



Annual Report 2004

JAPAN POWER GENERATION LIMITED



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NOTICE OF 10TH ANNUAL GENERAL MEETING

Notice is hereby given that the 10th Annual General Meeting of Japan Power Generation Limited will be held on Friday, the 29th October 2004 at 11:00 a.m. at plant site located at Khan-e-Nepal Road, Near Jia Bagga Railway Station, Raiwind Road, District Lahore to transact the following business:

1. To confirm the minutes of the last Annual General Meeting of the company held on Friday October 24, 2004.
2. To receive, consider and adopt the audited accounts for the financial year ended June 30, 2004 alongwith Directors' and Auditors' Reports thereon.
3. To elect twelve Directors of the Company for a period of three years in accordance with Section 178(1) of the Companies Ordinance, 1984 in place of the retiring Directors namely:

Sheikh Nazaz Ali	Mr. Liaqat Khan
Mr. Haseeb Khan	Mr. Zafar Mahmood
Mr. Saito Yoshihiro	Mr. Zafar Iqbal
Sheikh Mahmood Ali	Mr. Qasim Ali Sheikh
Mrs. Samina Zafar	Mr. Muhammad Ali Tarakai
Mr. Walayat Ali Tarakai	Mrs. Shahnaz
4. To appoint Auditors for the Company for the year ending June 30, 2005 and fix their remuneration.
5. To approve placement of Quarterly Accounts on the website of the Company as permitted by Securities & Exchange Commission of Pakistan for this purpose.
6. To transact any other business that may be placed before the meeting with the permission of the chair.

For and on behalf of the Board of Directors

Lahore:
Dated: October 07, 2004.

SYED ZAFAR HAIDER
(Company Secretary)

NOTES:

- I. The Share Transfer Book of the Company will remain closed from October 20, 2004 to October 29, 2004 (Both days inclusive).
- II. CDC shareholders are requested to bring their Original National Identity Card alongwith Account and CDC participant's ID number at the time of attending the Annual General Meeting.
- III. A member entitled to attend and vote at the above meeting may appoint another person as proxy. Proxies, in order to be effective, must be received at the Company's registered office 79-Bridge Colony, Lahore Cantt., Not later than 48 hours before the time of the meeting and must be duly stamped, signed and witnessed.
- IV. Members are requested to promptly notify the Company any change in their addresses.



DIRECTORS' REPORT TO THE MEMBERS

The Directors of your company take pleasure in presenting the 10th Annual Report and the audited accounts for the year ended June 30, 2004 alongwith the Auditors' Report.

Principal Activities

The principal activities of the company are to own, operate and maintain a thermal power house with an installed capacity of 135 MW at Raiwind Road, Lahore and to generate power for onward supply to WAPDA.

Operations

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

It is our pleasure to inform you that your company has successfully qualified the Annual Dependable Capacity test conducted by WAPDA on June 18, 2004. The plant demonstrated 116.260 MW against the net dependable capacity requirement of 107 MW.

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

Financial Results

During the year under review your company witnessed a decrease in turnover, which was Rs. 2,019.875 million as compared to Rs. 2,272.813 million for the corresponding year. The company suffered a net loss after taxation of Rs. 93.635 million (2003: Rs. 299.860 million). This reduction in net loss after taxation of Rs. 206.225 million was due to substantial reduction in financial expenses for the year. Your Company's management achieved this reduction in financial expenses after sustained negotiations with lending syndicate. Unfortunately low power tariff is the primary factor for the continuous loss. The loss per share, however, reduced during the year to Rs. 0.70 (2003: loss per share Rs. 2.25)

Some of the major reasons for continued losses are as follows:

- Lowest levelized tariff of your Company among the IPPs' located in the same vicinity with identical capacity. During the last couple of years, the management has been requesting WAPDA to increase tariff to a reasonable level to improve the operational results without any positive response from WAPDA.
- The company is paid by WAPDA for consumption of furnace oil @ 211gm per KWH in fuel component of energy payment against actual average consumption of approximately 222-224 gm per KWH. This issue has also been taken up with WAPDA to reimburse this loss to the company. This will significantly improve the operating results and thereby the liquidity of the company.
- Capacity payments from WAPDA which are directly linked to Rupee \$ parity have shown continuous decline over the last two years because of Pak Rupee appreciation against US Dollar, adversely effecting the profitability of the company.
- Liquidated damages (LDs) levied by WAPDA.

The management is vigorously trying to overcome this situation by taking following steps to improve the overall profitability and financial health of the company:

- a. Your company was successful in exporting additional 9 MW, (the extra generating capacity demonstrated during annual dependable capacity test as mentioned above). The management is negotiating with WAPDA for sale of this additional 9 MW on continuous basis, which will increase revenue and reduce accumulated loss of the Company.

- b. During the year the company successfully negotiated with WAPDA for adjustment of liquidated damages for 1st and 2nd Agreement Years. Presently the company is in the process of reconciling for liquidated damages for the 3rd and 4th Agreement Years. The management is confident that after taking into account the allowance for forced outages, it would be entitled for a reasonable amount of refund by WAPDA, which will also reduce the accumulated losses.
- c. During the year your company took further measures to reduce the administrative expenses with positive results.

Statement pursuant to clause XIX of the Code of Corporate Governance

Statement of Corporate and Financial Reporting Framework.

- The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- The financial statements for the year ended June 30, 2004 were presented before the Board after duly signed by the Chief Executive Officer and Chief Financial Officer and the Board after due consideration and approval, authorized the signing of the financial statements for issuance and circulation.
- Proper books of account have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
- A sound system of internal control is being effectively implemented and continuously reviewed and monitored.
- For the reasons stated in the relevant paras of this report, there are no significant doubts about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Note 9 of the annexed audited accounts relates to contingencies and commitments.
- In compliance with the requirements of the Securities and Exchange Commission of Pakistan, the company has been issued the quarterly financial statements within the prescribed time limits.

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

Financial year ended June 30,		<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Turnover	Rs in million	2,020	2,273	1,960	1,508	374
Net loss	"	(94)	(300)	(257)	(187)	(67)
Total assets	"	6,323	6,558	6,895	6,961	7,058
Generation	(MWH)	401,001	491,066	430,058	281,544	70,507
Load factor	%	42.78	52.39	45.88	30.00	25.79

* (Operating results for the year 2000 were for the period of three and a half months only)



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

<u>Name of Director</u>	<u>No of meetings attended</u>
Sheikh Nazaz Ali (Chairman)	4
Mr. Liaqat Khan (Chief Executive)	4
Mr. Haseeb Khan	4
Mr. Zafar Mahmood	3
Mr. Asad Ali Uppal	2
Mr. Akhtar Ali Uppal	2
Mr. Faisal Qamar Uppal	2
Mr. Saito Yoshihiro	-
Mr. Khalid Imran	4
Mr. Muhammad Hanif Abbasi	3
Sheikh Mahmood Ali	2
Mr. Qasim Ali Sheikh	2
Mrs. Samina Zafar	1
Mr. Muhammad Ali Taraki	2
Mr. Walayat Ali Taraki	1
Mrs. Shahnaz	1

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

Changes in the Board

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

Mr. Akhtar Ali Uppal, Mr. Asad Ali Uppal and Mr. Faisal Qamar Uppal resigned during the year and the vacancies created were filled by Mr. Walayat Ali Taraki, Mr. Muhammad Ali Taraki and Mrs. Shahnaz respectively.

The Board of Directors wishes to record its appreciation for the valuable services rendered by the outgoing directors and extends its warm felicitations to the newly appointed Directors.

Auditors

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

Pattern of Shareholding

A statement showing the pattern of shareholding as of June 30, 2004 is attached.

General

By merger of Fidelity Investment Bank Limited and Crescent Investment Bank Limited the name of the bank has been changed to Crescent Commercial Bank Limited.



Future Planning and Prospects

The directors have good news for the members that in order to improve the company's profitability it has been decided to convert the Complex from RFO to Dual Fuel (35% on gas and 65% on RFO). For this Messrs TURKPAK International (Pvt) Limited has been appointed as consultants. Allocation of Natural Gas has been approved by the Ministry of Petroleum and Natural Resources, vide letter no. GM(WPPO)/CE-IV/D(T)/7541-42 dated June 25, 2003. WAPDA has issued supporting letter and a presentation was made before the Private Power Infrastructural Board (PPIB) on August 31, 2004. PPIB has appreciated the company's program of conversion the complex on dual fuel and has assured its total support. The approximate conversion time is one year and management is hopeful to complete the conversion process on time. It is expected that successful conversion of the plant to dual fuel will lead to possible renegotiation of tariff with WAPDA resulting in improving the financial viability and liquidity of the Company.

Acknowledgement

The Directors wish to acknowledge the services of the company's staff for their contribution and dedication for the progress of the Company.

The directors also appreciate the continuous support of lending syndicate, which has enabled the company to show better operational results.

**ON BEHALF OF THE
BOARD OF DIRECTORS**

Lahore: September 29, 2004

Sheikh Nazaz Ali
Chairman / Director

OPERATING AND FINANCIAL DATA SIX YEARS SUMMARY

	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999
DISPATCH LEVEL(%)	42.78	52.39	45.88	30.04	25.79	N/A
DISPATCH (MWH)	401,001	491,066	430,058	281,544	70,507	N/A
REVENUE (Rs. 000)						
Energy Purchase Price	1,142,901	1,421,255	1,098,617	707,637	147,122	-
Capacity Purchase Price	876,974	851,559	861,521	800,449	227,351	-
TOTAL REVENUE	2,019,875	2,272,814	1,960,138	1,508,086	374,473	-
Cost of Sales	(1,635,978)	(1,859,306)	(1,483,974)	(1,084,055)	(237,310)	-
GROSS PROFIT	383,897	413,508	476,164	424,031	137,163	-
PROFITABILITY (Rs. 000)						
Profit / (Loss) Before Tax	(91,467)	(299,272)	(256,666)	(187,177)	(67,518)	-
Provision for Taxation	(2,168)	(588)	(384)	(387)	(49)	-
PROFIT / (LOSS) AFTER TAX	(93,635)	(299,860)	(257,050)	(187,564)	(67,567)	-
FINANCIAL POSITION (Rs. 000)						
Non Current Assets	5,946,979	6,077,589	6,406,051	6,649,956	6,724,006	5,509,721
Current Assets	375,908	480,925	489,488	310,601	333,875	131,919
Less Current Liabilities	(354,480)	(468,267)	(483,502)	(1,489,910)	(1,631,405)	(1,128,352)
NET WORKING CAPITAL	21,428	12,658	5,986	(1,179,309)	(1,297,530)	(996,433)
CAPITAL EMPLOYED	5,968,407	6,090,247	6,412,037	5,470,647	5,426,476	4,513,288
Less Non Current Liabilities	(5,542,083)	(5,570,289)	(5,592,219)	(4,393,778)	(4,162,043)	(3,181,288)
SHAREHOLDERS' EQUITY	426,324	519,958	819,818	1,076,869	1,264,433	1,332,000
REPRESENTED BY (Rs. 000)						
Share Capital	1,332,000	1,332,000	1,332,000	1,332,000	1,332,000	1,332,000
Accumulated Loss	(905,676)	(812,042)	(512,181)	(255,131)	(67,567)	-
	426,324	519,958	819,819	1,076,869	1,264,433	1,332,000
SHARE VALUE (RUPEES):						
Market Value	5.30	4.10	3.35	3.80	5.30	-
Breakup Value	3.20	3.90	6.15	8.08	9.49	10.00
RATIOS:						
Gross Profit to Sales (%)	19.01	18.19	24.29	28.12	36.63	N/A
Net Profit to Sales (%)	(4.64)	(13.19)	(13.11)	(12.44)	(18.04)	N/A
Earning per Share (Rupees)	(0.70)	(2.25)	(1.93)	(1.41)	(0.51)	-
Current Ratio (times)	1.06	1.03	1.01	0.21	0.20	0.12
Liquidity Ratio (times)	0.70	0.70	0.83	0.16	0.19	0.06
Debt to Equity (times)	13.83	11.61	7.41	5.46	4.58	3.24
Number of Employees	92	111	122	98	88	52



Vision Statement

To become partner in progress of the country.



Mission Statement

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



STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The company encourages the representation of independent non-executive directors on its Board of Directors. At present the Board includes three independent non-executive directors. However there is no representation of minority shareholders on the Board.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. Mr. Akhtar Ali Uppal, Mr. Asad Ali Uppal and Mr. Faisal Qamar Uppal resigned during the year and the vacancies have been filled by Mr. Walayat Ali Taraki, Mr. Muhammad Ali Taraki and Mrs. Shahnaz.
5. The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.
6. The Board has developed a vision statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the date on which they were approved has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board attended one orientation course during the year and intends to hold such sessions in future as well.
10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit and their remuneration and terms & conditions of employment, as determined by the Chief Executive Officer (CEO).
11. The directors' report for the year ended June 30, 2004 has 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 and CFO before the approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.



14. The company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of references of the committee have been approved by the Board and advised to the committee for compliance.
17. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company and are involved in the internal audit function on a full time basis.
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 the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Lahore: September 29, 2004

Sheikh Nazaz Ali
Chairman / Director

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE ON TRANSFER PRICING

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

Lahore: September 29, 2004

Sheikh Nazaz Ali
Chairman / Director

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Japan Power Generation Limited** to comply with the Listing Regulation No. 37 (Chapter XI) and No. 40 (Chapter XIII) of the Karachi and Lahore Stock Exchanges respectively where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control systems to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2004

Hyder Bhimji & Co.
Chartered Accountants

Javaid Jalal Amjad & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Japan Power Generation Limited as at June 30, 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the company's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2004 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Hyder Bhimji & Co.
Chartered Accountants

Javaid Jalal Amjad & Co.
Chartered Accountants

BALANCE SHEET

(Rupees in '000s)

	Note	2004 Rupees	2003 Rupees
Capital and reserves			
Authorized capital 150,000,000 ordinary shares of Rs. 10 each		1,500,000	1,500,000
Issued, subscribed and paid-up capital 133,200,000 ordinary shares of Rs.10 each, fully paid in cash		1,332,000	1,332,000
Accumulated loss		(905,676)	(812,041)
Shareholders' equity		426,324	519,959
Non current liabilities			
Sponsors' interest free loan - unsecured		228,376	228,376
Long term loans / finances	3	5,300,937	5,328,967
Liabilities against assets			
subject to finance lease	4	7,978	7,353
Deferred liabilities	5	4,792	5,593
		5,542,083	5,570,289
Current liabilities			
Short term borrowings	6	74,081	125,661
Current portion of long term liabilities	7	124,614	43,701
Creditors, accrued and other liabilities	8	155,785	298,904
		354,480	468,266
Contingencies and commitments	9		
		6,322,887	6,558,514

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

AS AT JUNE 30, 2004

		(Rupees in '000s)	
	Note	2004 Rupees	2003 Rupees
Non current assets			
Fixed assets-tangible			
Operating fixed assets	10	5,901,842	6,027,344
Capital work-in-progress	11	25,620	24,637
		5,927,462	6,051,981
Long term deposits, prepayments and deferred cost			
Long term deposits and prepayments	12	10,372	3,477
Deferred cost	13	9,145	22,132
		19,517	25,609
		5,946,979	6,077,590
Current assets			
Stores and spares	14	35,990	28,671
Stock in trade	15	55,956	53,364
Trade debts	16	152,673	199,668
Advances, deposits, prepayments And other receivables	17	125,174	114,231
Cash and bank balances	18	6,115	84,990
		375,908	480,924
		6,322,887	6,558,514

Abdul Rashid
Chief Financial Officer



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2004**

		(Rupees in '000s)	
	Note	2004 Rupees	2003 Rupees
Sales	19	2,019,875	2,272,813
Cost of sales	20	<u>(1,635,978)</u>	<u>(1,859,306)</u>
Gross profit		383,897	413,507
Operating expenses			
Administrative and general	21	<u>(57,088)</u>	<u>(57,542)</u>
Operating profit		326,809	355,965
Other income	22	<u>7,917</u>	<u>12,156</u>
		334,726	368,121
Financial and other charges			
Financial charges	23	<u>(413,119)</u>	<u>(651,966)</u>
Other charges	24	<u>(13,074)</u>	<u>(15,427)</u>
		<u>(426,193)</u>	<u>(667,393)</u>
Net loss before taxation from ordinary activities		(91,467)	(299,272)
Provision for taxation:			
Current taxation on other income		<u>(1,325)</u>	<u>(588)</u>
Tax paid under section 52/86	25	<u>(843)</u>	<u>-</u>
		<u>(2,168)</u>	<u>(588)</u>
Net loss after taxation		(93,635)	(299,860)
Accumulated loss brought forward		<u>(812,041)</u>	<u>(512,181)</u>
Accumulated loss carried forward		<u>(905,676)</u>	<u>(812,041)</u>
Loss per share	26	<u>0.70</u>	<u>2.25</u>

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

Sheikh Nazaz Ali
Chairman / Director

Abdul Rashid
Chief Financial Officer

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2004**

(Rupees in '000s)

	Note	2004 Rupees	2003 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash inflow after working capital changes	27	506,127	714,469
Financial charges paid		(467,957)	(595,869)
Gratuity paid		(2,188)	(293)
Income tax paid		2,948	(588)
Net cash generated from operating activities		38,930	117,719
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(107,971)	(8,084)
Proceed from fixed assets sold		36	940
Long term deposits		(6,895)	-
Net cash used in investing activities		(114,830)	(7,144)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loans / finances		53,308	(65,289)
Sponsors' interest free loan		-	60,000
Short term borrowings		(51,580)	(20,379)
Payment of lease rentals - principal amount		(4,703)	(3,345)
Net cash used in financing activities		(2,975)	(29,013)
Net (decrease)/increase in cash and cash equivalents		(78,875)	81,562
Cash and cash equivalents at beginning of year		84,990	3,428
Cash and cash equivalents at end of year	18	6,115	84,990

Sheikh Nazaz Ali
Chairman / Director

Abdul Rashid
Chief Financial Officer

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2004**

	Share Capital Rs. '000s	Accumulated Loss Rs. '000s	Total Rs. '000s
Balance as at June 30, 2002	1,332,000	(512,181)	819,819
Net loss for the year	-	299,860)	(299,860)
Balance as at June 30, 2003	1,332,000	(812,041)	519,959
Net loss for the year	-	(93,635)	(93,635)
Balance as at June 30, 2004	<u>1,332,000</u>	<u>(905,676)</u>	<u>426,324</u>

Sheikh Nazaz Ali
Chairman / Director

Abdul Rashid
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

1. THE COMPANY AND ITS OPERATIONS

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for staff retirement benefits (note 2.3) that are measured at present value and capitalization of exchange differences on foreign currency loans (note 2.12).

2.3 Staff retirement benefit

The company operates an unfunded gratuity scheme covering all permanent employees with qualifying service period of six months. It is based on the last drawn salary.

The provision which is charged to income is made annually to cover the obligation on the basis of actuarial valuation. The most recent actuarial valuation of the above mentioned scheme was carried out as at June 30, 2004. The actuary, for valuation, used the 'Projected Unit Credit Method' relying on the following significant assumptions:

	2004	2003
Discount rate	8%	8%
Expected rate of salary increase	7%	7%
Average expected remaining working life of employees	14 years	13 years

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

2.4 Taxation

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



2.5 Operating fixed assets and depreciation

Operating fixed assets except land are stated at cost less accumulated depreciation. Land and capital work in progress are stated at cost. Cost of certain fixed assets comprises of historical cost and exchange differences referred to in note 2.12.

Depreciation on operating fixed assets is charged to profit on straight line method so as to write off the historical cost of an asset over its estimated useful life at the annual rates mentioned in note 10. The net exchange differences relating to an asset at the end of each year is amortized in equal installments over its remaining useful life. Full year's depreciation is charged on additions during the year, while no depreciation is charged on assets deleted during the year.

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

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

2.6 Accounting for leased Assets

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

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

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

2.7 Stores, spares and stock in trade

These are valued at lower of cost and net realizable value. The net realisable 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 charges incurred thereon.

2.8 Deferred Cost

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

2.9 Trade debts and other receivables

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

2.10 Cash and cash equivalents

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

**2.11 Creditors, accrued and other liabilities**

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

2.12 Foreign currency translation

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

Exchange gains and losses on translation of foreign currency loans utilized for the acquisition of fixed assets are capitalized and incorporated in the cost of such assets. All other exchange differences are charged to income currently.

2.13 Provisions

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

2.14 Contingencies and commitments

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

2.15 Borrowing costs

Borrowing costs are charged to income when incurred.

2.16 Financial instruments**Recognition and measurement**

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

Offsetting of financial assets and financial liabilities

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

2.17 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 recognised in the profit and loss account.

2.18 Revenue recognition

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

		(Rupees in '000s)	
	Note	2004 Rupees	2003 Rupees
3. Long term loans / finances			
Secured			
Supplier's credit -			
Plant and machinery		-	657,069
Syndicated loan I under Murabaha arrangement			
Banking companies	3.1		
Prime Commercial Bank Limited		38,236	39,263
National Bank of Pakistan		29,460	30,250
Askari Commercial Bank Limited		36,254	37,228
Allied Bank of Pakistan Limited		18,114	18,601
Faysal Bank Limited		30,172	30,932
PICIC Commercial Bank Limited		13,596	13,961
Saudi Pak Commercial Bank		7,546	7,749
Crescent Commercial Bank Limited (formerly Mashreq Bank Pakistan Ltd.)		6,042	6,207
		179,420	184,191
Non-banking financial institutions			
Prudential Investment Bank Limited		7,546	7,749
		186,966	191,940
Syndicated loan II under Murabaha arrangement			
Banking companies	3.2		
Prime Commercial Bank Limited		935,018	801,075
National Bank of Pakistan		761,720	651,984
Askari Commercial Bank Limited		914,272	782,574
Allied Bank of Pakistan Limited		719,217	633,319
Faysal Bank Limited		761,147	651,487
PICIC Commercial Bank Limited		343,002	293,586
Saudi Pak Commercial Bank Limited		189,886	162,509
Crescent Commercial Bank Limited (formerly Mashreq Bank Pakistan Ltd.)		152,860	130,822
Trust Commercial Bank Limited		380,300	-
		5,157,422	4,107,356
Non-banking financial institutions			
Prudential Investment Bank Limited		52,093	52,092
Fidelity Investment Bank Limited		-	325,471
		52,093	377,563
		5,209,515	4,484,919
Un-secured			
Supplier's credit -			
Power cable	3.3	25,353	34,598
		5,421,834	5,368,526
Less: Current portion shown under current liabilities			
Overdue installments - Supplier's credit - power cable		25,353	34,598
Syndicated Loan I under Murabaha arrangement		95,544	4,961
		120,897	39,559
		5,300,937	5,328,967

The comparative figures for syndicated loan II under Murabaha arrangement have been restated to reflect bank confirmations.

3.1 Syndicated loan I

The loan was obtained under markup arrangements to fund the cost overrun of the project. In terms of markup arrangement the company has agreed to sell certain assets to the Syndicate for Rs. 253,900 million and simultaneously agreed to buy back the same for Rs. 540,851 million.

The outstanding purchase price or any part thereof may be converted, at any time, into equity of the company at par at the option of the paying banks. In the event any and/or all of the paying banks do not exercise this option then the repayment of the purchase price shall be made as provided in the unquestionable instructions.

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

According to the rescheduling/restructuring agreement, signed by the company and majority of the Syndicate banks, it shall be repayable in 20 quarterly installments commencing from May 31, 2001 and carries mark up @ 12% p.a. However, majority of the syndicate banks have agreed to a mark up rate of 7% from July 01, 2003 and onward and the company has made last four mark up payments at this rate.

3.2 Syndicated loan II

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

In terms of markup arrangement the company has agreed to sell certain assets to the Syndicate for so much of Rupees that are equivalent of Japanese Yen 8,166,135,552, utilized in accordance with the terms of repayment of supplier's credit alongwith financing fee, and simultaneously agreed to buy back the same assets for so much of Rupees that equate principal amount plus markup @ 12% p.a. on the principal amount outstanding plus so much of mark up that accrued on the amount outstanding for the period from 01-07-2000 to 31-12-2001. However, majority of the syndicate banks have agreed to a mark up rate of 7% from July 01, 2003 and onward and the company has made last three mark up payments at this rate.

The outstanding purchase price or any part thereof may be converted, at any time, into equity of the company at par at the option of the paying banks. In the event any and/or all of the paying banks do not exercise this option then the repayment of the purchase price shall be made as provided in the unquestionable instructions.

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

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

3.3 Supplier's credit – power cable

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

	Note	(Rupees in '000s)	
		2004 Rupees	2003 Rupees
4. Liabilities against assets subject to finance lease			
4.1 The movement in this account during the year is as follows:			
Opening balance		11,495	14,840
Add: Finance obtained during the year		4,903	-
Less: Paid during the year		4,703	3,345
		<u>11,695</u>	<u>11,495</u>
Less: Current portion shown under current liabilities:		<u>3,717</u>	<u>4,142</u>
		<u>7,978</u>	<u>7,353</u>

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

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

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

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

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

	2004		2003	
	Minimum lease Payments Rs. '000s	Present values Rs. '000s	Minimum lease payments Rs. '000s	Present values Rs. '000s
Within one year	5,983	3,717	5,853	4,142
After one year but not more than five years	<u>7,770</u>	<u>7,978</u>	<u>8,764</u>	<u>7,353</u>
Total minimum lease payments	13,753	11,695	14,617	11,495
Less: amounts representing financial charges	2,058	-	3,122	-
Present value of minimum lease payments	<u>11,695</u>	<u>11,695</u>	<u>11,495</u>	<u>11,495</u>

5. Deferred Liability

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

	2004 Rs. '000s	2003 Rs. '000s
Opening net liability	5,593	4,406
Add: expense recognised	<u>1,387</u>	<u>1,480</u>
	6,980	5,886
Less: paid during the year	<u>2,188</u>	<u>293</u>
Closing net liability	<u>4,792</u>	<u>5,593</u>

JAPAN POWER GENERATION LIMITED

(Rupees in '000s)

2004 **2003**
Rupees **Rupees**

5.2 The amounts recognized in balance sheet are as follow:

Present value of defined benefit obligation	3,240	3,747
Payables as on June 30	1,198	1,730
Unrecognized actuarial gains	354	116
Total balance sheet liability	4,792	5,593

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

Current service cost	1,087	1,142
Interest cost	300	338
	1,387	1,480

6. Short term borrowings

Names of lenders	Sanctioned Limit	Disbursed Amount	
Banking companies	Rs. '000s	2004 Rs. '000s	2003 Rs. '000s
Prime Commercial Bank Ltd	6.1	40,000	30,000
Allied Bank of Pakistan Ltd	6.1	39,470	39,470
Prime Commercial Bank Ltd		-	56,191
		79,470	125,661

6.1 These borrowings are secured by a first charge ranking pari passu on all present and future assets including equipment, inventories and receivables of the company and personal guarantees of the sponsoring directors and carry mark up @ 7% per annum.

	2004 Rs. '000s	2003 Rs. '000s
7. Current portion of long-term liabilities		
Long term loans / finances	120,897	39,559
Liabilities against assets subject to finance lease	3,717	4,142
	124,614	43,701
8. Creditors, accrued and other liabilities		
Creditors	9,321	94,552
Accrued liabilities	6,468	9,192
Provision for sales tax	2,238	2,238
Infrastructure tax payable	4,397	4,397
Interest / mark up payable on secured borrowings	126,332	164,069
Interest / mark up payable on unsecured borrowings	762	660
Guarantee commission payable	6,267	6,074
Penalty for delay on payment of long-term borrowings and guarantee commission	-	17,396
Retention money	-	326
	155,785	298,904

9. Contingencies and commitments**Contingencies:**

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

- a) The company is contingently liable for liquidated damages of the 3rd and 4th agreement year to the tune of Rs. 52.048 million and Rs. 41.509 million respectively. The company believes that after taking into account the allowance for forced outages (similar allowances have also been allowed by WAPDA in 1st and 2nd agreement years) it will not have to pay these damages.
- b) After reconciliation of liquidated damages (LD's) of the 1st agreement year with company, WAPDA reversed (LD's) amounting to Rs. 37.152 million out of the total (LD's) of that agreement year amounting to Rs. 66.521 million originally billed to the company; but the corresponding interest of Rs. 5.575 million for delayed payment of the total amount of above referred (LD's) was not reversed. The management disputes the charge of interest on the delayed payment of (LD's) on the ground that since the final liability was not established at that date, there was no delay in payment. The company has not recognised this amount in these financial statements.
- c) Amounts totaling Rs. 16.49 million included in trade debts (note – 16) are disputed by WAPDA due to differing meter reading formulae used by WAPDA and the company. The management's contention is that formula adopted by it is most appropriate and by discussions/negotiations its contention will prevail. Accordingly, no provision against these debts has been recognized in these financial statements.

Commitments:

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

- I) Commitments under the letters of credit for capital expenditure at the year end were equivalent to Rs. 8.3 million (2003: Rs. Nil).
- II) Commitments under the letters of credit other than capital expenditure at the year end were equivalent to Rs. 4.6 million (2003:Rs.4.01 million).

10. Operating fixed assets

PARTICULARS	COST				DEPRECIATION				WRITTEN DOWN VALUE AS AT JUNE 30, 2004		
	As at July 01, 2003	Additions	Adjustments	Deletions	As at June 30, 2004	Rate (%)	As at July 01, 2003	Deletions/ adjustments		Charge for the year	As at June 30, 2004
Owned											
Land - freehold	16,979	-	-	-	16,979	-	-	-	-	-	16,979
Buildings and civil works on freehold land	364,836	1,715	-	-	366,551	3.3 - 3.85	39,131	-	12,246	-	51,377
Plant and machinery	6,341,589	33,626	67,223	-	6,442,438	3.3 - 3.85	693,037	-	215,159	-	908,196
Workshop equipment	16,082	3	-	-	16,085	10	4,825	-	1,608	-	6,433
Weighbridge	1,175	-	-	-	1,175	10	353	-	117	-	470
Furniture and fixtures	2,310	54	-	-	2,364	10	596	-	237	-	833
Electric installations	1,849	31	-	-	1,880	10	457	-	188	-	645
Office equipment	1,377	152	(183)	-	1,346	10	383	(60)	135	-	458
Laboratory equipment	735	157	-	-	892	10	73	-	90	-	163
Computers	1,845	204	-	-	2,049	30	1,183	-	615	-	1,798
Tubewell	1,724	-	-	-	1,724	10	568	-	172	-	740
Railways sidings	6,650	-	-	-	6,650	10	2,189	-	665	-	2,854
Vehicles	3,619	3,646	-	-	7,265	20	1,624	-	1,453	-	3,077
Leased											
Office premises	775	-	-	-	775	10	255	-	78	-	333
Vehicle	17,456	5,080	-	-	22,536	20	6,983	-	4,507	-	11,490
2004 Rs. '000s	6,779,001	44,668	67,223	(183)	6,890,709		751,657	(60)	237,270		988,867
2003 Rs. '000s	6,870,469	8,171	(98,489)	(1,150)	6,779,001		527,737	3,377	227,297		751,657

10.1 Adjustments to plant and machinery include exchange loss on the repayment of foreign currency loans amounting to Rs. 67,223 million (2003: exchange gain of Rs. 56,872 million) utilized for the acquisition of plant and machinery.

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

	2004 Rs. '000s	2003 Rs. '000s
Cost of sales	230,057	221,897
Administrative and general expenses	7,213	5,400
	<u>237,270</u>	<u>227,297</u>

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

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit / (Loss)	Mode of Sale	Particulars of Buyer
Office equipment Photocopier	183	60	123	36	(87)	Negotiation	AST Communications, 8/1, Habibullah Road, Davis Road, Lahore.
2004 Rs. '000s	183	60	123	36	(87)		
2003 Rs. '000s	1,150	230	920	940	20		

JAPAN POWER GENERATION LIMITED

		(Rupees in '000s)	
	Note	2004 Rupees	2003 Rupees
11. Capital work in progress			
Plant and machinery		24,547	23,564
Advance for land		1,073	1,073
		25,620	24,637
12. Long term deposits and prepayments			
Central Depository Company (CDC)		200	800
Security deposits with: Leasing companies		3,168	2,677
Prepaid mark up		9,861	-
		13,229	3,477
Less: Adjustable within one year		979	-
Security deposits with: Leasing companies		1,878	-
Prepaid mark up		2,857	-
		10,372	3,477
13. Deferred cost			
Balance at July 01,		22,132	35,119
Less: amortized during the year		12,987	12,987
		9,145	22,132
14. Stores and spares			
Stores		-	40
Spares		35,990	28,631
		35,990	28,671
The company does not hold any stores and spares for specific capitalization.			
15. Stock in trade-raw materials			
Residual fuel oil (RFO) (including in transit Rs. 21,871 million (2003: Rs. Nil))		46,577	44,682
High speed diesel (HSD)		2,170	2,091
Lube oil including in transit Rs. 1,212 million (2003: Rs. '000s Nil)		4,157	4,150
Chemicals and other lubricants		3,052	2,441
		55,956	53,364
16. Trade debts - considered good			
		152,673	199,668
These are receivable from WAPDA and are fully secured.			
17. Advances, deposits, prepayments and other receivables			
Advances - considered good			
To directors	17.1	639	1,119
To executives	17.2	115	516
To employees		218	379
For expenses		4	5
To suppliers		40,363	498
To Pakistan State Oil Co. Ltd. (PSO)		4,997	6,114
Income tax		611	5,727
To others		2,257	1,931
		49,204	16,289
Deposits			
Letters of credit margin		6,405	43,189
Lease key money adjustable within year	12	979	-
Others		137	171
		7,521	43,360
Prepayments - including current portion of long term prepayments			
Other receivables		27,812	26,257
Claims receivable		2,037	2,387
Sales tax recoverable		5,290	3,817
Liquidated damages recoverable		31,195	20,239
Others		2,115	1,882
		40,637	28,325
		125,174	114,231



17.1 The maximum aggregated amount of advances due from directors at the end of any month during the year was Rs. 0.639 million (2003: Rs. 1.119 million).

17.2 The maximum aggregated amount of advances due from executives at the end of any month during the year was Rs. .266 million (2003: Rs. 0.540 million).

		(Rupees in '000s)	
	Note	2004 Rupees	2003 Rupees
18. Cash and bank balances			
Cash in hand		18	15
Cash with banks :			
In current accounts		831	638
In saving accounts		5,266	84,337
		6,097	84,975
		6,115	84,990
19. Sales			
Energy payments		1,142,901	1,421,254
Capacity payments		876,974	851,559
		2,019,875	2,272,813
20. Cost of sales			
Fuel and oils consumed		1,255,062	1,490,367
Salaries, wages and benefits	20.1	5,146	6,784
Operating and maintenance fee		53,900	60,000
Stores and spares consumed		34,299	24,992
Electricity consumed in house		6,346	4,064
Communication charges		1,725	1,632
Repairs and maintenance		3,222	3,513
Environmental monitoring		519	985
Power generation licencing expenditure		2,000	-
Insurance		43,702	45,072
Depreciation	10.3	230,057	221,897
		1,635,978	1,859,306
20.1 Salaries, wages and benefits include Rs. 300 million (2003: Rs. 428 million) in respect of staff gratuity.			
21. Administrative and general expenses			
Directors' remuneration		11,400	14,107
Salaries, wages and benefits	21.1	14,973	14,711
Plant security services		1,946	2,029
Staff transportation		2,434	2,776
Traveling and conveyance		1,292	1,212
Rent, rates and taxes		1,322	1,064
Postage and telegram		150	180
Electricity and utility charges		363	265
Telephone and telex		2,746	2,176
Printing and stationery		686	939
Vehicle running and maintenance		2,401	2,578
Entertainment		1,245	1,220
Newspapers and periodicals		7	18
Legal, professional and consultancy charges	21.2	4,493	3,903
Registrar services		300	250
Technical audit fee		-	280
Fee and subscription		277	323
Auditors' remuneration	21.3	920	800
Charity and donation	21.4	295	634
Advertisement		117	143
Insurance		1,050	967
Repairs and maintenance		1,460	1,448
Miscellaneous		-	119
Depreciation	10.3	7,211	5,400
		57,088	57,542

- 21.1 Salaries, wages and benefits include Rs. 1,087 million (2003: Rs. 1.052 million) in respect of staff gratuity.
- 21.2 It includes retainership fee of Rs. 0.285 million per month (2003: Rs. 0.285 million per month) paid to Haseeb Khan & Co., Chartered Accountants, whose proprietor is also a director in the company.

21.3 Auditors' remuneration

	2004		2003	
	Hyder Bhimji & Co	Javaid Jalal Amjad & Company	Hyder Bhimji & Co	Javaid Jalal Amjad & Company
Audit fee	250	250	200	200
Review engagement	150	150	150	150
Out of pocket expenses	60	60	50	50
Rs.'000s	460	460	400	400

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

	(Rupees in '000s)	
	2004 Rupees	2003 Rupees
22. Other income		
Interest on bank deposits	871	1,681
Sale of scrap / sludge	4,130	6,428
Compensation received from tax authorities	2,916	-
Provision no longer required - depreciation	-	3,147
Profit on sale of fixed assets	-	20
Exchange gain	-	880
	7,917	12,156
23. Financial charges		
Interest / mark up on:		
Long term loans / finances	384,432	601,282
Short term borrowings	15,498	29,051
Lease finance	2,539	2,525
Guarantee commission	5,783	15,352
Exchange loss	926	-
Bank fee and other charges	3,941	3,756
	413,119	651,966
24. Other charges		
Deferred cost amortized	12,987	12,987
Loss on sale of fixed assets	87	-
Liquidated damages	-	2,440
	13,074	15,427
25. Income tax paid under section 52/86 of the Income Tax Ordinance, 1979.	843	-
This represents the payment made by the company as a result of an assessment order passed by the assessing officer for its failure to deduct tax on certain payments made during the assessment years 2000-01 to 2002-03 alongwith additional tax. The company has filed appeals against these assessment orders, pending adjudication, on the grounds that the assessing officer was unjustified while making the impugned assessments.		
26. Loss per share-basic and diluted		
Net loss for the year	93,635	299,860
Weighted average number of ordinary shares	133,200	133,200
Loss per share - rupees	0.70	2.25

JAPAN POWER GENERATION LIMITED



	(Rupees in '000s)	
	2004 Rupees	2003 Rupees
27. Cash inflow after working capital changes		
Net loss before taxation	(91,467)	(299,272)
Adjustment for:		
Depreciation	237,270	224,150
Loss/(profit) on disposal of fixed assets	87	(20)
Provision for gratuity	1,387	1,480
Provision for delay period charges and income tax reversed	-	41,617
Amortization of deferred cost	12,987	12,987
Financial charges	413,119	651,966
	664,850	932,180
Operating profit before working capital changes	573,383	632,908
Working capital changes		
Stores and spares	(7,319)	(19,705)
Stock in trade	(2,592)	(5,418)
Trade debts	46,995	150,963
Advances, deposits, prepayments and other receivables	(16,059)	(35,716)
Creditors, accrued and other liabilities	(88,281)	(8,563)
	(67,256)	81,561
	506,127	714,469
28. Plant capacity and actual production		
Installed annual capacity in MWH	937,320	937,320
Actual energy delivered in MWH	401,001	491,066
Utilization of available capacity depends on the load demanded by WAPDA.		
29. Financial assets and liabilities		

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

	2004 Rs. '000s				
	Interest / Markup bearing		Non-interest bearing		
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year	
Financial assets					Total
Long term deposits	-	-	979	2,389	3,368
Trade debts	152,673	-	-	-	152,673
Advances, deposits, prepayments and other receivables	-	-	42,868	-	42,868
Cash and bank balances	5,266	-	849	-	6,115
	157,939	-	44,696	2,389	205,024
Financial liabilities					
Long term loans					
- Secured	95,544	5,300,937	-	-	5,396,481
- Unsecured	25,353	-	-	-	25,353
Sponsors' loan	-	-	-	228,376	228,376
Liabilities against assets subject to finance lease	3,717	7,978	-	-	11,695
Short term borrowings	74,081	-	-	-	74,081
Creditors, accrued and other liabilities	-	-	149,150	-	149,150
Letters of credit at sight	-	-	12,900	-	12,900
Claims not acknowledged as debt - Liquidated damages and mark up thereon	99,132	-	-	-	99,132
	297,827	5,308,915	162,050	228,376	5,997,168

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	2003 Rs. '000s				Total
	Interest / Markup bearing		Non-interest bearing		
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year	
Financial assets					
Long term deposits	-	-	-	3,477	3,477
Trade debts	199,668	-	-	-	199,668
Advances, deposits, prepayments and other receivables	-	-	67,868	-	67,868
Cash and bank balances	84,337	-	653	-	84,990
	<u>284,005</u>	<u>-</u>	<u>68521</u>	<u>3,477</u>	<u>356,003</u>
Financial liabilities					
Long term loans					
- Secured	4,961	5,328,967	-	-	5,333,928
- Unsecured	34,598	-	-	-	34,598
Sponsors' loan	-	-	-	228,376	228,376
Liabilities against assets subject to finance lease	4,142	7,353	-	-	11,495
Short term borrowings	125,661	-	-	-	125,661
Creditors, accrued and other liabilities	-	-	292,269	-	292,269
Letters of credit at sight	4,072	-	-	-	4,072
Claims not acknowledged as debt					
- Liquidated damages and mark up thereon	-	-	57,624	-	57,624
	<u>173,434</u>	<u>5,336,320</u>	<u>349,893</u>	<u>228,376</u>	<u>6,088,023</u>

29.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to change in market interest rates. The effective interest rates as at June 30, 2004 for financial instruments are given in the relevant notes except trade debts, liquidated damages, deposits in PLS accounts for which effective rate is given:

	2004	2003
Trade debts-interest charged after 25 days of the invoice delivered to WAPDA	2% above Repo rate	2% above Repo Rate
Liquidated damages-interest is payable after 25 days of invoice received from WAPDA	2% above Repo rate	2% above Repo Rate
Deposits in PLS	As determined by the bank	As determined by the bank

29.2 Credit risk and concentration of credit risk

The credit risk represents the accounting loss that would be recognised 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 the guarantee of the Government of Pakistan.

29.3 Foreign exchange risk management

Foreign exchange risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Out of total payables of Rs. 33.942 million (2003: Rs. 729.075 million) in foreign currency, the payable exposed to foreign exchange risk amounts to Rs. 33.942 million (2003: Rs. 56.688 million).

29.4 Fair value of financial instruments

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

30. Number of employees	2004	2003
Number of employees at the year end was	92	111

31. Remuneration of chief executive, directors and executives

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

	Chief Executive		Directors		Executives	
	2004	2003	2004	2003	2004	2003
No of persons	1	1	5	5	25	21
Managerial remuneration	3,273	3,961	7,091	8,755	6,417	6,290
House rent	-	-	-	120	2,266	2,516
Utilities	327	396	709	875	642	629
Gratuity	-	-	-	-	1,212	82
Other benefits	-	-	-	-	1,404	813
Rs. '000s	3,600	4,357	7,800	9,750	11,941	10,330

31.1 Board meeting fee was not paid to the directors.

31.2 Company maintained vehicles are provided to the chief executive and five (2003: four) directors.

32. Environmental risk exposure

The company is fully compliant with the environmental regulations.

33. Date of Authorization

These financial statements were authorized for issue on September 29, 2004 in accordance with the resolution of the Board of Directors.

34. General

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

Sheikh Nazaz Ali
Chairman / Director

Abdul Rashid
Chief Financial Officer

**Consolidated
CDC+Non-CDC**

PATTERN OF SHAREHOLDINGS AS ON 30-06-2004

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL NUMBER OF SHARES HELD
	FROM	TO	
6	1	100	437
358	101	500	178,971
545	501	1000	544,720
1282	1001	5000	4,237,175
488	5001	10000	4,214,793
164	10001	15000	2,192,680
144	15001	20000	2,754,500
97	20001	25000	2,324,225
54	25001	30000	1,571,500
21	30001	35000	708,000
37	35001	40000	1,442,600
33	40001	45000	1,426,300
60	45001	50000	2,970,000
14	50001	55000	745,500
23	55001	60000	1,355,500
9	60001	65000	573,000
14	65001	70000	968,000
10	70001	75000	733,000
4	75001	80000	315,500
4	80001	85000	340,000
7	85001	90000	617,600
5	90001	95000	457,500
26	95001	100000	2,587,500
4	100001	105000	412,500
4	105001	110000	433,000
2	110001	115000	225,000
1	115001	120000	120,000
3	120001	125000	372,000
6	125001	130000	773,500
2	130001	135000	266,000
7	135001	140000	968,500
3	140001	145000	431,000
6	145001	150000	892,500
1	150001	155000	154,500
2	155001	160000	319,500
1	160001	165000	160,500
1	170001	175000	172,000
1	175001	180000	180,000
1	185001	190000	189,500
1	190001	195000	195,000
5	195001	200000	1,000,000
3	205001	210000	627,500
1	210001	215000	214,000
1	215001	220000	216,000
2	220001	225000	449,000



1	230001	235000	232,500
2	245001	250000	499,500
1	255001	260000	256,000
2	260001	265000	521,000
2	270001	275000	548,499
1	280001	285000	281,000
2	295001	300000	600,000
1	315001	320000	318,500
1	320001	325000	325,000
1	350001	355000	352,000
1	355001	360000	356,500
1	370001	375000	375,000
2	395001	400000	800,000
1	405001	410000	410,000
1	415001	420000	416,500
1	425001	430000	430,000
1	445001	450000	450,000
1	455001	460000	456,500
1	460001	465000	464,000
1	485001	490000	486,000
1	550001	555000	551,900
1	580001	585000	585,000
1	585001	590000	589,500
1	605001	610000	610,000
1	615001	620000	620,000
1	640001	645000	640,500
2	670001	675000	1,349,000
1	695001	700000	700,000
1	705001	710000	710,000
1	750001	755000	755,000
1	755001	760000	755,093
1	780001	785000	784,500
1	815001	820000	816,500
1	855001	860000	857,000
1	860001	865000	860,100
2	930001	935000	1,865,500
1	940001	945000	942,000
3	995001	1000000	3,000,000
1	1070001	1075000	1,071,000
1	1320001	1325000	1,325,000
1	1340001	1345000	1,341,000
1	1420001	1425000	1,422,000
1	1545001	1550000	1,550,000
1	1575001	1580000	1,577,500
7	1660001	1665000	11,650,000
1	1845001	1850000	1,846,664
1	1860001	1865000	1,862,000
1	2350001	2355000	2,353,500
1	3125001	3130000	3,128,241
1	3250001	3255000	3,250,500
2	3395001	3400000	6,800,000
1	3880001	3885000	3,883,333
1	6305001	6310000	6,306,520
1	7980001	7985000	7,982,150
1	8245001	8250000	8,249,999
3,534	TOTAL		133,200,000

CATEGORIES OF SHAREHOLDERS AS ON 30-06-2004

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	TOTAL SHARED HELD	PERCENTAGE
Directors/Chief Executive Officer and their spouse and minor Children			
Sheikh Nazaz Ali (Chairman)		8,249,999	6.19
Mr. Liaqat Khan (C.E.O)		500	0.00
Mr. Haseeb Khan (Director)		1,000	0.00
Mr. Zafar Mahmood (Director)		1,846,664	1.39
Mr. Saito Yoshihiro (Director)		6,306,520	4.73
Mr. Zafar Iqbal (Director)		1,000	0.00
Sheikh Mahmood Ali (Director)		3,883,333	2.92
Mr. Qasim Ali Sheikh (Director)		755,093	0.57
Mrs. Samina Zafar (Director)		1,862,000	1.40
Mr. Muhammad Ali Tarakai (Director)		1,000	0.00
Mr. Walayat Ali Tarakai (Director)		1,000	0.00
Mrs. Shehnaz (Director)		3,129,241	2.35
Mr. Khalid Imran (Nominee Director)		-	0.00
Mr. M. Hanif Abbasi (Nominee Director)		-	0.00
	14	26,037,350	19.55
Executives			
Syed Zafar Haider (Company Secretary)	1	1,000	0.00
Associated Companies, Undertakings and related parties			
	-	-	0.00
Public Sectors Companies & Corporations			
	-	-	0.00
NIT and ICP			
	-	-	0.00
Banks, Development Financial Institutions & Non-Banking Financial Institutions			
	13	2,989,700	2.24
Insurance Companies			
	1	300,000	0.23
Modarabas & Mutual Funds			
	3	1,026,500	0.77
Shareholding 10% or more voting interest			
	-	-	0.00
Others			
	140	26,596,499	19.97
General Public			
	3,363	76,248,951	57.24
TOTAL: -	3,535	133,200,000	100.00



FORM OF PROXY

Please quote

Folio No:

Shares held

I/We _____

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

hereby appoint _____

of _____

as my/our proxy to attend and vote for me / us on my / our behalf at the 10th Annual General Meeting of the Company to be held at Plant premises located at Khan-e-Nepal Road, Near Jia Bagga Railway Station, District Lahore on Friday, 29th October 2004 at 11:00 a.m. and at every adjournment thereof.

As witness my / our hand this _____ day of _____ 2004.

**Revenue
Stamp**

Signature

NOTE:

Signature must be in accordance with the specimen signature registered with the Company. This Form of Proxy, completed, must be deposited at the Company's Registered Office at 79-Bridge Colony, Lahore Cantt. at least 48 hours before the time for holding the meeting.



JAPAN POWER GENERATION LIMITED

GUIDE MAP



