

# **Japan Power Generation Limited**

**Annual Report 2000**

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## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

MR. ZAFAR MAHMOOD	CHIEF EXECUTIVE
SHEIKH NIAZ ALI	
MR. AKHTAR ALI UPPAL	
MR. ASAD ALI UPPAL	
MR. FAISAL QAMMAR UPPAL	
MR. SAITO YOSHIHIRO	
SHEIKH MAHMOOD ALI	
MR. MUHAMMAD ALI	
MR. HASEEB KHAN	
SYED ZAFAR HAIDER	
MR. SHAHARYAR AHMED	
MR. MAHMOOD AHMED	
MR. HAMAYUN RAZA	
MRS. SAMINA ZAFAR	

### **COMPANY SECRETARY**

SYED ZAFAR HAIDER

### **AUDITORS**

HYDER BHIMJI & CO.,  
CHARTERED ACCOUNTANTS  
&  
JAVOID JALAL AMJAD & CO.,  
CHARTERED ACCOUNTANTS

**LEGAL ADVISORS**  
SYED RASHID RAHIM

**BANKERS**  
PRIME COMMERCIAL BANK LTD.  
ASKARI COMMERCIAL BANK LTD.  
ALLIED BANK OF PAKISTAN LTD.  
FAYSAL BANK LTD.

**REGISTERED OFFICE**  
26, PESHAWAR BLOCK,  
FORTRESS STADIUM,  
LAHORE CANTT.  
TEL: 6668156 - 57  
FAX: 6664625

**PLANT LOCATION**  
JIA BAGGA RAILWAY STATION,  
RAIWIND ROAD, DISTRICT LAHORE.  
TEL: 5835864 - 68  
FAX: 5835860

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 6th Annual General Meeting of the members of Japan Power Generation Limited will be held on Tuesday the 26th December, 2000 at 11:00 a.m. at plant site located at Khan-Nepal Road near Jia Bagga Railway Station, Raiwind Road, District Lahore to transact the following business:

1. To confirm the minutes of last Annual General Meeting held on December 31, 1999.
2. To receive, consider and adopt the audited accounts of the Company for the financial year ended June 30, 2000 together with the Auditors' and Directors' Reports thereon.
3. To appoint Auditors for the financial year 2000-2001 and fix their remuneration.
4. 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  
December 05,2000

**SYED ZAFAR HAIDER**  
(Company Secretary)

Notes:

- i) The Share Transfer Book of the Company will remain closed from December 16, 2000 to December 26,

2000 (both days inclusive)

ii) 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 26-Peshawar Block, Fortress Stadium, Lahore Cantt, the registered office of the Company not later than forty-eight hours before the time of the meeting and must be duly stamped, signed and witnessed.

iii) Members are requested to immediately notify the change in address, if any

## **DIRECTORS' REPORT**

Your Directors feel pleasure in presenting the 6th Annual Report and Audited Accounts for the Year ended June 30, 2000.

### **PRESENT STATUS**

With Allah's blessing your project successfully declared the Commercial Operation Date from March 14, 2000 which was accepted by WAPDA with the following two conditions:

A) Company will comply with the environmental standards by increasing height of stacks and submit a certificate under section 5.1 (b) (i) of PPA in this regard within four months from the date thereof.

B) The certificates and documents as required under section 3.3 (v) and 3.3 (vii) of PPA will be submitted within three months from the date thereof.

Necessary work for increasing stack height is in progress and is nearing completion. Required Extension of time from WAPDA is in place and company is confident to meet the requirement.

All required certificates and documents as required u/s 3.3 (v) and 3.3(vii) of PPA have been submitted to WAPDA. From March 15, 2000 the company started delivery of energy to WAPDA and is receiving Energy and Capacity payments on the basis of MOU signed with WAPDA on July 29, 1999.

The company is finalising a Rescheduling / Restructuring plan with the Banks' Syndicate to which the majority of Syndicate members have principally agreed as explained in note - 10.2 & 10.3 to the audited accounts. The legal documentation is being drafted for necessary authentication by the syndicate members.

### **GENERAL**

The profit and loss account being presented is for the period of three and a half months i.e. from March 15, 2000 to June 30, 2000. The main reason for loss is the charge for liquidated damages of Rs. 51.331(m) imposed by WAPDA due to project's inability, on certain occasions, to supply electricity to WAPDA on demand. This was primarily due to the non-availability of residual fuel oil for which required working capital could not be raised. To ensure against any such future eventuality, the management has taken appropriate steps to buildup requisite stock of residual fuel oil, from the funds generated from internal resources.

The Directors wish to thank the members, staff and management of the company for their devotion and hard work and are confident that Insha Allah with their whole-hearted efforts, future years will result in profitability and prosperity.

## **AUDITORS**

Retiring Auditors Messrs. Javaid Jalal Amjad & Company Chartered Accountants and Messrs. Hyder Bhimji & Company Chartered Accountants being eligible, offer themselves for reappointment.

## **PATTERN OF SHARE HOLDING**

Statement reflecting the Pattern of shareholding as at June 30, 2000 is attached.

LAHORE

December 04, 2000

ON BEHALF OF THE BOARD OF  
DIRECTORS  
CHIEF EXECUTIVE

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Japan Power Generation Limited as at June 30, 2000 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 period 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 period was for the purpose of the company's business; and

iii. the business conducted, investments made and the expenditure incurred during the period 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, 2000 and of the loss, its cash flows and changes

in equity for the period then ended; and

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

LAHORE  
December 04, 2000.

**Javaid Jalal Amjad &  
Co.**  
**Chartered Accountants**

**Hyder Bhimji & Co.**  
**Chartered  
Accountants**

**BALANCE SHEET  
AS AT JUNE 30, 2000**

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>Fixed capital expenditure</b>			
Operating Fixed assets	3	6,662,913,491	37,584,697
Capital work-in-progress	4	--	4,689,372,380
Pre-operational cost	5	--	717,827,766
		-----	-----
	2.8	6,662,913,491	5,444,784,843
<b>Deferred Cost</b>		61,093,172	64,935,957
<b>Current assets</b>			
Stock and stores	6	23,377,062	1 59,807,370
Trade debts	7	156,859,790	
Advances, deposits, prepayments and other receivables	8	98,606,713	12,146,853
Cash and bank balances	9	55,031,591	59,964,909
		-----	-----
		333,875,156	131,919,132
		-----	-----
		7,057,881,819	5,641.639,932
		=====	=====
<b>Share capital</b>			
<b>Authorized</b>			
150.000,000 Ordinary shares of Rs. 10 each		1,500,000,000	1,500,000,000
		=====	=====
<b>Issued, subscribed and paid-up</b>			
133.200.000 Ordinary shares of Rs. 10/- each.			
Issued for cash		1,332,000,000	1,332,000,000
Accumulated loss		(67,567,284)	--
		-----	-----
<b>Shareholders' equity</b>		1,264,432,716	1,332,000,000
<b>Sponsors' interest free loan - unsecured</b>		168,375,918	108,585,226
<b>Long term loans/finances</b>	10	3,989,830,228	3,068,423,961
<b>Liabilities against assets subject to finance lease</b>	11	1,292,779	2,427.76

<b>Deferred liabilities - gratuity</b>		2,545,200	1,851,300
<b>Current liabilities</b>			
Finance against dishonoured bill	12	7,386,718	18,492,787
Current portion of long term liabilities	13	733,600,387	705,902,401
Short term borrowings	14	102,104,065	--
Creditors, accrued and other liabilities	15	788,313,808	403,956,502
		-----	-----
		1,631,404,978	1,128,351,690
<b>Contingencies and commitments</b>	16		
		-----	-----
		7,057,881,819	5,641,639,932
		=====	=====

The annexed notes form an integral part of these accounts.

LAHORE

December 04, 2000

**DIRECTOR**

**DIRECTOR**

**CHIEF EXECUTIVE**

**PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD FROM MARCH 15, 2000 TO JUNE 30, 2000**

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Sales	17	374,473,635	--
Cost of sales	18	237,310,344	--
		-----	-----
Gross profit		137,163,291	--
<b>Operating Expenses</b>			
Administration and general	19	7,049,700	--
		-----	-----
Operating profit		130,113,591	--
Other income	20	1,139,270	--
		-----	-----
		131,252,861	--
<b>Financial and other Charges</b>			
Financial charges	21	143,597,279	--
Other charges	22	55,173,706	--
		-----	-----
		198,770,985	--
		-----	-----
Operating loss before taxation		(67,518,124)	--
Provision for taxation			
Current taxation on other income		49,160	--
		-----	-----
<b>Loss carried forward to balance sheet</b>		(67,567,284)	--

Earnings per share of Rs. 10 each

23

=====  
(0.051)  
=====

=====  
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The annexed notes form an integral part of these accounts.

LAHORE

December 04, 2000

**DIRECTOR**

**DIRECTOR**

**CHIEF EXECUTIVE**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Operating loss before taxation		(67,518,124)	--
Adjustment for:			
Depreciation		65,299,753	--
Provision for gratuity		693,900	--
Amortisation of deferred cost		3,842,785	--
Financial Charges		143,597,279	--
		-----	-----
		213,433,717	--
		-----	-----
Operating profit before working capital changes		145,915,593	--
Working capital change - schedule attached		(89,365,794)	--
Income taxes paid		(6,012,419)	--
		-----	-----
<b>Cash generated from operating activities</b>		<b>50,537,380</b>	<b>--</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Working capital change - schedule attached		--	146,642,951
Fixed capital expenditure		(1,154,228,663)	(1,305,552,732)
		-----	-----
Net cash used in investing activities		(1,154,228,663)	(1,158,909,781)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long-term loans / finances		947,969,277	1,002,930,405
Sponsors' interest free loan		59,790,692	108,585,226
Finance against dishonoured bill (FADB)		(11,106,069)	18,492,787
Short term borrowings		102,104,065	--
Payment of lease rentals		--	(1,138,901)
		-----	-----
<b>Net cash provided by financing activities</b>		<b>1,098,757,965</b>	<b>1,128,869,517</b>
		-----	-----
<b>Net decrease in cash and cash equivalents</b>		<b>(4,933,318)</b>	<b>(30,040,264)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>59,964,909</b>	<b>90,005 173</b>
		-----	-----

Cash and cash equivalents at the end of the year	9	55,031,591	59,964,909
--	---	------------	------------

=====	=====
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LAHORE

December 04, 2000

**DIRECTOR**

**DIRECTOR**

**CHIEF EXECUTIVE**

**SCHEDULE OF CHANGES IN OPERATING ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Trade debts	(156,859,790)	--
Stock and stores	36,430,308	(39,648,983)
Advances, deposits, prepayments and other receivables	(90,291,809)	(3,855,894)
Creditors, accrued and other liabilities	121,355,497	190,147,828
	-----	-----
	(89,365,794)	146,642,951
	=====	=====

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Share Capital Rupees</i>	<i>Accumulated Loss Rupees</i>	<i>Total Rupees</i>
Balance as at July 01, 1998	1,332,000,000	--	1,332,000,000
Addition during the year	--	--	--
	-----	-----	-----
Balance as at July 1, 1999	1,332,000,000	--	1,332,000,000
Addition during the year	--	--	--
Profit / (loss) for the period	--	(67,567,284)	(67,567,284)
	-----	-----	-----
Balance as at June 30, 2000	1,332,000,000	(67,567,284)	1,264,432,716
	=====	=====	=====

LAHORE

December 04, 2000

**DIRECTOR**

**DIRECTOR**

**CHIEF EXECUTIVE**

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2000**

**1. STATUS AND ACTIVITIES**



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 has commenced actual commercial operations w.e.f. March 15, 2000.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Accounting convention**

These accounts have been prepared under the historical cost convention modified by capitalization of exchange differences referred to in note 2.9.

### **2.2 Staff retirement benefits**

The company operates an unfunded gratuity scheme covering all its permanent employees. Provision is made annually to cover the liability under the scheme.

### **2.3 Taxation**

The company's profit and gains from Power Generation are exempt from tax under clause 176 of the Second Schedule - Part I to the Income Tax Ordinance, 1979. The company is also exempt from minimum tax on turnover under clause 20 of the Second Schedule - Part IV to the Income Tax Ordinance, 1979. Tax on income from sources not covered under the above clauses is determined in accordance with the normal provisions of the Income Tax Ordinance, 1979.

### **2.4 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 comprise of historical cost, exchange differences referred to in note 2.9 and interest etc. in note 2.10.

Depreciation on operating fixed assets is charged to profit on the 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 3. The net exchange differences relating to an asset, at the end of each year is amortized in equal installments over its remaining useful life. Depreciation on additions is charged from the month in which the asset is put to use and no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal are taken to income.

### **2.5 Accounting for leased Assets**

a) 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.

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

c) 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.

### **2.6 Stock and stores**

These are valued at lower of cost or net realizable value. Cost has been calculated as follows:

Residual fuel oil	-Moving average upto commercial operation date and thereafter on FIFO method.
High Speed diesel	-Moving average
Lube oil	-Moving average
Chemicals and other lubricants	-Moving average

### 2.7 Pre-operational cost

All cost/expenditure not directly related to specific assets incurred before the commencement of operational activities were grouped under this head. These have been allocated to building and plant and machinery at the time of commencement of commercial operation.

### 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 to be amortized over a period of five year starting from March 15, 2000, the date of commercial operations.

### 2.9 Foreign currency translation

Foreign currency transactions are converted into Pak Rupees at the rates prevailing on the date of transaction. 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.

### 2.10 Financial and other charges

Financial and other charges on long term loans are capitalised upto the date of actual commercial operations. All other financial and related charges are charged to income.

### 2.11 Commitments and contingencies

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

### 2.12 Revenue recognition

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

## 3. Operating fixed assets

PARTICULARS	C O S T		Rate (%)	DEPRECIATION		Book value	
	As at July 1, 1999	Additions / (deletions)		As at June 30, 2000	Charge for the period	As at June 30, 2000	as at June 30, 2000
<b>Owned</b>							
Land - freehold	16,046,645	--	16,046,645	--	--	--	16,046,646
Buildings and civil works	--	354,564,231	354,564,231	3.3	3,412,681	3,412,681	351,151,550

Plant and machinery	--	6,335,527,269	6,335,527,269	3.3	60,979,450	60,979,450	6,274,547,819
Furniture and fixtures	1,938,326	214,609	2,152,935	10	62,794	62,794	2,090,141
Office equipment	1,410,450	319,573	1,730,023	10	50,459	50,459	1,679,564
Tubewell	1,723,760	--	1,723,760	10	50,276	50,276	1,673,484
Railways sidings	6,650,000	--	6,650,000	10	193,958	193,958	6,456,042
Vehicles	4,340,516	2,865	4,343,381	20	253,364	253,364	4,090,017
<b>Leased</b>							
Office premises	775,000	--	775,000	10	22,604	22,604	752,396
Vehicle	4,700,000	--	4,700,000	20	274,167	274,167	4,425,833
<b>Rupees 2000</b>	37,584,697	6,690,628,547	6,728,213,244		65,299,753	65,299,753	6,662,913,491
<b>Rupees 1999</b>	41,982,285	(4,397,588)	37,584,697		--	--	37,584,697

**3.1 Addition to plant and machinery include exchange loss on foreign currency loans aggregating Rs. 15.518 million,**

3.2 The depreciation charge for the period has been allocated to:

**Rupees**

Cost of Sales	64,636,365
Administration expenses	663,388
	-----
	65,299,753
	=====

3.3 Fixed asset register is in the process of being written up

	<i>Note</i>	<b>2000</b> <b>Rupees</b>	<b>1999</b> <b>Rupees</b>
<b>4. Capital work in progress</b>			
<b>Building</b>			
Civil works		289,822,191	281,090,908
Advances to contractors		--	1,869,228
Pre - operational cost	5	64,742,040	--
		-----	-----
		354,564,231	282,960,136
Transferred to operating fixed assets	3	(354,564,231)	--
		-----	-----
		--	282,960,136
<b>Machinery</b>			
Advances to contractors		5,166,000,079	4,404,934,402
Letters of credit		--	1,137,608
Pre - operational cost	5	1,154,008,892	--
		-----	-----
		6,320,008,971	4,406,412,244
Transferred to operating fixed assets	3	(6,320,008,971)	--
		-----	-----

		--	4,406,412,244
		-----	-----
		--	4,689,372,380
		=====	=====
	<i>Note</i>	<i>Mar. 14, 2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>5. Pre-operational cost</b>			
Directors' remuneration		1,140,000	1,140,000
Travelling and conveyance		17,298,437	14,596,671
Staff salaries and benefits		39,429,642	32,348,305
Rent, rates and taxes		7,218,436	4,817,930
Postage and telegrams		428,325	361,523
Telephone and telex		5,559,509	4,792.02
Printing and stationery		1,793,035	1,408.48
Newspapers and periodicals		47,897	40,523
Independent engineer fee		16,756,792	3,599,413
Financial charges	5.1	1,066,913,691	691,845,803
Auditors' remuneration		910,700	910,700
Fee and subscription		1,246,300	681,736
Insurance		2,140,376	1,520,702
Vehicle running and maintenance		3,925,299	2,979,764
Entertainment		1,709,778	1,408,494
Charity and donations	5.2	257,184	182,784
Legal, professional and consultancy charges	5.3	42,506,954	33,462,666
Utilities		9,632,377	1,430,339
Repair and maintenance		1,943,226	984,287
Publicity and advertisement		869,675	832,675
Loss on disposal of fixed assets		2,450,000	2,450,000
Taxation		13,667,904	211,540
Commissioning expenses		67,456,441	--
Loss on repossession of leased vehicles		465,705	465,705
Miscellaneous expenses		504,084	443,970
		-----	-----
		1,306,271,767	802,916,021
Less: Interest received on saving accounts - net of income tax		45,247,581	44,033,561
Exchange gain		33,528,785	33,520,280
Sale proceeds of scrap / sludge		8,744,469	7,564,414
		-----	-----
		87,520,835	85,088,255
		-----	-----
		1,218,750,932	717,827,766
Expenses transferred and allocated to fixed assets	4	1,218,750,932	--
		-----	-----
		--	717,827,766
		=====	=====

### 5.1 Financial Charges

Interest / mark up on:

Long term loans / finances	777,420,515	456,625,091
Short term borrowings	3,086,353	--
Finance against dishonoured bill	2,176,570	2,145,000
Lease finance	4,296,875	3,635,740
Guarantee commission	192,607,331	150,443,101
Bank fees and other charges	86,913,296	78,615,001
Bank charges and excise duty	412,751	381,870
	-----	-----
	1,066,913,691	691,845,803
	=====	=====

5.2 None of the directors or their spouses have any interest in the donations paid.

5.3 It includes a retainership fee of Rs. 150,000/- per month payable to Haseeb Khan & Co, Chartered Accountants, whose proprietor is also a director in the company.

### 6. Stock and stores

These comprise of:

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Residual fuel oil	7,700,150	30,698,867
High speed diesel	892,093	8,794,369
Lube oil	12,156,512	20,158,387
Chemicals and other lubricants	2,628,307	155,747
	-----	-----
	23,377,062	59,807,370
	=====	=====

### 7. Trade debts- considered good

	156,859,790	--
	=====	=====

These are receivable from WAPDA and are fully secured.

### 8. Advances, deposits, prepayments and other receivables

Advances - considered good:

Employees	13,500	28,000
Expenses	1,393,001	289,165
For land	10,725,001	1,072,500
Pakistan State Oil Co. Ltd. (PSO)	59,967,360	--
Income Tax	378,280	4,210,229
Others	979,116	4,008,212
	-----	-----
	62,550,056	9,608,106

Deposits:

Leasing company	470,000	470,000
-----------------	---------	---------

Rented property	31,356	32,023
Central Depository Company Ltd. (CDC)	800,000	800,000
Others	61,500	116,105
	-----	-----
	1,362,856	1,418,128
Prepayments	10,314	269,148
Other receivables - considered good:		
Sales tax receivable from WAPDA	30,195,087	--
Claim from Siemens Pakistan Engineering Co. Ltd.	1,475,248	--
Others	3,013,152	851,471
	-----	-----
	34,683,487	851,471
	-----	-----
	98,606,713	12,146,853
	=====	=====

**9. Cash and bank balances**

Cash in hand	5,116	39,472
Cash with banks ·		
In current accounts	356,258	270,912
In saving accounts	54,670,217	59,654,525
	-----	-----
	55,031,591	59,964,909
	=====	=====

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>10. Long term loans / finances</b>			
<b>Secured</b>			
Supplier's Credit			
Plant and machinery	10.1	2,642,093,019	2,701,101,768
<b>Syndicated loan I</b>	10.2		
Prime Commercial Bank Limited		51,920,000	51,920,000
National Development Finance Corporation		40,000,000	40,000,000
Askari Commercial Bank Limited		49,230,000	49,230,000
Allied Bank of Pakistan Limited		24,600,000	24,600,000
A1-Faysal Investment Bank Limited		20,490,000	20,490,000
Faysal Bank Limited		20,490,000	20,490,000
Gulf Commercial Bank Limited		18,460,000	18,460,000
Prudential Commercial Bank Limited		10,250,000	10,250,000
Prudential Investment Bank Limited		10,250,000	10,250,000
Crescent Investment Bank Limited		8,210,000	8,210,000
		-----	-----
		253,900,000	253,900,000
<b>Syndicate loan II</b>	10.3		
Prime Commercial Bank Limited		309,176,777	147,354,333

National Development Finance Corporation		244,185,170	116,379,190
Askari Commercial Bank Limited		293,056,142	139,671,203
Allied Bank of Pakistan Limited		203,629,050	97,050,054
AI-Faysal Investment Bank Limited		122,007,739	58,149,157
Faysal Bank Limited		122,007,739	58,149,157
Gulf Commercial Bank Limited		109,959,689	52,407,030
Prudential Commercial Bank Limited		60,919,024	29,034,141
Prudential Investment Bank Limited		60,919,024	29,034,141
Crescent Investment Bank Limited		49,040,663	23,372,888
Fidelity Investment Bank Limited		122,007,739	58,149,157
		-----	-----
<b>Un-secured</b>		1,696,908,756	808,750,451
<b>Supplier's credit -</b>			
Power cable	10.4	68,780,414	67,978,191
		-----	-----
		4,720,690,938	3,772,721,661
<b>Less: Current portion shown under current liabilities:</b>			
Overdue installments	10 (a)	343,901,791	91,666,538
Current maturity	10 (b)	696,470,531	612,631,162
		-----	-----
		730,860,710	704,297,700
		-----	-----
		3,989,830,228	3,068,423,961
		=====	=====
<b>10(a) Overdue installments</b>			
Syndicated loan I		--	74,671,990
Supplier's credit - power cable		34,390,179	16,994,548
		-----	-----
		34,390,179	91,666,538
		=====	=====
<b>10(b) Current maturity</b>			
Supplier's credit - plant and machinery		675,275,442	528,418,604
Syndicated loan-I		4,000,000	67,218,010
Supplier's credit - power cable		17,195,089	16,994,548
		-----	-----
		696,470,531	612,631,162
		=====	=====

#### 10.1 Supplier's Credit - plant and machinery

The supplier's credit was obtained in Japanese Yen from Toyota Tsusho (Singapore) PTE Limited (TTC) amounting to Japanese Yen 7,428,600,000 representing 90% of the total value of the plant and machinery whereas 10% of the total value of Japanese Yen 825,400,000 was paid in advance as down payment. The credit carries an interest at the rate of 7.9% per annum and was repayable in twelve equal half yearly installments alongwith interest commencing from September 26, 1998. Financing fee of Japanese Yen 735,535,552 was payable in twelve equal half yearly installments commencing from September 26, 1998.

This credit facility is secured by an irrevocable Letter of Credit established by the Allied Bank of Pakistan

Limited (ABL) in favor of TTC. ABL is secured by a counter guarantee issued by a Syndicate of twelve banks.

The Syndicate's counter guarantee is secured by a first equitable mortgage / charge on all the present and future assets including equipment, inventories and receivables of the company, personal guarantees of the sponsoring directors and pledge of sponsors' shares.

### **10.2 Syndicated loan I**

This 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. The rescheduling / restructuring of this loan has principally been agreed by majority of syndicate members and is at the finalization stage, whereby:

the repayment of this loan shall be made in 24 quarterly installments commencing from March 31, 2001.

The mark up shall be charged @ 12% p.a.w.e.f. Commercial operation date.

Rupees 60 million shall be invested by the sponsors by injection of Rs. 30 million within six months of execution of restructuring agreement and the balance Rs. 30 million in the next six months thereafter.

Subordination of the sponsors' loan.

Accordingly, the company has given effect of mark up rate and repayment of this loan as per the above stated rescheduling / restructuring in these accounts while the syndicate members have not given effect of the same at their end on the terminal date.

### **10.3 Syndicated loan II**

This is a forced loan which was created due to non-payment by the company of first four installments of supplier's credit alongwith financing fee. This syndicated 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. As in case of Syndicated Loan I, the rescheduling / restructuring of this loan has also been principally agreed by majority of syndicate members and is at the finalization stage, whereby, the principal and mark up shall be payable in sixty quarterly installments commencing from September 30, 2000. The mark up shall be chargeable @ 12% p.a.w.e.f. commercial operation date. Likewise, the company has incorporated mark up at the said rate while the syndicate members have not given effect of the same at their end of the terminal date.

### **10.4 Supplier's credit- power cable**

This credit was also obtained from Toyota Tsusho Corporation, Japan amounting to US\$ 1,315,113 against the import of 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.

## **11. Liabilities against assets subject to finance lease**

Opening balance

**2000**  
**Rupees**

4,032,456

**1999**  
**Rupees**

5,171,357



Less: paid / adjusted during the year	--	1,138,901
	-----	-----
	4,032,456	4,032,456
Less: Current portion shown under current liabilities:		
Overdue Installments	16,047,011	7,443,551
Installments due within next twelve months	1,134,976	860,346
	-----	-----
	2,739,677	1,604,701
	-----	-----
	1,292,779	2,427,755
	=====	=====

This represents finance obtained against a vehicle under lease agreement with First Crescent Modaraba. The purchase option is available to the company on payment / adjustment of residual value alongwith the last installment. Other significant terms and conditions are as follows:

Lease amount	Rs.	4,700,000
Installment amount	Rs.	128,762
No.of monthly installments		60
Implicit rate of return		28.03%
Deposit		10%
Penalty		Rs. 100 per day for delay in payment of installment

The future minimum lease payment which the company has committed under the lease agreement are as follows:

**Year ending June 30**

2000	--	2,289,499
2001	1,545,144	1,545,144
2002	1,371,334	1,371,334
	-----	-----
	2,916,478	5,205,977
Less: financial charges allocated to future periods	488,723	1,173,521
	-----	-----
	2,427,755	4,032,456
	=====	=====
<b>12. Finance against dishonoured bill (FADB)</b>	7,386,718	18,492,787
	=====	=====

The FADB resulted from the company's inability to meet its commitment against an import letter of credit opened by Allied Bank of Pakistan Ltd in favour of lube oil supplier. It is secured by pledge of lube oil

**13. Current portion of long-term liabilities**

Long term loans / finances	10	730,860,710	704,297,700
Liabilities against assets subject to finance lease	11	2,739,677	1,604,701
		-----	-----
		733,600,387	705,902,401
		=====	=====

#### 14. Short term borrowings

These borrowings are obtained from:

Name of Bank	Sanctioned	Disbursed Amount	
	Limit Rupees	2000 Rupees	1999 Rupees
Prime Commercial Bank Ltd.	51,406,596	31,553,364	--
Askari Commercial Bank Ltd.	10,811,850	10,811,850	--
Allied Bank of Pakistan Ltd.	44,873,000	44,873,000	--
Al-Faysal Investment Bank Limited	4,501,286	4,501,286	--
Faysal Bank Limited	4,501,286	4,501,286	--
Gulf Commercial Bank Limited	4,054,000	4,054,000	--
Crescent Investment Bank Ltd.	1,809,279	1,809,279	--
		-----	-----
		102,104,065	--
		=====	=====

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 @ 18% upto COD and 12% thereafter.

#### 15. Creditors, accrued and other liabilities

	2000 Rupees	1999 Rupees
Creditors	91,604,414	76,442,537
Accrued liabilities	45,930,094	11,871,696
Interest/-mark up payable on secured borrowings	392,014,634	173,603,078
Interest / mark up payable on unsecured borrowings	6,633,398	4,720,156
Guarantee commission payable	120,711,891	66,326,430
Penalty for delay on payment of long-term borrowings and guarantee commission	52,895,517	52,895,517
Liquidated damages	51,330,921	--
Retention money	25,912,655	7,446,990
Income tax payable	--	9,795,208
Other liabilities	1,280,284	854,890
	-----	-----
	788,313,808	403,956,502
	=====	=====

#### 16. Contingencies and commitments

##### Contingencies:

16.1 The Company' filed a legal suit with Sindh High Court against the levy of 0.20% Sindh Govt. Infrastructure tax on import of machinery. The court awarded a stay order against the levy of tax in 1997 and ordered the company to provide a bank guarantee in favour of Sindh Government which was accordingly issued by Prime Commercial Bank Limited amounting to Rs. 4,396,800.

16.2 The Deputy Commissioner of Income Tax (DCIT) has imposed certain penalties / additional taxes amounting to Rs. 8,451,549 on account of non / delayed payments of income tax demands for the

assessment years 1997-98 and 1998-99. The company, however, considers these levies as arbitrary and have accordingly filed appeals at the appropriate forums; the final outcome of which is pending adjudication. These liabilities, however, have been fully paid and incorporated in these accounts.

**Commitments:**

The company had future capital commitments amounting to Rs. 3.117 million (1999: Rs. 17.672 million) at the terminal date.

		<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
<b>17. Sales</b>			
Energy payments		147,121,862	--
Capacity payments		227,351,773	--
		-----	-----
		374,473,635	--
		=====	=====
<b>18. Cost of Sales</b>			
Fuels and oils consumed		150,810,350	--
Salaries, wages, and benefits		1,168,265	--
Operating and maintenance fee		12,396,349	--
Electricity consumed in house		2,062,704	--
Repair and maintenance		63,196	--
Insurance		6,173,115	--
Depreciation	3.2	64,636,365	--
		-----	-----
		237,310,344	--
		=====	=====
<b>19. Administration and general expenses</b>			
Salaries, wages, and benefits		2,191,330	--
Travelling and conveyance		738,871	--
Rent, rates and taxes		1,098,848	--
Postage and telegram		21,697	--
Electricity and utility charges		89,007	--
Telephone and telex		384,371	--
Printing and stationery		120,044	--
Newspapers and periodicals		4,607	--
Legal, professional and consultancy charges		833,379	--
Fee and subscription		25,840	--
Auditors' remuneration	19.1	305,000	--
Insurance		15,899	--
Vehicle running and maintenance		339,170	--
Entertainment		137,204	--
Repair and maintenance		74,397	--
Depreciation	3.2	663,388	--
Miscellaneous		6,648	--

-----	-----
7,049,700	--
=====	=====

**19.1 Auditors' remuneration**

	2000 Rupees			1999 Rupees	
	<i>Hyder Bhimji. &amp; Co.</i>	<i>Javaid Jalal Amjad &amp; Co.</i>	<i>Coopers &amp; Lybrand</i>	<i>Javaid Tariq &amp; Co.</i>	
Audit fee	150,000	95,000	150,000	95,000	
Out of pocket expenses	30,000	30,000	30,000	20,000	
	-----	-----	-----	-----	
	180,000	125,000	180,000	115,000	
	=====	=====	=====	=====	
	=	=====	=====	=====	

**2000  
Rupees**

**1999  
Rupees**

**20. Other Income**

Interest on bank deposits	377,700	--
Sale of scrap / sludge	761,570	--
	-----	-----
	1,139,270	--
	=====	=====

**21. Financial Charges**

Interest / mark up on:		
Long term loans / finances	125,644,498	--
Short term borrowings	3,156,376	--
Lease finance	444,057	--
Guarantee commission	11,735,968	--
Exchange loss	1,431,790	--
Bank fee and other charges'	1,184,590	--
	-----	-----
	143,597,279	--
	=====	=====

**22. Other Charges**

Liquidated damages	51,330,921	--
Deferred cost amortized	3,842,785	--
	-----	-----
	55,173,706	--
	=====	=====

**23. Earnings per share**

Net loss for the year	(67,567,284)	--
	=====	=====
Weighted average number of ordinary shares	1,332,000,000	--
	=====	=====

Earning per share

(0.051)

--

#### 24. Plant capacity and actual production

Installed annual capacity in MWH

937,320

--

Actual energy delivered in three and a half months ill MWH

70,507

--

#### 25. Financial assets and liabilities

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

	2000 (Rupees)						
	Interest / markup bearing			Non Interest bearing			Total
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub total</i>	
<b>Financial assets</b>							
Trade debts	--	--	--	156,859,790	--	156,859,790	156,859,790
Advances, deposits, prepayments & other receivables	--	--	--	36,568,959	--	36,568,959	36,568,959
Cash & bank balances	54,670,217	--	54,670,217	361,374	--	361,374	55,031,591
	-----	-----	-----	-----	-----	-----	-----
	54,670,217	--	54,670,217	193,790,123	--	193,790,123	248,460,340
	=====	=====	=====	=====	=====	=====	=====
<b>Financial liabilities</b>							
Long term loans							
- Secured	682,015,119	3,973,927,861	4,655,942,980	--	--	--	4,655,942,980
- Unsecured	51,585,268	17,195,146	68,780,414	--	--	--	68,780,414
Deferred liabilities	--	--	--	--	2,545,200	2,545,200	2,545,200
Sponsors' loan	--	--	--	--	168,375,918	168,375,918	168,375,918
Finance against dishonoured bill	--	--	--	7,386,718	--	7,386,718	7,386,718
Short term borrowings	102,104,065	--	102,104,065	--	--	--	102,104,065
Creditors. accrued & other liabilities	--	--	--	788,313,808	--	788,313,808	788,313,808
	-----	-----	-----	-----	-----	-----	-----
	835,704,452	3,991,123,007	4,826,827,459	795,700,526	170,921,118	966,621,644	5,793,449,103
	=====	=====	=====	=====	=====	=====	=====

1999  
(Rupees)

	1999 (Rupees)						
	Interest / markup bearing			Non Interest bearing			Total
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub total</i>	
<b>Financial assets</b>							
Advances, deposits, prepayments & other receivables	--	--	--	5,835,811	--	5,835,811	5,835,811
Cash & bank balances	59,654,525	--	59,654,525	310,384	--	310,384	59,964,909

	59,654,525	--	59,654,525	6,146,195	--	6,146,195	65,800,720
<b>Financial liabilities</b>							
Long term loans							
- Secured	671,913,305	3,036,862,621	3,708,775,926	--	--	--	3,708,775,926
- Unsecured	33,989,096	33,989,095	67,978,191	--	--	--	67,978,191
Deferred liabilities	--	--	--	--	1,851	1,851,300	1,851,300
Sponsors' loan	--	--	--	--	108,585,226	108,585,226	108,585,226
Finance against dishonoured bill	18,492,787	--	18,492,787	--	--	--	18,492,787
Creditors, accrued & other liabilities	--	--	--	403,956,502	--	403,956,502	403,956,502
	724,395,188	3,070,851,716	3,765,246,904	403,956,502	110,436,526	514,393,028	4,309,639,932

### 25.1 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to change in market interest rates. The effective interest rates as at June 30, 2000 for financial instruments are given in the relevant notes.

### 25.2 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. Out of total financial assets of Rs. 248,460,340 the financial assets which are subject to credit risk amounts in Rs. 91,595,434. The company believes that it is not exposed to major concentration of credit risk.

### 25.3 Foreign exchange risk management

Foreign exchange risk arises mainly where receivables and payable exist due to transactions with foreign undertakings. Out of total payables of Rs. 2,769,882,182 in foreign currency, the payable exposed to foreign exchange risk amounts to Rs. 68,780,414.

### 25.4 Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities approximates to their fair value.

### 26. Number of employees

Number of employees at the year end was

**2000**

**1999**

88

52

### 27. Management remuneration

27.1 The aggregated amounts charged in the accounts for the year for remuneration includes all benefits to executives, chief executive and director of the company are as follows:

**2000**  
**Rupees**  
**Executives**

**1999**  
**Rupees**  
**Executives**

Managerial remuneration	2,113,408	5,773,779
	-----	-----
House rent and utilities	1,085,575	599,989
	=====	=====
	3,198,983	6,373,768
	=====	=====
No of persons	10	8
	=====	=====

27.2 No remuneration, house rent and utilities were paid to chief executive and directors of the company.

27.3 No Board meeting fee has been paid to the directors

27.4 Company maintained vehicles are provided to the chief executive and one of the directors.

### 28. Environmental risk exposure

The company is in the process of compliance with the environmental risk exposure and is expected to be fully compliant by the end of December 2000.

### 29. Figures

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

Being the first year of commercial operations, comparative figures of profit and loss account are not applicable.

- have been rounded off to the nearest rupee.

LAHORE

December 04, 2000

**DIRECTOR**

**DIRECTOR**

**CHIEF EXECUTIVE**

### PATTERN OF SHAREHOLDINGS AS ON 30-06-2000

<i>NUMBER OF SHAREHOLDERS</i>	<i>SHAREHOLDING</i>		<i>TOTAL SHARES HELD</i>
	<i>FROM</i>	<i>TO</i>	
2	1	100	150
363	101	500	181,471
518	501	1,000	518,000
1070	1,001	5,000	3,413,154
422	5,001	10,000	3,527,320
138	10,000	15,000	1,799,680
112	15,001	20,000	2,110,000
67	20,001	25,000	1,599,000
44	25,000	30,000	1,253,000
26	30,000	35,000	880,500
24	35,001	40,000	921,500
13	40,001	45,000	566,000
33	45,001	50,000	1,630,500
13	50,001	55,000	690,600

6	55,001	60,000	351,500
9	60,001	65,000	570,000
4	65,001	70,000	274,500
12	70,000	75,000	888,025
10	75,001	80,000	786,000
5	80,001	85,000	414,000
9	85,001	90,000	788,600
15	95,001	100,000	1,495,500
5	100,001	105,000	516,000
7	105,001	110,000	763,500
4	110,001	115,000	455,000
4	115,001	120,000	471,500
2	120,001	125,000	248,500
2	125,001	130,000	257,000
3	130,001	135,000	400,500
3	135,001	140,000	413,000
5	140,001	145,000	714,000
6	145,001	150,000	889,500
1	155,001	160,000	157,000
2	160,001	165,000	325,000
1	165,001	170,000	167,500
6	170,001	175,000	1,035,658
1	175,001	180,000	180,000
1	180,000	185,000	185,000
3	185,001	190,000	561,500
2	190,001	195,000	383,500
9	195,001	200,000	1,789,500
2	205,001	210,000	419,500
2	210,001	215,000	429,000
2	215,001	220,000	435,500
1	220,001	225,000	221,000
1	230,001	235,000	232,500
1	240,001	245,000	243,000
1	250,001	255,000	255,000
2	270,001	275,000	548,500
2	290,001	295,000	583,700
4	295,001	300,000	1,196,000
1	300,001	305,000	302,000
1	315,001	320,000	317,500
1	335,001	340,000	337,000
7	340,001	345,000	2,395,448
1	355,001	360,000	359,500
1	370,001	375,000	375,000
1	385,001	390,000	389,500
2	395,001	400,000	800,000
1	415,001	420,000	419,000
1	420,001	425,000	425,000
1	425,001	430,000	428,500



1	435,001	440,000	440,000
1	440,001	445,000	442,500
1	490,001	495.00	493,000
1	515,001	520,000	516,500
3	530,001	535,000	1,601,500
1	535,001	540,000	537,000
1	550,001	555,000	555,000
2	560.00	585.00	1,144,500
1	640.00	645.00	645,000
1	645,001	650,000	649,400
1	650.00	655.00	652,000
1	655.00	660,000	657,000
1	705.00	710,000	708,500
1	720,001	725,000	725,000
1	760,001	765,000	761,000
1	855,001	860,000	855,395
5	930,001	935,000	4,660,000
2	995,001	1,000,000	2,000,000
1	1,025,001	1,030.00	1,026,409
1	1,585,001	1,590,000	1,589,000
7	1,660.00	1,665.00	11,650,000
1	1,710,001	1,715,000	1,710,790
1	1,915,001	1,920,000	1,917,500
1	2,285,001	2,290,000	2,286,100
1	2,560,001	2,565,000	2,560,500
1	3,250,001	3,255,000	3,250,500
2	3,395,001	3,400,000	6,800,000
3	3,880,001	3,885.00	11,650,000
1	6,390,001	6,395,000	6,391,500
1	18,635,001	18,640,000	18,640,000
-----	-----	-----	-----
3065			133,200,000
=====	=====	=====	=====

**CATEGORIES OF SHAREHOLDERS**

<b>DESCRIPTION</b>	<b>NUMBER OF SHAREHOLDERS</b>	<b>NUMBER OF SHARES HELD</b>	<b>PERCENTAGE</b>
INDIVIDUAL INVESTMENT COMPANY	2677	88,850,700	66.70
INSURANCE COMPANY	21	2,258,200	1.70
JOINT STOCK COMPANY	10	374,500	28
FINANCIAL INSTITUTION	61	8,199,200	6.16
MODARABA COMPANY	25	12,419,700	9.32
FOREIGN COMPANY	7	573,000	0.43
MODARABA MANAGEMENT COMPANIES	28	19,024,700	14.28
	3	167,500	0.13

LEASING COMPANY	4	241,500	0.18
OTHERS	229	1,091,000	0.82
<b>TOTAL</b>	<u>3065</u>	<u>133,200,000</u>	<u>100.00</u>