025	253,634

5.4 As at 30 June 2009, undepreciated balance of revaluation surplus included in the carrying value of operating assets, amounted to Rs. 480.712 million (2008: Rs. 501.447 million).

5.5 Had there been no revaluation, the carrying amount of revalued assets as on June 30, 2009 would have been as follows:

	Cost	Accumulated Depreciation	Written Down Value 2009	Written Down Value 2008
Land - freehold	16,979	-	16,979	16,979
Buildings and civil works on freehold land	367,307	112,812	254,495	266,788
Plant and machinery	6,521,047	1,995,315	4,525,732	4,704,206
Rupees	**6,905,333**	**2,108,127**	**4,797,206**	**4,987,973**

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

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit / (Loss)	Mode of Sale	Particulars of Buyer
Computers							
Computers	254	254	-	1	1	Negotiation	Mr. Muhammad Waris, Seimens - employee
Scaner	4	4	-	-	-	Negotiation	Mr. Muhammad Waris, Seimens - employee
Printers	32	32	-	1	1	Negotiation	Mr. Muhammad Waris, Seimens - employee
Monitors	16	16	-	3	3	Negotiation	Mr. Muhammad Waris, Seimens - employee
Computers	15	15	-	2	2	Negotiation	Mr. Muhammad Mohsin, JPGL - employee
Electric Instalation							
Water coolers	34	30	4	4	-	Negotiation	Mr. Muhammad Zahid, M/s Split City, Lahore
Vehicles							
Toyota Land Cruiser LR-307	7,390	7,390	-	1,000	1,000	Negotiation	Mr. Zafar Mahmood, Ex-Chief Executive - 18-Peshawar Block, Fortress Stadium Lahore
2009 Rupees 000	**7,745**	**7,741**	**4**	**1,011**	**1,007**		
2008 Rupees 000	2,426	2,248	178	1,148	970		

		Note	2009 Rupees '000'	2008 Rupees '000'
6	**Long term deposit**			
	Central Depository Company of Pakistan (CDC)		**100**	100
7	**Stores and spares**			
	Stores		**1,568**	1,265
	Spares		**36,065**	40,154
			37,633	41,419
8	**Stock in trade-raw materials**			
	Residual fuel oil (RFO) (including in-transit Rs. Nil (2008:Rs.70.763 million)		**98,462**	122,094
	High speed diesel (HSD)		**3,854**	3,721
	Lube oil		**1,200**	4,560
	Chemicals and other lubricants		**1,968**	1,321
			105,484	131,696
9	**Trade debts - considered good**		**680,994**	865,226
	These are receivable from WAPDA and are fully secured.			
10	**Advances, deposits, prepayments and other receivables**			
	Advances - Unsecured and considered good			
	Advances to employees against salaries		**3,103**	139
	Advances to employees against expenses		**65**	56
	Advances to suppliers		**90**	2,898
	To Pakistan State Oil Co. Ltd. (PSO)		**1,557**	212,881
	To others	10.1	**1,993**	45,903
			6,808	261,877
	Deposits			
	Others		**6**	6
			6	6
	Prepayments-including current portion of long term prepayments		**13,715**	8,849
	Other receivables:			
	Claims receivable		**1,695**	3,361
	Liquidated damages recoverable from WAPDA		**172,038**	172,038
	Others		**-**	683
			173,733	176,082
			194,262	446,814

10.1 This amount includes Rs. 1.674 million (2008: Rs. 44.738 million) of letters of credit margin, deposited with Faysal Bank Limited.

		2009 Rupees '000'	2008 Rupees '000'
11	**Tax refunds due from the Government**		
	Sales tax refundable	**68,424**	70,147
	Income tax refundable	**1,068**	1,305
		69,492	71,452
12	**Cash and bank balances**		
	Cash in hand	**328**	295
	Cash with banks :		
	In current accounts	**24,204**	21
	In saving accounts	**314**	20,582
		24,518	20,603
		24,846	20,898

13 Issued, subscribed and paid up capital

2009 Number of Shares	2008 Number of Shares		Note	2009 Rupees '000'	2008 Rupees '000'
133,200,000	133,200,000	Ordinary shares of Rs. 10 each, Issued for cash		1,332,000	1,332,000
22,837,591	14,418,846	Ordinary shares of Rs. 10 each, Issued for consideration other than cash		228,376	144,188
156,037,591	147,618,846			1,560,376	1,476,188

14 Surplus on revaluation of property, plant and equipment

	2009	2008
Opening balance	501,448	522,183
Less: Incremental depreciation on revalued property, plant and equipment for the year transferred to accumulated loss	(20,735)	(20,735)
	480,713	501,448

The revaluation was carried out on June 30, 2006 by an independent valuer - Messrs Indus Surveyors (Pvt) Ltd.The basis used for revaluation was as under:

Description	Basis
Land - freehold	Market value of land in surroundings
Buildings and civil works on freehold land	Replacement cost
Plant and machinery	Incremental market rates for similar kind of plant and machinery

15 Long term finances

	Note	2009	2008
Syndicated term finance agreement - II	15.1		
Banking companies			
The Royal Bank of Scotland Limited		935,018	935,018
National Bank of Pakistan Limited		761,720	761,720
Askari Bank Limited		914,474	914,474
Allied Bank Limited		635,572	635,572
NIB Bank Limited		343,000	343,000
SILK Bank Limited		185,898	185,898
Samba Bank Limited		533,161	533,161
		4,308,843	4,308,843
Non-banking financial institution			
Prudential Investment Bank Limited		52,093	52,093
		4,360,936	4,360,936
Morabaha finance agreement - II	15.2		
Banking company			
Faysal Bank Limited		761,372	761,372
		5,122,308	5,122,308
Less: Current and overdue portion shown under current liabilities			
Overdue portion			
Syndicated term finance agreement - II		80,333	-
Morabaha finance agreement - II		14,025	-
		94,358	-
Current maturity			
Syndicated term finance agreement - II		321,332	80,333
Morabaha finance agreement - II		56,102	14,025
		377,434	94,358
		471,792	94,358
		4,650,516	5,027,950

15.1 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.

15.2 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. The facility carries mark up @ 3 months KIBOR plus 0.25% per annum payable on a quarterly basis.

All the above finance arrangements are secured by a first pari passu fixed charge as a 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.

16 Deferred Liability - Staff Retirement Benefits

Defined benefit plan

		2009 Rupees '000'	2008 Rupees '000'
16.1	Movement during the year in the net liability recognized in the financial statements is:		
	Opening net liability	**3,446**	3,512
	Add: amount recognized during the year	**2,280**	1,742
		5,726	5,254
	Less: paid / adjusted during the year	**81**	1,808
	Closing net liability	**5,645**	3,446
16.2	The amounts recognized in balance sheet are as follow:		
	Present value of defined benefit obligation	**5,061**	2,699
	Plus payables	**520**	520
	Unrecognized actuarial gains	**64**	227
	Total balance sheet liability	**5,645**	3,446
16.3	The actuarial expense recognized in the profit and loss account is:		
	Current service cost	**1,956**	1,552
	Interest cost	**324**	190
		2,280	1,742

16.4 Historical Information

As at June 30,	2009	2008	2007	2006	2005
	Rupees '000'				
Present value of defined obligation	**5,061**	2,699	1,896	1,321	4,046
Experience adjustment arising on plan liabilities	**163**	(329)	228	384	(168)

17 Short term borrowings - Secured

			Sanctioned Limit	Disbursed Amount	
	Names of lenders			**2009**	2008
17.1	**Banking companies**		**Rupees '000'**	**Rupees '000'**	Rupees '000'
	The Royal Bank of Scotland Limited	Note 17.1.1	46,400	**46,400**	46,400
	Allied Bank Limited (ABL)				1,450
				46,400	47,850
	The Royal Bank of Scotland Limited				2,494
17.2	**Related Parties**				
	National Logistics Cell	Note 17.2.1		**75,000**	75,000
	Pak Oman Investment Co. Ltd.	Note 17.2.2		**68,200**	75,000
	Saudi Pak Industrial & Agriculture Investment Co	Note 17.2.3		**31,800**	35,000
				175,000	185,000
				221,400	235,344

17.1.1 The borrowing from The Royal Bank of Scotland Limited (formerly Prime Commercial Bank Limited) 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.

17.2.1 This amount represents loan obtained from National Logistics Cell to meet working capital expenditure of the company. It carries markup @ 14% per annum payable in lump sum at the time of maturity of the loan.

17.2.2 This amount represents the term finance facility obtained from Pak Oman Investment Company Limited. Under this arrangement Pak Oman has agreed to purchase fixed assets of the company at the purchase price of Rs. 75.0 million and sell the same to the company at a marked up price of Rs. 85.50 million to be paid through a single installment on maturity. This facility is secured against second charge over present and future fixed assets of the company with 25% margin of the marked up price.The principal is repayable at maturity. It carries markup @ 6 months KIBOR plus 4% per annum (Ask Side) with cap of 14 % per annum, payable quarterly.

17.2.3 This amount represents the term finance facility obtained from Saudi Pak Industrial & Agriculture Investment Company. Under this arrangement Saudi Pak has agreed to purchase fixed assets of the company at the purchase price of Rs. 35.0 million and sell the same to the company at a marked up price of Rs. 41.689 million. The principal is repayable at maturity. It carries markup @ 6 months KIBOR plus 4% per annum (Ask Side) with cap of 14 % per annum, payable quarterly. This facility is secured against second charge over present and future fixed assets of the company with 25% margin of the marked up price.

	2009	2008
	Rupees "000"	Rupees "000"
18 Trade and other payables		
Creditors	**83,985**	33,099
Income tax deducted at source payable	-	871
Accrued liabilities	**8,812**	3,859
Advance from WAPDA for purchase of HFO	**569,696**	1,142,915
Infrastructure tax payable	**4,397**	4,397
	666,890	1,185,141

18.1 This advance carries markup @ 16.00% (2008: @ 11.00% to 16.00%) per annum and is secured against company's billings to WAPDA.

19 Accrued markup

	2009 Rupees "000"	2008 Rupees "000"
Markup payable on secured borrowing:		
Banking companies	**531,248**	95,103
Related parties	**14,158**	14,311
	545,406	109,414

20 Contingencies and commitments

Contingencies:

20.1 As reported in the last year's annual report, the Company was contingently liable for the liquidated damages claimed by WAPDA for the period from July 1, 2001 to June 30, 2009 to the tune of Rs. 1,598.215 million (including Rs. 505.654 million charged during the year), out of which WAPDA has already arbitrarily deducted an amount of Rs. 458.255 million from Company's capacity invoices. The Company disputed the liquidated damages and arbitrary deduction by WAPDA from the Company's capacity invoices.

20.2 WAPDA had disputed payments amounting 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 further amount of Rs. 506.290 million against the Company's CPP invoices for the period from March 14, 2006 to June 30, 2009. The total amount disputed by WAPDA comes to Rs. 890.322 million, against which WAPDA has arbitrarily withheld a total amount of Rs. 542.109 million from the Company's CPP invoices uptil June 30, 2009.

20.3 These disputes were referred to a mutually agreed Expert, as per the dispute resolution mechanism provided in the Power Purchase Agreement (the "PPA"), who gave his recommendations on September 1, 2007 that fully supported the Company's position. Both Parties initialed a settlement based on the Expert's recommendations but with certain concessions given to WAPDA. WAPDA has failed to sign the said settlement. Therefore, neither the recommendations of the Expert are implemented nor the settlement was followed by WAPDA. WAPDA is, therefore, in breach of the terms of the PPA. Under the circumstances, the Company is not able to continue its operations and hence had shutdown its plant in last week of December 2008.

In January 2009, the Company has referred the matter to the International Court of Arbitration under the International Chamber of Commerce's (the "ICC") Rules as per the provisions of the PPA for the implementation of the Expert's recommendations. The claimed amount as per recommendations of the Expert is Rs. 3.6 billion (approximately). After adjusting the Company's liabilities to WAPDA, net expected cash inflow could be Rs. 2.5 billion (approximately). Under ICC rules, an award can be granted in one year's time from the date the case is filed before the Tribunal so appointed by the ICC, which is October 09, 2009. The management of the Company is optimistic about the outcome of the arbitration. Under the circumstances, although the Expert's recommendations were in favour of the Company, no adjustment has been made in these financial statements.

20.4 The company is also contingently liable for infrastructure fee/cess amounting to Rs. 4,396,000 imposed by the Sindh Government under the provision of Sindh Finance (Amendment) Ordinance, 2001. The company had filed appeal that was pending 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 Division Bench of the Honourable Sindh High Court had decided the case in favour of the company on September 17, 2008, so far as the above said levy is concerned. However for the subsequent period the case has been decided against the company for which the company has no liability at the moment. So in order to avoid the future complication, the company has filed an appeal before the Supreme Court of Pakistan challanging the part of judgment that was against the company, while the Sindh Government has also filed an appeal against this judgment challanging the decision made against it. These cross appeals pending adjudication at the terminal date.

Commitments in respect of:

20.5 Letters of Credit and purchase commitments other than capital expenditure Rs. nil at the terminal date (2008: Rs. 12.565 million).

	Note	2009 Rupees '000'	2008 Rupees '000'
21 Sales			
Energy payments		**3,071,507**	4,121,136
Capacity payments		**861,324**	915,548
		3,932,831	5,036,684
Less: sales tax		**427,073**	537,539
		3,505,758	4,499,145
22 Cost of sales			
Fuel and oils consumed		**2,808,947**	3,747,732
Salaries, wages and benefits		**11,109**	10,671
Operating and maintenance fee		**61,500**	54,000
Stores and spares consumed		**75,644**	90,595
Electricity consumed in-house		**9,025**	4,950
Communication charges		**2,138**	1,812
Repair and maintenance		**35,799**	28,085
Power generation licensing expenditure		**1,274**	1,048
Insurance		**20,004**	22,325
Depreciation	5.3	**255,735**	252,851
		3,281,175	4,214,069

22.1 Salaries, wages and benefits include Rs. 0.618 million (2008: Rs. 0.531 million) for staff gratuity.

	Note	2009 Rupees '000'	2008 Rupees '000'
23 Administrative and general expenses			
Directors' remuneration		**1,730**	6,000
Salaries and benefits	23.1	**15,124**	13,146
Plant security services		**1,865**	1,724
Staff transportation		**1,453**	1,204
Traveling and conveyance		**1,275**	1,216
Rent, rates and taxes		**864**	367
Postage and courier		**89**	83
Electricity and utility charges		**-**	20
Telephone, mobile and telex		**1,119**	1,085
Printing and stationery		**805**	571
Vehicle running and maintenance		**935**	1,795
Entertainment		**797**	643
Newspaper and periodicals		**4**	4
Legal, professional and consultancy charges		**37,937**	9,435
Registrar services		**304**	300
Fee and subscription		**988**	251
Auditors' remuneration	23.2	**744**	520
Charity and donation	23.3	**147**	400
Advertisement		**281**	497
Insurance		**90**	60
Repair and maintenance		**2,437**	1,679
Bad debts written off		**683**	-
Depreciation	5.3	**1,290**	783
		70,961	41,783

23.1 Salaries and benefits include Rs. 1.662 million (2008: Rs.1.211 million) for staff gratuity.

23.2 Auditors' remuneration

	2009	2008
Audit fee	400	320
Review engagement	185	170
Other certification and services	101	30
Out of pocket expenses	58	-
	744	520

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

	Note	2009 Rupees '000'	2008 Rupees '000'
24 Other income			
Income from financial assets			
Profit on bank deposits		**1,269**	1,588
Financial adjustments with ABL		**-**	40,177
Income from non-financial assets			
Sale of scrap / sludge		**12,274**	22,915
Profit on sale of fixed assets		**1,007**	970
Suppliers' credit - power cable, written back on settlement		**-**	27,283
Unclaimed old liabilities written back		-	19,673
Excess provisions in prior years written back		-	5,964
Miscellaneous			
		14,550	118,570
25 Finance cost			
Interest / mark up on:			
Long term finances		**525,335**	369,588
Short term borrowings:			
Lease finance		-	-
Guarantee commission			
Banking companies		**7,860**	4,703
Related parties		**25,263**	17,569
Advance from WAPDA for purchase of HFO		**196,678**	126,394
Exchange loss		**-**	301
Bank fee and other charges		**5,101**	5,421
		760,237	523,976
26 Loss per share-basic and diluted			
Net loss for the year		**(592,509)**	(162,670)
Weighted average number of ordinary shares		**153,524**	147,619
Loss per share (basic & diluted)		**(3.86)**	(1.10)
27 Cash inflow after working capital changes			
Net loss before taxation		**(592,065)**	(162,113)
Adjustment for non-cash and other items:			
Depreciation		**257,025**	253,634
Gain on disposal of property, plant and equipment		**(1,007)**	(970)
Provision for gratuity		**2,280**	1,742
Gratuity payable written back		**-**	(1,198)
Finance cost		**760,237**	523,976
		1,018,535	777,184
Operating profit before working capital changes		**426,470**	615,071
Working capital changes:			
Stores and spares		**3,786**	(21,207)
Stock in trade		**26,212**	(38,456)
Trade debts		**184,232**	(100,771)
Advances, deposits, prepayments and other receivables		**252,552**	(155,302)
Tax refunds due from the Government		**1,723**	(5,187)
Trade and other payables		**(518,251)**	311,135
		(49,746)	(9,788)
		376,724	605,283
28 Plant capacity and actual production			
Installed annual capacity in MWH		**1,055,580**	1,054,584
Actual energy delivered in MWH		**256,870**	506,924

Utilization of available capacity depends on the load demanded by WAPDA. Further, actual energy dileverd to WAPDA for the current year is lesser when compared with previous year due to shutdown of plant since December 24, 2008, for reasons stated in note 20.3 of these financial statements.

29 Maturity of assets and liabilities

2009

	Up to one month	One month to three months	Three months to one year	One year to five years	Five years and above	Total
	Rupees in 000s					
Financial assets						
Long term deposit	-	-	-	-	100	100
Trade debts	-	-	680,994	-	-	680,994
Advances, deposits, prepayments and other receivables	1,696	327	176,857	-	-	178,880
Cash and bank balances	24,846	-	-	-	-	24,846
	26,542	327	857,851		100	884,820
Financial liabilities						
Long term finances	94,358	94,358	283,074	1,887,160	2,763,358	5,122,308
Short term borrowings - Secured	-	-	221,400	-	-	221,400
Trade and other payables	21,795	3,299	67,703	-	-	92,797
Accrued markup	-	-	545,406	-	-	545,406
	116,153	97,657	1,117,583	1,887,160	2,763,358	5,981,911

2008

	Up to one month	One month to three months	Three months to one year	One year to five years	Five years and above	Total
	Rupees in 000s					
Financial assets						
Long term deposit	-	-	-	-	100	100
Trade debts	-	-	865,226	-	-	865,226
Advances, deposits, prepayments and other receivables	20	43,809	178,301	-	-	222,130
Cash and bank balances	20,603	-	-	-	-	20,603
	20,623	43,809	1,043,527		100	1,108,059
Financial liabilities						
Long term finances	-	94,358	283,074	1,887,160	2,857,716	5,122,308
Short term borrowings - Secured	3,944	-	231,400	-	-	235,344
Trade and other payables	8,885	1,345	27,599	-	-	37,829
Accrued markup	-	95,102	14,312	-	-	109,414
						-
	12,829	190,805	556,385	1,887,160	2,857,716	5,504,895

29.1 The effective profit rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

30 Financial risk management

30.1 The company has exposure to the following risk from its use financial instruments:
Credit risk
Liquidity risk
Mark up rate risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors of the company "the Board" has overall responsibility for the establishment and oversight of the company's risk management framework. The Board is responsible for developing and monitoring the company's risk management policies.

The company's risk management policies are established to identify and analyze the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The company's Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company.

(a) 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. Out of the total financial assets of Rs. 884.820 (2008: Rs 1,108.059) million, the financial assets which are subject to credit risk amounted to Rs. 884.492 (2008: Rs. 1,108.059) million.

Credit risk related to receivables

The management monitors and limits company's exposure to credit risk through monitoring of clients' credit exposure, reviews and conservative estimates of provisions for doubtful receivables, if any.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Financial assets

	Note	2009 Rupees "000"	2008 Rupees "000"
Long term deposit	6	**100**	100
Trade debts	9	**680,994**	865,226
Advance, deposits, prepayments and other receivables	10	**178,880**	222,130
Bank balances	12	**24,518**	20,603
		884,492	1,108,059

Geographically all credit exposure is concentrated in Pakistan. The maximum exposure to credit risk for trade debts at the reporting date by type of customer is from WAPDA	**680,994**	865,226

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding to an adequate amount of committed obligations of the business. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The maturity profile of the company's financial liabilities based on the contractual amounts is disclosed in note 29 to the financial statements.

(c) Mark up rate risk

Mark up rate risk is the risk that the value of financial instruments will fluctuate due to change in market mark up rates. The effective mark up rates as at June 30, 2009 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:

		2009	2008
Trade debts-interest charged after 25 days of the invoice delivered to WAPDA.	Fixed	16%~19%	11%~16%
Liquidated damages-interest is payable after 25 days of invoice received from WAPDA	Fixed	REPO+2%	REPO+2%
Deposits in PLS account	Variable	As determined by the bank.	As determined by the bank.
Short term borrowings	Fixed	6 months KIBOR plus 2%	6 months KIBOR plus 2%
Long term loans/finances	Variable	three months KIBOR plus 0.25%	three months KIBOR plus 0.25%

30.2 Foreign exchange risk management

Foreign exchange risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. However, there are no such receivables or payables in foreign currency at the terminal date (2008: Rs. 28.883 million).

30.3 Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in profit rates at the reporting date would not affect profit or loss thereof.

30.4 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

31 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the company's business. The Board of Directors monitor the return on capital employed, which the company defines as operating income divided by total capital employed.

The Company's objectives when managing capital are:
(a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(b) to provide an adequate return to shareholders

The company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may, issue new shares, or sell assets to reduce debt. The company monitors capital on the basis of the debt-equity ratio calculated as a ratio of total debt to net shareholders equity.

	2009	2008
The debt - to - equity ratio as at june 30, 2009 is as follow:	**Rupees "000"**	Rupees "000"
Total long term debt	**5,122,308**	5,122,308
Net shareholders equity	**(612,732)**	(40,958)
Debt to equity ratio (times)	**(8.36)**	(125.06)

32 Related party disclosures

A. Related parties with whom company had transactions

The related parties comprise of holding company, fellow subsidiaries, associated undertakings and key management personnel. The company in the normal course of business carried out certain transactions with various related parties. The related parties with whom the company had transactions during the year comprised of the following:

Semi Autonomous Bodies

National Logistics Cell

Demand Finance Institutions (DFIs)

Pak Oman Investment Co. Ltd.
Saudi Pak Industrial & Agriculture Investment Co. Ltd.

B. Disclosure of balances between company and related parties

Amounts due to related parties / associated undertakings at the terminal date are given below:

		2009	2008
Name of the party	**Nature of balance**	**Rupees '000'**	Rupees '000'
National Logistics Cell	Short term borrowings - Secured	**75,000**	75,000
Pak Oman Investment Co. Ltd.	Short term borrowings - Secured	**68,200**	75,000
Saudi Pak Industrial & Agriculture Investment Co. Ltd.	Short term borrowings - Secured	**31,800**	35,000
		175,000	185,000
National Logistics Cell	Accrued mark up on outstanding balance	**7,854**	10,471
Pak Oman Investment Co. Ltd.	Accrued mark up on outstanding balance	**4,078**	2,618
Saudi Pak Industrial & Agriculture Investment Co. Ltd.	Accrued mark up on outstanding balance	**2,226**	1,222
		14,158	14,311

C. Disclosure of transactions between company and related parties

The related parties with whom the company had transactions during the year comprised of the following:

Name of the party	**Nature of transaction**		
National Logistics Cell	Mark up on outstanding balance	**10,500**	11,104
Pak Oman Investment Co. Ltd.	Mark up on outstanding balance	**10,067**	4,545
Saudi Pak Industrial & Agriculture Investment Co. Ltd.	Mark up on outstanding balance	**4,696**	1,920
		25,263	17,569

33. 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	
	2009	2008	2009	2008	2009	2008
No. of persons	1	1			4	4
Managerial remuneration	6,669	5,455	-	-	10,414	11,768
Medical	171	545	-	-	176	2,039
Gratuity	1,795	-	-	-	2,526	855
Other benefits	280	948	-	-	437	736
Rupees in 000s	8,915	6,948	-	-	13,553	15,398

33.1 Board meeting fee was not being paid to the directors.

33.2 Company maintained vehicle and mobile telephone amounting to Rs. 1.268 million (approximately) is provided only to the chief executive of the company.

34. Environmental risk exposure

The company is fully compliant with the environmental regulations.

35. Date of Authorization

These financial statements were authorized for issue on October 28, 2009 in accordance with the resolution of the Board of Directors.

36. General

36.1 Corresponding figures have been restated and re-classified where necessary, to reflect more appropriate presentation of events and transactions and better comparison. The material rearrangement / reclassification made during the year are as under:

	2008 (Restated) Rupees '000'	2008 (Previsouly stated) Rupees '000'
Capital work in progress	22,810	-
Advances, deposits, prepayments and other receivables	-	22,810

36.2 Figures in these financial statements have been rounded off to the nearest rupees.

Lahore: October 28, 2009

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

PATTERN OF SHAREHOLDING AS ON JUNE 30, 2009

Consolidated

CDC+Non-CDC

Number of ShareHolders	Shareholding From	Shareholding To	Total Number of Shares Held	Percentage of Total Capital
18	1	100	551	0.00
429	101	500	212,829	0.14
505	501	1000	504,720	0.32
954	1001	5000	3,053,403	1.96
382	5001	10000	3,311,100	2.12
117	10001	15000	1,557,000	1.00
77	15001	20000	1,458,177	0.93
70	20001	25000	1,683,000	1.08
47	25001	30000	1,354,142	0.87
29	30001	35000	968,570	0.62
20	35001	40000	770,000	0.49
11	40001	45000	474,000	0.30
44	45001	50000	2,186,000	1.40
9	50001	55000	480,500	0.31
9	55001	60000	531,000	0.34
5	60001	65000	310,500	0.20
7	65001	70000	483,000	0.31
7	70001	75000	519,000	0.33
4	75001	80000	309,500	0.20
8	80001	85000	668,000	0.43
7	85001	90000	623,500	0.40
2	90001	95000	189,500	0.12
26	95001	100000	2,600,000	1.67
2	100001	105000	205,500	0.13
4	105001	110000	433,500	0.28
2	125001	130000	258,000	0.17
3	130001	135000	403,500	0.26
1	135001	140000	137,500	0.09
1	140001	145000	141,500	0.09
3	145001	150000	450,000	0.29
2	160001	165000	325,500	0.21
2	165001	170000	340,000	0.22
1	175001	180000	180,000	0.12
1	180001	185000	181,000	0.12
1	190001	195000	194,000	0.12
4	195001	200000	797,000	0.51
1	200001	205000	205,000	0.13
2	210001	215000	426,000	0.27
1	215001	220000	216,000	0.14
2	220001	225000	447,000	0.29
2	225001	230000	460,000	0.29
1	235001	240000	237,500	0.15

Number of ShareHolders	Shareholding From	Shareholding To	Total Number of Shares Held	Percentage of Total Capital
1	240001	245000	243,500	0.16
1	245001	250000	249,500	0.16
2	260001	265000	521,500	0.33
1	265001	270000	266,500	0.17
1	280001	285000	285,000	0.18
3	295001	300000	900,000	0.58
1	350001	355000	355,000	0.23
1	360001	365000	360,500	0.23
1	365001	370000	365,500	0.23
2	395001	400000	800,000	0.51
2	445001	450000	897,000	0.57
1	450001	455000	451,000	0.29
1	475001	480000	476,500	0.31
1	495001	500000	500,000	0.32
1	500001	505000	500,500	0.32
1	530001	535000	531,000	0.34
2	595001	600000	1,200,000	0.77
1	655001	660000	658,000	0.42
1	770001	775000	774,500	0.50
1	1205001	1210000	1,208,500	0.77
1	1855001	1860000	1,858,000	1.19
1	2330001	2335000	2,331,500	1.49
2	3395001	3400000	6,800,000	4.36
1	3995001	4000000	4,000,000	2.56
1	4230001	4235000	4,231,872	2.71
1	4370001	4375000	4,374,500	2.80
1	8940001	8945000	8,940,811	5.73
1	11570001	11575000	11,572,199	7.42
1	17620001	17625000	17,622,878	11.29
1	21915001	21920000	21,915,150	14.04
1	30560001	30565000	30,560,189	19.59
2,861	**<---------Total-------->**		**156,037,591**	**100.00**

CATEGORIES OF SHAREHOLDERS AS ON JUNE 30, 2009

	CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE
A)	**Directors/Chief Executive Officer and their spouse and minor Children**			
	Pak Oman Investment Company Limited	1	30,560,189	19.5851
	National Logistics Cell	2	26,563,689	17.0239
	Saudi Pak Investment Co. Ltd.	1	11,572,199	7.4163
	Patagonia Corporation (Pvt.) Ltd.	1	4,231,872	2.7121
	(The directors are nominees of Institutions)			
	TOTAL: -		**72,927,949**	**46.7374**
B)	**Executives**			
	N/A	**-**	**-**	**0.0000**
C)	**Associated Companies, Undertakings and related parties**	**-**	**-**	**0.0000**
D)	**Public Sectors Companies & Corporations**	**-**	**-**	**0.0000**
E)	**NIT and IDBP (ICP UNIT)**	**-**	**-**	**0.0000**
F)	**Banks, Development Financial Institutions & Non-Banking Financial Institutions**	**15**	**22,492,750**	**14.4150**
H)	**Insurance Companies**	**1**	**300,000**	**0.1923**
I)	**Modarabas & Mutual Funds**	**3**	**506,500**	**0.3246**
J)	**Others**	**103**	**15,140,992**	**9.7034**
K)	**General Public**	**2,734**	**44,669,400**	**28.6273**
	TOTAL: -	**2,861**	**156,037,591**	**100.0000**

Shareholding Detail of 10% or more

Pak Oman Investment Company Limited	**2**	**30,560,189**	**19.5851**
National Logistic Cell	**2**	**26,563,689**	**17.0239**
First Dawood Investment Bank Ltd.	**1**	**21,915,150**	**14.0448**
		79,039,028	**50.6538**

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 15th Annual General Meeting of the Company to be held at registered office / plant located at Jia Bagga, Off Raiwind Road, Lahore on Wednesday, 25th November 2009 at 09:00 AM and at every adjournment thereof.

As witness my / our hand this _________________ day of __________________ 2009

Signature

Revenue Stamp

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 Officer at Jia Bagga Railway Station, Raiwind Road, District Lahore at least 48 hours before the time for holding the meeting.