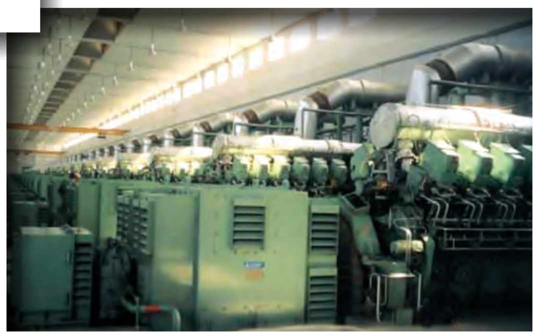
JAPAN POWER GENERATION LIMITED



ANNUAL REPORT 2010

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COMPANY INFORMATION

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

NOTICE OF 16TH ANNUAL GENERAL MEETING

Notice is hereby given that the 16th Annual General Meeting of Japan Power Generation Limited will be held on Tuesday, September 28, 2010 at 9:00 AM at registered office/plant located at Jia Bagga, off Raiwind Road, Lahore to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 15th Annual General Meeting of the Company held on Wednesday, November 25, 2009.

2. To receive, consider and adopt the audited financial statements of the company for the financial year ended June 30, 2010, together with the Directors' and Auditors' Reports thereon.

3. To appoint auditors, M/s Hyder Bhimji & Co, Chartered Accountants, for the Company for the financial year ending June 30, 2011 and fix their remuneration.

4. To elect ten 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:

Mr. Jehangir Shah	Mr. Kashif Muhammad Khan
Mr. Khurram Faizyab	Mr. Nafees Ahmed
Brig. (R) Mansur Aslam	Mr. Shahzad Mehmood
Mr. Muhammad Faisal Israr	Mr. Mansoor Ur Rehman
Mr. Zafar Iqbal	Mr. Najeeb Ahmed Shaikh

   All the retiring Directors shall be elegible to offer themselves for election.

5. To transact any other business that may be placed before the meeting with the permission of the Chair.

By order of the Board

Lahore
September 07, 2010

Zain ul Abidin
Company Secretary

NOTES

1. The Share Transfer Book of the Company will remain closed from September 19, 2010 to September 28, 2010 (Both days inclusive).

2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote in his/her place. Proxies, complete in every respect, in order to be effective, must be received at the Registered Office of the Company located at Jia Bagga, off Raiwind Road, Lahore, not less than 48 hours before the time of holding the meeting.

3. Members are requested to promptly notify the Company any change in their addresses.

4. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in circular -1 dated January 20, 2000 issued by the SECP:

A. For Attending the Meeting

1. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original Passport, Account and Participant's ID number at the time of attending the Meeting.

2. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

1. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.

2. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

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

4. The proxy shall produce his original NIC or original passport at the time of the Meeting.

5. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

DIRECTORS' REPORT TO THE MEMBERS

The board of directors of your Company are pleased to present the 16th Annual Report together with the audited financial statements of your Company and auditors' report thereon for the year ended June 30, 2010.

PRINCIPAL ACTIVITIES

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

MAJOR STRATEGIC ISSUES:

Resumption of Plant Operations:

The Company had been in extreme financial distress due to the on going dispute with WAPDA, whereby WAPDA had completely stopped payments since January 2009 onwards. This was a departure from WAPDA's obligations under the PPA. Since the country is in dire need of electricity, the management undertook numerous initiatives with WAPDA to re-start operations of the plant. In this connection, the WAPDA/PEPCO along with the Company worked on various proposals to resume the operations of the Company.

As a result of these efforts, in December 2009, WAPDA/PEPCO and the Company reached on an arrangement for the resumption of the plant operations. As per the arrangement, WAPDA has extended advances to the Company for procurement of fuel, lube oil and spares. These advances are repayable with interest. As such the Company has re-started its operations from February 06, 2010 at initial generation of 65MW. This is going to help the Company in bringing its plant to the full capacity of 120.5MW by the end of December 2010.

Auditors' Emphasis Paragraphs - Resolution of Contractual Issues:

i) As reported in the last year's annual report, the Company was contingently liable for the liquidated damages claimed by WAPDA for the period from July 1, 2001 to June 30, 2010, to the tune of Rs. 2,121.705 million (including 523.491 million billed during the year under report), out of which WAPDA has already arbitrarily deducted an amount of Rs. 882.719 million from Company's capacity invoices. The Company disputed the liquidated damages and arbitrary deduction by WAPDA from the Company's capacity invoices.

ii) WAPDA had disputed payments amounting to Rs. 384.032 million, relating to indexation of non-escalable components of capacity purchase price (CPP) already paid to the Company from March 14, 2004 to March 13, 2006 and disputed further amount of Rs. 640.357 million against the Company's CPP invoices for the period from March 14, 2006 to June 30, 2010. The total amount disputed by WAPDA comes to Rs. 1,024.389 million, against which WAPDA has arbitrarily withheld a total amount of Rs. 676.176 million from the Company's CPP invoices up-till June 30, 2010.

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

In January 2009, the Company referred the matter to the International Court of Arbitration under the

International Chamber of Commerce's (the "ICC") Rules as per the provisions of the PPA for the implementation of the Expert's recommendations. The claimed amount as per recommendations of the Expert is Rs. 3.6 billion (approximately). In the event of Tribunal completely ruling in favor of the Company, the net expected cash inflow after adjusting the Company's liabilities to WAPDA, could be Rs. 2.5 billion (approximately). The Arbitral Tribunal passed a partial award in which it allowed reimbursement of cost of the Expert mediation to the Company. In the absence of quantified amounts by the Expert, the Tribunal, on June 29, 2010, as per provisions of the PPA, determined that WAPDA should deposit Rs. 38 million approximately in an escrow account. The management of the Company is optimistic about the outcome of the arbitration. The arbitration process is expected to complete by end of January 2011.

In view of the above stated reasons as well as Company's resumption of operations of its power project with the assistance of WAPDA/PEPCO, the management of the Company believes that the going concern assumption used for the preparation of the financial statements for the year ended June 30, 2010 is appropriate.

PLANT PERFORMANCE

During the current financial year, the plant usage decreased to 198,934MWh as compared to 256,870MWh in the previous year, as the plant remained shutdown from last week of December 2008 to February 06, 2010 due to default of WAPDA as per the provisions of the PPA.

FINANCIAL PERFORMANCE

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

Financial year ended June 30,	**2010**	**2009**
	Rupees	**'million'**
Turnover	**2,731.94**	3,505.76
Cost of sales	**(2,443.21)**	(3,281.62)
Gross profit	**288.73**	224.14
Operating expenses	**(68.05)**	(71.45)
Operating profit	**220.68**	152.69
Other income	**20.01**	14.55
Financial and other costs	**(691.43)**	(760.24)
Provision for taxation	**(1.62)**	(0.44)
Net loss after taxation	**(452.36)**	(593.44)
Loss per share – basic and diluted	**Rs. (2.89)**	Rs. (3.87)

The sales revenue for the current year decreased to Rs. 2.73 billion as compared to Rs. 3.51 billion last year due to shutdown of plant up to February 6, 2010, as well as reduction in NEC component of CPP invoices. However, the gross profit margin increased as compared to last year due to lower losses on fuel consumption due to reduced operations (the Company consumes more fuel than is paid by WAPDA) .

The operating expenses slightly decreased as compared to last year because of the reduction in legal costs as last year payments were made to lawyers and International Chamber of Commerce's (the "ICC") fee for arbitration proceedings.

The financial charges reduced as compared to last year mainly due to decrease in applicable KIBOR rates.

For the above mentioned reasons, the net loss after taxation decreased to Rs. 452.36 million as compared to Rs. 593.44 million last year.

EXTERNAL AUDITORS' APPOINTMENT

The Company's auditors M/s Hyder Bhimji & Co., Chartered Accountants shall retire at the conclusion of the 16th annual general meeting. The auditors have indicated their willingness to continue in office as auditors. The appointment in the office of the external auditors shall be made in the next AGM.

REMUNERATION OF CHIEF EXECUTIVE

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

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

a) The Financial Statements, together with the Notes thereto, have been drawn up by the management in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.

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

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

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

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

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

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

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

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

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

Name	No. of Meetings Attended	Name	No. of Meetings Attended
Col. (R) Shahid Qamar Yazdanie (Resigned)	2	Mr. Zafar Iqbal	4
Brig. (R) Mansur Aslam (New appointment)	1	Mr. Mansoor ur Rehman	0
Mr. Shahbaz Jameel (Resigned)	1	Mr. Jehangir Shah	3
Mr. Khurram Faizyab (New appointment)	0	Mr. Kashif Muhammad Khan	3
Mr. Muhammad Faisal Israr	3	Mr. Najeeb Ahmed Shaikh	3
Mr. Syed Mujahid Hussain Naqvi (Resigned)	0	Mr. Adnan Qayum Khan (Resigned)	1
Mr. Nafees Ahmed (New appointment)	0	Mr. Saulat Ali Khan (New appointment)	3
Mr. Shahzad Mehmood	0	Mr. Muhammad Hanif Abbasi	3

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

During the financial year ended June 30, 2010, four causal vacancies have been filled in the Board of Directors as per Section 180(2) of the Companies Ordinance 1984.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Company's Statement of Compliance with the Code of Corporate Governance is annexed with the report.

ETHICS AND BUSINESS CONDUCT

The Company endeavors to conduct business honestly, in good faith and to comply with such regulations, codes, guidelines and procedures, which govern its business.

The relationship between the management and employees is exemplary. The Directors are pleased to record their appreciation for the hard work and devotion to duty by all cadres of employees.

ENVIRONMENT HEALTH AND SAFETY

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

PATTERN OF SHAREHOLDING

Pattern of Shareholding of the Company as at 30th June 2010, along with the necessary information is attached to this report.

FUTURE PROSPECTS

Though the Company has not yet come out of financial distress, its financial position is expected to improve once the disputes with WAPDA are resolved in favor of the Company. In that case, the Company may be in a position to carry out necessary plant improvements as well as meet its obligations towards lenders.

CONCLUSION

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

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

Lahore: August 26, 2010

On behalf of the Board
Chief Executive Officer

OPERATING AND FINANCIAL DATA
SIX YEARS SUMMARY

	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005
DISPATCH LEVEL(%)	**18.85**	24.33	48.07	56.65	48.64	40.68
DISPATCH (MWh)	**198,934**	256,870	506,924	531,015	455,908	381,320
REVENUE (Rs.000s)						
Energy Purchase Price	1,981,217	2,644,434	3,583,596	2,694,553	2,272,271	1,284,440
Capacity Purchase Price	750,722	861,324	915,548	920,345	904,113	910,377
TOTAL REVENUE	**2,731,939**	**3,505,758**	**4,499,144**	**3,614,898**	**3,176,384**	**2,194,817**
Cost of Sales	(2,443,209)	(3,281,624)	(4,214,069)	(3,336,485)	(2,814,905)	(1,818,782)
GROSS PROFIT	**288,730**	**224,134**	**285,075**	**278,413**	**361,479**	**376,035**
PROFITABILITY (Rs. 000s)						
Profit / (Loss) Before Tax	(450,729)	(593,000)	(162,114)	(216,444)	(268.252)	(89,866)
Provision for Taxation	(1,623)	(444)	(556)	(191)	(326)	622
PROFIT/(LOSS) AFTER TAX	**(452,352)**	**(593,444)**	**(162,670)**	**(216,635)**	**(268,578)**	**(89,244)**
FINANCIAL POSITION (Rs. 000s)						
Non Current Assets	5,063,299	5,316,919	5,538,638	5,749,999	6,007,310	5,713,498
Current Assets	2,534,865	1.112,711	1,577,505	1,247,371	1,130,351	520,298
Less Current Liabilities	(3,900,197)	(1,905,488)	(1,624,257)	(1,248,390)	(1,100,470)	(666,542)
NET WORKING CAPITAL	**(1,365,332)**	**(792,777)**	**(46,752)**	**(1,019)**	**29,881**	**(146,244)**
CAPITAL EMPLOYED	**3,237,990**	**4,043,429**	**4,990,438**	**5,226,798**	**5,494,274**	**5,567,254**
Less Non Current Liabilities	(4,280,816)	(4,656,161)	(5,031,396)	(5,210,009)	(5,281,584)	(5,230,174)
SHAREHOLDERS' EQUITY	**(1,042,826)**	**(612,732)**	**(40,958)**	**16,789**	**212,690**	**337,080**
REPRESENTED BY (Rs. 000s)						
Share Capital	1,560,376	1,560,376	1,476,188	1,476,188	1,332,000	1,332,000
Share deposit money	-	-	84,188	-	144,188	-
Accumulated Loss	(2,605,659)	(2,174,043)	(1,601,334)	(1,459,399)	(1,263,498)	(994,920)
Fair Value reserve	2,457	935	-	-	-	-
	(1,042,826)	**(612,732)**	**(40,958)**	**16,789**	**212,690**	**337,080**
SHARE VALUE (RUPEES):						
Market Value	1.80	1.80	5.30	6.00	5.00	4.00
Breakup Value	(0.67)	(0.39)	(0.28)	0.11	1.44	2.53
RATIOS:						
Gross Profit to Sales (%)	10.57	6.39	6.34	7.70	11.38	17.13
Net Profit to Sales (%)	(16.56)	(16.93)	(3.62)	(5.99)	(8.46)	(4.07)
Earning per Share (Rupees)	(2.89)	(3.87)	(1.10)	(1.57)	(2.02)	(0.67)
Current Ratio (times)	0.65	0.58	0.97	1.00	1.03	0.78
Liquidity Ratio (times)	0.6	0.54	0.88	0.91	0.69	0.37
Debt to Equity (times)	-	-	-	384.66	32.56	17.49

VISION STATEMENT

TO BECOME PARTNER IN PROGRESS OF THE COUNTRY

MISSION STATEMENT

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

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

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

1. The Company encourages the representation of independent non-executive directors on its Board of Directors. At present the Board includes more than three independent non-executive directors. However there is no representation of minority shareholders on the Board.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

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

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

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the date on which they were approved has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board members were offered orientation courses on their duties and responsibilities.

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

11. The directors' report for the year ended June 30, 2010 has been prepared in compliance with the requirements of the Code and fully describes the matters required to be disclosed.

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

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the Chairman of the Committee.

16. The meeting of the Audit Committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

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

18. The statutory auditors of the Company have confirmed that they have been given satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of their firms, their spouses and minor children do not hold shares of the Company and that the firms and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

On behalf of the Board

Lahore: August 26, 2010 **Chief Executive Officer**

REVIEW REPORT TO THE MEMBERS
On Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Japan Power Generation Limited** (the company) for the year ended June 30, 2010 to comply with the Listing Regulations of the respective stock exchanges, where the company is listed.

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

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the company for the year ended June 30, 2010.

Lahore: August 26, 2010

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Japan Power Generation Limited** as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

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

b) in our opinion:

   I. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and further in accordance with accounting policies consistently applied except for the changes as described in note-2.2 with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2010 and of the loss, its comprehensive income, 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 deposited into the Central Zakat Fund established under Section 7 of that Ordinance.

Without qualifying our report, we draw attention of the members towards:

(i) note 1.2 of the financial statements, which disclosed the appropriateness of the going concern assumption used by the company inspite of the fact that the company has been suffering losses since the year 2000, when it commenced commercial operation, its accumulated loss as at June 30, 2010 stood at Rs. 2,606 million and as of that date its total liabilities exceeded its total assets by Rs. 1,043 million with adverse current ratio; as well as matter of disputes with WAPDA having been referred to International Chamber of Commerce (ICC), pending adjudication. All these situations indicate the existence of a material uncertainty, which may cast significant doubt about the company's ability to continue as a going concern.

(ii) notes 20.1 and 20.2 of the financial statements which discloses company's contingent liabilities towards WAPDA's claim on account of indexation of non-escalable component of Capacity Purchase Price (CPP) in the sum of Rs. 1,024.389 million and liquidated damages totaling Rs. 2,121.705 million uptil the terminal date, that are denied and disputed by the company. These matters were referred to an expert as per the dispute resolution procedure as laid down in Power Purchase Agreement (PPA). The expert had given his recommendations on these issues which supported the company's position. Accordingly both parties initiated a settlement based on the expert's recommendations but with certain concessions given to WAPDA. However, WAPDA failed to formally sign the said settlement. Therefore, neither the recommendations of the expert were implemented nor the settlement effected by WAPDA. In January 2009, the company referred the matter to the International Court of Arbitration under the International Chamber of Commerce's (the "ICC") Rules as per the provisions of the PPA for the implementation of the expert's recommendations and the proceedings are sub-judice uptil the terminal date. Meanwhile, the Arbitral Tribunal passed a partial award in favour of the company and allowed reimbursement of the expert's cost of mediation to the company by WAPDA, by directing WAPDA to deposit Rs. 38 million approximately in an escrow account. The management of the company is optimistic that the decision of Arbitral Tribunal would be made in its favour, which is expected by the end of January 2011. Accordingly, no adjustment in this context has been made in these financial statements.

In view of above disputes, the balances payable to / receivable from WAPDA as appearing in these financial statements have not been confirmed by WAPDA.

Lahore: August 26, 2010

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

BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010 Rupees '000'	2009 Rupees '000'
Non current assets			
Property, plant and equipment	5	**5,063,199**	5,316,819
Long term deposit	6	**100**	100
		5,063,299	5,316,919
Current assets			
Stores and spares	7	**58,186**	37,633
Stock in trade	8	**179,811**	105,484
Trade debts	9	**1,637,546**	680,994
Advances, deposits, prepayments and other receivables	10	**364,862**	194,262
Tax refunds due from the Government	11	**73,757**	69,492
Cash and bank balances	12	**220,703**	24,846
		2,534,865	1,112,711
TOTAL ASSETS		**7,598,164**	6,429,630
Capital and reserves			
Authorized capital			
160,000,000 (2009: 160,000,000) ordinary shares of Rs. 10 each		**1,600,000**	1,600,000
Issued, subscribed and paid-up capital	13	**1,560,376**	1,560,376
Accumulated loss		**(2,605,659)**	(2,174,043)
Fair value reserve		**2,457**	935
Shareholders' equity		**(1,042,826)**	(612,732)
Surplus on revaluation of property , plant and equipment	14	**459,977**	480,713
Non current liabilities			
Long term finances	15	**4,273,083**	4,650,516
Deferred liability	16	**7,733**	5,645
		4,280,816	4,656,161
Current liabilities			
Short term borrowings	17	**215,000**	221,400
Current portion of long term finances	15	**849,225**	471,792
Trade and other payables	18	**1,758,814**	666,890
Accrued markup	19	**1,077,158**	545,406
		3,900,197	1,905,488
Contingencies and commitments	20		
TOTAL EQUITY AND LIABILITIES		**7,598,164**	6,429,630

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

Lahore: August 26, 2010 **Chairman / Director** **Chief Executive** **Chief Financial Officer**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees '000'	2009 Rupees '000'
Sales	21	**2,731,939**	3,505,758
Cost of sales	22	**(2,443,209)**	(3,281,624)
Gross profit		**288,730**	224,134
Operating expenses			
Administrative and general expenses	23	**(68,045)**	(71,447)
Operating profit		**220,685**	152,687
Other operating income	24	**20,012**	14,550
		240,697	167,237
Finance and other cost			
Finance cost	25	**(691,426)**	(760,237)
Net loss before taxation		**(450,729)**	(593,000)
Provision for taxation			
Current - on other operating income		**(1,623)**	(444)
Net loss after taxation		**(452,352)**	(593,444)
Loss per share - basic and diluted	26	**(2.89)**	(3.87)

Appropriations are reflected in the statement of changes in equity.

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

Lahore: August 26, 2010 | **Chairman / Director** | **Chief Executive** | **Chief Financial Officer**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees '000'	2009 Rupees '000'
Net loss after taxation		**(452,352)**	(593,444)
Other comprehensive income			
Actuarial gains recognised during the year	16.1	**1,522**	935
Total comprehensive income for the year		**(450,830)**	(592,509)

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

Lahore: August 26, 2010

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees '000'	2009 Rupees '000'
CASH FLOW FROM OPERATING ACTIVITIES			
Cash inflow after working capital changes	27	**367,127**	376,724
Finance cost paid		**(159,676)**	(324,245)
Gratuity paid		**(78)**	(81)
Income tax paid		**(1,224)**	(208)
Net cash inflow from operating activities		**206,149**	52,190
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of operating assets		**(477)**	(27,224)
Addition in Capital work in progress during the year		**(3,417)**	(8,085)
Proceeds from sale of property, plant and equipment		**2**	1,011
Net cash outflow from investing activities		**(3,892)**	(34,298)
CASH FLOW FROM FINANCING ACTIVITIES			
Change in short term borrowings		**(6,400)**	(13,944)
Net cash outflow from financing activities		**(6,400)**	(13,944)
Net increase in cash and cash equivalents		**195,857**	3,948
Cash and cash equivalents at the beginning of year		**24,846**	20,898
Cash and cash equivalents at the end of year	12	**220,703**	24,846

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

Lahore: August 26, 2010 **Chairman / Director** **Chief Executive** **Chief Financial Officer**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Share capital	Share deposit money	Accumulated loss	Fair value reserve	Total
	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'
Balance as at June 30, 2008	1,476,188	84,188	(1,601,334)	-	(40,958)
Share issued against share deposit money	84,188	(84,188)	-	-	-
Incremental depreciation on revaluation of property, plant & equipment	-	-	20,735	-	20,735
Total comprehensive income for the year	-	-	(593,444)	935	(592,509)
Balance as at June 30, 2009	1,560,376	-	(2,174,043)	935	(612,732)
Incremental depreciation on revaluation of property, plant & equipment	-	-	20,736	-	20,736
Total comprehensive income for the year	-	-	(452,352)	1,522	(450,830)
Balance as at June 30, 2010	**1,560,376**	**-**	**(2,605,659)**	**2,457**	**(1,042,826)**

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

Lahore: August 26, 2010 **Chairman / Director** **Chief Executive** **Chief Financial Officer**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Japan Power Generation Limited was incorporated in Pakistan on September 29, 1994 as public limited company under the Companies Ordinance, 1984 and its shares are quoted on Lahore and Karachi Stock Exchanges. The registered office and plant of the company is situated at Near Jia Bagga Railway Station, Chowk Araian, Off Raiwind Road, Lahore. The principal business of the company is to generate and supply electric power to WAPDA. The company commenced commercial operations from March 15, 2000.

1.2 The major loss contributing factor has been shortfall in reimbursement from WAPDA of actual fuel cost incurred vis-à-vis PPA's standard formula. This issue had been addressed materially through amendment to the Power Purchase Agreement. The effect of this amendment together with proposed modification in engines would eliminate fuel loss and would contribute to the profitability of the company. Due to a couple of disputes with WAPDA as explained in note 20.1 and 20.2 of these financial statements, the Capacity Price Payments (CPP) were withheld by WAPDA to adjust these against its own disputed dues / amount of fuel advance. These disputes were referred to an expert but on the non implementation of the recommendations of the Expert, the company suspended its operations on December 24, 2008 and in order to expedite the settlements of the disputes, the company referred the matter to International Chamber of Commerce (ICC), pending adjudication at the terminal date, and expects a favourable decision that will generate a substantial cash inflow to the company as fully explained in Note - 20.3 of these financial statements.

Without prejudice to the arbitration proceedings at ICC, the company and WAPDA/PEPCO in the meantime have reached on an arrangement to restart the plant, whereby WAPDA/PEPCO has provided advance for the purchase of fuel, lube oil and spares required for operation and maintenance of the plant, thereby providing cash flow support to the company to put its power plant back into operation w.e.f. February 06, 2010 at 65 MW to be arrived at a full capacity of the project at 120.5 MW by the end of December, 2010. The management of the company, at present, is in the process of making necessary improvements / replacements of parts in the engines which will be helpful not only to retain / sustain the full capacity of the project but also in substantial reduction in the fuel loss, so as to contribute towards the profitability of the company in future as stated earlier.

Under these circumstances, the management of the company is fully justified to prepare these financial statements by using the going concern assumption.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Standards, Interpretations and amendments to published approved accounting standards Amendments to published standards effective in 2009 and relevant to the company

The company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 July 2009.

Standard or Interpretation

IFRS - 7 Financial Instruments: Fair Value Disclosures (Amendment)
IAS - 1 Presentation of Financial Statements (Revised)
IAS - 23 Borrowing cost (Revised)

IFRS - 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the company's financial instruments and the nature and extent of risks arising from those financial instruments.

The new standard requires qualitative risk disclosures including information processes an entity uses to manage and quantitative data about the exposure to each type of risk arising from financial instruments. It requires enhanced disclosures about fair value measurement and liquidity risk the amendment results in only additional disclosures and there are no impacts on profit for the year. The new disclosures are included throughout the financial statements.

IAS - 1 Presentation of Financial Statements (Revised)

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the company shows all owner related changes in equity in statement of changes in equity, whereas all non-owner changes in equity are presented in other comprehensive income. Comparative information is required to be re-presented so that it is in conformity with the revised standard. The company has preferred to present two statements; a profit and loss account (income statement) and a second statement beginning with profit or loss and display components of other comprehensive income (statement of comprehensive income). Comparative information has also been re-presented so it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year or the corresponding period.

IAS - 23 Borrowing Costs (Revised)

The principal change to the standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements as it has always been the Company's accounting policy to capitalise borrowing costs incurred on qualifying assets.

2.3 Standards or Interpretation effective in 2009 but not relevent to the comnpany

The following standards and interpretations are effective for financial periods beginning on or after July 1, 2009 but are either not relevent or do not have any effect / material effect on the financial statements of the company.

IFRS - 1 First-time Adoption of International Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)
IFRS - 2 Share Based Payments - Vesting Conditions and Cancellations (Amendment)
IFRS - 3 Business Combinations (Revised)
IFRS - 8 Operating segments
IAS - 27 Subsidiary, Jointly Controlled Entity or Associate (Amendment)
IAS - 27 Consolidated and separate Financial Statements (Amendment)
IAS - 32 Financial Instruments - Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)
IAS - 39 Financial Instruments: Recognition and Measurement Eligible hedged items (Amendments)

IFRIC - 15 Agreements for the construction of real estate
IFRIC - 16 Hedge of Net Investment in a Foreign Operation
IFRIC - 17 Distributions of Non - cash Assets to owners
IFRIC - 18 Transfer of assets from customers

2.4 Standards issued but not yet effective

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

Standard or Interpretation		Effective date (Periods beginning on or after)
IFRS - 1	First-time adoption of International Financial Reporting Standards - Limited Exemption from Comparatives. IFRS 7 Disclosures for first-time adopters	January 1, 2010
IFRS - 1	First-time adoption of International Financial Reporting Standards - Limited Exemption from Comparatives. IFRS 7 Disclosures for first-time adopters	July 1, 2010
IFRS - 2	Share - based Payments: Amendments relating to Group cash	January 1, 2010
IFRS - 9	Financial Instruments	January 1, 2013
IAS - 24	Related Party Disclosures (Revised)	January 1, 2011
IAS - 32	Financial Instruments: Presentation-Classification of Rights Issues (Amendments)	February 1,2011
IFRIC - 14	Prepayments of a Minimum Funding Requirement (Amendment)	January 1, 2011
IFRIC - 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

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

In addition to the above the IASB annual improvements project published in April 2009, contains a number of amendments which would generally be applicable for financial periods beginning on or after January 1, 2010. These include changes in terminology and accounting requirements. The company expects that the adoption of the standards and improvements to the standards will not have any material impact on the company's financial statements in the period of initial application.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for staff retirement benefits that are measured at present value. The company's significant accounting policies are stated in note 4. In these financial statements, except for cash flow statement, all the transactions have been accounted for on accrual basis.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions effect only that period, or in the period of revision and future periods if revisions effect both current and future periods.

Significant areas requiring the use of the management estimates in these financial statements relate to the useful life of the depreciable assets, provision for doubtful debts on account receivables and staff retirement benefits. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Staff retirement benefits - defined benefit plan

The company operates an unfunded gratuity scheme covering all permanent employees with qualifying service period of six months. The scheme is based on the last drawn salary. The provision which is charged to income is made annually to cover the obligation on the basis of actuarial valuation. The defined benefit asset or liability comprises the present value of defined benefit obligation less unrecognized past service cost. The most recent actuarial valuation of the scheme was carried out as at June 30, 2010. The actuary used the 'Projected Unit Credit Method' relying on the following significant assumptions:

	2010	2009
Discount rate	**12%**	12%
Expected rate of salary increase	**11%**	11%
Average expected remaining work life of employees	**16 years**	13 years

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

4.2 Taxation

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

4.3 Property, plant and equipment - owned, tangible

Operating assets

Operating fixed assets except land are stated at cost / revalued amount less accumulated depreciation and accumulated impairment losses, if any. Free hold land is stated at revalued amount.

Depreciation on operating fixed assets is charged to profit on straight line method so as to write off the historical cost of an asset over its estimated useful life at the annual rates mentioned in note 5 of the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which asset is disposed off.

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

Capital work in progress

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

4.4 Surplus on revaluation of property, plant and equipment

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

4.5 Stores, spares and stock in trade

These are valued at lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business less estimated cost necessary to make the sale. Cost is calculated as follows:

Stores and spares	**Moving average basis**
Stock in trade	
Residual fuel oil (RFO)	First in first out basis
High speed diesel (HSD)	Moving average basis
Lube oil	Moving average basis
Chemicals and other lubricants	Moving average basis

Items in transit are valued at cost, comprising invoice values plus other related charges incurred thereon.

4.6 Trade debts and other receivables

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

4.7 Cash and cash equivalents

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

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

4.9 Foreign currency translation
Foreign currency transactions are converted into Pak Rupees at the rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies at the year-end are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. All exchange differences are charged to income currently.

4.10 Provisions
A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a

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

Contingent liabilities are disclosed when:

- There is a possible obligation that arises from past events and whose existence will be confirmed only by the occurance or non occurance of one or more uncertain future events wholly within the control of the company.

- There is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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

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

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

Off-setting of financial assets and financial liabilities

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

4.15 Impairment
The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment loss is recognized in the profit and loss account.

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

	Note	2010 Rupees '000'	2009 Rupees '000'
5. PROPERTY, PLANT AND EQUIPMENT			
Operating assets - Tangible	5.1	**5,028,887**	5,285,924
Capital work in progress	5.2	**34,312**	30,895
		5,063,199	5,316,819

5.1 Operating assets

2010

PARTICULARS	COST					DEPRECIATION						WRITTEN DOWN VALUE AS AT JUNE 30, 2010
	As at July 01, 2009	Additions	Deletions	Surplus on revaluation of fixed assets	As at June 30, 2010	Rate (%)	As at July 01, 2009	Deletions/ adjustments	Charge for the year	Surplus on revaluation of fixed assets	As at June 30, 2010	
Owned												
Land - freehold	16,979	-	-	51,467	68,446		-	-	-	-	-	68,446
Buildings and civil works on freehold land	367,307	-	-	1,107	368,414	3.3 ~ 4.40	112,952	-	12,294	47	125,293	243,121
Plant and machinery	6,521,047	-	-	490,343	7,011,390	3.3 ~ 4.40	2,057,379	-	220,618	20,689	2,298,686	4,712,704
Workshop equipment	16,085	-	-	-	16,085	10	14,476	-	1,609	-	16,085	-
Weighbridge	1,175	-	-	-	1,175	10	1,058	-	117	-	1,175	-
Furniture and fixtures	1,606	-	(20)	-	1,586	10	1,207	(18)	144	-	1,333	253
Electric installations	1,403	110	-	-	1,513	10	961	-	134	-	1,095	418
Office equipment	1,292	-	-	-	1,292	10	735	-	119	-	854	438
Laboratory equipment	1,863	169	-	-	2,032	10	752	-	188	-	940	1,092
Computers	1,880	198	-	-	2,078	30	986	-	365	-	1,351	727
Tubewell	1,723	-	-	-	1,723	10	1,601	-	122	-	1,723	-
Railways sidings	6,650	-	-	-	6,650	10	6,179	-	471	-	6,650	-
Vehicles	3,042	-	-	-	3,042	20	760	-	594	-	1,354	1,688
2010 Rupees 000s	**6,942,052**	**477**	**(20)**	**542,917**	**7,485,426**		**2,199,046**	**(18)**	**236,775**	**20,736**	**2,456,539**	**5,028,887**

2009

PARTICULARS	COST					DEPRECIATION						WRITTEN DOWN VALUE AS AT JUNE 30, 2009
	As at July 01, 2008	Additions	Deletions	Surplus on revaluation of fixed assets	As at June 30, 2009	Rate (%)	As at July 01, 2008	Deletions/ adjustments	Charge for the year	Surplus on revaluation of fixed assets	As at June 30, 2009	
Owned												
Land - freehold	16,979	-	-	51,467	68,446		-	-	-	-	-	68,446
Buildings and civil works on freehold land	367,307	-	-	1,107	368,414	3.3 ~ 4.40	100,611	-	12,294	47	112,952	255,462
Plant and machinery	6,495,409	25,638	-	490,343	7,011,390	3.3 ~ 4.40	1,816,707	-	219,984	20,688	2,057,379	4,954,011
Workshop equipment	16,085	-	-	-	16,085	10	12,867	-	1,609	-	14,476	1,609
Weighbridge	1,175	-	-	-	1,175	10	940	-	118	-	1,058	117
Furniture and fixtures	1,606	-	-	-	1,606	10	1,046	-	161	-	1,207	399
Electric installations	1,383	54	(34)	-	1,403	10	850	(30)	141	-	961	442
Office equipment	1,212	80	-	-	1,292	10	613	-	122	-	735	557
Laboratory equipment	1,398	465	-	-	1,863	10	593	-	159	-	752	1,111
Computers	1,214	987	(321)	-	1,880	30	1,035	(321)	272	-	986	894
Tubewell	1,723	-	-	-	1,723	10	1,429	-	171	-	1,600	123
Railways sidings	6,650	-	-	-	6,650	10	5,514	-	665	-	6,179	471
Vehicles	10,432	-	(7,390)	-	3,042	20	7,556	(7,390)	594	-	760	2,282
2009 Rupees 000s	6,922,573	27,224	(7,745)	542,917	7,484,969		1,949,761	(7,741)	236,290	20,735	2,199,045	5,285,924

5.2	Capital work in progress	Note	2010 Rupees '000'	2009 Rupees '000'
	Land		**15,720**	15,720
	Expansion project	5.2.1	**15,175**	15,175
	Cylindrical liner		**3,417**	-
			34,312	30,895

5.2.1	Expansion project : it includes		
	Fees paid to NEPRA	**4,403**	**4,403**
	Fees and subscription	**7,312**	**7,312**
	Travelling and conveyance	**1,938**	**1,938**
	Legal, professional and consultancy charges	**1,515**	**1,515**
	Other expenses	**7**	**7**
		15,175	15,175

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

Cost of sales	**256,155**	255,735
Administrative and general expenses	**1,356**	1,290
	257,511	257,025

5.4 As at 30 June 2010, undepreciated balance of revaluation surplus included in the carrying value of operating assets, amounted to Rs. 459.978 million (2009: Rs. 480.712 million).

5.5 Had there been no revaluation, the carrying amount of revalued assets as on June 30, 2010 would have been as follows:

	Cost	Accumulated Depreciation	Written Down Value 2010	Written Down Value 2009
Land - freehold	16,979	-	16,979	16,979
Buildings and civil works on freehold land	367,307	125,105	242,202	254,495
Plant and machinery	6,521,047	2,215,934	4,305,113	4,525,732
Rupees	**6,905,333**	**2,341,039**	**4,564,294**	**4,797,206**

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

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit / (Loss)	Mode of Sale	Particulars of Buyer
Furniture and fixtures							
Single Bed	18	17	1	1	-	Negotiation	Mr. Tanveer Hussain - employee
Office Table	2	1	1	1	-	Negotiation	Mr. Muhammad Asif - employee
2010 Rupees 000s	**20**	**18**	**2**	**2**	**-**		
2009 Rupees 000s	7,745	7,741	4	1,011	1,007		

	Note	2010 Rupees '000'	2009 Rupees '000'
6. LONG TERM DEPOSIT			
Central Depository Company of Pakistan (CDC)		**100**	100
7. STORES AND SPARES			
Stores		**1,131**	1,568
Spares		**57,055**	36,065
		58,186	37,633
8. STOCK IN TRADE-RAW MATERIALS			
Residual fuel oil (RFO) (including in-transit Rs. 39.510 million (2009:Rs. Nill)		**158,672**	98,462
High speed diesel (HSD)		**6,404**	3,854
Lube oil (including in-transit Rs. 1.056 million (2009:Rs. Nill)		**11,885**	1,200
Chemicals and other lubricants		**2,850**	1,968
		179,811	105,484
9. TRADE DEBTS - CONSIDERED GOOD		**1,637,546**	680,994

These are receivable from WAPDA and are fully secured.

	Note	2010 Rupees '000'	2009 Rupees '000'
10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - Unsecured and considered good			
Advance against salaries to:			
Chief Executive		**2,276**	1,276
Executives		**2,823**	1,727
Employees		**363**	100
Advances to employees against salaries		**5,462**	3,103
Advances to employees against expenses		**80**	65
Advances to suppliers		**4,215**	90
To Pakistan State Oil Co. Ltd. (PSO)		**25,740**	1,557
To others	10.1	**142,321**	1,993
		177,818	6,808
Deposits			
Others		**6**	6
		6	6
Prepayments		**12,484**	13,715
Other receivables			
Claims receivable		**2,586**	1,695
Liquidated damages recoverable from WAPDA		**171,968**	172,038
		174,554	173,733
		364,862	194,262

10.1 The highest agregated balances at the end of any month during the year in case of Chief Executive & Executives of the company are Rs. 000s 2,276 and Rs. 000s 2,823 respectively (2009: Rs. 000s 1,436 and Rs. 000s 2,060 respectively).

10.2 This amount includes Rs. 136.228 million (2009: Rs. 1.674 million) of Letters of credit margin deposited with Royal Bank of Scotland.

	Note	2010 Rupees '000'	2009 Rupees '000'
11. TAX REFUNDS DUE FROM THE GOVERNMENT			
Sales tax refundable		**73,086**	68,424
Income tax refundable		**671**	1,068
		73,757	69,492
12. CASH AND BANK BALANCES			
Cash in hand		**477**	328
Cash with banks			
In current accounts		**30,395**	24,204
In saving accounts		**189,831**	314
		220,226	24,518
		220,703	24,846

13. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2010 Number of Shares	2009 Number of Shares		2010 Rupees '000'	2009 Rupees '000'
133,200,000	133,200,000	Ordinary shares of Rs. 10 each, Issued for cash	**1,332,000**	1,332,000
22,837,591	22,837,591	Ordinary shares of Rs. 10 each, Issued for consideration other than cash	**228,376**	228,376
156,037,591	**156,037,591**		**1,560,376**	1,560,376

	Note	2010 Rupees '000'	2009 Rupees '000'
Opening balance		**480,713**	501,448
Less: Incremental depreciation on revalued property, plant and equipment for the year transferred to accumulated loss		**(20,736)**	(20,735)
		459,977	480,713

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

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

	Note	2010 Rupees '000'	2009 Rupees '000'
Syndicated term finance agreement - II	15.1		
Banking companies			
The Royal Bank of Scotland Limited		**935,018**	935,018
National Bank of Pakistan Limited		**761,720**	761,720
Askari Bank Limited		**914,474**	914,474
Allied Bank Limited		**635,572**	635,572
NIB Bank Limited		**343,000**	343,000
SILK Bank Limited		**185,898**	185,898
Samba Bank Limited		**533,161**	533,161
		4,308,843	4,308,843
Non-banking financial institution			
Prudential Investment Bank Limited		**52,093**	52,093
		4,360,936	4,360,936
Morabaha finance agreement - II	15.2		
Banking company			
Faysal Bank Limited		**761,372**	761,372
		5,122,308	5,122,308
Less: Current and overdue portion shown under current liabilities			
Overdue portion			
Syndicated term finance agreement - II		**401,665**	80,333
Morabaha finance agreement - II		**70,127**	14,025
		471,792	94,358
Current maturity			
Syndicated term finance agreement - II		**321,332**	321,332
Morabaha finance agreement - II		**56,101**	56,102
		377,433	377,434
		849,225	471,792
		4,273,083	4,650,516

15.1 Syndicated term finance agreement - II

Syndicated loan II under financing arrangement was restructured on June 28, 2006 effective from April 01, 2006 as Syndicated Term Finance Agreement II. Under the new arrangement, the syndicate has agreed to purchase all the fixed and current assets of the company at the purchase price of Rs. 4,360.936 million and sell the same to the company at marked up price of Rs. 9,724.887 million. The principal is repayable in two phases. Phase-I as per repayment schedule A, comprises of 38 equal installments due from June 30, 2009 to September 30, 2018, while Phase-II represents the remaining principal, as per repayment schedule B, and consists of 16 equal installments due from June 30, 2022 to March 31, 2026. The facility carries mark up @ three months KIBOR plus 0.25% per annum payable on a quarterly basis.

15.2 Morabaha finance agreement - II

As part of the restructuring arrangement of existing loans, a morabaha finance agreement was signed with Faysal Bank Limited whereby the Bank agreed to purchase the goods at a purchase price of Rs. 761.372 million and sell the same to the company at a price of Rs. 1,697.859 million. The principal is repayable in two phases. Phase-I as per repayment schedule A, comprises of 38 equal installments due from June 30, 2009 to September 30, 2018, while Phase-II represents the remaining principal, as per repayment schedule B, and consists of 16 equal installments due from June 30, 2022 to March 31, 2026. The facility carries mark up @ 3 months KIBOR plus 0.25% per annum payable on a quarterly basis.

All the above finance arrangements are secured by a first pari passu fixed charge as a hypothecation over the company's entire present and future fixed and current assets, a mortgage by deposit of title deeds over its land and building and by pledge of the new management's shareholding.

Unfunded defined benefit plan

		2010 Rupees '000'	2009 Rupees '000'
16.1	Movement during the year in the net liability recognized in the financial statements is:		
	Opening net liability	**5,645**	3,446
	Add: amount recognized during the year	**4,181**	3,215
	Less: actuarial gains recognised during the year - other comprehensive income	**(1,522)**	(935)
		2,659	2,280
		8,304	5,726
	Less: gratuity payable written back	**493**	-
	Less: payments made during the year	**78**	81
	Closing net liability	**7,733**	5,645
16.2	The amounts recognized in balance sheet are as follow:		
	Present value of defined benefit obligation	**6,999**	5,061
	Plus payables	**493**	520
	Unrecognized actuarial gains	**241**	64
	Total balance sheet liability	**7,333**	5,645
16.3	The actuarial expense recognized in the profit and loss account is:		
	Current service cost	**2,125**	1,956
	Interest cost	**607**	324
		2,732	2,280

16.4 Historical Information

As at June 30,	**2010**	2009	2008	2007	2006
	Figures in Rupees in 000s				
Present value of defined obligation	**6,999**	5,061	2,699	1,896	1,321
Experience adjustment arising on plan liabilities	**(177)**	163	(329)	228	384

	Names of lenders	**Note**	**Sanctioned Limit**	**Disbursed Amount 2010**	**Disbursed Amount** 2009
			Rupees '000'	**Rupees '000'**	Rupees '000'
17.1	**Banking companies**				
	The Royal Bank of Scotland Limited	17.1.1	46,400	**40,000**	46,400
17.2	**Related Parties**				
	National Logistics Cell	17.2.1		**75,000**	75,000
	Pak Oman Investment Company Limited	17.2.2		**68,200**	68,200
	Saudi Pak Industrial & Agricultural Investment Company Limited	17.2.3		**31,800**	31,800
				175,000	175,000
				215,000	221,400

17.1.1 The borrowing from The Royal Bank of Scotland Limited (formerly Prime Commercial Bank Limited) is secured by a first charge, ranking pari passu on all present and future assets including plant and machinery, equipment, inventories, trade debts and other receivables of the company and the personal guarantees of the existing directors. The facility carries mark up @ six months KIBOR plus 2% per annum on a daily basis, payable quarterly.

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

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

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

	Note	2010 Rupees '000'	2009 Rupees '000'
18. TRADE AND OTHER PAYABLES			
Creditors		**61,302**	83,985
Accrued liabilities		**9,698**	8,812
Advance from WAPDA for purchase of fuel	18.1	**1,283,417**	569,696
Advance from WAPDA for purchase of spares	18.2	**400,000**	-
Infrastructure tax payable		**4,397**	4,397
		1,758,814	666,890

18.1 This includes an advance amounting to Rs. 723.622 million (2009: nil) as new arrangement with WAPDA w.e.f. February 06, 2010 against the procurement of fuel upto Rs. 500 million per month and is adjusted against company's energy purchase price (EPP) invoices. It carries markup @ 19.00% to 16.50% (2009: @ 19.00% to 16.00%) per annum and is secured against company's EPP billings to WAPDA.

18.2 This represents an advance amounting to Rs. 400 million from WAPDA against the procurement of spares parts in lump-sum. It carries markup @ 18.00% to 16.50% (2009: nill) per annum and is secured against company's billings to WAPDA. It will be adjusted against company's capacity purchase price (CPP) invoices in 20 equal installments starting from February, 2011 i.e. after 12 months from the date of disbursement of advance by WAPDA.

19. ACCRUED MARKUP

Markup payable on secured borrowings:

	2010 Rupees '000'	2009 Rupees '000'
Banking companies	**1,013,220**	531,248
Related parties	**38,657**	14,158
WAPDA - spares advance	**25,281**	-
	1,077,158	545,406

20. CONTINGENCIES AND COMMITMENTS

Contingencies:

20.1 As reported in the last year's annual report, the Company was contingently liable for the liquidated damages claimed by WAPDA for the period from July 1, 2001 to June 30, 2010, to the tune of Rs. 2,121.705 million (including 523.491 million billed during the year under report), out of which WAPDA has already arbitrarily deducted an amount of Rs. 882.719 million from Company's capacity invoices. The Company disputed the liquidated damages and arbitrary deduction by WAPDA from the Company's capacity invoices.

20.2 WAPDA had disputed payments amounting to Rs. 384.032 million, relating to indexation of non-escalable components of capacity purchase price (CPP) already paid to the Company from March 14, 2004 to March 13, 2006 and disputed further amount of Rs. 640.357 million against the Company's CPP invoices for the period from March 14, 2006 to June 30, 2010. The total amount disputed by WAPDA comes to Rs. 1,024.389 million, against which WAPDA has arbitrarily withheld a total amount of Rs. 676.176 million from the Company's CPP invoices up-till June 30, 2010.

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

In January 2009, the Company referred the matter to the International Court of Arbitration under the International Chamber of Commerce's (the "ICC") Rules as per the provisions of the PPA for the implementation of the Expert's recommendations. The claimed amount as per recommendations of the Expert is Rs. 3.6 billion (approximately). In the event of Tribunal completely ruling in favor of the Company, the net expected cash inflow after adjusting the Company's liabilities to WAPDA, could be Rs. 2.5 billion (approximately). The Arbitral Tribunal passed a partial award in which it allowed reimbursement of cost of the Expert mediation to the Company. In the absence of quantified amounts by the Expert, the Tribunal, on June 29, 2010, as per provisions of the PPA, determined that WAPDA should deposit Rs. 38 million approximately in an escrow account. The management of the Company is optimistic about the outcome of the arbitration. The arbitration process is expected to complete by end of January 2011.

Accordingly, no adjustment in this context has been made in these financial statements. Further due to above said disputes, the WAPDA has not confirmed the balances as appearing in these financial statements.

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

Commitments in respect of :

20.5 Letters of Credit and purchase commitments other than capital expenditure were in the sum of Rs. 119.770 million at the terminal date (2009: Rs. nill).

	Note	2010 Rupees '000'	2009 Rupees '000'
21. SALES			
gy payments		**2,300,927**	3,071,507
city payments		**750,722**	861,324
		3,051,649	3,932,831
sales tax		**319,710**	427,073
		2,731,939	3,505,758
22. COST OF SALES			
and oils consumed		**2,057,603**	2,808,947
es, wages and benefits	22.1	**13,874**	11,558
ating and maintenance fee		**57,600**	61,500
s and spares consumed		**7,201**	75,644
ricity consumed in-house		**8,521**	9,025
munication charges		**2,357**	2,138
r and maintenance		**15,139**	35,799
r generation licensing expenditure		**860**	1,274
ance		**23,899**	20,004
eciation	5.3	**256,155**	255,735
		2,443,209	3,281,624

1 Salaries, wages and benefits include Rs. 1.235 million (2009: Rs. 0.618 million) for staff gratuity.

	Note	2010 Rupees '000'	2009 Rupees '000'
23. ADMINISTRATIVE AND GENERAL EXPENSES			
tors' remuneration		**-**	1,730
es and benefits	23.1	**18,348**	15,610
security services		**2,194**	1,865
transportation		**1,637**	1,453
ling and conveyance		**2,548**	1,275
rates and taxes		**367**	864
ge and courier		**104**	89
hone, mobile and telex		**1,234**	1,119
ng and stationery		**666**	805
le running and maintenance		**706**	935
tainment		**891**	797
, professional and consultancy charges		**34,873**	37,937
trar services		**306**	304
nd subscription		**390**	988
ors' remuneration	23.2	**644**	744
ty and donation	23.3	**40**	147
rtisement		**111**	281
ance		**78**	90
r and maintenance		**1,547**	2,437
paper and periodicals		**5**	4
ebts written off		**-**	683
eciation	5.3	**1,356**	1,290
		68,045	71,447

1 Salaries and benefits include Rs. 1.424 million (2009: Rs. 1.662 million) for staff gratuity.

2 Auditors' remuneration

		2010	2009
Audit fee		**400**	400
Review engagement		**185**	185
Other certification and services		**-**	101
Out of pocket expenses		**59**	58
		644	744

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

	Note	2010	2009
24. OTHER OPERATING INCOME			
me from financial assets			
ofit on bank deposits		**4,636**	1,269
me from non-financial assets			
e of scrap / sludge		**9,377**	12,274
ofit on sale of fixed assets	5.6	**-**	1,007
d credit balances written back		**866**	-
ceipts from PSO against fuel advance		**5,131**	-
scellaneous		**2**	-
		20,012	14,550

	Note	2010 Rupees '000'	2009 Rupees '000'
25. FINANCE COST			
Interest / mark up on:			
Long term finances	25.1	**485,281**	525,335
Short term borrowings -			
Banking companies		**6,457**	7,860
Related parties		**24,500**	25,263
Advance from WAPDA for purchase of fuel		**144,405**	196,678
Advance from WAPDA for purchase of Spares		**25,306**	-
Bank fee and other charges	25.2	**5,477**	5,101
		691,426	760,237

25.1 It includes late payment damages @ 4% per annum per day on quarterly outstanding installment of mark up on these finances, which amounted to Rs. 000s 27,578 (2009: Rs.000s 8,469).

25.2 These include liquidated damages levied by WAPDA for non provision of electricity to WAPDA amounting to Rs.000s 338 (2009: Rs.000s nil).

26. LOSS PER SHARE-basic and diluted

	2010	2009
Net loss for the year	**(452,352)**	(593,444)
Weighted average number of ordinary shares in thousands	**156,376**	153,524
Loss per share (basic & diluted)	**(2.89)**	(3.87)

27. CASH INFLOW AFTER WORKING CAPITAL CHANGES

	2010	2009
Net loss before taxation	**(450,729)**	(593,000)
Adjustment for non-cash and other items:		
Depreciation	**257,511**	257,025
Gain on disposal of property, plant and equipment	**-**	(1,007)
Provision for gratuity	**4,181**	3,215
Gratuity payable written back	**(493)**	
Finance cost	**691,426**	760,237
	952,625	1,019,470
Operating profit before working capital changes	**501,896**	426,470
Working capital changes:		
(Increase) / Decrease in current assets		
Stores and spares	**(20,553)**	3,786
Stock in trade	**(74,327)**	26,212
Trade debts	**(956,551)**	184,232
Advances, deposits, prepayments and other receivables	**(170,600)**	252,552
Tax refunds due from the Government	**(4,662)**	1,723
Increase / (Decrease) in current liabilities		
Trade and other payables	**1,091,924**	(518,251)
	(134,769)	(49,746)
	367,127	376,724

28. PLANT CAPACITY AND ACTUAL PRODUCTION

	2010	2009
Installed annual capacity in MWh	**1,055,580**	1,055,580
Actual energy delivered in MWh	**198,934**	256,870

Utilization of available capacity depends on the load demanded by WAPDA. Further, actual energy dileverd to WAPDA for the current year is lesser when compared with previous year because plant remained closed during the period from December 24, 2008 to February 05, 2010; and resumed its operation from February 06, 2010 at the capacity of 65 MWH.

29. MATURITY OF ASSETS AND LIABILITIES

2010

	Up to one month	One month to three months	Three months to one year	One year to five years	Five years and above	Total
	....Rupees in 000s....					
Financial assets						
Long term deposit	-	-	-	-	100	100
Trade debts	486,245	34,936	1,116,365	-	-	1,637,546
Advances, deposits, prepayments and other receivables	33,794	102,434	174,560	-	-	310,788
Tax refunds due from the government	-	-	2,498	-	-	2,498
Cash and bank balances	220,703	-	-	-	-	220,703
	740,742	137,370	1,293,423	-	100	2,171,635
Financial liabilities						
Long term finances	471,792	94,358	283,075	1,509,733	2,763,350	5,122,308
Short term borrowings - Secured	-	-	215,000	-	-	215,000
Trade and other payables	25,765	30,193	26,433	-	-	82,391
Accrued markup	-	-	1,077,158	-	-	1,077,158
	497,557	124,551	1,601,666	1,509,733	2,763,350	6,496,857

2009

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

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

30. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

Credit risk
Liquidity risk
Mark up rate risk

(a) Credit risk and concentration of credit risk

The credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The maximum exposure to credit risk is presented by the carrying amount of each financial asset. All the trade receivables are due from WAPDA and are secured by sovereign guarantee of the Government of Pakistan. Out of the total financial assets of Rs. 2,171.635 (2009: Rs 884.820) million, the financial assets which are subject to credit risk amounted to Rs. 2,171.158 (2009: Rs. 884.492) million.

Credit risk related to receivables

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

Exposure to credit risk

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

Financial assets	Note	2010 Rupees '000'	2009 Rupees '000'
Long term deposit	6	**100**	100
Trade debts	9	**1,637,546**	680,994
Advances, deposits, prepayments and other receivables	10	**313,286**	178,880
Bank balances	12	**220,226**	24,518
		2,171,158	884,492

Geographically all credit exposure is concentrated in Pakistan.

	2010	2009
The maximum exposure to credit risk for trade debts at the reporting date by type of customer is from WAPDA	**1,637,546**	680,994

Cash at bank Financial institution	Ratings Agency	Long term	Short term	2010 Rs. in 000s	2009 Rs. in 000s
Bank of Punjab	PACRA	AA-	A1+	**7,044**	22,401
Royal Bank of Scottland Limited	PACRA	AA	A1+	**213,120**	2,058
Allied Bank Limited	PACRA	AA	A1+	**62**	59
				220,226	24,518

(b) Liquidity risk

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

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

(c) Mark up rate risk

Mark up rate risk is the risk that the value of financial instruments will fluctuate due to change in market mark up rates. The effective mark up rates as at June 30, 2010 for the company's financial instruments are given in the relevant notes except for trade debts, liquidated damages, deposits in PLS account for which effective rates are given as follows:

		2010	2009
Financial assets			
Trade debts-interest charged after 25 days of the invoice delivered to WAPDA.	Fixed	16.50% ~ 19%	16% ~ 19%
Deposits in PLS accounts	Variable	As determined by the bank.	As determined by the bank.
Financial liabilities			
Liquidated damages-interest is payable after 25 days of invoice received from WAPDA	Fixed	REPO+2%	REPO+2%
Short term borrowings	Fixed	6 months KIBOR plus 2%	6 months KIBOR plus 2%
Long term loans/finances	Variable	three months KIBOR plus 0.25%	three months KIBOR plus 0.25%

30.3 Foreign exchange risk management

Foreign exchange risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. However, there are no such receivables or payables in foreign currency at the terminal date (2009: Rs. nill).

30.4 Fair value sensitivity analysis for fixed rate instruments

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

30.5 Fair value of financial assets and liabilities

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

31. CAPITAL MANAGEMENT

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

The Company's objectives when managing capital are:

a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

b) to provide an adequate return to shareholders

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

The debt- to- equity status as at June 30, 2010 is as follows:	**2010** **Rupees '000'**	2009 Rupees '000'
Total long term debt	**5,122,308**	5,122,308
Net Shareholders equity	**(1,042,826)**	(612,732)

32. RELATED PARTY DISCLOSURES

A. Related parties with whom company had transactions

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

Semi Autonomous Bodies

National Logistics Cell

Development Finance Institutions (DFIs)

Pak Oman Investment Company Limited

Saudi Pak Industrial & Agricultural Investment Company Limited

B. Disclosure of balances between company and related parties

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

Name of the party	**Nature of balance**	**2010** **Rupees '000'**	2009 Rupees '000'
National Logistics Cell	Short term borrowings - Secured	**75,000**	75,000
Pak Oman Investment Company Limited	Short term borrowings - Secured	**68,200**	68,200
Saudi Pak Industrial & Agricultural Investment Company Limited	Short term borrowings - Secured	**31,800**	31,800
		175,000	175,000
National Logistics Cell	Accrued mark up on outstanding balance	**18,353**	7,854
Pak Oman Investment Company Limited	Accrued mark up on outstanding balance	**13,626**	4,078
Saudi Pak Industrial & Agricultural Investment Company Limited	Accrued mark up on outstanding balance	**6,678**	2,226
		38,657	14,158

C. Disclosure of transactions between company and related parties

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

Name of the party	Nature of transaction	2010 Rupees '000'	2009 Rupees '000'
National Logistics Cell	Mark up on outstanding balance	**10,500**	10,500
Pak Oman Investment Company Limited	Mark up on outstanding balance	**9,548**	10,067
Saudi Pak Industrial & Agricultural Investment Company Limited	Mark up on outstanding balance	**4,452**	4,696
		24,500	25,263

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
No. of persons	1	1	-	-	5	4
Managerial remuneration	8,618	6,669	-	-	10,596	10,414
Medical	75	171	-	-	254	176
Gratuity	1,077	772	-	-	1,418	1,188
Other benefits	354	280	-	-	374	438
Rupees in 000s	10,124	7,892	-	-	12,642	12,216

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

33.2 Company maintained vehicle and mobile telephone amounting to Rs. 1.069 million is only provided to the chief executive of the company.

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

34. ENVIRONMENTAL RISK EXPOSURE

The company is fully compliant with the environmental regulations.

35. DATE OF AUTHORIZATION

These financial statements were authorized for issue on August 26, 2010 in accordance with the resolution of the Board of Directors.

36. GENERAL

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

	Note	2009 (Restated) Rupees '000'	2009 (Previously stated) Rupees '000'
Advance against salaries to:	10		
Chief Executive		**1,276**	-
Executives		**1,727**	-
Employees		**100**	-
Advances to employees against salaries			3,103
Other comprehensive income		**935**	-
Cost of sales	22	**-**	449
Administrative and general expenses	23	**-**	486

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

Lahore: August 26, 2010 **Chairman / Director** **Chief Executive** **Chief Financial Officer**

PATTERN OF SHAREHOLDING AS ON JUNE 30, 2010

Consolidated
CDC+Non-CDC

Number of ShareHolders	Shareholding		Total Number of Shares Held	Percentage of Total Capital
	From	To		
56	1	100	1,947	0.00
435	101	500	206,753	0.13
476	501	1000	468,053	0.30
979	1001	5000	3,162,161	2.03
381	5001	10000	3,322,358	2.13
118	10001	15000	1,563,916	1.00
93	15001	20000	1,768,430	1.13
71	20001	25000	1,712,090	1.10
58	25001	30000	1,670,158	1.07
23	30001	35000	7,69,318	0.49
24	35001	40000	9,37,410	0.60
14	40001	45000	6,17,062	0.40
42	45001	50000	2,088,001	1.34
11	50001	55000	5,85,717	0.38
13	55001	60000	7,68,424	0.49
4	60001	65000	2,51,000	0.16
2	65001	70000	1,40,000	0.09
7	70001	75000	5,20,000	0.33
6	75001	80000	4,73,107	0.30
8	80001	85000	6,72,553	0.43
5	85001	90000	4,41,700	0.28
2	90001	95000	1,87,288	0.12
23	95001	100000	2,297,529	1.47
5	100001	105000	5,19,715	0.33
5	105001	110000	5,41,451	0.35
2	110001	115000	2,27,000	0.15
2	115001	120000	2,40,000	0.15
3	120001	125000	3,69,687	0.24
1	130001	135000	1,35,000	0.09
1	140001	145000	1,41,500	0.09
2	160001	165000	3,20,501	0.21
1	165001	170000	1,70,000	0.11
4	170001	175000	6,93,786	0.44
1	175001	180000	1,80,000	0.12
1	180001	185000	1,80,500	0.12
1	190001	195000	1,94,000	0.12
9	195001	200000	1,797,000	1.15
1	210001	215000	2,13,500	0.14
1	215001	220000	2,16,000	0.14
1	220001	225000	2,25,000	0.14
1	225001	230000	2,30,000	0.15
1	230001	235000	2,33,010	0.15
1	245001	250000	2,50,000	0.16

Number of ShareHolders	Shareholding		Total Number of Shares Held	Percentage of Total Capital
	From	To		
2	260001	265000	523,998	0.34
2	265001	270000	531,849	0.34
2	280001	285000	565,500	0.36
4	295001	300000	1,200,000	0.77
2	345001	350000	700,000	0.45
1	350001	355000	355,000	0.23
1	360001	365000	364,000	0.23
1	370001	375000	372,500	0.24
1	385001	390000	388,500	0.25
1	395001	400000	399,500	0.26
1	405001	410000	410,000	0.26
1	445001	450000	450,000	0.29
1	450001	455000	451,000	0.29
1	520001	525000	525,000	0.34
1	595001	600000	600,000	0.38
1	615001	620000	620,000	0.40
1	655001	660000	658,000	0.42
1	930001	935000	931,500	0.60
1	1205001	1210000	1,208,500	0.77
1	1340001	1345000	1,340,206	0.86
1	1855001	1860000	1,858,000	1.19
2	3395001	3400000	6,800,000	4.36
1	3995001	4000000	4,000,000	2.56
1	4230001	4235000	4,231,872	2.71
1	4235001	4240000	4,238,814	2.72
1	8940001	8945000	8,940,811	5.73
1	11570001	11575000	11,572,199	7.42
1	17620001	17625000	17,622,878	11.29
1	21915001	21920000	21,915,150	14.04
1	30560001	30565000	30,560,189	19.59
2,933	**<---------Total-------->**		**156,037,591**	**100.00**

CATEGORIES OF SHAREHOLDERS AS ON JUNE 30, 2010

	CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE
A)	**Directors/Chief Executive Officer and their spouse and minor Children**			
	Pak Oman Investment Company Limited	1	30,560,189	19.5851
	National Logistics Cell	2	26,563,689	17.0239
	Saudi Pak Investment Co. Ltd.	1	11,572,199	7.4163
	Patagonia Corporation (Pvt.) Ltd.	1	4,231,872	2.7121
	(The directors are nominees of Institutions)			
	TOTAL: -		**72,927,949**	**46.7374**
B)	**Executives N/A**	-	-	0.0000
C)	**Associated Companies, Undertakings and related parties**	-	-	0.0000
D)	**Public Sectors Companies & Corporations**	-	-	0.0000
E)	**NIT and IDBP (ICP UNIT)**	-	-	0.0000
F)	**Banks, Development Financial Institutions & Non-Banking Financial Institutions**	11	24,054,250	15.4157
G)	**Insurance Companies**	1	300,000	0.1923
H)	**Modarabas & Mutual Funds**	3	275,500	0.1766
I)	**Others**	111	17,045,471	10.9240
J)	**General Public**	2,802	41,434,421	26.5541
	TOTAL: -	**2,933**	**156,037,591**	**100.0000**

Shareholding Detail of 10% or more

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

FORM OF PROXY

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 16th Annual General Meeting of the Company to be held at registered office / plant located at Jia Bagga, Off Raiwind Road, Lahore on Tuesday, 28th September 2010 at 09:00 AM and every adjournment thereof.

As witness my / our hand this ________________ day of _________________ 2010.

Signature

Revenue Stamp

Note:

Signature must be in accordance with the specimen signature registered with the Company. This Form of Proxy, completed, must be deposited at the Company Registered Office at Jia Bagga Off Raiwind Road, District Lahore at least 48 hours before the time for holding the meeting.