



JAPAN POWER GENERATION LIMITED

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## COMPANY INFORMATION

<b>Board of Directors</b>	Mr. Mohammad Zalmai Rahmanuddin Khan – Chairman (Nominee Pak Oman Investment Company Ltd) Mr. Parvez Usman (National Logistics Cell) Mr. Muhammad Mushtaq Bhatti (National Logistics Cell) Mr. Nadeem Iqbal Raja (National Logistics Cell) Mr. Kashif Muhammad Khan (Nominee Pak Oman Investment Company Ltd) Mr. Muhammad Saeed Rana (Nominee Pak Oman Investment Company Ltd) Mr. Nafees Ahmad (Nominee Pak Oman Investment Company Ltd) Mr. Zafar Iqbal (Nominee Saudi Pak Industrial and Agricultural Investment Company Ltd) Mr. Sheikh Aftab Ahmad (Nominee Saudi Pak Industrial and Agricultural Investment Company Ltd) Mr. Ayaz Dawood (Independent) Mr. Zahid Anjum (Creditors Nominee, Faysal Bank Limited) Mr. Muhammad Hanif Abbasi (Creditors Nominee, National Bank of Pakistan)
<b>Chief Executive</b>	Mr. Amjad Awan
<b>Company Secretary &amp; Acting CFO</b>	Mr. Tariq Mahmood
<b>Company's Audit Committee</b>	Mr. Ayaz Dawood - Chairman Mr. Parvez Usman Mr. Muhammad Saeed Rana Mr. Sheikh Aftab Ahmad Mr. Muhammad Hanif Abbasi
<b>Company's HR Committee</b>	Mr. Ayaz Dawood - Chairman Mr. Nadeem Iqbal Raja Mr. Kashif Muhammad Khan Mr. Zafar Iqbal Mr. Zahid Anjum
<b>Auditors</b>	BDO Ebrahim & Co. Chartered Accountants
<b>Shares Registrar</b>	Hameed Majeed Associates (Pvt.) Limited. HM House, 7 – Bank Square, Lahore Tel: +92-42-7235081-2, Fax: +92-42-7358817
<b>Legal Advisor</b>	Faisal & Partners
<b>Bankers</b>	Faysal Bank Limited
<b>Lending Bank Syndicate</b>	Faysal Bank Limited Askari Bank Limited National Bank of Pakistan Allied Bank Limited Samba Bank Limited NIB Bank Limited SILK Bank Limited Prudential Investment Bank Limited
<b>Registered Office/ Plant</b>	Near Jia Bagga Railway Station Chowk Araian Off Raiwind Road, Lahore Tel: +92-42-5835864-6 Fax: +92-42-5835860 Email: <a href="mailto:jpgl@brain.net.pk">jpgl@brain.net.pk</a>
<b>Website</b>	<a href="http://www.jpglpk.com">www.jpglpk.com</a>



## DIRECTORS' REVIEW REPORT TO THE MEMBERS

The directors of your Company are presenting the un-audited accounts and brief review of the Company's operations for the quarter ended March 31, 2014.

### 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)

### Financial Performance:

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

<b>For the nine months ended March 31,</b>	<b>2014</b>	<b>2013</b>
	<b>Rupees '000'</b>	<b>Rupees '000'</b>
Turnover	<b>591,705</b>	2,072,579
Cost of sales	<b>(279,121)</b>	(1,993,396)
Gross profit	<b>312,584</b>	79,183
Operating expenses	<b>(57,291)</b>	(43,806)
Operating profit	<b>255,329</b>	35,377
Other income	<b>11,299</b>	8,996
Finance cost	<b>(715,428)</b>	(785,410)
Provision for taxation	<b>(154)</b>	(1,170)
Net loss after taxation	<b>(448,991)</b>	(742,208)
Loss per share (basic & diluted)	<b>(2.88)</b>	(4.76)

The turnover of the Company decreased significantly in the current period as compared to the corresponding period of last year due to shutdown of the plant owing to discontinuation of fuel advance by WAPDA from October 2012 onwards. Furthermore, WAPDA has also refused to pay for capacity invoices from October 2012 onwards. However, as per the provisions of the Power Purchase Agreement (PPA), Capacity Purchase Price (CPP) invoices continue to be issued to WAPDA and its revenue is recognized in the financial information. WAPDA is also invoicing LDs for the shutdown period. However, the Company has disputed such LDs for the reason of non-provision of advance for fuel, as per the arrangement reached in December 2009 to procure fuel. These disputes are more fully stated in Note 5 to the financial information.

Due to recognition of CPP revenue as well as decrease in fuel loss, and decrease in repair & maintenance cost as a result of shut down of plant from October 19, 2012 onwards, the financial results show a gross profit of Rs. 312.584 million for the period as compared to gross profit of Rs. 79.183 million for the corresponding period of last year.

The operating expenses increased in the current period due to legal costs of Arbitration in Singapore.

Other income increased in the current period as compared to the corresponding period of the last year because of sale of scrap which is partly set-off against reduction of profit on bank deposits owing to plant shutdown.



Finance cost has decreased in the current period as compared to corresponding period primarily due to decrease in KIBOR and REPO rates.

## **RESOLUTION OF CONTRACTUAL ISSUES:**

The Company's major loss contributing factors over the years have been shortfall in reimbursement from WAPDA of actual fuel cost incurred and excessive financial costs due to non-repayment of term loans/ finances both owing to tariff reductions agreed with WAPDA in 1999. In addition to this, amounts from the Capacity Price Payments (CPP) were withheld by WAPDA to adjust these against its own disputed dues / amount of fuel advances, which further increased the financial burden and resultant costs to the Company. The detail explanations have been given in Notes 1.2 and 5 of the condensed interim financial statements.

However, due to continued losses and consequential financial constraints, the Company is unable to discharge its debt obligations towards lenders. Knowing the Company's history and state of affairs, the lenders have not served any notice of default under the financing documents; and rather they are attempting to arrive at a comprehensive solution of all the issues faced by the Company to make it a financially viable entity.

Considering the impact of the assertions made in above mentioned notes together with the fact that the plant is a national asset and is available to deliver power at its full capacity of 120.5MW in a country which is suffering from severe load-shedding, it is expected that WAPDA /PEPCO would again provide cash flow support needed for operations (as the Company does not have any other arrangements to fund its operations), the Lenders would continue their support to assure continuity of the Company's operations and a favorable outcome of the ongoing disputes with WAPDA (final award from ICC is expected by end June 2014), the management considers that the going concern assumption used in the preparation of this condensed interim financial information is appropriate, notwithstanding the comments given by the external Auditors in their report on the financial statements as on December 31, 2013. The management of the company is of the considered view that they are justified in preparing these financial statements on historical cost basis which depict a true and fair view of the company's affairs. Accordingly the value of its property, plant and equipment is fairly stated and the management does not agree with the auditors' opinion as regards the impairment of these assets. The crux of the matter is the recognition of the fact that the power plant of the company is available for operation at full capacity.

## **FUTURE PROSPECTS**

The Company has been informed by ICC that the Final Award will be announced on June 30, 2014. In the meantime, the Company is negotiating with WAPDA to restart the plant. Insha'Allah if an amicable settlement is reached with WAPDA your plant is expected to be operational shortly.

Islamabad: April 28, 2014

**On behalf of the Board**  
Chief Executive Officer

# JAPAN POWER GENERATION LIMITED



## CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2014

	Un-Audited March 31, 2014	Audited June 30, 2013
Note	Rupees	Rupees
<b>Non current assets</b>		
Property, plant and equipment	4,922,813,274	5,149,354,849
Long term deposits	100,000	100,000
	<b>4,922,913,274</b>	<b>5,149,454,849</b>
<b>Current assets</b>		
Stores and spares	118,085,661	118,195,913
Stock in trade	368,849,277	369,883,375
Trade debts-secured, considered good	2,814,487,788	2,222,782,362
Loans and advances	286,482	1,480,231
Trade deposits and short term prepayments	639,088	1,388,915
Other receivables	173,595,672	178,319,898
Tax refunds due from the government	180,040,697	221,934,333
Cash and bank balances	943,773	17,748,495
	<b>3,656,928,438</b>	<b>3,131,733,521</b>
<b>Total assets</b>	<b>8,579,841,712</b>	<b>8,281,188,370</b>
<b>Capital and reserves</b>		
<b>Authorized capital</b>		
160,000,000 ordinary shares of Rs. 10 each	1,600,000,000	1,600,000,000
Issued, subscribed and paid-up capital		
156,037,591 ordinary shares of Rs. 10 each, fully paid in cash	1,560,375,910	1,560,375,910
Accumulated loss	(6,647,203,060)	(6,244,081,059)
Fair value reserve	11,949,527	11,949,527
	<b>(5,074,877,623)</b>	<b>(4,671,755,622)</b>
<b>Surplus on revaluation of property, plant &amp; equipment</b>	<b>1,028,008,907</b>	<b>1,073,877,668</b>
<b>Non current liabilities</b>		
Long term finances	2,857,708,678	3,140,783,590
	<b>2,857,708,678</b>	<b>3,140,783,590</b>
<b>Current liabilities</b>		
Short term borrowings	168,200,000	168,200,000
Current and overdue portion of long term finances	2,180,471,316	1,897,396,404
Trade and other payables	3,683,264,125	3,647,380,594
Accrued markup	3,737,066,309	3,025,305,736
	<b>9,769,001,750</b>	<b>8,738,282,734</b>
<b>Contingencies and commitments</b>		
<b>Total equity and liabilities</b>	<b>8,579,841,712</b>	<b>8,281,188,370</b>

The annexed notes 1 to 11 form an integral part of the condensed interim financial information.

Chief Executive

Director

# JAPAN POWER GENERATION LIMITED



## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED MARCH 31, 2014 (UN-AUDITED)

	Note	<u>Nine months ended</u>		<u>Quarter ended</u>	
		March 31, 2014 Rupees	March 31, 2013 Rupees	March 31, 2014 Rupees	March 31, 2013 Rupees
<b>Sales</b>	6	591,705,426	2,072,579,383	206,404,086	210,963,448
<b>Cost of sales</b>	7	(279,121,112)	(1,993,396,313)	(82,013,643)	(120,775,824)
<b>Gross Profit</b>		312,584,314	79,183,070	124,390,443	90,187,624
<b>Operating expenses</b>					
Administrative and general expenses		(57,291,478)	(43,805,629)	(14,428,131)	(9,366,268)
<b>Operating profit</b>		255,292,836	35,377,441	109,962,312	80,821,356
<b>Other operating income</b>		11,299,034	8,995,659	9,819,595	1,272,396
		266,591,869	44,373,099	119,781,906	82,093,751
<b>Financial and other cost</b>					
Finance cost		(715,428,399)	(785,410,701)	(245,441,178)	(232,730,486)
<b>Loss before taxation</b>		(448,836,530)	(741,037,601)	(125,659,272)	(150,636,734)
<b>Provision for taxation</b>					
Current - on other income		(154,233)	(1,170,317)	-	(129,057)
<b>Loss after taxation</b>		(448,990,763)	(742,207,918)	(125,659,272)	(150,765,791)
<b>Loss per share - Basic &amp; diluted</b>		(2.88)	(4.76)	(0.81)	(0.97)

The annexed notes 1 to 11 form an integral part of the condensed interim financial information.

Chief Executive

Director

# JAPAN POWER GENERATION LIMITED



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED MARCH 31, 2014  
(UN-AUDITED)**

	<u>Half year ended</u>		<u>Quarter ended</u>	
	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2014</u>	<u>March 31, 2013</u>
<u>Note</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>Net loss after taxation</b>	<b>(448,990,763)</b>	<b>(742,207,918)</b>	<b>(125,659,272)</b>	<b>(150,765,791)</b>
<b>Other comprehensive income</b>				
Acturial gain recognized during the period	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>(448,990,763)</b>	<b>(742,207,918)</b>	<b>(125,659,272)</b>	<b>(150,765,791)</b>

The annexed notes 1 to 11 form an integral part of the condensed interim financial information.

Chief Executive

Director

# JAPAN POWER GENERATION LIMITED



## CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED MARCH 31, 2014 (UN-AUDITED)

	<u>March 31, 2014</u> Rupees	<u>March 31, 2013</u> Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net loss before taxation	(448,836,530)	(741,037,601)
Adjustment for non-cash and other items:		
Depreciation	226,651,432	226,218,372
Loss / (gain) on disposal of fixed assets	(159,187)	(8,681)
Provision for gratuity	-	8,470,483
Finance cost	715,428,399	785,652,761
	<u>941,920,644</u>	<u>1,020,332,935</u>
Operating profit before working capital changes	493,084,114	279,295,334
Working capital changes:		
Stores and spares	110,252	(7,362,955)
Stock in trade	1,034,097	(66,946,344)
Trade debts	(591,705,426)	75,135,190
Advances, deposits, prepayments and other receivables	6,667,802	177,506,521
Sales tax refundable	41,893,636	(37,981,383)
Trade and other payables	35,883,531	(9,152,661)
	<u>(506,116,108)</u>	<u>131,198,368</u>
Cash inflow after working capital changes	(13,031,993)	410,493,702
Finance cost paid	(3,667,825)	(332,790,041)
Gratuity paid	-	(12,150,000)
Income tax paid	(154,233)	(1,050,148)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>(16,854,052)</b>	<b>64,503,513</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of operating assets	(127,150)	(1,387,973)
Addition in capital work in progress	-	(120,229,324)
Proceeds from sale of property, plant and equipment	176,480	8,681
<b>Net cash outflow from investing activities</b>	<b>49,330</b>	<b>(121,608,616)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of long term finances	-	(94,219,421)
Repayment of short term borrowings	-	-
<b>Net cash outflow from financing activities</b>	<b>-</b>	<b>(94,219,421)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(16,804,722)</b>	<b>(151,324,524)</b>
Cash and cash equivalents at beginning of the period	17,748,495	163,819,071
<b>Cash and cash equivalents at end of the period</b>	<b>943,773</b>	<b>12,494,547</b>

The annexed notes 1 to 11 form an integral part of the condensed interim financial information.

Chief Executive

Director



# JAPAN POWER GENERATION LIMITED



## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED MARCH 31, 2014 (UN-AUDITED)

	Share capital Rupees	Accumulated loss Rupees	Fair value reserve Rupees	Total Rupees
Balance as at July 01, 2012	1,560,375,910	(5,407,354,549)	7,922,732	(3,839,055,907)
Incremental depreciation on revaluation of property, plant & equipment	-	45,868,761	-	45,868,761
Loss for the the nine months	-	(742,207,918)	-	(742,207,918)
Balance as at March 31, 2013	1,560,375,910	(6,103,693,706)	7,922,732	(4,535,395,064)
Incremental depreciation on revaluation of property, plant & equipment	-	15,289,587	-	15,289,587
Loss for the last quarter	-	(155,676,940)	4,026,795	(151,650,145)
<b>Balance as at June 30, 2013</b>	1,560,375,910	(6,244,081,059)	11,949,527	(4,671,755,622)
Incremental depreciation on revaluation of property, plant & equipment	-	45,868,761	-	45,868,767
Loss for the the nine months	-	(448,990,763)	-	(448,990,763)
<b>Balance as at March 31, 2014</b>	<u>1,560,375,910</u>	<u>(6,647,203,060)</u>	<u>11,949,527</u>	<u>(5,074,877,617)</u>

The annexed notes 1 to 11 form an integral part of the condensed interim financial information.

Chief Executive

Director



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED MARCH 31, 2014 (UN-AUDITED)

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Japan Power Generation Limited was incorporated in Pakistan on September 29, 1994 as public limited Company under the Companies Ordinance, 1984 and its shares are quoted on Lahore and Karachi Stock Exchanges. The registered office and plant of the Company is situated at Near Jia Bagga Railway Station, Chowk Araian, Off Raiwind Road, Lahore. The principal business of the Company is to generate and supply electric power to WAPDA. The Company commenced commercial operations from March 15, 2000.
- 1.2 The Company has incurred operating loss for the period amounting to Rs.448.954 million (March 31, 2013: Rs. 742.208 million). The accumulated losses have increased to Rs. 6,647.166 million (June 30, 2013: Rs. 6,244.077 million) and its current liabilities exceeded current assets by an amount of Rs. 6,112 million. The Company's major loss contributing factors over the years have been shortfall in reimbursement from WAPDA of actual fuel cost incurred and excessive financial costs due to non-repayment of term loans/ finances both owing to tariff reductions agreed with WAPDA in 1999. In addition to this, amounts from the Capacity Price Payments (CPP) were withheld by WAPDA to adjust these against its own disputed dues / amount of fuel advances, which further increased the financial burden and resultant costs to the Company. The disputes with WAPDA and the disputed amounts have been explained in detail in note 5 to the condensed interim financial information. Further, due to non-availability / non-provision of working capital, the Company's power plant could not be operated since October 2012, particularly on account of WAPDA's refusal to extend the advance against the purchase of oil after October 19, 2012.

In spite of the above stated circumstances, the management of the Company still considers that the going concern assumption used for the preparation of these financial statements is appropriate in view of the following major facts:

- i) The Company is pursuing the implementation of steam turbine project to generate electricity by recovering waste heat from exhaust of engines which will reduce fuel loss. The shipment of steam turbine has already reached the plant, while funds for the import of remaining equipment are being arranged.
- ii) The sponsoring shareholders and lending institutions are taking keen interest in the long term sustainability of the Company and are taking up the matter at their highest level. They are in close contacts with each other to discuss the way forward for future operations of the Company. Various options are under their consideration including but not limited to financing of steam turbines.
- iii) The Arbitration Tribunal of ICC has announced a second partial award on July 09, 2013, which mostly favours the Company's stance on the disputes, as fully disclosed and discussed in note 5. The management of the Company as well as its lenders are affirmative that the new investment / financing can be brought in once the disputes with WAPDA are settled favourably.
- iv) Owing to dire need of electricity in the country, WAPDA is being pursued to arrive at a workable solution so that the plant can resume its operations.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These condensed interim financial statements are unaudited but subject to limited scope review by auditors and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.



These condensed interim financial statements of the Company for the six months period ended March 31, 2014 have been prepared in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

The condensed interim financial information has been prepared in accordance with the requirements of section 245 of the Companies Ordinance, 1984 and the International Accounting Standard - IAS 34 "Interim Financial Reporting".

## 2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except for the recognition of certain staff retirement benefits at present value.

These condensed interim financial statements have been prepared following accrual basis of accounting except for cash flow information.

## 2.3 Functional and presentation currency

These condensed interim financial statements have been presented in Pak Rupees, which is the functional and presentation currency of the Company.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of this condensed interim financial information is same as those for the preceding annual financial statements for the year ended June 30, 2013.

The standards, amendments and interpretations of approved accounting standards that became effective during the period do not have a significant impact on the Company's condensed interim financial information.

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2013.

## 4 PROPERTY, PLANT AND EQUIPMENT

	March 31, 2014	June 30, 2013
	Rupees	Rupees
Operating assets - tangible	4,778,435,462	5,001,770,491
Capital work in progress	141,171,266	141,171,266
Stores held for capitalization	3,206,546	6,413,092
	<u>4,922,813,274</u>	<u>5,149,354,849</u>

### 4.1 Operating assets - tangible

Opening book value	5,001,770,491	5,301,672,634
Additions during the period / year		
Building and civil work	-	1,236,726
Plant and machinery	3,206,546	-
Workshop Equipment	-	64,200
Furniture and fixtures	-	61,480
Electric installations	-	220,227
Office equipment	116,500	28,900
Computers	(180,640)	156,570
Vehicle	(1,593,737)	-
	<u>1,548,669</u>	<u>1,768,103</u>



Surplus on revaluation of operating assets	-	-
Depreciation charge for the period / year	(224,883,698)	(301,670,246)
Closing book value	<u>4,778,435,462</u>	<u>5,001,770,491</u>

## 5 CONTINGENCIES AND COMMITMENTS

### Contingencies:

- a) Company is contingently liable in respect of the liquidated damages claimed by WAPDA for the period from July 1, 2001 to February 05, 2010 to the tune of Rs. 2,117.281 million, out of which WAPDA has arbitrarily deducted an amount of Rs. 1,064.917 million mostly from Company's capacity invoices. The Company has disputed the liquidated damages and its arbitrary deduction by WAPDA from the Company's capacity invoices.

WAPDA disputed payments of Rs. 384.032 million relating to indexation of non-escalable components of Capacity Purchase Price (CPP) made to the Company from March 14, 2004 to March 13, 2006 and has disputed further amounts totaling Rs. 848.262 million against the Company's CPP invoices for the period from March 14, 2006 to March 31, 2014. The total disputed amount aggregates to Rs. 1,232.294 million (June 2013: 1,121.944 million) against which WAPDA has arbitrarily withheld an amount of Rs. 884.081 million from the Company's CPP invoices until March 31, 2014.

These disputes were referred to a mutually agreed Expert, as per the Dispute Resolution Mechanism provided in the Power Purchase Agreement (the "PPA"), who gave his 'recommendations' that fully support the Company's position. Both Parties initialed a Settlement Agreement based on the Expert's recommendations, however, WAPDA failed to formally sign the same. Therefore, neither the recommendations of the Expert nor the Settlement Agreement was implemented by WAPDA as a result of which WAPDA is in breach of the terms of the PPA. Under these circumstances, the Company has not been able to continue its operations and had to shut down its plant in the last week of December 2008 until February 05, 2010.

In January 2009, the Company referred the matter to the International Court of Arbitration under the International Chamber of Commerce's (the "ICC") Rules as per the provisions of the PPA for the implementation of the Settlement Agreement or the Expert's recommendations. On June 29, 2010, the Arbitral Tribunal passed a partial award in favor of the Company and directed WAPDA to deposit Rs. 7.693 million against the disputed amount of non-escalable component of CPP invoice of March 2006 in an escrow account as a security for the Company's claim. The final hearing of the disputes by ICC was held in Singapore during the period from April 30, 2012 to May 04, 2012. The ICC's Arbitration Tribunal has announced the second partial final award on July 09, 2013 and has also required the parties to make joint submission in respect of certain amounts.

The second partial final award has allowed certain liquidity damages for this period to WAPDA. However, the Company has applied to the ICC for clarifications on the issue, as the plant was being operated under an arrangement and not as "normal operations" under the PPA alone.

The ICC second partial final award favors the Company's stance on the issue of "indexation of non-escalable components of CPP" as well as the WAPDA's claim of Liquidated Damages (LDs). The award has declared the Settlement Agreement as a binding document and has declared that WAPDA should make the following payments to the Company:



- i) Indexation of non-escalable components of capacity purchase price alongwith markup to the Company as per Settlement Agreement upto 15th Agreement year.
- ii) Additional Capacity of 13.5 MW as discussed in note No. 5.4 above.
- iii) Effect of amendment No. 3 on Energy Purchase Price w.e.f from January 2009 to Ownward.
- iv) Payment of Rs. 100 million, being the interest waived in the Settlement Agreement.
- v) The tribunal has also allowed mark-up on the amounts awarded.

In addition to this, significant amounts of LDs as claimed by WAPDA have been disallowed.

Both the parties have been submitted computations and representations on the issues which the Tribunal has adjudicated, however, quantification of this amounts in pending. Therefore, no adjustments have been recorded in this condensed interim financial information on the basis of second partial final award. The Arbitration Tribunal has closed the proceedings and submitted its final draft to ICC for comments. After reviewing the draft, the final award may be announced by the ICC before this financial year end.

As per the terms of the new arrangement (dated December 30, 2009) with WAPDA/PEPCO, the plant was completely overhauled and was tested at full capacity of 120.5 MW in March 2011 in the presence of expert team members of WAPDA and the Company. The plant was again successfully tested at the capacity of 120.5 MW in August 2012. However, WAPDA accepted the generating capacity of only 107 MW and disputed the capacity of 13.5 MW before the Arbitration Tribunal, which amounted to Rs. 251.753 million (June 30, 2013: Rs. 187.142 million) upto March 31, 2014. The Company has also contested WAPDA's acceptance of lower capacity before the ICC's Arbitration Tribunal.

After the shut-down of the complex from December 24, 2008 to February 5, 2010, both parties agreed to an arrangement (dated December 30, 2009) to resume the operations from February 6, 2010. As per the new arrangement, WAPDA agreed to provide an advance to the Company for purchase of lube and fuel. However, WAPDA started raising liquidity damages invoices for the periods during which the plant could not deliver energy to WAPDA's system mainly due to shortage of fuel supply for which funds were to be provided by WAPDA as per the said arrangement. Such claim of liquidity damages amounted to Rs. 1,901.690 million (June 30, 2013: Rs. 1,332.851 million) upto March 31, 2014, which is disputed by the Company.

- b) The Assistant Commissioner Inland Revenue (ACIR), Zone - I, RTO, Lahore has challenged the adjustment of input tax proportionate to CPP invoices during the tax periods from 2008 to 2012 in the sum of Rs. 553 million through a show cause notice dated June 10, 2013. The Company has responded to the notice through its legal advisor, but the ACIR had issued Order against the Company. The Company had filed an appeal before the Commissioner Appeals against the Order of ACIR. The Commissioner appeals set aside the Order of ACIR and issued his Order in favour of the Company. However, the ACIR has a right to file appeal before the Appellate Tribunal .
- c) The Company is also contingently liable for infrastructure fee / cess amounting to Rs. 4.396 million imposed by the Sindh Government under the provision of Sindh Finance (Amendment) Ordinance, 2001. The Company has filed an appeal that was pending before 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 favor of the Company on September 17, 2008.

However, for the subsequent period, the case has been decided against the Company for which the Company has not recorded any liability in respect of the amount. The Company has filed an appeal before the Supreme Court of Pakistan challenging the part of judgment that was against the Company, while the Sindh Government has also filed an appeal against this judgement challenging the decision made against it. These cross appeals are pending adjudication.

#### Commitments in respect of:

- d) Against capital expenditure at the terminal date amounting Rs. 465.315 million (June 2013: Rs. 466.473 million).



6 SALES	Nine months ended		Quarter ended	
	Rupees		Rupees	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Energy payments	-	1,514,313,432	-	12,644,633
Capacity payments	591,705,426	558,265,951	206,404,086	198,318,815
	<b>591,705,426</b>	<b>2,072,579,383</b>	<b>206,404,086</b>	<b>210,963,448</b>

  

7 COST OF SALES	Nine months ended		Quarter ended	
	Rupees		Rupees	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Fuel and oils consumed	446,728	1,648,190,874	159,739	16,386,021
Salaries, wages and benefits	12,213,864	17,856,414	1,289,163	4,481,611
Operation & Maintenance cost -Inhouse	10,573,911	1,029,967	1,367,266	1,029,967
Operating and maintenance fee	-	50,611,568	-	10,047,052
Stores and spares consumed	70	12,312,917	6	191,141
Electricity consumed in-house	10,545,049	7,452,252	1,873,078	3,632,978
Communication charges	1,543,050	1,995,000	529,950	676,200
Repair and maintenance	694,518	5,535,880	29,878	1,632,660
Environmental Monitoring Charges	-	535,367	-	-
Power generation licensing	1,012,482	919,971	337,494	306,657
Insurance	16,114,164	21,779,089	1,288,355	7,322,358
Depreciation	225,977,276	225,177,014	75,138,714	75,069,179
	<b>279,121,112</b>	<b>1,993,396,313</b>	<b>82,013,643</b>	<b>120,775,824</b>

## 8 Related party disclosures

### A. Related parties with whom company had transactions

The related parties comprise fellow subsidiaries, associated undertakings, key management personnel and post retirement benefit plans. The Company in the normal course of business carries out certain transactions with related parties. The related parties with whom the Company had executed transactions during the year comprise of:

#### Semi Autonomous Bodies

National Logistics Cell

#### Development Financial Institutions (DFIs)

Pak Oman Investment Company Limited

Saudi Pak Industrial and Agricultural Investment Company Limited

#### Executive Officer

Chief Executive Officer

### B. Disclosure of balances between company and the related parties

<u>Name of the party</u>	<u>Nature of transactions</u>	March 31, 2014	June 30, 2013
		Rupees	Rupees
National Logistics Cell	Short term borrowings - Secured	68,200,000	68,200,000
Pak Oman Investment Company Limited	Short term borrowings - Secured	68,200,000	68,200,000
Saudi Pak Industrial and Agricultural Investment Company Limited	Short term borrowings - Secured	31,800,000	31,800,000
		<b>168,200,000</b>	<b>168,200,000</b>

# JAPAN POWER GENERATION LIMITED



National Logistics Cell	Accrued mark up on outstanding balance	<b>54,519,752</b>	47,352,213
Pak Oman Investment Company Limited	Accrued mark up on outstanding balance	<b>49,466,488</b>	42,298,948
Saudi Pak Industrial and Agricultural Investment Company Limited	Accrued mark up on outstanding balance	<b>23,229,865</b>	19,960,041
		<b>127,216,105</b>	109,611,201

## C. Disclosure of transactions between company and related parties

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

<u>Name of the party</u>	<u>Nature of transaction</u>	<u>Nine Months ended</u>	
		<u>March 31, 2014</u>	<u>March 31, 2013</u>
		<u>Rupees</u>	<u>Rupees</u>
National Logistics Cell	Mark up on outstanding balance	7,167,540	7,167,540
Pak Oman Investment Company Ltd.	Mark up on outstanding balance	7,167,540	7,167,540
Saudi Pak Industrial and Agricultural Investment Company Limited	Mark up on outstanding balance	3,269,824	3,300,439
Chief Executive Officer	Sale of assets - at NBV	17,293	-
		<b>17,622,196</b>	17,635,519

## 9 PLANT CAPACITY AND ACTUAL PRODUCTION

	<u>Nine months ended</u>		<u>Quarter ended</u>	
	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Installed capacity in MWH	<b>792,408</b>	792,408	<b>260,280</b>	260,280
Actual energy delivered in MWH	-	101,656	-	786

Utilization of available capacity depends on the load demanded by WAPDA.

- 10 The condensed interim financial information was authorized for issue by the Board of Directors on 28th of April 2014.
- 11 All figures except for June 30, 2013 figures appearing in the condensed interim financial information are un-audited. There has been no material re-arrangement or regrouping of figures of the corresponding period given in this information for the purpose

Chief Executive

Director