

Genertech Pakistan Limited
Annual Report 2001

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COMPANY INFORMATION

CHAIRMAN/CHIEF EXECUTIVE Jahangir Elahi

DIRECTORS
Jahangir Elahi
Tanvir Elahi
Amir Jahangir
Shahrukh Elahi
Sheikh Muhammad Ashraf
Tariq Latif
Muhammad Shafiq Gill (Nominee ICP)

CORPORATE SECRETARY Tariq Latif

AUDITORS M/s Zahid Jamil & Co.
Chartered Accountants
(Member of IGAF Worldwide)

LEGAL ADVISOR M/s. Rizvi & Company

BANKERS
Askari Commercial Bank Limited
Emirates Bank International P.J.S.C.
The Bank of Punjab
Union Bank Limited
United Bank Limited

REGISTERED OFFICE 31/C-1, Ghalib Road, Gulberg III,
Lahore - Pakistan.

Tel: (042) 5710216-20 / 5751811-14
Fax: (042) 5712881 / 5756686

PLANT

49th Kilometer, Lahore Multan Road,
Near Bhai Pheru, Tehsil Chunian,
District Kasur.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eleventh Annual General Meeting of the Shareholders of the company will be held at the registered office at 31/C-1, Ghalib Road, Gulberg III, Lahore, on Monday December 31, 2001 at 11.00 A.M. to transact the following business:

1. To confirm minutes of the last Annual General Meeting.
2. To receive and adopt the audited accounts for the year ended June 30, 2001 together with the Auditors' and Directors' report thereon.
3. To appoint auditors for the current year and fix their remuneration. The present auditors M/s. Zahid Jamil & Co., Chartered Accountants, (Member of IGAF Worldwide) being eligible, have offered themselves for re-appointment.
4. To discuss any other matter with the permission of the chair.

By order of the Board

TARIQ LATIF
Corporate Secretary

Lahore: December 01, 2001

NOTES:

1. The Share Transfer Books of the company shall remain closed from December 22, 2001 to December 31, 2001 (both days inclusive). Transfers received in order, at 31/C-1, Ghalib Road, Gulberg III, Lahore, the Shares Department of the company, at the close of business on December 21, 2001 shall be treated in time.
2. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend and vote instead of him / her. Proxies in order to be effective must be received at the company's registered office not less than 48 hours before the time for holding the meeting. Account and sub account holders of the Central Depository System appointing proxies must attach attested copy of their National Identity Card with the proxy form.
3. Account holders and sub-account holders, holding book entry securities of the company in CDS of Central Depository Co. of Pakistan Ltd., who wish to attend this meeting

are requested to please bring original National Identity Card with copy thereof duly attested by their Bankers for identification purpose.

4. Shareholders are requested to promptly notify the company of any change in their addresses.

112	1	--	100	6,839
256	101	--	500	72,885
1564	501	--	1000	884,930
913	1001	--	5000	1,796,754
190	5001	--	10000	1,236,280
91	10001	--	15000	1,093,130
23	15001	--	20000	415,620
26	21001	--	25000	602,360
19	25001	--	30000	557,920
2	30001	--	35000	71,650
3	35001	--	40000	117,260
4	40001	--	45000	184,480
3	45001	--	50000	146,030
12	50001	--	55000	646,500
2	55001	--	60000	116,100
1	60001	--	65000	62,300
1	65001	--	70000	68,650
2	70001	--	75000	151,050
1	75001	--	80000	75,900
1	80001	--	85000	82,080
1	85001	--	90000	87,600
3	100001	--	110000	322,000
1	135001	--	140000	135,970
1	140001	--	145000	142,000
1	160001	--	165000	165,000
1	185001	--	190000	186,050
1	190001	--	195000	192,500
2	230001	--	240000	474,700
1	290001	--	295000	291,200
1	345001	--	350000	349,600
3	606001	--	675000	1,959,070
1	705001	--	710000	706,420
1	745001	--	750000	748,500
1	935001	--	940000	939,235
1	1301001	--	1305000	1,309,687
1	1366001	--	1370000	1,373,680
1	2025001	--	2030000	2,028,070

3248

19,800,000

CATEGORIES OF SHARE HOLDERS	<i>Number of Share Holders</i>	<i>Shares held</i>	<i>Percentage</i>
1. Individuals	3,132	7,998,753	40.40
2. Investment Companies	17	135,370	0.68
3. Insurance Companies	5	1,072,300	5.42
4. Joint Stock Companies	54	6,588,197	33.28
5. Financial Institutions	18	3,184,555	16.08
6. Modaraba Companies	5	22,150	0.11
7. Foreign Investors	8	57,995	0.29
8. Leasing Companies	1	22,000	0.11
9. Others	8	718,680	3.63
TOTAL:-	3,248	19,800,000	100.00

DIRECTORS' REPORT

The directors of your company welcome you to the Eleventh Annual General Meeting of the company and present their report together with the audited financial statement of the company for the year ended June 30, 2001.

OPERATING RESULTS

The period under review is marred with high purchasing price of Heavy Furnace Oil (HFO) as compared to last year ended on June 30, 2000. The HFO and HSD prices continued on higher side and HFO remained in five digits during the year. The lowest price recorded was Rs. 11,349 per ton and the highest price was Rs. 15,109 per ton (Inclusive of all incidentals). On overall average basis, there is almost 50% increase in HFO prices as compared to last financial year.

After deregulation of POL prices, no regulatory authority is yet formed and as a result PSO is provided maximum benefit of monopoly. Furthermore, in parallel with international market, the timely impact of downward changes in HFO price was not transferred to end users. Hence the prices of HFO remained on higher side and recorded highest ratio to the revenue. As a consequence, the ratio for HFO and lube to sales jumped from 67% in year 2000 to 82% in year 2001. As a result, first time in the history of your company, since commercial production, loss for Rs. 84.80 Million was recorded on annual basis.

It is pertinent to mention here that this year's revenue figure is the highest ever recorded in the history of your company. But benefit of this could not be achieved due to high purchasing price of HFO. Even minor increase in WAPDA tariff could not give any positive impact. However, after close of financial year under review, the HFO prices came down and operating results for second half of the current year are comparatively better.

Despite the obvious hardships explained above, your company met all its liabilities on account of repayment of suppliers credit loan on due time. Though it added to the current year's financial cost, but the default on this account could have resulted in higher cost to the company, due to expiry of foreign exchange risk coverage contract with State Bank of Pakistan. Furthermore, in spite of these financial stresses, the management tried its best to adhere to the standardized maintenance requirements of the plant to keep its operational life and efficiency level on optimum, which again resulted into enhanced bank borrowings and comparatively high financial cost.

It is important to mention here that all other cost factors for manufacturing and administrative purposes were remained in limits as set forth by the management. During the year under review, the Zakat was properly deducted, however by omission could not deposited in time..

DIVIDEND

Viewing the financial results for the year being reported, the board of directors of your company decided to pass over the dividend for the year.

EARNING PER SHARE

These financial results brought Earning Per Share from Rs. 0.56 to Rs. (4.28).

FUTURE PROSPECTS

In continuance of our remarks mentioned in last Half Yearly Accounts, under presently developing economic / political scenario at local as well as at international level, the future planning and targets are getting more difficult and uncertain. It seems that the present economic position of the country is continuously deteriorating and recent incident of September 11, 2001 added fuel to the situation. As a result the overall industry is sharing the burden of these economic pressures. However, keeping in view some recent decrease in HFO prices in international as well as in local market, management hopes for better results from the end of second quarter of current year.

AUDITORS

The retiring auditors M/S. Zahid Jamil & Company, Chartered Accountants, (Member of IGAF Worldwide) being eligible offer themselves for re-appointment.

ACKNOWLEDGMENT

Directors wish to place on record their appreciation for the dedicated work of staff and executives of the company.

PATTERN OF SHAREHOLDING

The pattern of shareholding, as on June 30, 2001, as required under section 236 of the Companies Ordinance 1984, is enclosed.

**For and on behalf of
BOARD OF DIRECTORS**

**JAHANGIR ELAHI
Chief Executive**

Lahore: December 01, 2001

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Genertech Pakistan Limited** as at June 30, 2001 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 purposes 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 accounts 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, except for the effect of the matter referred to in note 11.1, 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, 2001 and of the loss and its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, (XVIII of 1980) was deducted by the company and not deposited in the Central Zakat Fund established under section 7 of that Ordinance.

LAHORE:
Dated: November 30, 2001

ZAHID JAMIL & CO.
(Chartered Accountants)

BALANCE SHEET AS AT JUNE 30, 2001

	<i>NOTE</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
SHARE CAPITAL AND RESERVES			
Authorised share capital 20,000,000 ordinary shares of Rs. 10 each		200,000,000 =====	200,000,000 =====
Issued, subscribed and paid up share capital 19,800,000 ordinary shares of Rs. 10 each fully paid up in cash	3	198,000,000	180,000,000
Premium on issue of shares		114,945,750	114,945,750
Reserve for issue of bonus shares		--	18,000,000
Revenue reserve	4	165,000,000	165,000,000
Unappropriated (loss)/profit		(81,554,378) -----	3,249,042 -----
		396,391,372	481,194,792
LONG TERM LOAN	5	84,500,000	--
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	6	92,175,080	99,132,944
CURRENT LIABILITIES			
Current portion of long term liabilities	7	104,301,663	125,504,013
Short term bank borrowings	8	270,596,184	164,003,349
Creditors, accrued and other liabilities	9	53,780,311	45,758,559
Dividend payable		4,550,498	17,737,698
		433,228,656 -----	353,003,619 -----
CONTINGENCIES AND COMMITMENTS	10	-- -----	-- -----
		1,006,295,108 =====	933,331,355 =====

TANGIBLE FIXED ASSETS

Operating fixed assets	11	655,971,613	694,463,258
Capital work-in-progress	12	22,795,675	--
		-----	-----
		678,767,288	694,463,258
LONG TERM DEPOSITS	13	19,092,083	20,864,448
CURRENT ASSETS			
Stores and spares	14	68,225,038	63,498,215
Trade debts	15	134,221,867	52,984,723
Advances, prepayments and other receivables	16	89,552,695	58,959,848
Cash and bank balances	17	16,436,137	42,560,863
		-----	-----
		308,435,737	218,003,649
		-----	-----
		1,006,295,108	933,331,355
		=====	=====

The annexed notes from 1 to 27 form an integral part of these accounts. Auditor's report to the members is annexed here to.

JAHANGIR ELAHI
Chief Executive

TANVIR ELAHI
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2001

	<i>NOTE</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
SALES (Net)		596,301,539	561,949,981
COST OF SALES	18	592,078,566	479,877,615
		-----	-----
GROSS PROFIT		4,222,973	82,072,366
ADMINISTRATIVE AND GENERAL EXPENSES	19	10,555,209	8,591,730
		-----	-----
OPERATING (LOSS) / PROFIT		(6,332,236)	73,480,636
OTHER LOSS	20	(1,649,503)	--
		-----	-----
		(7,981,739)	73,480,636
FINANCIAL CHARGES	21	76,821,681	61,849,258
WORKERS' PARTICIPATION FUND		--	581,569
		-----	-----

	76,821,681	62,430,827
	-----	-----
(LOSS) / PROFIT FOR THE YEAR	(84,803,420)	11,049,809
UNAPPROPRIATED PROFIT BROUGHT FORWARD	3,249,042	9,199,233
	-----	-----
	(81,554,378)	20,249,042
TRANSFER FROM REVENUE RESERVE	--	10,000,000
	-----	-----
(LOSS)/PROFIT AVAILABLE FOR APPROPRIATION	(81,554,378)	30,249,042
APPROPRIATIONS		
Bonus shares	--	18,000,000
Final dividend Rs. Nil per share (2000: Rs. 0.50)	--	9,000,000
	-----	-----
	--	27,000,000
UNAPPROPRIATED (LOSS)/PROFIT CARRIED FORWARD	(81,554,378)	3,249,042
	=====	=====
Earning per share	(4.28)	0.56
	=====	=====

The annexed notes from 1 to 27 form an integral part of these accounts.

JAHANGIR ELAHI
Chief Executive

TANVIR ELAHI
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2001

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit for the year	(84,803,420)	11,049,809
Add: Adjustments to reconcile profit to net cash provided by operating activities		
Depreciation	67,534,339	71,425,221
Loss/(Gain) on sale of fixed assets	1,649,503	--
	-----	-----
	69,183,842	71,425,221
Cash flows from operating activities before working capital changes	-----	-----
	(15,619,578)	82,475,030
(Increase)/decrease in current assets		
Stores and spares	(4,726,823)	4,829,706

Trade debts	(81,237,144)	22,871,632
Advances, prepayments and other receivables	(30,592,847)	(28,197,502)
	-----	-----
	(116,556,814)	(496,164)
Increase/(decrease) in current liabilities		
Short term bank borrowings	1,065,928,351	31,932,691
Creditors, accrued and other liabilities	8,021,752	8,249,678
	-----	-----
	114,614,587	40,182,369
	-----	-----
Net cash used in operating activities	(17,561,805)	122,161,235
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets acquired	(104,560,854)	(63,060,824)
Long term deposits	1,772,365	(8,559,741)
Sale proceeds of fixed assets	51,072,982	--
	-----	-----
Net cash used in investing activities	(51,715,507)	(71,620,565)
CASH FLOWS FROM FINANCING ACTIVITIES		
Liabilities against assets subject to finance lease	45,890,790	89,451,255
Long term loans	50,675,676	(78,323,726)
Lease rentals paid	(40,226,680)	(44,693,694)
Dividend paid	(13,187,200)	(33,866,409)
	-----	-----
Net cash flows from financing activities	43,152,586	(67,432,574)
	-----	-----
Net increase/(decrease) in cash & cash equivalents	(26,124,726)	(16,891,904)
Cash and cash equivalents at the beginning of the year	42,560,863	59,452,767
	-----	-----
Cash and cash equivalents at the end of the year	16,436,137	42,560,863
	=====	=====

JAHANGIR ELAHI
Chief Executive

TANVIR ELAHI
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2001

	<i>Share Capital</i>	<i>Premium on Issue of Shares</i>	<i>Reserve for Issue of Bonus Shares</i>	<i>Revenue Reserve</i>	<i>Profit for the year and appropriation</i>	<i>TOTAL</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Balance as at July 01, 1999	180,000,000	114,945,750	--	175,000,000	9,199,233	479,144,983

Net profit for the year	--	--	--	--	11,049,809	11,049,809
Appropriations:						
Transfer from revenue reserve	--	--	--	(10,000,000)	10,000,000	--
Transfer for the bonus shares	--	--	18,000,000	--	(18,000,000)	--
Dividend	--	--	--	--	(9,000,000)	(9,000,000)
	-----	-----	-----	-----	-----	-----
Balance as at June 30, 2000	180,000,000	114,945,750	18,000,000	165,000,000	3,249,042	481,194,792
Bonus shares issued during the ye	18,000,000	--	(18,000,000)	--	--	--
Net Loss for the year	--	--	--	--	(84,803,420)	(84,803,420)
	-----	-----	-----	-----	-----	-----
Balance as at June 30, 2001	198,000,000	114,945,750	--	165,000,000	(81,554,378)	396,391,372
	=====	=====	=====	=====	=====	=====

JAHANGIR ELAHI
Chief Executive

TANVIR ELAHI
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2001

1. STATUS AND OPERATIONS

Genertech Pakistan Limited was incorporated on May 24, 1990 as a public limited company in Pakistan under the companies ordinance 1984, its shares are listed on all stock exchanges of Pakistan. The company is primarily engaged in owning, managing and operating electric power generation facilities.

2. PRINCIPAL ACCOUNTING POLICIES

2.1 Accounting Convention

These financial statements have been prepared under the historical cost convention modified by capitalization of exchange differences referred to in note 2.5.

2.2 Retirement Benefits

The company operates a funded contributory provident fund scheme for all permanent employees. Equal monthly contributions, at the rate of 8.33 percent of basic pay, are made both by the company and employee.

2.3 Fixed Capital Expenditure

Operating fixed assets are stated at cost less accumulated depreciation except land and capital work-in-progress which are stated at cost.

Depreciation on the operating fixed assets are charged to profit applying the reducing balance method at the annual rate mentioned in note 11. Full year's depreciation is charged on assets acquired during the year, except standby generating facilities and major additions or extension to generating facilities which are depreciated on pro-rata basis for the period of use during the year. No

depreciation is charged on assets deleted/disposed off during the year.

Maintenance and normal repairs of assets are charged to income as and when incurred. Major renewals and replacements are capitalized. Gain or loss on disposal of fixed assets are taken to profit and loss account.

2.4 Leased hold Assets and Obligation there against

Assets held under finance lease are stated at cost less accumulated depreciation. Depreciation is charged at the rates specified in note no.11. The outstanding obligation under the lease less financial charges allocated to the future period are shown as liability. The financial charges are calculated at the interest rate implicit in the lease and charged to profit and loss account.

2.5 Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into Pak rupees at exchange rates approximating those prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities. Exchange differences and/or exchange risk fee in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant assets. All other exchange differences are taken to profit and loss account.

2.6 Capital Work in Progress

Capital work in progress is shown at cost. These costs are transferred to fixed assets as and when assets are available for intended use.

2.7 Deferred Cost

These are being amortized over a period of five years from the year of incurrence.

2.8 Stores and Spares

Stores and spares are valued principally at moving average cost, items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.9 Trade Debts

Known bad debts, if any, are written off and provision is made against debts considered doubtful.

2.10 Revenue Recognition

Revenue on account of energy is recognised on the transmission of electricity to the consumers during the month.

2.11 Taxation

By virtue of clause 176 of part I of Second Schedule to the Income Tax Ordinance, 1979, profits and gains of the company are exempt from levy of income tax and minimum tax.

	<i>Rupees</i>	<i>Rupees</i>
3. ISSUED ,SUBSCRIBED AND PAID UP SHARE CAPITAL		
18,000,000 (2000: 18,000,000)		
Ordinary shares of Rs. 10 each		
fully paid up in cash	180,000,000	180,000,000
1,800,000 (2000: Nil) Ordinary shares		
of Rs.10 each issued as fully paid up		
bonus shares	18,000,000	--
	-----	-----
	18,000,000	18,000,000
	=====	=====
4. REVENUE RESERVE		
Balance as at 01 July	165,000,000	175,000,000
Transfer to profit and loss account for appropriation	--	(10,000,000)
	-----	-----
	165,000,000	165,000,000
	=====	=====
5. LONG TERM LOAN -SECURED		
Balance as at 01 July	--	78,324,324
Obtained during the year	129,000,000	--
	-----	-----
Balance as at 30 June	129,000,000	78,324,324
Current Portion (Note 7)	44,500,000	78,324,324
	-----	-----
	84,500,000	--
	=====	=====

These term finance facilities have been arranged from different financial institutions. The sanction limit is Rs.131 million carrying markup at the rate of 13.87% to 17.5%. The loan is payable in monthly/quarterly installments commencing from August 2001 and ending on June 2004.

Security

These loans are secured by way of hypothecation charge over current assets, charge over fixed assets and personal guarantees of sponsoring directors of the company.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The rate of interest used as discounting factor ranges from 1.66% to 2.18% per month.

The amounts of future payments and period during which they fall due are:

Within one year	86,993,501	67,522,073
Within two to five years	109,679,886	119,018,247
	-----	-----
	196,673,387	186,540,320

Less: Future financial charges	44,696,644	40,227,687
	-----	-----
Net lease obligation	151,976,743	146,312,633
Less: Current portion taken as current liability (Note 7)	59,801,663	47,179,689
	-----	-----
	92,175,080	99,132,944
	=====	=====
Break-up of net lease obligation		
Within one year	59,801,663	47,179,689
Within two to five years	92,175,080	99,132,944
	-----	-----
	151,976,743	146,312,633
	=====	=====

6.1 Rentals are paid in monthly installments. Overdue rental payments are subject to an additional charge at the rate of Rs. 100 per day. Taxes, repairs and insurance have to be borne by the lessee.

Lease agreements are renewable at the option of the lessors on such terms as may be agreed upon. Liabilities are secured against deposits of Rs.18.596 (2000: 20.368)

7. CURRENT PORTION OF LONG TERM LIABILITIES

Long term loan	44,500,000	78,324,324
Liabilities against assets subject to finance lease	59,801,663	47,179,689
	-----	-----
	104,301,663	125,504,013
	=====	=====

8. SHORT TERM BANK BORROWINGS

The company has arranged running and other finances from banks and financial institutions carrying mark up rate of 41 to 62 paisa per Rs. 1000 per day. The above facilities are secured by way of hypothecation charge over current assets, second charge over fixed assets and personal guarantees of sponsoring directors of the company.

Also includes temporary bank overdrafts aggregate an amount of Rs. 1,842/= (2000: 7,549/=) represent cheques issued by the company in excess of balance at bank which have been presented for payments in subsequent period.

9. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		
Trade	12,329,243	6,582,238
Others	407,809	810,374
	-----	-----
	12,737,052	7,392,612
Interest on long term loan	8,467,159	1,024,627
Exchange risk fee	--	869,070
Accrued liabilities	30,208,610	28,951,728
Other liabilities	2,367,490	6,938,953

Workers' participation fund (Note 9.1)	--	581,569
	-----	-----
	53,780,311	45,758,559
	=====	=====
9.1 Workers' participation fund		
Balance as at 01 July	581,569	4,288,728
Interest accrued	72,696	536,091
	-----	-----
	654,265	4,824,819
Less: Payments made	654,265	4,824,819
	-----	-----
	--	--
Profit allocated for the year	--	581,569
	-----	-----
	--	581,569
	=====	=====

10. CONTINGENCIES AND COMMITMENTS

Contingencies

Company is contingently liable to an income tax of Rupees 13.091 million in respect of income from other sources demanded by the income tax department against which a petition has been filed in the honourable Supreme Court of Pakistan for the assessment year 1994-95, 1995-96, 1998-99 and 1999-2000 and honourable Supreme Court has granted stay for the demand raised by department. The amount being shown as advance income tax is also a contingency dependent on decision of above mentioned case as it will be a charge to profit and loss account if company's petition with honourable Supreme Court is rejected.

Commitments

Commitments regarding irrevocable letter of credit Rs. 1.013 million (2000: 10.862)

11. OPERATING FIXED ASSETS

<i>DESCRIPTION</i>	<i>COST</i>		<i>As at June 30, 2001 Rupees</i>	<i>ACCUMULATED DEPRECIATION AS AT JUNE 30, 2001 Rupees</i>	<i>BOOK VALUE AS AT June 30, 2001 Rupees</i>	<i>DEPRECIATION</i>	
	<i>As at July 01, 2000 Rupees</i>	<i>Additions / (deletions) Rupees</i>				<i>Charge for the year Rupees</i>	<i>Rate %</i>
OWNED ASSETS							
Freehold land	8,118,467	--	8,118,467	--	8,118,467	--	--
Building -factory	56,299,585	--	56,299,585	28,328,022	27,971,563	3,107,952	10
Building - non factory	25,845,288	--	25,845,288	4,037,214	21,808,074	1,147,793	5
Plant and machinery	681,098,799	147,190,649 (88,599,833)	739,689,615	311,421,122	428,268,493	47,585,388	10
Factory equipment	414,133	--	414,133	205,924	208,209	23,134	10

Furniture and fixtures	1,968,773	3,500	1,972,273	900,358	1,071,915	119,102	10
Office equipments	2,041,197	61,500	2,035,572	806,453	1,229,119	136,569	10
		(67,125)					
Vehicles	4,950,756	113,280	3,424,332	2,005,596	1,418,736	354,684	20
		(1,839,704)					
	-----	-----	-----	-----	-----	-----	
	780,736,998	57,062,267	837,799,265	347,704,689	490,094,576	52,474,622	
LEASED ASSETS							
Plant and machinery	257,434,506	43,890,000	189,829,966	27,671,575	162,158,391	14,302,180	10
		(111,494,540)					
Electric Installation	1,700,000	--	1,700,000	460,700	1,239,300	137,700	10
							20
Vehicles	1,875,500	2,000,790	3,876,290	1,396,944	2,479,346	619,837	
	-----	-----	-----	-----	-----	-----	
	261,010,006	(65,603,750)	195,406,256	29,529,219	165,877,037	15,059,717	
	-----	-----	-----	-----	-----	-----	
Rupees 2001	1,041,747,004	(8,541,483)	1,033,205,521	377,233,908	655,971,615	67,534,339	
	=====	=====	=====	=====	=====	=====	
Rupees 2000	1,018,572,761	23,174,243	1,041,747,004	347,283,746	694,463,258	71,425,221	
	=====	=====	=====	=====	=====	=====	

11.1 Additions to plant and machinery (owned assets) includes Rupees 3.395 million (2000:9.294) million on account of exchange risk coverage fee in respect of long term loan obtain for the acquisition of fixed assets. However, International Accounting Standard do not permit the capitalisation of exchange risk coverage fee. Had this amount not been capitalised, the loss for the year would have increased to Rupees 88.198 million.

11.2 Depreciation for the year has been allocated as follows:

	2001	2000
	Rupees	Rupees
Cost of sales	66,304,147	70,299,468
Administrative & general expenses	1,230,192	1,125,753
	-----	-----
	67,534,339	71,425,221
	=====	=====

11.3 Transfer from assets subject to finance lease under the cost and depreciation columns above comprises the following:

PARTICULARS	COST	DEPRECIATION
	Rupees	Rupees
Nigata Power Generating Set	104,313,251	36,443,660
Diesel Generation Set	7,181,289	346,415

11.4 DISPOSAL OF OPERATING FIXED ASSETS

<i>DESCRIPTION</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>MODE OF DISPOSAL</i>	<i>PARTICULARS OF PURCHASER</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>		
Plant and Machinery						
Nigata Engine With Std Accessories	10,886,842	4,886,842	6,000,000	6,000,000	Sale and Leaseback agreement	BRR International Modaraba
Toyodanki Generator	68,750,409	30,860,409	37,890,000	37,890,000	Sale and Leaseback agreement	Trust Leasing Corporation Ltd.
Catterpillar Generator	782,000	351,021	430,979	635,000	Negotiation	Power Energy System
Diesel Generating Set	7,181,289	346,415	6,834,874	3,999,420	Damaged/Claim	EFU Gen. Insurance Co. Ltd.
Inlet Casing of Turbo Charger	999,297	99,929	899,368	1,008,520	Damaged/Claim	EFU General Insurance Co. Ltd.
Vehicles						
Land Crouser LOM-54	1,093,200	716,010	377,190	1,275,000	Negotiation	Ch. Ahmed Ali
Suzuki Margalla LXD-9981	546,504	310,801	235,703	230,042	Negotiation	Mr. Sabbeh-ur-Rehman (Company Employee)
Office Equipment						
Photo Copier	67,125	12,754	54,371	35,000	Negotiation	Secikosia Business Machine

12. CAPITAL WORK-IN-PROGRESS

	<i>2001 Rupees</i>	<i>2000 Rupees</i>
Plant and machinery	18,675,433	--
Civil Works	4,120,242	--
	-----	-----
	22,795,675	--
	=====	=====

13. LONG TERM DEPOSITS

These represents the securities against lease agreements, Central Depository Company (CDC) and utilities.

14. STORES AND SPARES

Oils and lubricants	48,554,239	42,843,691
Other stores	1,669,925	2,561,778
Spare parts	18,000,874	18,092,746
	-----	-----
	68,225,038	63,498,215
	=====	=====

15. TRADE DEBTS - UNSECURED CONSIDERED GOOD

These are unsecured but considered good by the management of the company and includes receivables from electricity consumers and Rupees 70.136 (2000:0.916) million,

due from consumer associated undertakings.

16. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good

Suppliers	77,062,091	35,885,143
Others	1,441,417	4,014,926
	-----	-----
	78,503,508	39,900,069
Short term prepayments	193,921	180,018
Other receivables	1,343,144	9,977,587
Income tax refundable	9,512,122	8,902,174
	-----	-----
	89,552,695	58,959,848
	=====	=====

17. CASH AND BANK BALANCES

Balance with banks in current accounts

Cash in hand	16,394,188	42,551,933
	41,949	8,930
	-----	-----
	16,436,137	42,560,863
	=====	=====

18. COST OF SALES

Fuel, Lubricants and chemicals	492,396,371	377,590,057
Salaries, wages and benefits	12,205,907	11,913,396
Insurance	7,421,916	6,638,623
Other power generation expenses	13,750,225	13,436,071
Depreciation	66,304,147	70,299,468
	-----	-----
	592,078,566	479,877,615
	=====	=====

19. ADMINISTRATIVE AND GENERAL EXPENSES

Directors' remuneration	1,200,000	960,000
Salaries and benefits	2,838,943	2,583,844
Communication	1,112,462	571,698
Printing and stationery	344,394	278,998
Rent, rates and taxes	91,151	3,000
Traveling and conveyance	375,293	482,486
Legal and professional	345,716	--
Auditor's remuneration	100,000	85,000
Electricity, water and gas	390,911	166,883
Vehicles running	756,704	632,943
Fee and subscription	683,609	1,038,731
Advertisement	93,973	45,976
Other administrative overheads	468,041	194,276
Miscellaneous	523,820	422,142
Depreciation	1,230,192	1,125,753

	----- 10,555,209 =====	----- 8,591,730 =====
20. OTHER LOSS		
Loss on sale of fixed assets	(1,649,503)	--
	----- (1,649,503) =====	----- -- =====
21. FINANCIAL CHARGES		
Financial		
Interest on:		
Long term loan	15,564,611	9,392,472
Finance leases	21,428,434	19,416,843
Workers' participation fund	72,696	536,091
Mark-up ,Commission and Bank Charges	39,755,940	32,503,852
	----- 76,821,681 =====	----- 61,849,258 =====
22. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES		
Managerial remuneration	3,082,408	2,603,004
Allowances	1,625,220	1,457,010
Utilities	116,118	55,015
Provident Fund	609,782	583,978
Ex gratia	217,605	189,667
	----- 5,651,133 =====	----- 4,888,674 =====
No. of persons	14	14

No meeting fee has been paid to chief executive and directors. Nine executives are entitled to free use of company maintained vehicles.

23. FINANCIAL ASSETS AND LIABILITIES SUBJECT TO INTEREST RATE AND CREDIT RISK

Exposure to Interest Rate Risk

The company's exposure to risk associated with interest rates on its financial assets and liabilities are summarized as follows:

<i>Interest/Mark-up Bearing</i>		<i>Non Interest/Mark-up Bearing</i>		<i>Total</i>	
<i>Maturity Upto One year</i>	<i>Maturity More Than One year</i>	<i>Maturity Upto One year</i>	<i>Maturity More Than One year</i>	<i>2001</i>	<i>2000</i>

	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Financial Assets							
Long Term Deposits	13	--	--	3,748,871	15,343,212	19,092,083	20,864,448
Trade Debts	15	--	--	134,221,867	--	134,221,867	52,984,723
Advances, Deposits and Other Receivables	16	--	--	89,552,695	--	89,552,695	58,959,848
Cash and Bank Balances	17	--	--	16,436,137	--	16,436,137	42,560,863
		-----	-----	-----	-----	-----	-----
		--	--	243,959,570	15,343,212	259,302,782	175,369,882
		=====	=====	=====	=====	=====	=====
Financial Liabilities							
Long Term Loan	5	44,500,000	84,500,000	--	--	129,000,000	78,324,324
Lease Liability	6	59,801,663	92,175,080	--	--	151,976,743	146,312,633
Short Term Bank Borrowings Creditors, Accrued and other Liabilities	8	270,594,342	--	1,842	--	270,596,184	164,003,349
Unclaimed Dividend	9	--	--	53,780,311	--	53,780,311	45,758,559
		--	--	4,550,498	--	4,550,498	17,737,698
		-----	-----	-----	-----	-----	-----
		374,896,005	176,675,080	58,332,651	--	609,903,736	452,136,563
		=====	=====	=====	=====	=====	=====

Effective Mark-up Rate

Financial Assets

Nil

Financial Liabilities

Long Term Loan	13.87% to 17.50%
Lease Liabilities	20.00% to 26.00%
Short Term Borrowings	15.00% to 22.60%
W.P.P.F	12.50%

Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company supplies electricity to its associated companies and other entities and all related income is promptly received in accordance with contractual arrangements.

		<i>2001</i>	<i>2000</i>
24. EARNING PER SHARE			
Net (Loss)/profit	Rupees	(84,803,420)	11,049,809
Average ordinary shares	Nos.	19,800,000	19,800,000
Earning per share	Rupees	(4.28)	0.56

25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

25.1 The company purchased from and sold to associated undertakings goods and services in the aggregate sum of Rupees 1.626 (2000: 0.783) million and Rupees 170.876 (2000: 140.365) million, respectively.

25.2 Maximum amount due from associated undertakings at the end of any month during the year was Rupees 70.136 (2000: 33.231) million.

26. PLANT CAPACITY AND ACTUAL POWER GENERATION

	<i>2001</i> <i>MWH</i>	<i>2000</i> <i>MWH</i>
Plant capacity	208,926	207,781
Actual generation	170,065	175,581

26.1 Reason for low power generation

Actual power generation in comparison to plant capacity is low due to periodical, scheduled and un-scheduled, maintenance of generators.

27. GENERAL

- corresponding figures have been rearranged, wherever necessary, for the purpose of comparison.

- figure have been rounded off to the nearest rupee.

JAHANGIR ELAHI
Chief Executive

TANVIR ELAHI
Director