JAPAN POWER GENERATION LIMITED

ANNUAL REPORT 2011

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COMPANY INFORMATION

Board of Directors	Mr. Jehangir Shah	- Chairman
	Brig. (R) Muhammad Mansur Aslam	-Vice Chairman
	Mr. Kashif Muhammad Khan	
	Mr. Khurram Faizyab	
	Mr. Nafees Ahmed	
	Mr. Parveiz Usman	
	Brig. (R) Muhammad Akhtar	
	Mr. Zafar Iqbal	
	Mr. Muhammad Faisal Israr	
	Mr. Ayaz Dawood	
	Mr. Bashir A. Sheikh	- Nominee Faysal Bank Limited
	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	Brig.(R) Muhammad Mansur Aslam	- Chairman
	Mr. Ayaz Dawood	
	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	Faisal & Partners	
Bankers	Faysal Bank Limited	
Lending Bank Syndicate	Faysal Bank Limited Askari Bank Limited National Bank of Pakistan Allied Bank Limited Samba Bank Limited NIB Bank Limited SILK 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	jpgl@brain.net.pk	
Website	www.jpglpk.com	

NOTICE OF 17TH ANNUAL GENERAL MEETING

Notice is hereby given that the 17th Annual General Meeting of Japan Power Generation Limited will be held on Thursday, November 24th, 2011 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 16th Annual General Meeting of the Company held on Tuesday, September 28, 2010.

2. To receive, consider and adopt the audited financial statements of the company for the financial year ended June 30, 2011, 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, 2012 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, 2011

Zain ul Abidin
Company Secretary

NOTES

1. The Share Transfer Book of the Company will remain closed from November 15, 2011 to November 24, 2011 (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 (CNIC) 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 CNIC numbers shall be mentioned on the form.

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

4. The proxy shall produce his original CNIC 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 17th Annual Report together with the audited financial statements of your company and auditors' report thereon for the year ended June 30, 2011.

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).

PLANT PERFORMANCE:

During the current financial year, the plant usage increased to 372,692 MWh as compared to 198,934 MWh in the previous year when the Plant remained shut down from July 01, 2009 to February 06, 2010 due to default by WAPDA, as stated above.

FINANCIAL PERFORMANCE:

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

Financial year ended June 30,	**2011**	2010
	Rupees 'million'	
Turnover	**4,724.15**	2,731.94
Cost of sales	**(5,170.33)**	(2,443.21)
Gross (loss) / profit	**(446.19)**	288.73
Operating expenses	**(114.15)**	(68.05)
Operating (loss) / profit	**(560.34)**	220.68
Other income	**21.29**	20.01
Financial and other costs	**(962.71)**	(691.43)
Provision for taxation	**(1.73)**	(1.62)
Net loss after taxation	**(1,503.48)**	(452.36)
Loss per share – basic and diluted	**Rs. (9.61)**	Rs. (2.89)

The company's turnover for the year increased to Rs. 4.724 billion as compared to Rs. 2.731 billion for the last year due to resumption of plant operation from February 6, 2010 at a capacity of 65 MW which was subsequently increased to 77 MW in November 2010 and achieved its full capacity at the end of March 2011. However, the increase in operations resulted in gross loss of Rs. 446.19 million as compared to last year's gross profit of Rs. 288.73 million mainly due to increase in overhauling costs for rehabilitation of plant at its full capacity, fuel loss (the company consumed more fuel than what was paid by WAPDA) and reduction in capacity revenue (as mentioned above).

Operating expenses increased as compared to last year due to increase in legal costs for payments made to lawyers and International Chamber of Commerce's (the "ICC") for arbitration proceedings. Financial charges increased as compared to last year mainly due to increase in WAPDA's fuel advances and delayed payment damages on overdue markup of Syndicate Banks. Accordingly, the net loss after taxation increased to Rs. 1,503.43 million as compared to Rs. 452.36 million for the last year.

AUDITORS' EMPHASIS PARAGRAPHS:

The response to the Auditor's emphasis paragraph has been given in note 1.2 to the Financial Statements, which is summarized below.

The major loss contributing factors have been shortfall in reimbursement from WAPDA of actual fuel cost incurred and excessive financial costs due to non-repayment of term loans/ finances both owing to tariff reductions agreed with WAPDA in 1999. In addition to this, amounts from the Capacity Price Payments (CPP) were withheld by WAPDA to adjust these against its own disputed dues / amount of fuel advances, which further increased the financial burden and resultant costs to the Company. The disputed amounts have been explained in detail at note 20.1 to 20.5 of these financial statements.

In order to mitigate the above stated situations, the Company has fully rehabilitated the plant with the advances provided by WAPDA/PEPCO, which will help the Company in improving its Capacity Payments to contracted capacity in the subsequent periods."

Further the Company has also taken up certain steps on a priority basis, which have been mentioned under the caption "FUTURE PROSPECTS" in this report.

Considering the above stated factors and arrangements, coupled with the continued support of the WAPDA/PEPCO, lenders and expected favorable outcome of the above mentioned disputes, as well as keeping in view the Company's financial projections, the management of the Company considers that the going concern assumption used in the preparation of these financial statements is appropriate.

EXTERNAL AUDITORS' APPOINTMENT:

The company's auditors M/s Hyder Bhimji & Co., Chartered Accountants shall retire at the conclusion of the 17th annual general meeting. The auditors have indicated their willingness to continue in office as auditors. As recommended by the Audit Committee, the Board recommends their re-appointment in the office of the external auditors for the next year in the forthcoming AGM.

REMUNERATION OF CHIEF EXECUTIVE:

There was no change in the terms and conditions of the appointment of the Chief Executive Officer, except normal annual increment in the salary with the approval of the Board of Directors.

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 (IAS) / International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of the financial statements.

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

f) As explained earlier, 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.

MEETINGS OF THE BOARD OF DIRECTORS HELD DURING THE YEAR

During the financial year under review the Board of Directors met five times and the attendance at the meetings was as follows:

Name	No. of Meetings Attended
Brig. (R) Muhammad Akhtar (New appointment)	3
Brig. (R) Muhammad Mansur Aslam	5
Mr. Khurram Faizyab	4
Mr. Nafees Ahmed	5
Mr. Shahzad Mahmood (Resigned)	-
Mr. Zafar Iqbal	5
Mr. Muhammad Faisal Israr	1
Mr. Parveiz Usman (New appointment)	2
Mr. Mansoor ur Rehman (Resigned)	-
Mr. Jehangir Shah	4
Mr. Kashif Muhammad Khan	4
Mr. Najeeb Ahmed Sheikh (Resigned)	-
Mr. Ayaz Dawood (New appointment)	1
Mr. Saulat Ali Khan (Resigned)	2
Mr. Bashir A Sheikh (New appointment)	3
Mr. Muhammad Hanif Abbasi	1

Leave of absence, where requested, was granted to the directors who could not attend the board meetings.

During the financial year ended June 30, 2011, four 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 the employees.

ENVIRONMENT, HEALTH AND SAFETY

We remain committed to ensure that the entire operations of the company conform to environment, health and safety standards. Personal safety of the employees has remained amongst the priority areas of the management. A dedicated team of professionals continuously review the environmental aspects that may have any significant impact on the plant's environment. Similarly, all health and safety hazards having significant risks are also reviewed and are proactively addressed to avoid any untoward incident.

PATTERN OF SHAREHOLDING

Pattern of shareholding of the company as at 30 June 2011 along with the necessary information is attached to this report.

FUTURE PROSPECTS

The Company has fully rehabilitated the plant with the advances provided by WAPDA/PEPCO, which will help the Company in improving its Capacity Payments to contracted capacity in the subsequent periods. Further, to improve the Company's financial position and liquidity, the_following steps are being taken on a priority basis:

i) Implementation of steam turbine to generate electricity by recovering waste heat from exhaust of engines, which will reduce fuel loss.

ii) Preparation and filing of a petition for revision/enhancement of tariff structure before NEPRA.

The management is optimistic that as soon as the above stated steps are implemented, the Company would become financially viable.

CONCLUSION

The Company is proud of its employees for demonstrating commitment and loyalty with the Company during this difficult period for which the Board express its appreciation.

We thank our shareholders, lenders, WAPDA and vendors for their continued valuable support and cooperation to the Company.

On behalf of the Board

Islamabad: October 31, 2011

Chief Executive Officer

OPERATING AND FINANCIAL DATA
SIX YEARS SUMMARY

	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
DISPATCH LEVEL(%)	**35.31**	**18.85**	24.33	48.07	56.65	48.64
DISPATCH (MWh)	**372,692**	**198,934**	256,870	506,924	531,015	455,908
REVENUE (Rs. 000)						
Energy Purchase Price	4,071,936	1,981,217	2,644,434	3,583,596	2,694,553	2,272,271
Capacity Purchase Price	652,213	750,722	861,324	915,548	920,345	904,113
TOTAL REVENUE	**4,724,149**	**2,731,939**	**3,505,758**	**4,499,144**	**3,614,898**	**3,176,384**
Cost of Sales	(5,170,336)	(2,443,209)	(3,281,624)	(4,214,069)	(3,336,485)	(2,814,905)
GROSS (LOSS)/ PROFIT	**(446,187)**	**288,730**	**224,134**	**285,075**	**278,413**	**361,479**
PROFITABILITY (Rs. 000)						
Profit / (Loss) Before Tax	(1,501,755)	(450,729)	(593,000)	(162,114)	(216,444)	(268,252)
Provision for Taxation	(1,725)	(1,623)	(444)	(556)	(191)	(326)
PROFIT I (LOSS) AFTER TAX	**(1,503,480)**	**(452,352)**	**(593,444)**	**(162,670)**	**(216,635)**	**(268,578)**
FINANCIAL POSITION (Rs. 000)						
Non Current Assets	5,617,528	5,063,299	5,316,919	5,538,638	5,749,999	6,007,310
Current Assets	2,973,456	2,695,627	1,112,711	1,577,505	1,247,371	1,130,351
Less Current Liabilities	(5,917,375)	(3,720,732)	(1,905,488)	(1,624,257)	(1,248,390)	(1,100,470)
NET WORKING CAPITAL	**(2,943,919)**	**(1,025,105)**	**(792,777)**	**(46,752)**	**(1,019)**	**29,881**
CAPITAL EMPLOYED	**1,477,416**	**3,578,217**	**4,043,429**	**4,990,438**	**5,226,798**	**5,494,274**
Less Non Current Liabilities	(4,000,587)	(4,621,043)	(4,656,161)	(5,031,396)	(5,210,009)	(5,281,584)
SHAREHOLDERS' EQUITY	**(2,523,171)**	**(1,042,826)**	**(612,732)**	**(40,958)**	**16,789**	**212,690**
REPRESENTED BY (Rs. 000)						
Share Capital	1,560,376	1,560,376	1,560,376	1,476,188	1,476,188	1,332,000
Share deposit money	-	-	-	84,188	-	144,188
Accumulated Loss	(4,088,404)	(2,605,659)	(2,174,043)	(1,601,334)	(1,459,399)	(1,263,498)
Fair value reserve	4,857	2,457	935	0	0	0
	(2,523,171)	**(1,042,826)**	**(612,732)**	**(40,958)**	**16,789**	**212,690**
SHARE VALUE (RUPEES):						
Market Value	1.27	1.80	1.80	5.30	6.00	5.00
Breakup Value	(1.62)	(0.67)	(0.39)	(0.28)	0.11	1.44
RATIOS:						
Gross Profit to Sales (%)	(9.44)	10.57	6.39	6.34	7.70	11.38
Net Profit to Sales (%)	(31.83)	(16.56)	(16.93)	(3.62)	(5.99)	(8.46)
Earning per Share (Rupees)	(9.61)	(2.89)	(3.87)	(1.10)	(1.57)	(2.02)
Current Ratio (times)	0.50	0.72	0.58	0.97	1.00	1.03
Liquidity Ratio (times)	0.40	0.60	0.54	0.88	0.91	0.69
Debt to Equity (times)	(3.93)	(4.89)	(8.36)	(125.06)	384.66	32.56

VISION STATEMENT

TO BECOME PARTNER IN PROGRESS OF THE COUNTRY

MISSION STATEMENT

- To be a company that endeavors to set the highest standards in corporate ethics.
- To achieve leadership through the use of technology and contribute to the development of the society.
- To transform the company into a modern corporate entity by achieving high standards of good governance.
- To earn better relationship with WAPDA by achieving production at optimum level and efficiency by lowering operating cost.
- To provide congenial working atmosphere to the employees by taking care of their career planning and adequately rewarding them for their contribution.
- To discharge social and cultural obligations towards the society as a patriotic and conscientious 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, 2011 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 four 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.

On behalf of the Board

Islamabad: October 31, 2011 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, 2011 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, 2011.

Lahore: October 31, 2011

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
(Syed Aftab Hameed, FCA)

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Japan Power Generation Limited** as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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, 2011 and of the loss, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Without qualifying our report, we draw attention of the members towards note 1.2 of the financial statements, which indicates that the company again incurred a net loss for the year in the sum of Rs. 1,503 million (including gross loss of Rs. 446 million this year) that increased the accumulated loss to Rs. 4,088 million as at June 30, 2011, and as of that date its total liabilities exceeded its total assets by Rs. 2,523 million with adverse current ratio; and that the disputes with WAPDA of huge quantum as fully disclosed in notes 20.1 and 20.2 having been referred to International Chamber of Commerce (ICC), pending adjudication at the terminal date; and for which the balances payable to / receivable from WAPDA as appearing in these financial statements have also not been confirmed by WAPDA. All these situations indicate the existence of a material uncertainty, which may cast significant doubt about the company's ability to continue as a going concern.

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner – Syed Aftab Hameed, FCA

Lahore: October 31, 2011

BALANCE SHEET
AS AT JUNE 30, 2011

	Note	2011 Rupees '000'	2010 Rupees '000'
Non current assets			
Property, plant and equipment	5	**5,617,428**	5,063,199
Long term deposit	6	**100**	100
		5,617,528	5,063,299
Current assets			
Stores and spares	7	**106,378**	58,186
Stock in trade	8	**236,435**	179,811
Trade debts	9	**1,930,823**	1,798,308
Advances, deposits, prepayments and other receivables	10	**393,502**	364,862
Tax refunds due from the Government	11	**175,719**	73,757
Cash and bank balances	12	**130,599**	220,703
		2,973,456	2,695,627
TOTAL ASSETS		**8,590,984**	7,758,926
Capital and reserves			
Authorized capital			
160,000,000 (2010: 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**	1,560,376
Accumulated loss		**(4,088,404)**	(2,605,659)
Fair value reserve		**4,857**	2,457
Shareholders' equity		**(2,523,171)**	(1,042,826)
Surplus on revaluation of property , plant and equipment	14	**1,196,193**	459,977
Non current liabilities			
Long term finances	15	**3,989,871**	4,613,310
Deferred liability	16.1	**10,716**	7,733
		4,000,587	4,621,043
Current liabilities			
Short term borrowings	17	**168,200**	215,000
Current portion of long term finances	15	**1,509,315**	934,280
Trade and other payables	18	**2,377,447**	1,358,814
Accrued markup	19	**1,862,413**	1,212,638
		5,917,375	3,720,732
Contingencies and commitments	20		
TOTAL EQUITY AND LIABILITIES		**8,590,984**	7,758,926

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

Islamabad: October 31, 2011 **Chairman / Director** **Chief Executive** **Chief Financial Officer**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees '000'	2010 Rupees '000'
Sales	21	4,724,149	2,731,939
Cost of sales	22	(5,170,336)	(2,443,209)
Gross (loss) / profit		(446,187)	(288,730)
Operating expenses			
Administrative and general expenses	23	(114,148)	(68,045)
Operating (loss) / profit		(560,335)	(220,685)
Other operating income	24	21,290	(20,012)
		(539,045)	(240,697)
Finance and other cost			
Finance cost	25	(962,710)	(691,426)
Net loss before taxation		(1,501,755)	(450,729)
Provision for taxation			
Current - on other operating income		(1,725)	(1,623)
Net loss after taxation		(1,503,480)	(452,352)
Loss per share - basic and diluted	26	(9.61)	(2.89)

Appropriations are reflected in the statement of changes in equity.

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

Islamabad: October 31, 2011 **Chairman / Director** **Chief Executive** **Chief Financial Officer**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees '000'	2010 Rupees '000'
Net loss after taxation		(1,503,480)	(452,352)
Other comprehensive income			
Actuarial gains recognised during the year	16.1	2,400	1,522
Total comprehensive loss **for the year**		(1,501,080)	(450,830)

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

Islamabad: October 31, 2011 **Chairman / Director** **Chief Executive** **Chief Financial Officer**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees '000'	2010 Rupees '000'
CASH FLOW FROM OPERATING ACTIVITIES			
Cash inflow after working capital changes	27	375,575	(32,873)
Finance cost paid		(312,935)	(184,958)
Gratuity paid		(62)	(78)
Income tax paid		(2,210)	(1,224)
Net cash inflow / (outflow) **from operating activities**		60,368	(219,133)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(52,089)	(477)
Addition in Capital work in progress		(3,207)	(3,417)
Proceeds from sale of property, plant and equipment		28	2
Net cash outflow from investing activities		(55,268)	(3,892)
CASH FLOW FROM FINANCING ACTIVITIES			
Change in long term finances		(48,404)	425,282
Change in short term borrowings		(46,800)	(6,400)
Net cash (outflow) / inflow from **financing activities**		(95,204)	418,882
Net (decrease) / **increase in cash and cash equivalents**		(90,104)	195,857
Cash and cash equivalents at the beginning of year		220,703	24,846
Cash and cash equivalents at the end of year	12	130,599	220,703

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

Islamabad: October 31, 2011 **Chairman / Director** **Chief Executive** **Chief Financial Officer**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Share capital	Accumulated loss	Fair value reserve	Total
	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'
Balance as at June 30, 2009	1,560,376	(2,174,043)	935	(612,732)
Incremental depreciation on revaluation of property, plant & equipment	-	20,736	-	20,736
Total comprehensive Loss for the year	-	(452,352)	1,522	(450,830)
Balance as at June 30, 2010	1,560,376	(2,605,659)	2,457	(1,042,826)
Incremental depreciation on revaluation of property, plant & equipment	-	20,735	-	20,735
Total comprehensive Loss for the year	-	(1,503,480)	2,400	(1,501,080)
Balance as at June 30, 2011	1,560,376	(4,088,404)	4,857	(2,523,171)

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

Islamabad: October 31, 2011 **Chairman / Director** **Chief Executive** **Chief Financial Officer**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 Road, 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.

1.2 The company has incurred operating loss for the year amounting to Rs. 1,503million (2010 : Rs. 452 million) and its accumulated loss has increased to Rs 4,088 million as at June 30, 2011, whereby it has negative equity and adverse current ratio at that date. The major loss contributing factors have been shortfall in reimbursement from WAPDA of actual fuel cost incurred and excessive financial costs due to non-repayment of term loans/ finances both owing to tariff reductions agreed with WAPDA in 1999. In addition to this, amounts from the Capacity Price Payments (CPP) were withheld by WAPDA to adjust these against its own disputed dues / amount of fuel advances, which further `increased the financial burden and resultant costs to the Company. The disputed amounts have been explained in detail at note 20.1 to 20.5 of these financial statements.

In order to mitigate the above stated situations, the Company has fully rehabilitated the plant with the advances provided by WAPDA/PEPCO, which will help the Company in improving its Capacity Payments to contracted capacity in the subsequent periods. Further, to improve the Company's financial position and liquidity, the following steps are being taken on a priority basis:

i) Implementation of steam turbine to generate electricity by recovering waste heat from exhaust of engines, which will reduce fuel loss.
ii) Preparation and filing of a petition for revision/enhancement of tariff structure before NEPRA.

In the meantime, to ensure continued operations of the Company, WAPDA/PEPCO agreed to an arrangement to provide advance for purchase of fuel and lube oil on a regular basis. Considering the acute shortage of the electricity in the country, it is expected that WAPDA/PEPCO would continue to financially support the Company for provision of fuel and lube oil.

Considering the above stated factors and arrangements, coupled with the continued support of the WAPDA/PEPCO, lenders and expected favorable outcome of the above mentioned disputes, as well as keeping in view the Company's financial projections, the management of the Company considers that the going concern assumption used in the preparation of these financial statements is appropriate.

2. BASIS 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 Standards (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 Standards, Interpretations and amendments to published approved accounting standards adopted during the year.

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below **New and amended standards and interpretations**

The Company has adopted the following new and amended IFRIC interpretation which become effective during the year:

IFRS -2 Share based Payment-Group Cash settled Share based Payment Arrangements
IAS - 32 Financial Instruments: Presentation -Classification of Rights Issue (Amendment)
IFRIC -19 Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB Issued in 2009

IFRS - 5 Non-Current Assets Held for Sales and Discontinued Operations
IFRS - 8 Operating Segments
IAS - 1 Presentation of Financial Statements
IAS - 7 Statement of Cash Flows Presentation of Financial Statements
IAS - 17 Leases
IAS - 36 Impairments of Assets
IAS - 39 Financial Instruments: Recognition and Measurement

Issued in May 2010

IFRS - 3 Business Combinations
IAS - 27 Consolidated and Separate Financial Statements

The adoption of the above standards, amendments/improvements and interpretations did not have any effect on the financial statements.
The Company has not early adopted any standard, interpretation or amendments that has been issued but is not yet effective.

2.3 Standards, interpretations and amendments to approved accounting standards that are issued but not yet effective

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned against the respective standard or interpretation:

Standard or Interpretation		Effective date (Periods beginning on or after)
IAS - 1	Presentation of Financial Statements-Amendments to revise the way other comprehensive income is presented	**July 1, 2012**
IFRS - 7	Financial Instruments: Disclosures-Amendments enhancing disclosures about transfers of financial	**July 1, 2011**
IAS - 12	Income Tax (Amendment)-Deferred Taxes: Recovery of underlying assets	**January 1, 2012**
ISA - 19	Employee Benefits-Amended Standard resulting from the post-employment benefits and termination benefits projects	**January 1, 2013**
IAS - 24	Related Party Disclosures (Revised)	**January 1, 2011**
IAS - 27	Consolidated and Separate Financial Statement	**January 1, 2013**
IAS - 28	Investment in Associates: Investment in Associates and Joint Venture	**January 1, 2013**
IFRS - 14	IAS-19 :Prepayments of a Minimum Funding Requirement (Amendment)	**January 1, 2011**

The company expects that the adoption of the above standards and interpretations will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 1, 2011. These include changes in terminology and accounting requirements. The company expects that such improvements to the standards will not have any material impact on the company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

		IASB Effective data (Periods beginning on or after)
IFRS - 9	Financial Instruments	January 01, 2015
IFRS - 10	Consolidated Financial Statements	January 01, 2013
IFRS - 11	Joint Arrangements	January 01, 2013
IFRS -12	Disclosure of Interest in Other Entities	January 01,2013
IFRS -13	Fair Value Measurement	January 01,2013
IFRS -11	Joint Arrangements	January 01,2013

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. 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 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 life 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, 2011. The actuary used the 'Projected Unit Credit Method' relying on the following significant assumptions:

	2011	2010
Discount rate	14%	12%
Expected rate of salary increase	13%	11%
Average expected remaining work life of employees	16 years	16 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 Part - I of the Second Schedule to 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.

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. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which asset is disposed off.

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.

Stores held for capitalization
These are stated at cost

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 is also 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. All 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 accounts.

Contingent liabilities are disclosed when:

- There is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events wholly within the control of the company.
- There is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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, long and short term financing, trade and other payables. 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.

Off-setting 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.

	Note	2011 Rupees '000'	2010 Rupees '000'
5 Property, plant and equipment			
Operating assets - Tangible	5.1	**5,576,913**	5,028,887
Capital work in progress	5.2	**34,102**	34,312
Stores held for capitalization		**6,413**	-
		5,617,428	5,063,199

5.1 Operating assets

2011

PARTICULARS	COST / REVALUATION: As at July 01, 2010	Additions	Deletions	Revaluation surplus	As at June 30, 2011	Rate (%)	DEPRECIATION: As at July 01, 2010	Deletions/ adjustments	Charge for the year	As at June 30, 2011	WRITTEN DOWN VALUE AS AT JUNE 30, 2011
Owned											
Land - freehold	68,446	-	-	963	69,409		-	-	-	-	69,409
Buildings and civil works on freehold land	368,414	-	-	4,487	372,901	3.3 ~ 4.40	125,292	-	12,340	137,632	235,269
Plant and machinery	7,011,390	48,058	-	751,501	7,810,949	3.3 ~ 4.40	2,298,686	-	244,069	2,542,755	5,268,194
Workshop equipment	16,085	-	-		16,085	10	16,085	-	-	16,085	-
Weighbridge	1,175	-	-		1,175	10	1,175	-	-	1,175	-
Furniture and fixtures	1,586	14	-		1,600	10	1,333	-	95	1,428	172
Electric installations	1,513	43	-		1,556	10	1,096	-	104	1,200	356
Office equipment	1,292	519	-		1,811	10	854	-	139	993	818
Laboratory equipment	2,032	152	-		2,184	10	940	-	206	1,146	1,038
Computers	2,078	307	(372)		2,013	30	1,351	(372)	471	1,450	563
Tubewell	1,723	-	-		1,723	10	1,723	-	-	1,723	-
Railways sidings	6,650	-	-		6,650	10	6,650	-	-	6,650	-
Vehicles	3,042	-	-		3,042	20	1,354	-	594	1,948	1,094
2011 Rupees 000s	**7,485,426**	**49,093**	**(372)**	**756,951**	**8,291,098**		**2,456,539**	**(372)**	**258,018**	**2,714,185**	**5,576,913**

2010

PARTICULARS	COST / REVALUATION: As at July 01, 2009	Additions	Deletions	Revaluation surplus	As at June 30, 2010	Rate (%)	DEPRECIATION: As at July 01, 2009	Deletions/ adjustments	Charge for the year	As at June 30, 2010	WRITTEN DOWN VALUE AS AT JUNE 30, 2010
Owned											
Land - freehold	68,446	-	-	-	68,446		-	-	-	-	68,446
Buildings and civil works on freehold land	368,414	-	-	-	368,414	3.3 ~ 4.40	112,952	-	12,340	125,292	243,122
Plant and machinery	7,011,390	-	-	-	7,011,390	3.3 ~ 4.40	2,057,379	-	241,307	2,298,686	4,712,704
Workshop equipment	16,085	-	-	-	16,085	10	14,476	-	1,609	16,085	-
Weighbridge	1,175	-	-	-	1,175	10	1,058	-	117	1,175	-
Furniture and fixtures	1,606	-	(20)	-	1,586	10	1,207	(18)	144	1,333	253
Electric installations	1,403	110	-	-	1,513	10	961	-	135	1,096	417
Office equipment	1,292	-	-	-	1,292	10	735	-	119	854	438
Laboratory equipment	1,863	169	-	-	2,032	10	752	-	188	940	1,092
Computers	1,880	198	-	-	2,078	30	986	-	365	1,351	727
Tubewell	1,723	-	-	-	1,723	10	1,601	-	122	1,723	-
Railways sidings	6,650	-	-	-	6,650	10	6,179	-	471	6,650	-
Vehicles	3,042	-	-	-	3,042	20	760	-	594	1,354	1,688
2010 Rupees 000s	7,484,969	477	(20)	-	7,485,426		2,199,046	(18)	257,511	2,456,539	5,028,887

5.2 Capital work in progress

	Note	2011 Rupees '000'	2010 Rupees '000'
Land		**15,720**	15,720
Plant and machinery - Cylindrical liner		**3,207**	3,417
Expenses towards expansion project	5.2.1	**15,175**	15,175
		34,102	34,312

5.2.1 These include :

	2011	2010
Fees paid to NEPRA	**4,403**	4,403
Fees and subscription	**7,312**	7,312
Travelling and conveyance	**1,939**	1,939
Legal, professional and consultancy charges	**1,514**	1,514
Other expenses	**7**	7
	15,175	15,175

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

	Note	2011	2010
Cost of sales	22	**256,615**	256,155
Administrative and general expenses	23	**1,403**	1,356
		258,018	257,511

5.4 As at 30 June 2011, undepreciated balance of revaluation surplus included in the carrying value of operating assets, amounted to Rs. 1,196.193 million (2010: Rs. 459.978 million).

5.5 Had there been no revaluation, the carrying amount of revalued assets as on June 30, 2011 would have been as follows:

	Cost	Accumulated Depreciation	Written Down Value 2011	Written Down Value 2010
Land - freehold	16,979	-	16,979	16,979
Buildings and civil works on freehold land	367,307	137,398	229,909	254,495
Plant and machinery	6,569,105	2,439,315	4,129,790	4,525,732
Rupees 000s	**6,953,391**	**2,576,713**	**4,376,678**	**4,797,206**

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							
Computer	75	75	-	7	7	Negotiation	Mr. Ch. Waris Ali, Afzal Park, Harbunspura, Lahore
HP Laptop	141	141	-	9	9	Negotiation	Mrs. Summera, 113-A,PCH Society College Road, Lahore
HP Laptop	156	156	-	12	12	Negotiation	Mrs. Saima Khalid, NESPAK Colony, Township, Lahore
2011 Rupees 000s	**372**	**372**	**-**	**28**	**28**		
2010 Rupees 000s	20	18	2	2	-		

	Note	2011 Rupees '000'	2010 Rupees '000'
6. LONG TERM DEPOSIT			
Central Depository Company of Pakistan (CDC)		**100**	100
7. STORES AND SPARES			
Stores		757	1,131
Spares		105,621	57,055
		106,378	58,186
8. STOCK IN TRADE-RAW MATERIALS			
Residual fuel oil (RFO) (including in-transit Rs. 62.366 million (2010:Rs. 39.510 million)		209,922	158,672
High speed diesel (HSD)		7,543	6,404
Lube oil (including in-transit Rs.Nill (2010:Rs. 1.056 million)		15,320	11,885
Chemicals and other lubricants		3,650	2,850
		236,435	179,811
9. TRADE DEBTS - CONSIDERED GOOD		1,930,823	1,798,308
These are receivable from WAPDA and are fully secured.			
10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - Unsecured and considered good			
Advance against salaries to:			
Chief Executive		3,274	2,276
Executives		3,159	2,823
Employees		377	363
		6,810	5,462
To employees against expenses		78	80
To suppliers		8,656	4,215
To Pakistan State Oil Co. Ltd. (PSO)		182,136	25,740
To others	10.2	20,143	142,321
		217,823	177,818
Deposits		**6**	6
Prepayments		955	12,484
Other receivables			
Claims receivable		2,740	2,586
Liquidated damages recoverable from WAPDA		171,978	171,968
		174,718	174,554
		393,502	364,862

10.1 The highest agregated balances at the end of any month during the year in case of Chief Executive & Executives of the company are Rs. 3.274 million and Rs. 3.159 million respectively (2010: Rs. 2.276 million and Rs. 2.823 million respectively).

10.2 This amount includes Rs. 12.798 million (2010: Rs. 136.228 million) of Letters of credit margin deposited with Faysal Bank Limited.

	2011 Rupees '000'	2010 Rupees '000'
11. TAX REFUNDS DUE FROM THE GOVERNMENT		
Sales tax refundable	174,563	73,086
Income tax refundable	1,156	671
	175,719	73,757
12. CASH AND BANK BALANCES		
Cash in hand	554	477
Cash with banks		
In current accounts	8,028	30,395
In saving accounts	122,017	189,831
	130,045	220,226
	130,599	220,703

13. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2011 Number of Shares	2010 Number of Shares		2011 Rupees '000'	2010 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	22,837,591	Ordinary shares of Rs. 10 each, Issued for consideration other than cash	**228,376**	228,376
156,037,591	**156,037,591**		**1,560,376**	1,560,376

14 Surplus on revaluation of property, plant and equipment

Opening balance	**459,977**	480,713
Add: Surplus on revaluation of property, plant and equipment on June 30, 2011	**756,951**	-
Less: Incremental depreciation on revalued property, plant and equipment for the year transferred to accumulated loss	**(20,735)**	(20,736)
	1,196,193	459,977

The revaluation was again carried out on the basis of these assets at June 30, 2011 by an independent valuer - Messrs Surval, which was previously carried out on June 30, 2006. 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 (i.e. depreciated market value)
Plant and machinery	Incremental markets rates for similar kind of plant and machinery

15. Long term finances

	Note		
Syndicated term finance agreement - II	15.1		
Banking companies			
Faysal Bank Limited		**935,018**	935,018
National Bank of Pakistan		**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			
Banking company			
Faysal Bank Limited	15.2	**761,372**	761,372
Advance from WAPDA for purchase of spares	15.3	376,878	425,282
		5,499,186	5,547,590
Less: Current and overdue portion shown under current liabilities			
Overdue portion			
Syndicated term finance agreement - II		722,997	401,665
Morabaha finance agreement - II		126,227	70,126
		849,224	471,791
Current maturity			
Syndicated term finance agreement - II		321,332	321,332
Morabaha finance agreement - II		56,101	56101
Advance from WAPDA for purchase of spares		282,658	85,056
		660,091	462,489
		1,509,315	934,280
		3,989,871	4,613,310

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.

15.3 This represents an advance amounting to Rs. 471.097 million (including mark up during grace period) from WAPDA against the procurement of spares parts in lump-sum. It carries markup @ 18.00% to 16.50% (2010: @ 18.00% to 16.50%) per annum and is secured against company's billings to WAPDA. It will be adjusted against company's Capacity Purchase Price (CPP) invoices in 20 equal installments starting from February, 2011 i.e. after 12 months from the date of disbursement of advance by WAPDA.

16. Deferred Liability - Provision for Staff Gratuity

Unfunded defined benefit plan

		2011 **Rupees '000'**	2010 Rupees '000'
16.1	Movement during the year in the net liability recognized in the financial statements is:		
	Opening net liability	7,733	5,645
	Add: amount recognized during the year	5,445	4,181
	Less: actuarial gains recognised during the year - other comprehensive income	(2,400)	(1,522)
		3,045	2,659
		10,778	8,304
	Less: gratuity payable written back	-	493
	Less: payments made during the year	62	78
	Closing net liability	10,716	7,733
16.2	The amounts recognized in balance sheet are as follow:		
	Present value of defined benefit obligation	10,441	7.492
	Unrecognized actuarial gains	275	241
	Total balance sheet liability	10,716	7,733
16.3	The actuarial expense recognized in the profit and loss account is:		
	Current service cost	2,146	2,052
	Interest cost	899	607
		3,045	2,659

16.4 Historical Information

As at June 30,	2011	2010	2009	2008	2007
	Figures in Rupees in 000s				
Present value of defined obligation	10,441	7,492	5,061	2,699	1,896
Experience adjustment arising on plan liabilities	518	(177)	163	(329)	228

	Names of lenders	**Note**	**Sanctioned Limit**	**Disbursed Amount** 2011	2010
17.1	**Banking companies**		**Rupees '000'**	**Rupees '000'**	Rupees '000'
	Faysal Bank Limited	17.1.1	46,400		46,000
17.2	**Related Parties**				
	National Logistics Cell	17.2.1		68,200	75,000
	Pak Oman Investment Company Limited	17.2.2		**68,200**	68,200
	Saudi Pak Industrial & Agricultural Investment Company Limited	17.2.3		**31,800**	31,800
				168,200	175,000
				168,200	215,000

17.1.1 The borrowing from Faysal 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 is unsecured and carries markup @ 14% per annum payable in lump sum at the time of maturity of the loan.

17.2.2 This amount represents a finance facility obtained from Pak Oman Investment Company Limited. Under this arrangement, the lender has agreed to purchase fixed assets of the company at the purchase price of Rs. 75.000 million and sell the same to the company at a marked up price of Rs. 85.500 million to be paid through a single installment on maturity / demand. This facility is secured against second charge over present and future fixed assets of the company with 25% margin of the marked up price. It carries markup @ 14% per annum.

17.2.3 This amount represents a finance facility obtained from Saudi Pak Industrial & Agriculture Investment Company Limited. Under this arrangement, the lender has agreed to purchase fixed assets of the company at the purchase price of Rs. 35.000 million and sell the same to the company at a marked up price of Rs. 41.689 million. The principal is repayable on demand. It carries markup @ 6 months KIBOR plus 4% per annum (Ask Side) with a cap of 14 % per annum, payable quarterly. This loan is secured against hypothecation charge on all fixed assets of the company with 25% margin of the marked up price.

	Note	2011 Rupees '000'	2010 Rupees '000'
18. TRADE AND OTHER PAYABLES			
Creditors		45,510	61,302
Accrued liabilities		9,895	9,698
Advance from WAPDA for purchase of fuel	18.1	2,317,645	1,283,417
Infrastructure tax payable		4,397	4,397
		2,377,447	1,358,814

18.1 This includes an advance amounting to Rs. 1,757.849 million (2010: 723.622) under new arrangement with WAPDA w.e.f. February 06, 2010 against the procurement of fuel upto Rs. 800 million per month and is adjustable against company's Energy Purchase Price (EPP) invoices. It carries markup @ 16.50% to 18.00% (2010: @ 16.50% to 19.00%) per annum and is secured against company's EPP billings to

	Note	2011 Rupees '000'	2010 Rupees '000'
19. ACCRUED MARKUP			
On secured borrowings:			
Banking companies		1,535,817	1,013,220
Related parties		62,534	38,657
WAPDA - spares advance		4,646	-
WAPDA - fuel advance	19.1	259,416	160,761
		1,862,413	1,212,638

19.1 This represents markup on fuel advance from WAPDA under old arrangement, being adjusted against WAPDA EPP invoices.

20. CONTINGENCIES AND COMMITMENTS

Contingencies:

20.1 As reported in last year's annual report, the company is contingently liable for the liquidated damages claimed by WAPDA for the period from July 1, 2001 to February 05, 2010 to the tune of Rs. 2,117.281 million, out of which WAPDA has arbitrarily deducted an amount of Rs. 882.452 million from company's capacity invoices. The company has disputed the liquidated damages and its arbitrary deduction by WAPDA from the company's capacity

20.2 WAPDA disputed payments of Rs. 384.032 million relating to indexation of non-escalable components of capacity purchase price (CPP) made to the company from March 14, 2004 to March 13, 2006 and has disputed further an amount of Rs. 725.649 million against the company's CPP invoices for the period from March 14, 2006 to June 30, 2011. The total disputed amount comes to Rs. 1,109.681 million against which WAPDA has arbitrarily withheld an amount of Rs. 761.467 million from the company's CPP invoices up till June 30, 2011.

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' that fully support the company's position. Both Parties initialed a Settlement Agreement based on the Expert's recommendations, but WAPDA failed to formally sign the same. Therefore, neither the recommendations of the Expert nor the Settlement Agreement was implemented by WAPDA and therefore, WAPDA is in breach of the terms of the PPA. Under these circumstances, the company was not able to continue its operations and had to shut down its plant in the last week of December 2008 until February 05, 2010.

In January 2009, the company 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 Settlement Agreement or the Expert's recommendations. On June 29, 2010, the Arbitral Tribunal passed a partial award in favor of the company and directed WAPDA to deposit Rs. 7.693 million against the disputed amount of NEC component of CPP invoice of March 2006 in an escrow account as a security for the company's claim. The Tribunal also ruled out that WAPDA should reimburse to the company an amount of Rs. 2.126 million as expenses incurred in connection with the expert's mediation. The hearing of the disputes by ICC was held in Singapore in the 2nd week of October 2010, but since WAPDA wanted to present additional evidence with respect to "implementation of settlement agreement", the hearing was postponed and it is now expected to take place in June/July of 2012. The

20.4 After the shut-down of the complex from December 24, 2008 to February 5, 2010, both parties agreed to an arrangement to resume the operations from February 6, 2010. As per the new arrangement, WAPDA agreed to provide an advance to the company for purchase of lube and fuel. However, WAPDA started raising LD invoices for the periods during which the plant could not deliver energy to WAPDA's system mainly due to shortage of fuel supply for which funds were to be provided by WAPDA as per the new arrangement. Such claim of LDs amounted to Rs. 226.032 million up till June 30, 2011, which is disputed by the company. Once the Arbitration Award is announced which is expected to be in favor of the company, the LDs claim would also be accordingly resolved.

20.5 As per the terms of the new arrangement with WAPDA/PEPCO, the Plant was completely overhauled in March 2011 which was tested at full capacity of 120.5 MW in the presence of expert team members of WAPDA and JPGL. However, WAPDA accepted the generating capacity of only 107 MW and disputed the capacity of 13.5 MW before the Arbitration Tribunal. The company has contested WAPDA's acceptance of lower capacity and has reserved the right to claim 13.5 MW capacity after resolution of the disputes, which amounted to Rs. 22.141 million uptill June 30, 2011.

20.6 The company is also contingently liable for infrastructure fee/cess amounting to Rs. 4.396 million imposed by the Sindh Government under the provision of Sindh Finance (Amendment) Ordinance, 2001. The company had filed appeal that was pending before the Honourable 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 challenging the part of judgment that was against the company, while the Sindh Government has also filed an appeal against this judgment challenging the decision made against it. These cross appeals were pending adjudication

Commitments in respect of :

20.7 Letters of Credit and purchase commitments other than capital expenditure were in the sum of Rs. 18.576 million at the terminal date (2010: Rs. 119.770 million).

	Note	2011 Rupees '000'	2010 Rupees '000'
21. SALES			
Energy payments		4,801,104	2,300,927
Capacity payments		652,213	750,722
		5,453,317	3,051,649
Less: sales tax		729,168	319,710
		4,724,149	2,731,939
22. COST OF SALES			
Fuel and oils consumed		4,506,018	2,057,603
Salaries, wages and benefits	22.1	16,555	13,874
Operating and maintenance fee		67,200	57,600
Stores and spares consumed		235,551	7,201
Electricity consumed in-house		2,843	8,521
Communication charges		2,427	2,357
Repair and maintenance		60,726	15,139
Power generation licensing expenditure		969	860
Insurance		21,432	23,899
Depreciation	5.3	256,615	256,155
		5,170,336	2,443,209

22.1 Salaries, wages and benefits include Rs. 2.223 million (2010: Rs. 1.813 million) for staff gratuity.

	Note	2011 Rupees '000'	2010 Rupees '000'
23. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	23.1	21,785	18,348
Plant security services		2,775	2,194
Staff transportation		1,855	1,637
Traveling and conveyance		4,408	2,548
Rent, rates and taxes		367	367
Postage and courier		104	104
Telephone, mobile and telex		1,193	1,234
Printing and stationery		782	666
Vehicle running and maintenance		758	706
Entertainment		939	891
Legal, professional and consultancy charges		72,903	34,873
Registrar services		276	306
Fee and subscription		405	390
Auditors' remuneration	23.2	2,473	644
Charity and donation	23.3	200	40
Advertisement		135	111
Insurance		74	78
Repair and maintenance		1,308	1,547
Newspaper and periodicals		5	5
Depreciation	5.3	1,403	1,356
		114,148	68,045

23.1 Salaries and benefits include Rs. 3.222 million (2010: Rs. 2.368million) for staff gratuity.

23.2 Auditors' remuneration

	2011	2010
Audit fee	500	400
Review engagement	200	185
Other certification and services	1,703	-
Out of pocket expenses	70	59
	2,473	644

	Note	2011 Rupees '000'	2010 Rupees '000'

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

24. OTHER OPERATING INCOME

	Note	2011 Rupees '000'	2010 Rupees '000'
Income from financial assets			
Profit on bank deposits		4,929	4,636
Income from non-financial assets			
Sale of scrap / sludge		16,333	9,377
Gain on disposal of property, plant and equipment	5.6	28	-
Old credit balances written back		-	866
Receipts from PSO against fuel advance		-	5,131
Miscellaneous		-	2
		21,290	20,012

25. FINANCE COST

	Note	2011 Rupees '000'	2010 Rupees '000'
Interest / mark up on:			
Long term finances	25.1	524,264	485,281
Syndicated and Morabaha finance agreement-II		75,055	25,306
Advance from WAPDA for purchase of spares			
Short term borrowings -			
Banking companies		1,350	6,457
Related parties		23,877	24,500
Advance from WAPDA for purchase of fuel		332,433	144,405
Bank fee and other charges	25.2	5,731	5,477
		962,710	691,426

25.1 It includes late payment damages @ 4% per annum per day on quarterly outstanding installment of mark up on these finances, which amounted to Rs. 45.943 million (2010: Rs. 27.578 million).

25.2 These include liquidated damages levied by WAPDA for non provision of electricity to WAPDA amounting to Rs. 565 thousands (2010: Rs. 338 thousands).

26. LOSS PER SHARE-basic and diluted

	2011 Rupees '000'	2010 Rupees '000'
Net loss for the year	(1,503,480)	(452,352)
Weighted average number of ordinary shares in thousands	156,376	156,376
Loss per share (basic & diluted)	(9.61)	(2.89)

27. CASH INFLOW AFTER WORKING CAPITAL CHANGES

	2011 Rupees '000'	2010 Rupees '000'
Net loss before taxation	(1,501,755)	(450,729)
Adjustment for non-cash and other items:		
Depreciation	258,018	257,511
Gain on disposal of property, plant and equipment	(28)	-
Provision for gratuity	5,445	4,181
Gratuity payable written back	-	(493)
Finance cost	962,710	691,426
	1,226,145	952,625
Operating profit before working capital changes	(275,610)	501,896
Working capital changes:		
(Increase) / Decrease in current assets		
Stores and spares	(48,192)	(20,553)
Stock in trade	(56,624)	(74,327)
Trade debts	(132,515)	(956,551)
Advances, deposits, prepayments and other receivables	(28,640)	(170,600)
Tax refunds due from the Government	(101,477)	(4,662)
Increase / (Decrease) in current liabilities		
Trade and other payables	1,018,633	691,924
	651,185	(534,769)
	375,575	(32,873)

28. PLANT CAPACITY AND ACTUAL PRODUCTION

	2011	2010
Installed annual capacity in MWh	1,055,580	1,055,580
Actual energy delivered in MWh	372,692	198,934

Utilization of available capacity depends on the load demanded by WAPDA. Further, actual energy delivered to WAPDA for the current year is greater when compared with previous year because plant resumes its operation from February 06, 2010 at capacity of 65 MW. However the company gradually increased its capacity and ultimately demonstrated to WAPDA its capacity of 120.5 MW in the 4th quarter, as accepted by WAPDA, although the capacity payments are made by it at 107 MW, being disputed (note - 20.5).

29 Maturity of assets and liabilities

2011

	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	578,829	76,585	1,275,409	-	-	1,930,823
Advances, deposits, prepayments and other receivables	7,322	5,476	174,724	-	-	187,522
Tax refunds due from the government	-	37,791	137,928	-	-	175,719
Cash and bank balances	130,599	-	-	-	-	130,599
	716,750	119,852	1,588,061	-	100	2,424,763
Financial liabilities						
Long term finances	872,779	141,468	495,069	1,603,952	2,385,918	5,499,186
Short term borrowings - Secured	-	-	168,200	-	-	168,200
Trade and other payables	543,681	996,092	837,674	-	-	2,377,447
Accrued markup	16,009	1,429	1,844,975	-	-	1,862,413
	1,432,469	1,138,989	3,345,918	1,603,952	2,385,918	9,907,246

2010

	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	486,245	34,936	1,277,127	-	-	1,798,308
Advances, deposits, prepayments and other receivables	33,794	102,434	174,560	-	-	310,788
Tax refunds due from the government	-	-	73,757	-	-	73,757
Cash and bank balances	220,703	-	-	-	-	220,703
	740,742	137,370	1,525,444	-	100	2,403,656
Financial liabilities						
Long term finances	471,792	94,358	368,131	1,849,955	2,763,350	5,547,586
Short term borrowings - Secured	-	-	215,000	-	-	215,000
Trade and other payables	25,765	30,193	1,302,857	-	-	1,358,815
Accrued markup	-	-	1,212,638	-	-	1,212,638
	497,557	124,551	3,098,626	1,849,955	2,763,350	8,334,039

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 This note presents information about the company's exposure to each of the below mentioned risks, the company's objectives, policies and processes for measuring and managing risks, 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.

30.2 The company has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Mark up rate risk

(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. 2,424.763 (2010: Rs. 2,403.656) million, the financial assets which are subject to credit risk amounted to Rs. 2,424.209 (2010: Rs. 2,403.179) 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**	2011 **Rupees '000'**	2010 Rupees '000'
Long term deposit	6	**100**	100
Trade debts	9	1,930,823	1,798,308
Advances, deposits, prepayments and other receivables	10	187,522	310,788
Tax refunds due from the Govemment	11	175,719	73,757
Bank balances	12	130,045	220,226
		2,424,209	2,403,179

Geographically all credit exposure is concentrated in Pakistan.

	2011	2010
The maximum exposure to credit risk for trade debts at the reporting date by type of customer is from WAPDA	1,930,823	1,798,308

Cash at bank Financial institution	Ratings Agency	Long term	Short term	2011	2010
Bank of Punjab	PACRA	AA-	A1+	7,033	7,044
Faysal Band Limited	PACRA	AA	A1+	123,012	213,120
Allied Bank Limited	PACRA	AA	A1+	-	62
				130,045	220,226

(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, 2011 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:

		2011	2010
Financial assets			
Trade debts-interest charged after 25 days of the invoice delivered to WAPDA.	Variable	REPO+2%	REPO+2%
Deposits in PLS accounts	Variable	As determined by the bank.	As determined by the bank.
Financial liabilities			
Liquidated damages-interest is payable after 25 days of invoice received from WAPDA	Variable	REPO+2%	REPO+2%
Short term borrowings	Variable	6 months KIBOR plus 2%	6 months KIBOR plus 2%
Long term finances - Syndicated and morabaha	Variable	three months KIBOR plus 0.25%	three months KIBOR plus 0.25%
WAPDA Spares / Fuel advance	Variable	REPO+4%	REPO+4%

30.3 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 (2010: Rs. nil).

30.4 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.

30.5 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 generally monitors capital on the basis of the debt-equity ratio calculated as a ratio of total debt to net shareholders equity in the normal circumstances.

32. RELATED PARTY DISCLOSURES

A. Related parties with whom company had transactions

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

Semi Autonomous Bodies

National Logistics Cell

Demand Finance Institutions (DFIs)

Pak Oman Investment Company Limited

Saudi Pak Industrial & Agricultural Investment Company Limited

B. Disclosure of balances between company and related parties

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

Name of the party	Nature of balance	2011 Rupees '000'	2010 Rupees '000'
National Logistics Cell	Short term borrowings - Unsecured	68,200	75,000
Pak Oman Investment Company Limited	Short term borrowings - Secured	68,200	68,200
Saudi Pak Industrial & Agricultural Investment Company Limited	Short term borrowings - Secured	31,800	31,800
		168,200	175,000
National Logistics Cell	Accrued mark up on outstanding balance	28,230	18,353
Pak Oman Investment Company Limited	Accrued mark up on outstanding balance	23,174	13,626
Saudi Pak Industrial & Agricultural Investment Company Limited	Accrued mark up on outstanding balance	11,130	6,678
		62,534	38,657

C. Disclosure of transactions between company and related parties

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

Name of the party	Nature of transaction	2011 Rupees '000'	2010 Rupees '000'
National Logistics Cell	Mark up on outstanding balance	9,877	10,500
	Re-payment against principal balance	6,800	-
Pak Oman Investment Company Limited	Mark up on outstanding balance	9,548	9,548
Saudi Pak Industrial & Agricultural Investment Company Limited	Mark up on outstanding balance	4,452	4,452
		30,677	24,500

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		Executives	
	2011	2010	2011	2010
No. of persons	1	1	6	5
Managerial remuneration	9,824	8,618	12,887	10,596
Medical	120	75	206	254
Gratuity	1,221	1,077	1,792	1,418
Other benefits	404	354	221	374
Rupees in 000s	11,569	10,124	15,106	12,642

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

33.2 Company maintained vehicle and mobile telephone costing Rs. 0.871 million is provided to the chief executive of the company only.

33.3 There was no change in the terms and conditions of appointment of the Chief Executive Officer, except normal annual increment in the salary as approved by the Board of Directors.

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 31, 2011 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

	Note	2010 (Restated) Rupees '000'	2010 (Previously stated) Rupees '000'
Long term finances	15	425,282	-
Trade and other payables	18	-	400,000
accrued markup - WAPDA spares advance	19	-	25,282
Accrued markup - WAPDA fuel advance	19	106,762	-
WAPDA EPP	9	-	106,762

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

Islamabad: October 31, 2011 **Chairman / Director** **Chief Executive** **Chief Financial Officer**

PATTERN OF SHAREHOLDINGS AS ON JUNE 30, 2011

Consolidated

CDC+Non-CDC

Number of ShareHolders	Shareholding From	Shareholding To	Total Number of Shares Held	Percentage of Total Capital
70	1	100	1,921	0.00
425	101	500	201,602	0.13
458	501	1000	451,733	0.29
950	1001	5000	3,046,391	1.95
426	5001	10000	3,651,270	2.34
141	10001	15000	1,853,689	1.19
114	15001	20000	2,173,008	1.39
62	20001	25000	1,470,391	0.94
65	25001	30000	1,867,778	1.20
21	30001	35000	682,525	0.44
34	35001	40000	1,327,922	0.85
15	40001	45000	643,842	0.41
51	45001	50000	2,539,300	1.63
13	50001	55000	686,291	0.44
10	55001	60000	584,699	0.37
5	60001	65000	320,000	0.21
4	65001	70000	276,790	0.18
9	70001	75000	670,000	0.43
8	75001	80000	627,300	0.40
7	80001	85000	590,962	0.38
6	85001	90000	525,520	0.34
6	90001	95000	565,850	0.36
23	95001	100000	2,300,000	1.47
2	100001	105000	208,000	0.13
5	105001	110000	543,500	0.35
3	110001	115000	335,383	0.21
4	115001	120000	475,425	0.30
6	120001	125000	743,987	0.48
5	125001	130000	640,759	0.41
4	130001	135000	537,283	0.34
1	140001	145000	144,000	0.09
1	145001	150000	150,000	0.10
2	150001	155000	300,760	0.19
1	155001	160000	160,000	0.10
1	160001	165000	160,500	0.10
1	165001	170000	170,000	0.11
2	170001	175000	346,000	0.22
1	175001	180000	180,000	0.12
1	180001	185000	180,500	0.12
1	190001	195000	194,000	0.12
8	195001	200000	1,597,000	1.02
2	200001	205000	401,725	0.26
1	205001	210000	209,930	0.13
1	210001	215000	213,500	0.14

Number of ShareHolders	Shareholding		Total Number of Shares Held	Percentage of Total Capital
	From	To		
1	215001	220000	216,000	0.14
2	225001	230000	460,000	0.29
2	235001	240000	479,858	0.31
2	245001	250000	500,000	0.32
2	265001	270000	531,849	0.34
2	280001	285000	565,500	0.36
1	285001	290000	288,390	0.18
3	295001	300000	900,000	0.58
2	300001	305000	609,564	0.39
1	315001	320000	318,994	0.20
2	340001	345000	689,503	0.44
1	345001	350000	350,000	0.22
1	350001	355000	355,000	0.23
1	360001	365000	363,000	0.23
1	370001	375000	375,000	0.24
1	375001	380000	379,500	0.24
1	425001	430000	428,000	0.27
1	435001	440000	438,500	0.28
1	445001	450000	450,000	0.29
1	450001	455000	451,000	0.29
1	490001	495000	493,249	0.32
1	495001	500000	500,000	0.32
2	595001	600000	1,200,000	0.77
1	615001	620000	620,000	0.40
1	655001	660000	658,000	0.42
1	1020001	1025000	1,021,154	0.65
1	1095001	1100000	1,100,000	0.70
1	1195001	1200000	1,200,000	0.77
1	1205001	1210000	1,208,500	0.77
1	1565001	1570000	1,567,115	1.00
1	1690001	1695000	1,693,216	1.09
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	4235001	4240000	4,238,814	2.72
1	8940001	8945000	8,940,811	5.73
1	11570001	11575000	11,572,199	7.42
1	12705001	12710000	12,708,900	8.14
1	17620001	17625000	17,622,878	11.29
1	30560001	30565000	30,560,189	19.59
3,027	**<---------Total-------->**		**156,037,591**	**100.00**

CATEGORIES OF SHAREHOLDERS AS ON JUNE 30, 2011

	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**	9	281,100	0.1801
H)	**Insurance Companies**	**1**	**300,000**	**0.1923**
I)	Modarabas & Mutual Funds	4	12,776,899	8.1883
J)	**Others**	81	17,480,503	11.2028
K)	**General Public**	2,927	52,271,140	33.4991
	TOTAL: -	3,027	**156,037,591**	**100.0000**

Shareholding Detail of 10% or more

	No. of Shareholders	Total Shares Held	Percentage
Pak Oman Investment Company Limited	**1**	**30,560,189**	**19.5851**
National Logistic Cell	**2**	**26,563,689**	**17.0239**
		57,123,878	36.6090

JAPAN POWER GENERATION LIMITED

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FORM OF PROXY

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 17th Annual General Meeting of the Company to be held at registered office / plant located at Jia Bagga, Off Raiwind Road, Lahore on Thursday, 24th November 2011 at 09:00 AM and every adjournment thereof.

As witness my / our hand this ________________ day of _________________ 2011.

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 Registered Office at Jia Bagga Off Raiwind Road, District Lahore at least 48 hours before the time for holding the meeting.

JAPAN POWER GENERATION LIMITED

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GENERA 042 37586064

PLANT: Jia Bagga, Off Raiwind Road, District Lahore, Pakistan.