



JAPAN POWER GENERATION LIMITED

**ANNUAL REPORT
2013**





JAPAN POWER GENERATION LIMITED

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COMPANY INFORMATION

Board of Directors	<p>Mr. Jehangir Shah – Chairman - Nominee, Pak Oman Investment Company Limited Mr. Parveiz Usman – Nominee, National Logistics Cell Mr. Muhammad Mushtaq Bhatti – Nominee, National Logistics Cell Mr. Javaid Iqbal – Nominee, National Logistics Cell Mr. Kashif Muhammad Khan – Nominee, Pak Oman Investment Company Limited Mr. Khurram Faizyab – Nominee, Pak Oman Investment Company Limited Mr. Nafees Ahmad – Nominee, Pak Oman Investment Company Limited Mr. Zafar Iqbal – Nominee, Saudi Pak Industrial and Agricultural Investment Company Limited Ms. Parveen A Malik – Nominee, Saudi Pak Industrial and Agricultural Investment Company Limited Mr. Yousaf Hussain – Creditors Nominee, Faysal Bank Limited Mr. Muhammad Hanif Abbasi – Creditors Nominee, National Bank of Pakistan Mr. Ayaz Dawood - Independent</p>
Chief Executive Officer	Mr. Khan Ahmed Saleem
Company Secretary & Chief Financial Officer	Mr. Zain ul Abidin
Company’s Audit Committee	<p>Mr. Parveiz Usman - Chairman Mr. Ayaz Dawood Mr. Kashif Muhammad Khan Mr. Muhammad Hanif Abbasi Mr. Zafar Iqbal</p>
Company’s HR Committee	<p>Mr. Ayaz Dawood - Chairman Mr. Yousaf Hussain Mr. Khurram Faizyab Mr. Zafar Iqbal</p>
Auditors	Hyder Bhimji & Co. Chartered Accountants
Shares Registrar	Hameed Majeed Associates (Pvt.) Limited. HM House, 7 – Bank Square, Lahore Tel: +92-42-37235081-2, Fax: +92-42-37358817
Legal Advisor	Faisal & Partners
Bankers	Faysal Bank Limited
Lending Bank Syndicate	<p>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</p>
Registered Office / Plant	<p>Near Jia Bagga Railway Station Chowk Araian Off Raiwind Road, Lahore Tel: +92-42-35835864-6 Fax: +92-42-35835860 Email: jvgl@brain.net.pk</p>
Website	www.jvglpk.com

NOTICE OF 19TH ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of Japan Power Generation Limited will be held on Tuesday, October 29, 2013 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 18th Annual General Meeting of the Company held on Friday, November 30, 2012.
2. To receive, consider and adopt the audited financial statements of the company for the financial year ended June 30, 2013, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending June 30, 2014 and to fix their remuneration. The present Auditors, M/s. Hyder Bhimji & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.

A notice has been received from a shareholder under section 253(1) of the Companies Ordinance, 1984 proposing appointment of M/s. BDO Ebrahim & Co., Chartered Accountants as Auditors in place of the retiring Auditors, M/s. Hyder Bhimji & Co., Chartered Accountants.

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. Khurram Faizyab
Mr. Javaid Iqbal
Ms. Parveen A Malik
Mr. Zafar Iqbal

Mr. Kashif Muhammad Khan
Mr. Nafees Ahmed
Mr. Muhammad Mushtaq Bhatti
Mr. Parveiz Usman
Mr. Ayaz Dawood

All the retiring Directors shall be eligible 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
October 08, 2013

Zain ul Abidin
Company Secretary

NOTES:

1. Any person who seeks to contest the election of directors shall file with the Company at its Registered Office not later than fourteen days before the date of the meeting his / her intention to offer himself/herself for the election of directors in terms of section 178(3) of the Ordinance, together with:
 - a) Consent to act as director under Section (1) of the Ordinance.
 - b) The profile alongwith office address for placing on website of the Company seven days prior to the election in terms of SRO 25(1) 2012 dated January 16, 2012.
2. The Listing Regulation 35 of Karachi Stock Exchange that no person shall be elected or nominated as a director of more than seven listed companies simultaneously.
3. The Share Transfer Book of the Company will remain closed from October 22, 2013 to October 29, 2013 (Both days inclusive).
4. 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.
5. Members are requested to promptly notify the Company any change in their addresses.
6. The terms of present Board is due to expire on September 28, 2013. However, the election is being held on Tuesday, October 29, 2013 because it may not be convenient for the members to attend EOGM and AGM within a month.
7. 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 19th Annual Report together with the audited financial statements of your company and auditors' report thereon for the year ended June 30, 2013.

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).

PLANT PERFORMANCE:

During the current financial year, the plant output decreased to 101,656 MWh as compared with 282,383 MWh for the previous year. The reason for decline in output was that the plant was shut down from October 2012 onwards due to non-availability of fuel advance from WAPDA. The Company is in discussion with Ministry of Water & Power and WAPDA for resumption of plant operations.

FINANCIAL PERFORMANCE:

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

Financial year ended June 30,	2013	2012
	<u>Rupees 'million'</u>	
Turnover	2,259.24	4,999.36
Cost of sales	(2,089.15)	(5,050.08)
Gross Profit / (loss)	170.09	(50.72)
Operating expenses	(68.94)	(227.48)
Operating Profit / (loss)	101.15	(278.20)
Other income	11.40	23.51
Financial and other costs	(1,009.18)	(1,122.95)
Provision for taxation	(1.25)	(2.46)
Net loss after taxation	(897.88)	(1,380.10)
Loss per share – basic and diluted	(5.75)	(8.84)

The turnover of the Company decreased significantly in the current year as compared to the corresponding 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 are issued to WAPDA and its revenue is recognized in the financial statements. WAPDA is also charging 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 19.1 to 19.6 to the financial statements.

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. 170.09 million for the year as compared to gross loss of Rs. 50.72 million for the previous year.

Similarly, the operating expenses also decreased significantly in the current year as compared to last year primarily due to reduction in fee paid to Arbitration Lawyers who are handling the Company's case in Singapore.

Other income decreased in the current year as compared to last year because of decrease in profit on bank deposits, as funds were utilized for import of steam turbines and due to reduction in sale of sludge 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.

REASONS FOR NON-PAYMENT OF DIVIDEND AND DEBT OBLIGATIONS:

As detailed in note 1.2 to the financial statements, the Company has incurred operating loss for the year amounting to Rs. 898 million (2012 : Rs. 1,380 million) and its accumulated loss has jumped to Rs 6,244 million as at June 30, 2013, resulting in negative equity and adverse current assets ratio at that date.

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 cost due to non-repayment of term loans/finances; both as a consequence of tariff reductions in 1999.

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

In addition to this, amounts from the Capacity Price Payments (CPP) were withheld by WAPDA to adjust against its own disputed dues / amount of fuel advance, which further increased the financial burden of the Company. The disputed amounts have been explained in detail in notes 19.1 to 19.6 of these financial statements.

Due to the above reasons, the Company is neither in a position to pay off obligations to its lenders since September 2008 nor has ever declared dividends to its shareholders.

COMMENTS ON THE AUDITORS' REPORT:

The management of the Company is of the considered view that it is justified in preparing these financial statements on a going concern basis which depicts a true and fair view of the Company's affairs and does not agree with the auditors' opinion indicating uncertainty as regards the going concern assumption. The crux of the matter is that the power plant of the Company is available for operation at full capacity; particularly when discussions with Ministry of Water & Power and WAPDA for the resumption of plant operations are continuing.

As regards to the concluding paragraphs of the Auditors' report, detailed explanations have already been given in note 1.2 as well as in notes 19.1 to 19.7 of the financial statements.

Considering the impact of the assertions made in these notes coupled with the favorable outcome of the Second Partial Final Award by the ICC's Arbitral Tribunal which is financially favorable to the Company at the time of announcement of the Final Award in the near future, the management of the Company considers that the going concern assumption used in the preparation of these financial statements is appropriate.

EXTERNAL AUDITORS' APPOINTMENT:

The Auditors, M/s. Hyder Bhimji & Co., Chartered Accountants are the retiring Auditors of the Company and offer their services for re-appointment.

The Board's Audit Committee and the Board of Directors recommend appointment of M/s. BDO Ebrahim & Co., Chartered Accountants, by the shareholders at the ensuing Annual General Meeting as Auditors of the Company.

REMUNERATION OF CHIEF EXECUTIVE:

There was no change in the terms and conditions of the appointment of the Chief Executive Officer, except normal annual increment in the 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 account 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 (IAS) / International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of the financial statements.
- e) The system of internal controls 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) During the financial year under review the Board of Directors met four times and the attendance at the meetings was as follows:

Name	No. of Meetings Attended
Mr. Jehangir Shah	4
Mr. Parveiz Usman	3
Brig. (R) Mansur Aslam (resigned)	2
Mr. Muhammad Mushtaq Bhatti (new appointment)	-
Brig. (R) Muhammad Akhtar (resigned)	-
Brig. Naveed Ahsan (newly appointed and resigned)	-
Mr. Javaid Iqbal (new appointment)	-
Mr. Kashif Muhammad Khan	3

Mr. Khurram Faizyab	3
Mr. Nafees Ahmed	3
Mr. Zafar Iqbal	4
Ms. Parveen A Malik	4
Mr. Ayaz Dawood	2
Mr. Bashir A Sheikh (resigned)	-
Mr. Yousaf Hussain - (new appointment)	2
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, 2013, four causal vacancies have been filled in the Board of Directors as per Section 180(2) of the Companies Ordinance 1984.

- j) The Board has formed Audit Committee, comprising four members, all of whom are non-executive directors.
- k) During the financial year the Audit Committee meetings held 5 times and the attendance of the members were as follows:

Name	No. of Meetings Attended
Brig. (R) Mansur Aslam (resigned)	2
Mr. Kashif Muhammad Khan	5
Mr. Zafar Iqbal	5
Mr. Ayaz Dawood	4

- l) The Company, after obtaining approval from regulatory authorities, has established Employees Gratuity Fund. Annual provision has been made on the basis of actuarial valuation to cover obligation under the scheme for all employees eligible to gratuity benefits. The value of the investments of Gratuity Fund as on June 30, 2013 was Rs. 18.910 million.

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 the employees.

ENVIRONMENT HEALTH AND SAFETY

We remain committed to ensure that the entire operations of the Company conform to 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 significant risks are also reviewed and are proactively addressed to avoid any untoward incident.

PATTERN OF SHAREHOLDING

Pattern of shareholding of the Company as at 30 June 2013 along with the necessary information is attached to this report.

ICC ARBITRATION

The Arbitration Tribunal has announced the Second Partial Final Award on July 9, 2013, which is predominantly in favour of the Company. However, The ICC has required both parties to submit quantifications of further amounts, in the light of principles laid down in the Award to enable it to announce the Final Award with all its financial / monetary implications. Final Award is expected before the year end.

FUTURE PROSPECTS

The Company is optimistic that as soon as the Final Award is announced in favor of the Company, it will result in amicable resolution of other disputes with WAPDA including the revival of working capital for fuel procurement, and the implementation of steam turbine, the Company's cash flows will improve resulting in making it a financially viable entity.

CONCLUSION

The Company is proud of its employees for their commitment and loyalty with the Company during this difficult period of financial stress and survival.

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

Islamabad: **September 24, 2013**

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

OPERATING AND FINANCIAL DATA

SIX YEARS SUMMARY

	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008
DISPATCH LEVEL(%)	9.63	26.75	39.76	18.85	24.33	48.07
DISPATCH (MWh)	101,656	282,383	372,692	198,934	256,870	506,924
REVENUE (Rs. 000)						
Energy Purchase Price	1,514,313	4,212,304	4,071,936	1,981,217	2,644,434	3,583,596
Capacity Purchase Price	744,930	787,054	652,213	750,722	861,324	915,548
TOTAL REVENUE	2,259,243	4,999,358	4,724,149	2,731,939	3,505,758	4,499,144
Cost of Sales	(2,089,153)	(5,050,083)	(5,170,336)	(2,443,209)	(3,281,624)	(4,214,069)
GROSS (LOSS) / PROFIT	170,090	(50,725)	(446,187)	288,730	224,134	285,075
PROFITABILITY (Rs. 000)						
Profit / (Loss) Before Tax	(896,634)	(1,377,643)	(1,501,755)	(450,729)	(593,000)	(162,114)
Provision for Taxation	(1,251)	(2,463)	(1,725)	(1,623)	(444)	(556)
PROFIT / (LOSS) AFTER TAX	(897,885)	(1,380,106)	(1,503,480)	(452,352)	(593,444)	(162,670)
FINANCIAL POSITION (Rs. 000)						
Non Current Assets	5,149,357	5,344,304	4,860,577	5,063,299	5,316,919	5,538,638
Current Assets	3,131,731	3,344,976	2,973,456	2,695,627	1,112,711	1,577,505
Less Current Liabilities	(8,738,281)	(7,871,403)	(5,917,375)	(3,720,732)	(1,905,488)	(1,624,257)
NET WORKING CAPITAL	(5,606,550)	(4,526,427)	(2,943,919)	(1,025,105)	(792,777)	(46,752)
CAPITAL EMPLOYED	(1,530,968)	(320,836)	1,477,471	3,578,217	4,043,429	4,990,438
Less Non Current Liabilities	(3,140,784)	(3,518,216)	(4,000,587)	(4,621,043)	(4,656,161)	(5,031,396)
SHAREHOLDERS' EQUITY	(4,671,752)	(3,839,052)	(2,523,116)	(1,042,826)	(612,732)	(40,958)
REPRESENTED BY (Rs. 000)						
Share Capital	1,560,376	1,560,376	1,560,376	1,560,376	1,560,376	1,476,188
Share deposit money	-	-	-	-	-	84,188
Accumulated Loss	(6,244,077)	(5,407,351)	(4,088,404)	(2,605,659)	(2,174,043)	(1,601,334)
Fair value reserve	11,949	7,923	4,857	2,457	935	-
	(4,671,752)	(3,839,052)	(2,523,171)	(1,042,826)	(612,732)	(40,958)
SHARE VALUE (RUPEES):						
Market Value	4.50	1.75	1.15	1.80	1.80	5.30
Breakup Value	(2.99)	(2.46)	(1.62)	(0.67)	(0.39)	(0.28)
RATIOS:						
Gross Profit to Sales (%)	7.53	(1.01)	(9.44)	10.57	6.39	6.34
Net Profit to Sales (%)	(39.74)	(27.61)	(31.83)	(16.56)	(16.93)	(3.62)
Earning per Share (Rupees)	(5.75)	(8.84)	(9.61)	(2.89)	(3.87)	(1.10)
Current Ratio (times)	0.36	0.42	0.50	0.72	0.58	0.97
Liquidity Ratio (times)	0.30	0.37	0.40	0.60	0.54	0.88

Vision Statement

To become partner in progress of the Country.

Mission Statement

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

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of 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 CCG in the following manner:

1. The company encourages the representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the Board includes:

Category	Names
Independent Director	Mr. Ayaz Dawood
Executive Directors	No
Non-Executive Directors	Mr. Jehangir Shah – Nominee, Pak Oman Investment Company Limited
	Mr. Parveiz Usman – Nominee, National Logistics Cell
	Mr. Muhammad Mushtaq Bhatti – Nominee, National Logistics Cell
	Mr. Javaid Iqbal – Nominee, National Logistics Cell
	Mr. Kashif Muhammad Khan – Nominee, Pak Oman Investment Company Limited
	Mr. Khurram Faizyab – Nominee, Pak Oman Investment Company Limited
	Mr. Nafees Ahmed – Nominee, Pak Oman Investment Company Limited
	Mr. Zafar Iqbal – Nominee, Saudi Pak Industrial and Agricultural Investment Company Limited
	Ms. Parveen A Malik – Nominee, Saudi Pak Industrial and Agricultural Investment Company Limited
	Mr. Yousaf Hussain – Creditors Nominee, Faysal Bank Limited
	Mr. Muhammad Hanif Abbasi – Creditors Nominee, National Bank of Pakistan

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
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 causal vacancies occurred on the board was filled up by the directors.
5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company alongwith its supporting policies and procedures.
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 at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
10. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
11. The financial statements of the company were duly endorsed by CEO and CFO before the approval of the board.
12. 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.
13. The company has complied with all the corporate and financial reporting requirements of the CCG.
14. The board has formed an audit committee. It comprises four members, all of whom are non-executive directors.
15. 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 CCG. The terms of reference of the Committee have been formed and advised to the committee for compliance.
16. The board has formed an HR and Remuneration Committee. It comprises four members, all of whom are non-executive directors and the chairman of the committee is also a non-executive director.
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 (ICAP), 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 ICAP.
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. The ‘closed period’ prior to the announcement of interim / final results, and business decision, which may materially affect the market price of company’s securities, was determined and intimated to directors, employees and stock exchanges.
 21. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges
 22. The related parties transactions have been placed before the audit committee and approved by Board of Directors to comply with the requirements of listing regulation of Karachi Stock Exchange (Guarantee) Limited.
 23. We confirm that all other material principles enshrined in the CCG have complied with except for the appointment of independent directors which shall be complied with at the time of re-election of the directors.

**Islamabad
September 24, 2013**

For and on behalf of the Board

**KHAN A SALEEM
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, 2013 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, listing regulations require the company to place before the Board of Directors for their consideration and approval of 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 status of 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, 2013.

Lahore: September 24, 2013

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner- 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, 2013 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, and except for the following:

- 1) The company has suffered operating losses since the commencement of its commercial operations in the year 2000, and loss for the year is Rs. 897.885 million, whereby its accumulated loss of Rs. 6.244 billion as on June 30, 2013 has exceeded shareholders' equity; and its total liabilities have exceeded its total assets by Rs 4.672 billion, which has been exacerbated by a continuing huge adverse working capital ratio.

The directors have not indicated any firm commitment to provide or arrange finance for the installation / implementation of steam turbine that appears to be the only alternative to run the company's power project on a commercially viable basis.
- 2) Similarly, no repayments are being made to the lenders since July 2008, the overdue amounts of which inclusive of accrued mark up stood at Rs. 4.407 billion at the terminal date. Consequently, no borrowing line or limit is available with the company at present.
- 3) The operations of the company were totally dependent upon the funds received from WAPDA, who had discontinued the same w.e.f. October 19, 2012; and by virtue of which the company's power project is closed for operations since then. At the same time, WAPDA is stressing hard for the repayment of its advances that have been piled up to Rs. 3.990 billion until the terminal date.
- 4) Under the circumstances, the recoverable amount of assets has not been worked out to determine the likelihood of impairment of these assets, as recommended by IAS-36, "Impairment of Assets".

- 5) Further, the company has two major disputes involving significant amount of contingent liabilities of the company as fully explained in notes 19.1 to 19.6 of the financial statements. Although, a substantial amount appears to be payable by WAPDA to the company as per the second partial final award announced by ICC's Arbitral Tribunal, yet the final award is awaited; and before that further workings, computations and representations are to be made by both the parties, therefore, the quantum of such award cannot be determined with any degree of certainty at this stage. However, as per the tentative workings on the basis of second partial final award, certain amount may be payable to WAPDA.
- 6) In view of disputes as described above, the balances payable to / receivable from WAPDA as appearing in these financial statements remained unconfirmed by WAPDA.
- 7) The management of the company has no practicable alternate plans to take out the company from the present crises.
- 8) The above stated factors indicate the existence of material uncertainty which cast significant doubt about the company's ability to continue as a Going Concern; and accordingly the going concern assumption used by the management of the company for the preparation of these financial statements is inappropriate, and therefore, the company may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements and note 1.2 thereto do not disclose such facts and state of affairs.

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;
 - 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, because of the significance of matters discussed in paragraphs 1 to 8 above, the financial statements do not give a true and fair view of the financial position of the Company as at June 30, 2013 and of its financial performance, its cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards and do not give the information required by the Companies Ordinance, 1984 in the manner so required; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore: September 24, 2013

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner- Syed Aftab Hameed, FCA

**JAPAN POWER GENERATION LIMITED
BALANCE SHEET AS AT JUNE 30, 2013**

	<i>Note</i>	2013 <i>Rupees '000'</i>	2012
Non current assets			
Property, plant and equipment	5	5,149,357	5,344,204
Long term deposits	6	100	100
		5,149,457	5,344,304
Current assets			
Stores and spares	7	118,199	111,007
Stock in trade	8	369,883	303,031
Trade debts	9	2,222,783	2,111,252
Advances, deposits, prepayments and other receivables	10	181,185	471,351
Tax refunds due from the Government	11	221,932	184,515
Cash and bank balances	12	17,749	163,820
		3,131,731	3,344,976
		8,281,188	8,689,280
TOTAL ASSETS			
Capital and reserves			
Authorized capital 160,000,000 (2012: 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		(6,244,077)	(5,407,351)
Fair value reserve		11,949	7,923
Shareholders' equity		(4,671,752)	(3,839,052)
Surplus on revaluation of property , plant and equipment	14	1,073,875	1,135,034
Non current liabilities			
Long term finances	15	3,140,784	3,518,216
Current liabilities			
Short term borrowings	16	168,200	168,200
Current portion of long term finances	15	1,897,397	1,698,310
Trade and other payables	17	3,647,380	3,658,616
Accrued markup	18	3,025,304	2,349,956
		8,738,281	7,875,082
Contingencies and commitments	19		
		8,281,188	8,689,280
TOTAL EQUITY AND LIABILITIES			

The annexed notes 1 to 37 form an integral part of these financial statements.

Lahore: September 24, 2013

Khan A Saleem
Chief Executive

Nafees Ahmad
Chairman / Director

JAPAN POWER GENERATION LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2013

	<u>Note</u>	2013 <u>Rupees '000'</u>	2012
Sales - net	20	2,259,243	4,999,358
Cost of sales	21	<u>(2,089,153)</u>	<u>(5,050,083)</u>
Gross profit / (loss)		170,090	(50,725)
Operating expenses			
Administrative and general expenses	22	<u>(68,944)</u>	<u>(227,476)</u>
Operating profit / (loss)		101,146	(278,201)
Other income	23	<u>11,399</u>	<u>23,506</u>
		112,545	(254,695)
Finance and other cost			
Finance cost	24	<u>(1,009,179)</u>	<u>(1,122,948)</u>
Net loss before taxation		(896,634)	(1,377,643)
Provision for taxation			
Current - on other income		<u>(1,251)</u>	<u>(2,463)</u>
Net loss after taxation		<u><u>(897,885)</u></u>	<u><u>(1,380,106)</u></u>
Loss per share - basic and diluted	25	<u><u>(5.75)</u></u>	<u><u>(8.84)</u></u>

Appropriations are reflected in the statement of changes in equity.

The annexed notes 1 to 37 form an integral part of these financial statements.

Lahore: September 24, 2013

Khan A Saleem
Chief Executive

Nafees Ahmad
Chairman / Director

JAPAN POWER GENERATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2013

	<u>Note</u>	2013	2012
		<u>Rupees '000'</u>	
Net loss after taxation		(897,885)	(1,380,106)
Other comprehensive income			
Actuarial gains recognised during the year	17.2 (a)	4,026	3,066
Total comprehensive loss for the year		<u>(893,859)</u>	<u>(1,377,040)</u>

The annexed notes 1 to 37 form an integral part of these financial statements.

Lahore: September 24, 2013

Khan A Saleem
Chief Executive

Nafees Ahmad
Chairman / Director

JAPAN POWER GENERATION LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	<u>Note</u>	2013 <u>Rupees '000'</u>	2012
CASH FLOW FROM OPERATING ACTIVITIES			
Cash inflow after working capital changes	26	501,324	991,620
Finance cost paid		(333,831)	(635,405)
Gratuity paid		(12,150)	(10,347)
Income tax paid		(1,081)	(1,762)
Net cash inflow from operating activities		154,262	344,106
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,768)	(23,023)
Addition in capital work in progress		(120,229)	(5,221)
Proceeds from sale of property, plant and equipment		9	19
Net cash outflow from investing activities		(121,988)	(28,225)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finances		(178,345)	(282,660)
Net cash outflow from financing activities		(178,345)	(282,660)
Net (decrease) / increase in cash and cash equivalents		(146,071)	33,221
Cash and cash equivalents at the beginning of year		163,820	130,599
Cash and cash equivalents at the end of year	12	<u>17,749</u>	<u>163,820</u>

The annexed notes 1 to 37 form an integral part of these financial statements.

Lahore: September 24, 2013

Khan A Saleem
Chief Executive

Nafees Ahmad
Chairman / Director

JAPAN POWER GENERATION LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2013

	Share capital	Accumulated loss	Fair value reserve	Total
	<i>Rupees '000'</i>			
Balance as at June 30, 2011	1,560,376	(4,088,404)	4,857	(2,523,171)
Incremental depreciation on revaluation of property, plant & equipment	-	61,159	-	61,159
Total comprehensive loss for the year	-	(1,380,106)	3,066	(1,377,040)
Balance as at June 30, 2012	1,560,376	(5,407,351)	7,923	(3,839,052)
Incremental depreciation on revaluation of property, plant & equipment	-	61,159	-	61,159
Total comprehensive loss for the year	-	(897,885)	4,026	(893,859)
Balance as at June 30, 2013	1,560,376	(6,244,077)	11,949	(4,671,752)

The annexed notes 1 to 37 form an integral part of these financial statements.

Lahore: September 24, 2013

Khan A Saleem
Chief Executive

Nafees Ahmad
Chairman / Director

JAPAN POWER GENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 year amounting to Rs. 897.885 million (2012: Rs. 1,380.106 million) and its accumulated loss has increased to Rs. 6.244 billion since inception to June 30, 2013, whereby it has negative equity and adverse current ratio at that date. 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 at notes 19.1 to 19.6 of these financial statements. Further due to non-availability / non-provision of working capital, the company's power plant could not be operated since October 2012 until the date of Directors Report, 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:

- 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 been reached at plant, while funds for the import of remaining equipment are being arranged.
- The lending institutions are taking keen interest in the long term sustainability of the company and are taking up the matter at their highest level. The Presidents of the major lending institutions are in close contacts with each other to discuss the way forward for future operations of the company (JPGL). Various options are under their consideration including financing of steam turbines and conversion of debt into equity.
- 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 notes 19.1 to 19.6. The management of the company as well as its lenders is affirmative that the new investment / financing can be brought in once the disputes with WAPDA are settled; and settled favourably.
- Owing to dire need of electricity in the country, WAPDA is being pursued to arrive at a workable solution so that the plant could resume its operations.

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 adopted during the year

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), which became effective during the year but are considered not to be relevant or have any significant effect on the company's operations and are, therefore, not disclosed in these financial statements.

2.3 Standards, interpretations and amendments to approved accounting standards that are issued but not yet effective

There were certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2013, but are considered not to be relevant or have any significant effect on the company's operations, other than presentation / disclosures and except for the amendments to IAS 19 "Employee Benefits" and are, therefore, not disclosed in these financial statements.

The amendments to IAS 19 require immediate recognition of actuarial gains / losses in other comprehensive income in the period of initial recognition. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan:

		IASB Effective date (periods beginning on or after)
IFRS-9	Financial Instruments	January 01, 2015
IFRS-10	Consolidated Financial Statements	January 01, 2013
IFRS-11	Joint Arrangements	January 01, 2013
IFRS-12	Disclosure of Interest in Other Entities	January 01, 2013
IFRS-13	Fair Value Measurement	January 01, 2013
IFRIC-21	Levies	January 01, 2014

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for freehold land, factory building and plant & machinery which have been carried at revalued amount as referred to in the relevant notes while 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 financial statements are presented in Company's functional currency of Pakistan Rupee.

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 approved funded defined benefit 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, 2013. The actuary used the 'Projected Unit Credit Method' relying on the following significant assumptions:

	2013	2012
Discount rate	10.5%	12.50%
Expected rate of salary increase	9.5%	12.50%
Expected rate of return on plan assets	9.5%	9.50%
Average expected remaining working life of employees	13 years	15 years

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

The expected rate of return on Plan assets is based on the market expectations and depends on the asset portfolio of JPGL.

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 intended use. Capital work in progress is stated at cost, less any identified impairment loss.

Stores held for capitalization

These are stated at cost.

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 past event; it is probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

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 occurrence or non occurrence 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.

5 Property, plant and equipment

Operating assets - Tangible
Capital work in progress
Stores held for capitalization

	2013	2012
	Rupees '000'	
Note		
5.1	5,001,773	5,301,675
5.2	141,171	36,116
	6,413	6,413
	<u>5,149,357</u>	<u>5,344,204</u>

5.1 Operating assets

PARTICULARS	2013				2012					
	COST / REVALUATION		DEPRECIATION		COST / REVALUATION		DEPRECIATION			
	As at July 01, 2012	Additions	Deletions	As at June 30, 2013	Rate (%)	As at July 01, 2012	Deletions	Charge for the year	As at June 30, 2013	WRITTEN DOWN VALUE AS AT JUNE 30, 2013
Owned	69,409	-	-	69,409	-	-	-	-	-	69,409
Land - freehold										
Buildings and civil works on freehold land	378,585	1,237	-	379,822	3.3 ~ 4.40	150,292	-	12,961	163,253	216,569
Plant and machinery	7,827,156	-	-	7,827,156	3.3 ~ 4.40	2,829,750	-	287,112	3,116,862	4,710,294
Workshop equipment	16,085	64	-	16,149	10	16,085	-	1	16,086	63
Weighbridge	1,175	-	-	1,175	10	1,175	-	-	1,175	-
Furniture and fixtures	2,203	61	-	2,264	10	1,532	-	92	1,624	640
Electric installations	1,807	220	-	2,027	10	1,250	-	80	1,330	897
Office equipment	3,850	29	(24)	3,855	10	1,040	(24)	338	1,354	2,501
Laboratory equipment	2,184	-	-	2,184	10	1,364	-	145	1,509	675
Computers	2,402	157	(254)	2,305	30	1,828	(254)	308	1,882	423
Tubewell	1,917	-	-	1,917	10	1,742	-	19	1,761	156
Railways sidings	6,650	-	-	6,650	10	6,650	-	-	6,650	-
Vehicles	3,617	-	-	3,617	20	2,657	-	614	3,271	346
2013 Rupees	8,317,040	1,768	(278)	8,318,530		3,015,365	(278)	301,670	3,316,757	5,001,773

PARTICULARS	2012				2011					
	COST / REVALUATION		DEPRECIATION		COST / REVALUATION		DEPRECIATION			
	As at July 01, 2011	Additions	Deletions	As at June 30, 2012	Rate (%)	As at July 01, 2011	Deletions/ adjustments	Charge for the year	As at June 30, 2012	WRITTEN DOWN VALUE AS AT JUNE 30, 2012
Owned	69,409	-	-	69,409	-	-	-	-	-	69,409
Land - freehold										
Buildings and civil works on freehold land	372,901	5,684	-	378,585	3.3 ~ 4.40	137,632	-	12,660	150,292	228,293
Plant and machinery	7,810,949	16,207	-	7,827,156	3.3 ~ 4.40	2,542,755	-	286,995	2,829,750	4,997,406
Workshop equipment	16,085	-	-	16,085	10	16,085	-	-	16,085	-
Weighbridge	1,175	-	-	1,175	10	1,175	-	-	1,175	-
Furniture and fixtures	1,600	603	-	2,203	10	1,428	-	104	1,532	671
Electric installations	1,556	302	(51)	1,807	10	1,200	(51)	101	1,250	557
Office equipment	1,811	2,209	(170)	3,850	10	993	(170)	217	1,040	2,810
Laboratory equipment	2,184	-	-	2,184	10	1,146	-	218	1,364	820
Computers	2,013	456	(67)	2,402	30	1,450	(67)	445	1,828	574
Tubewell	1,723	194	-	1,917	10	1,723	-	19	1,742	175
Railways sidings	6,650	-	-	6,650	10	6,650	-	-	6,650	-
Vehicles	3,042	575	-	3,617	20	1,948	-	709	2,657	960
2012 Rupees	8,291,098	26,230	(288)	8,317,040		2,714,195	(288)	301,468	3,015,365	5,301,675

5.2 Capital work in progress

The breakup and movement in this head of account is as under:

Description	Note	Opening balance	Additions	Transfers	Closing balance
Land		15,720	-	-	15,720
Buildings and civil works		336	11	(348)	-
Plant and machinery - Steam turbine		4,885	120,566	-	125,451
Plant and machinery - Cylindrical liner		-	-	-	-
Expenses towards expansion project	5.2.1	15,175	-	(15,175)	-
				(Note - 22)	
2013 Rupees 000s		36,116	120,577	(15,523)	141,171
2012 Rupees 000s		34,102	10,905	(8,891)	36,116

5.2.1 These include :

	Note	2013	2012
		Rupees '000'	
Fees paid to NEPRA		-	4,403
Fees and subscription		-	7,312
Travelling and conveyance		-	1,939
Legal, professional and consultancy charges		-	1,514
Other expenses		-	7
		-	15,175

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

Cost of sales	22	300,238	299,892
Administrative and general expenses	23	1,432	1,576
Rupees 000s		301,670	301,468

5.4 As at 30 June 2013, undepreciated balance of revaluation surplus included in the carrying value of operating assets, amounted to Rs. 1,073.878 million (2012: Rs.1,135.036 million).

5.5 Had there been no revaluation, the carrying amount of revalued assets as on June 30, 2013 would have been as follows:

	Cost	Accumulated Depreciation	Written Down Value	
			2013	2012
Land - freehold	16,979	-	16,979	16,979
Buildings and civil works on freehold land	374,228	162,445	211,783	223,220
Plant and machinery	6,585,312	2,891,679	3,693,633	3,919,874
Rupees 000s	6,976,519	3,054,124	3,922,395	4,160,073

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

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit / (Loss)	Mode of Sale	Particulars of Buyer
Office equipment							
UPS	24	24	-	-	-	Negotiation	Ch. Waris, Lahore
Computers							
Printer	23	23	-	2	2	Negotiation	Ch. Waris, Lahore
Computer	231	231	-	7	7	Negotiation	Ch. Waris, Lahore
2013 Rupees 000s	278	278	-	9	9		
2012 Rupees 000s	288	288	-	19	19		

	2013	2012
	<i>Rupees '000'</i>	
6 Long term deposits		
Central Depository Company of Pakistan (CDC)	100	100
7 Stores and spares		
Stores	350	350
Loose tools	132	-
Spares	117,717	110,657
	<u>118,199</u>	<u>111,007</u>
8 Stock in trade-raw materials		
Residual fuel oil (RFO) - including in-transit Rs. Nill (2012:Rs. 62.558 million)	319,158	258,197
High speed diesel (HSD)	36,310	27,441
Lube oil - including in-transit Rs. Nill (2012:Rs. 4.311 million)	10,070	12,827
Chemicals and other lubricants	4,345	4,566
	<u>369,883</u>	<u>303,031</u>
9 Trade debts - considered good	<u>2,222,783</u>	<u>2,111,252</u>
These are receivable from WAPDA and are fully secured.		
10 Advances, deposits, prepayments and other receivables		
Advances - unsecured and considered good		
Against salaries to:		
Chief Executives	-	1,954
Executives	509	2,277
Employees	86	334
	<u>595</u>	<u>4,565</u>
To employees against expenses	121	42
To suppliers	744	4,341
To Pakistan State Oil Co. Ltd. (PSO)	13	79,823
To others	9	122,712
	<u>1,482</u>	<u>211,483</u>
Deposits	6	6
Prepayments	1,378	1,352
Other receivables		
Claims receivable	1,594	2,406
Liquidated damages recoverable from WAPDA	172,038	171,976
Receivable from Staff Gratuity Fund	4,687	-
Receivable from Faysal Bank limited	-	84,128
	<u>178,319</u>	<u>258,510</u>
	<u>181,185</u>	<u>471,351</u>
10.1 The highest aggregated balances at the end of any month during the year in case of Chief executive & Executives of the company are Rs. 1.789 million and Rs. 2.427 million respectively (2012: Rs. 3.274 million and Rs. 3.806 million respectively)		
10.1.1 A reconciliation of the advance/loan to chief executive is as follows:		
Opening balance	1,954	3,274
Advance / Loan given during the year	-	-
Deducted / adjusted during the year	1,954	1,320
Closing balance	<u>-</u>	<u>1,954</u>
10.2 This amount includes Rs. 0.009 million (2012: Rs. 121.839 million) of letters of credit margin deposited with Faysal Bank Limited.		
10.3 This amount was paid by the WAPDA to Faysal Bank Limited against CPP invoices as per an arrangement between GOP and the Lenders to IPPs, and is adjusted during the year.		
11 Tax refunds due from the Government		
Sales tax refundable	221,647	184,060
Income tax refundable	285	455
	<u>221,932</u>	<u>184,515</u>
12 Cash and bank balances		
Cash in hand	192	436
Cash with banks		
In current accounts	292	994
In saving accounts	17,265	162,390
	<u>17,557</u>	<u>163,384</u>
	<u>17,749</u>	<u>163,820</u>

13 Issued, subscribed and paid up capital			2013	2012
2013	2012		<u>Rupees '000'</u>	
<u>Number of Shares</u>	<u>Number of Shares</u>	<u>Note</u>		
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

14 Surplus on revaluation of property, plant and equipment

Opening balance	1,135,034	1,196,193
Less: Incremental depreciation on revalued property, plant and equipment for the year transferred to accumulated loss - changes in equity statement.	(61,159)	(61,159)
	1,073,875	1,135,034

The latest revaluation was carried out as at June 30, 2011 by an independent valuer - Messrs Surval. The basis used for revaluation was as under:

<u>Description</u>	<u>Basis</u>
Land - freehold	Market value of land in surroundings
Buildings and civil works on freehold land	Replacement cost (i.e. depreciated market value)
Plant and machinery	Incremental markets rates for similar kind of plant and machinery

15 Long term finances
Syndicated term finance agreement - II

15.1

Banking companies

Faysal Bank Limited	850,890	935,018
National Bank of Pakistan	761,721	761,721
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	185,897
Samba Bank Limited	533,161	533,161
	4,224,716	4,308,843

Non-banking financial institution

Prudential Investment Bank Limited	52,093	52,092
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Morabaha finance agreement - II

4,276,809 4,360,935

Banking company - Faysal Bank Limited

15.2

761,372 761,372

Advance from WAPDA for purchase of spares

15.3

- 94,219

5,038,181 5,216,526

Less: Current and overdue portion shown under current liabilities
Overdue portion

Syndicated term finance agreement - II	1,281,534	1,044,329
Morabaha finance agreement - II	238,430	182,329
	1,519,964	1,226,658

Current maturity

Syndicated term finance agreement - II	321,332	321,332
Morabaha finance agreement - II	56,101	56,101
Advance from WAPDA for purchase of spares	-	94,219
	377,433	471,652

1,897,397 1,698,310

3,140,784 3,518,216

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 had 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 @ 3 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.

- 15.3** This represents an advance amounting to Rs. 471.097 million (including mark up during grace period) from WAPDA against the procurement of spares parts in lump-sum. It is unsecured and carries markup ranging from 14.50% to 16.00% (2012: 16.00% to 18.00%) per annum. It is adjustable 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.

16 Short term borrowings

	<i>Note</i>	2013 <i>Rupees '000'</i>	2012
Related Parties			
National Logistics Cell	16.1	68,200	68,200
Pak Oman Investment Company Limited	16.2	68,200	68,200
Saudi Pak Industrial and Agricultural Investment Company Limited	16.3	31,800	31,800
		168,200	168,200
16.1	This amount represents loan obtained from National Logistics Cell to meet working capital expenditure of the company. It is unsecured and carries markup @ 14% per annum payable in lump sum at the time of maturity of the loan.		
16.2	This amount represents a finance facility obtained from Pak Oman Investment Company Limited. Under this arrangement, the lender has agreed to purchase fixed assets of the company at the purchase price of Rs. 75.000 million and sell the same to the company at a marked up price of Rs. 85.500 million to be paid through a single installment on maturity / demand. 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.		
16.3	This amount represents a finance facility obtained from Saudi Pak Industrial and Agricultural Investment Company Limited. Under this arrangement, the lender has agreed to purchase fixed assets of the company at the purchase price of Rs. 35.000 million and to sell the same to the company at a marked up price of Rs. 41.689 million. The principal is repayable on demand. 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.		

17 Trade and other payables

Creditors		43,207	60,923
Accrued liabilities		15,240	9,954
Advance from WAPDA for purchase of fuel	17.1	3,584,536	3,579,656
Payable to staff gratuity fund		-	3,679
Infrastructure tax payable		4,397	4,397
Income tax deducted at source payable		-	7
		3,647,380	3,658,616

- 17.1** This includes an advance amounting to Rs. 2,852.548 million (2012: 2,847.668 million) under new arrangement with WAPDA w.e.f. February 06, 2010 against the procurement of fuel up to Rs. 800 million per month and is adjustable against company's Energy Purchase Price (EPP) invoices. It is unsecured and carries markup ranging from 13.00% to 16.00% (2012: 16.00% to 18.00%) per annum. It is adjustable against company's EPP billings to WAPDA.

**17.2 Payable to / (receivable from) Staff Gratuity Fund
Funded defined benefit plan**

	2013	2012			
Note	Rupees '000'				
a) Movement during the year in the net liability recognized in the financial statements is:					
Opening net liability	3,679	10,716			
Add: amount recognized during the year	7,809	6,376			
Less: actuarial gains recognised during the year - other comprehensive income	(4,026)	(3,066)			
	<u>3,783</u>	<u>3,310</u>			
	7,462	14,026			
Less: contribution paid to the fund during the year	(12,150)	(10,136)			
Less: benefits paid on behalf of fund during the year	-	(211)			
Closing net liability	<u>(4,687)</u>	<u>3,679</u>			
b) The amount recognized in balance sheet is as follow:					
Present value of defined benefit obligation	19,643	16,681			
Fair value of any plan assets	(22,936)	(10,636)			
Unrecognized actuarial (losses) / gains	(1,394)	(2,366)			
Total balance sheet liability	<u>(4,687)</u>	<u>3,679</u>			
c) The fair value of the plan assets comprise of:					
Bank deposits	<u>22,936</u>	<u>10,636</u>			
d) Reconciliation of fair value of plan assets					
Opening balance	10,636	-			
Funds transferred in the fund during the year	12,150	10,136			
Profit on bank deposits	1,377	646			
Benefits paid on behalf of fund	(566)	(146)			
Payable to JPGL	(661)	-			
	<u>22,936</u>	<u>10,636</u>			
e) Actual return on plan assets					
Expected return on the plan assets	1,010	720			
Actuarial loss on plan assets	(295)	(74)			
	<u>715</u>	<u>646</u>			
f) The actuarial expense recognized in the profit and loss account is:					
Current service cost	2,654	2,594			
Interest cost	2,085	1,436			
Actuarial loss	54	-			
Expected return on plan assets	(1,010)	(720)			
	<u>3,783</u>	<u>3,310</u>			
g) Historical Information					
As at June 30,	2013	2012	2011	2010	2009
	(Figures in Rupees 000s)				
Present value of defined obligation	19,643	16,681	10,441	7,492	5,061
Experience adjustment arising on plan liabilities (gain) / losses	(1,213)	2,567	(34)	(177)	163
18 Accrued markup					
Banking companies				2,509,958	2,064,022
Related parties				109,611	86,146
WAPDA - spares advance				-	1,074
WAPDA - fuel advance				405,735	198,714
				<u>3,025,304</u>	<u>2,349,956</u>
18.1 This includes overdue markup aggregating to Rs. 2,947.881 million (2012: Rs. 2,302.851 million)				18.1	

19 Contingencies and commitments

Contingencies:

- 19.1** As reported in last year's annual report, the company is contingently liable for 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.
- 19.2** 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. 837.912 million against the company's CPP invoices for the period from March 14, 2006 to June 30, 2013. The total disputed amount comes to Rs. 1,121.944 million against which WAPDA has arbitrarily withheld an amount of Rs. 873.730 million from the company's CPP invoices until June 30, 2013.
- 19.3** 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 Agreement based on the Expert's recommendations, but WAPDA failed to formally sign the same. Therefore, neither the recommendations of the Expert nor the Settlement Agreement was implemented by WAPDA and therefore, WAPDA was in breach of the terms of the PPA. Under these circumstances, the company was not 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 NEC 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. After the terminal date, the ICC's Arbitration Tribunal has announced the second partial final award and has also required the parties to make joint submission of certain amounts.

- 19.4** 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 JPGL. 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. 26.425 million until June 30, 2013. The company has also contested WAPDA's acceptance of lower capacity before the ICC's Arbitration Tribunal.
- 19.5** 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 LD 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 LDs amounted to Rs. 1,332.851 million up till June 30, 2013, which is disputed by the company. The second partial final award has allowed certain LDs 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.
- 19.6** The Arbitration Tribunal of ICC has announced a second partial final award on July 09, 2013, which 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 binding document and has declared that WAPDA should make the following payments to the company:
- Indexation of non-escalable components of capacity purchase price alongwith markup to the Company as per Settlement Agreement upto 15th Agreement year.
 - Additional Capacity of 13.5 MW as discussed in note No. 19.4 above.
 - Effect of amendment No. 3 on Energy Purchase Price w.e.f from January 2009 to July 2013.
 - Payment of Rs. 100 million, being the interest waived in the Settlement Agreement.
 - 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.

The final award will be announced after both the parties have submitted computations and representations on the issues which the Tribunal has adjudicated but need quantification of amounts. Hence, no adjustments on the basis of second partial final award have been made in these financial statements.

- 19.7** The Assistant Commissioner Inland Revenue, 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 this show cause notice through its legal advisor, but no order has so far been passed by the Department. Further, the matter has also been taken up with the Department through representation before the Minister of Finance by all the IPPs jointly. Consequently, the management is hopeful that the matter will be resolved in favour of the Company / IPPs; and therefore no adjustment on this account has been incorporated in these financial statements.
- 19.8** 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 had filed appeal that was pending before the Honourable 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 challenging the part of judgment that was against the company, while the Sindh Government has also filed an appeal against this judgment challenging the decision made against it. These cross appeals were pending adjudication at the terminal date.

Commitments in respect of :

- 19.9** Contracts for capital expenditure at the terminal date were in the sum of Rs. 466.473 million (2012: Rs. 435.220 million).
- 19.10** Letters of Credit and purchase commitments for capital expenditure were in the sum of Rs. nil million at the terminal date (2012: Rs.110.622 million).

		2013	2012
	<i>Note</i>	<i>Rupees '000'</i>	
20 Sales - net			
Energy payments		1,757,750	4,886,396
Capacity payments		744,930	787,054
		<u>2,502,680</u>	<u>5,673,450</u>
Less: sales tax		243,437	674,092
		<u>2,259,243</u>	<u>4,999,358</u>
21 Cost of sales			
Fuel and oils consumed		1,648,304	4,555,511
Salaries, wages and benefits	21.1	21,826	18,036
Operating and maintenance fee		50,615	77,316
Operation and maintenance - In house		6,331	-
Stores and spares consumed		12,618	62,227
Electricity consumed in-house		10,007	2,508
Communication charges		2,484	2,490
Repair and maintenance		5,740	7,151
Environmental monitoring charges		535	-
Power generation licensing expenditure		1,227	1,097
Insurance		29,228	23,855
Depreciation	5.3	300,238	299,892
		<u>2,089,153</u>	<u>5,050,083</u>
21.1 Salaries, wages and benefits include Rs. 3.637 million (2012: Rs. 2.766 million) for staff gratuity.			
22 Administrative and general expenses			
Salaries and benefits	22.1	26,629	33,492
Plant security services		2,941	3,107
Staff transportation		2,349	2,215
Traveling and conveyance		3,409	7,726
Rent, rates and taxes		426	426
Postage and courier		141	134
Telephone, mobile and telex		943	1,366
Printing and stationery		937	1,006
Vehicle running and maintenance		1,280	1,147
Entertainment		1,055	1,152
Legal, professional and consultancy charges		7,731	167,647
Registrar services		180	186
Fee and subscription		527	490
Auditors' remuneration	22.2	2,146	2,574
Charity and donation		10	-
Advertisement		154	103
Insurance		138	114
Repair and maintenance		1,094	2,413
Newspaper and periodicals		5	5
Liquidated damages		242	597
Expenditure on expansion project - written off	5.2	15,175	-
Depreciation	5.3	1,432	1,576
		<u>68,944</u>	<u>227,476</u>
22.1 Salaries and benefits include Rs. 4.172 million (2012: Rs. 3.610 million) for staff gratuity.			
22.2 Auditors' remuneration			
Audit fee		630	550
Review engagement		253	220
Tax and advisory services		1,175	1,727
Out of pocket expenses		88	77
		<u>2,146</u>	<u>2,574</u>
23 Other income			
Income from financial assets			
Profit on bank deposits		3,576	7,037
Income from non-financial assets			
Sale of sludge / scrap		7,814	16,450
Gain on disposal of property, plant and equipment	5.6	9	19
		<u>11,399</u>	<u>23,506</u>

	Note	2013 Rupees '000'	2012
24 Finance cost			
Interest / mark up on:			
Long term finances -			
Syndicated and Morabaha finance agreement - II	24.1	445,938	528,206
Advance from WAPDA for purchase of spares		2,050	38,093
Short term borrowings -			
Related parties		23,465	23,612
Advance from WAPDA for purchase of fuel		531,616	527,882
Bank fee and other charges		6,110	5,155
		<u>1,009,179</u>	<u>1,122,948</u>
24.1	It includes late payment damages @ 4% per annum per day on quarterly outstanding installment of mark up on these finances, which amounted to Rs. 80.508 million (2012: Rs.65.482 million).		
25 Loss per share-basic and diluted			
Net loss for the year		<u>(897,885)</u>	<u>(1,380,106)</u>
Weighted average number of ordinary shares in thousands		<u>156,038</u>	<u>156,038</u>
Loss per share (basic & diluted)		<u>(5.75)</u>	<u>(8.84)</u>
26 Cash inflow after working capital changes			
Net loss before taxation		(896,634)	(1,377,643)
Adjustment for non-cash and other items:			
Depreciation		301,670	301,468
Gain on disposal of property, plant and equipment		(9)	(19)
Provision for gratuity		7,809	6,376
Finance cost		1,009,179	1,122,948
Expenditure on expansion project - written off		15,175	-
		<u>1,333,824</u>	<u>1,430,773</u>
Operating profit / (loss) before working capital changes		437,190	53,130
Working capital changes:			
(Increase) / decrease in current assets			
Stores and spares		(7,192)	(4,629)
Stock in trade		(66,852)	(66,596)
Trade debts		(111,531)	(180,429)
Advances, deposits, prepayments and other receivables		294,853	(77,849)
Tax refunds due from government		(37,587)	(9,497)
Increase / (decrease) in current liabilities			
Trade and other payables		(7,557)	1,277,490
		<u>64,134</u>	<u>938,490</u>
		<u>501,324</u>	<u>991,620</u>
27 Plant capacity and actual production			
Installed annual capacity in MWh		<u>1,055,580</u>	<u>1,055,580</u>
Actual energy delivered in MWh		<u>101,656</u>	<u>282,383</u>

Utilization of available capacity depends on the load demanded as well as advance payments made by WAPDA to PSO, for supply of furnace oil to the Company, as per arrangement finalised with the Authority (WAPDA) at the time of restart of plant on February 06, 2010.

28 Maturity of assets and liabilities
2013

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 deposits	-	-	-	-	100	100
Trade debts	-	-	2,222,783	-	-	2,222,783
Advances, deposits, prepayments and other receivables	15	-	173,632	-	-	173,647
Tax refunds due from the government	2,354	-	219,293	-	-	221,647
Cash and bank balances	17,749	-	-	-	-	17,749
	20,118	-	2,615,708	-	100	2,635,926

Financial liabilities

Long term finances	1,519,963	94,358	283,075	1,509,736	1,631,049	5,038,181
Short term borrowings - Secured	-	-	168,200	-	-	168,200
Trade and other payables	7,266	36,063	3,604,051	-	-	3,647,380
Accrued markup	-	-	3,025,286	-	-	3,025,304
	1,527,229	130,421	7,080,612	1,509,736	1,631,049	11,879,065

2012

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 deposits	-	-	-	-	100	100
Trade debts	429,964	237,062	1,444,226	-	-	2,111,252
Advances, deposits, prepayments and other receivables	229	-	380,126	-	-	380,355
Tax refunds due from the government	-	-	184,060	-	-	184,060
Cash and bank balances	163,819	-	-	-	-	163,819
	594,012	237,062	2,008,412	-	100	2,839,586

Financial liabilities

Long term finances	1,250,211	141,468	306,630	1,509,733	2,008,484	5,216,526
Short term borrowings - Secured	-	-	168,200	-	-	168,200
Trade and other payables	17,240	331,060	3,306,937	-	-	3,655,237
Accrued markup	27,804	-	2,322,152	-	-	2,349,956
	1,295,255	472,528	6,103,919	1,509,733	2,008,484	11,389,919

28.1 The effective profit rates for the monetary financial assets and liabilities are mentioned in respective notes of these financial statements.

29 Financial risk management

29.1 This note presents information about the company's exposure to each of the below mentioned risks, the company's objectives, policies and processes for measuring and managing risks, 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.

29.2 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. 2,635.927 million (2012: Rs. 2,839.586) million, the financial assets which are subject to credit risk amounted to Rs. 2,635.735 million (2012: Rs. 2,839.151) 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	2013	2012
		Rupees '000'	
Long term deposits	6	100	100
Trade debts	9	2,222,783	2,111,252
Advances, deposits, prepayments and other receivables	10	173,647	380,355
Tax refunds due from the Government	11	221,647	184,060
Bank balances	12	17,557	163,384
		<u>2,635,734</u>	<u>2,839,151</u>

Geographically all credit exposure is concentrated in Pakistan.

The maximum exposure to credit risk for trade debts at the reporting date by type of customer is from WAPDA

	<u>2,222,783</u>	<u>2,111,252</u>
--	------------------	------------------

Cash at bank Financial institution	Ratings			2013	2012
	Agency	Long term	Short term		
Faysal Bank Limited	PACRA	AA	A1+	17,557	163,384
				<u>17,557</u>	<u>163,384</u>

(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 i.e. 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 28 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, 2013 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:

		<u>2013</u>	<u>2012</u>
<u>Financial assets</u>			
Trade debts-interest charged after 25 days of the invoice delivered to WAPDA.	Variable	REPO+2%	REPO+2%
Deposits in PLS accounts	Variable	As determined by the bank.	As determined by the bank.
<u>Financial liabilities</u>			
Liquidated damages-interest is payable after 25 days of invoice received from WAPDA	Variable	REPO+2%	REPO+2%
Short term borrowings	Variable	6 months KIBOR plus 2%	6 months KIBOR plus 2%
Long term finances - Syndicated and morabaha	Variable	three months KIBOR plus 0.25%	three months KIBOR plus 0.25%
WAPDA Spares / Fuel advance	Variable	REPO+4%	REPO+4%

29.3 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 (2012: Rs. nil).

29.4 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.

29.5 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.

30 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 monitors 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 generally monitors capital on the basis of the debt-equity ratio calculated as a ratio of total debt to net shareholders equity in the normal circumstances.

31 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 plan. The company in the normal course of business carried out certain transactions with related parties. The related parties with whom the company had executed transactions during the year are comprised of :

Semi Autonomous Bodies

National Logistics Cell

Development Financial Institutions (DFIs)

Pak Oman Investment Company Limited

Saudi Pak Industrial and Agricultural Investment Company Limited

Others

Key management personnel

Post retirement benefit plan

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	2013	2012
		Rupees '000'	
National Logistics Cell	Short term borrowings - Unsecured	68,200	68,200
Pak Oman Investment Company Limited	Short term borrowings - Secured	68,200	68,200
Saudi Pak Industrial and Agricultural Investment Company Limited	Short term borrowings - Secured	31,800	31,800
Post retirement benefit plan	Gratuity (receivable) / payable	(4,687)	3,679
		163,513	171,879
National Logistics Cell	Accrued mark up on outstanding balance	47,352	37,804
Pak Oman Investment Company Limited	Accrued mark up on outstanding balance	42,299	32,748
Saudi Pak Industrial and Agricultural Investment Company Limited	Accrued mark up on outstanding balance	19,960	15,594
		109,611	86,146

C. Disclosure of transactions between company and related parties

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

Name of the party	Nature of transaction	2013	2012
National Logistics Cell	Mark up on outstanding balance	9,548	9,574
Pak Oman Investment Company Limited	Mark up on outstanding balance	9,551	9,574
Saudi Pak Industrial and Agricultural Investment Company Limited	Mark up on outstanding balance	4,366	4,464
Post retirement benefit plan	Expense charged	7,809	6,376
		31,274	29,988

32. 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	
	2013	2012	2013	2012	2013	2012
	Rupees in '000					
Managerial Remuneration	11,570	10,610	-	-	18,114	14,524
Perquisites and benefits						
Medical	120	119	-	-	380	257
Gratuity	1,444	1,212	-	-	2,188	1,957
Other benefits	475	436	-	-	661	489
	<u>13,609</u>	<u>12,377</u>	<u>-</u>	<u>-</u>	<u>21,343</u>	<u>17,227</u>
Number of persons	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>7</u>

32.1 Board meeting fee was not paid to any director.

32.2 Company maintained vehicle and mobile telephone costing Rs. 0.755 million is provided to the chief executive of the company only.

32.3 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.

33. Environmental risk exposure

The company is fully compliant with the environmental regulations.

34. Waiver from application of IFRIC - 4 "Determining Whether an Arrangement Contains a Lease"

The Securities and Exchange Commission of Pakistan (SECP) granted waiver from the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" to all companies including Power Sector Companies. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC - 4.

Under IFRIC - 4, the consideration required to be made by lessee (WAPDA) for the right to use the asset is to be accounted for as finance lease under IAS - 17 "Leases". If the Company were to follow IFRIC - 4 and IAS - 17, the effect on the financial statements would be as follows:

	2013	2012
	Rupees '000'	
Decrease in accumulated loss at the beginning of the year	3,360,258	3,098,276
Decrease in loss for the year	414,526	261,982
Decrease in accumulated loss at the end of the year	<u>3,774,784</u>	<u>3,360,258</u>

35. Date of Authorization

These financial statements were authorized for issue on 24-09-2013 in accordance with the resolution of the Board of Directors.

36. Number of Employees

	<u>2013</u>	<u>2012</u>
36.1 The number of employees at the year end	92	47
36.2 The average number of employees during the year	63	48

37. General

37.1 Correspondence figures have been rearranged and reclassified, wherever necessary for the purposes of better comparison and presentation. However no major reclassification were made in the corresponding figures, except for:

	Note	2012 - rupees	
		After restatement	Before restatement
Deferred liability - Staff Gratuity	16.1	-	3,679
Trade and other payables	17.2	3,679	-

37.2 Figures in these financial statements have been rounded off to the nearest rupee.

Lahore: September 24, 2013

Khan A Saleem
Chief Executive

Nafees Ahmad
Chairman / Director

Japan Power Generation Limited
Pattern of Shareholding as on June 30, 2013
Consolidated
CDC+Non-CDC
(Section 236(1) and 464)

Number of ShareHolders	Shareholding		Total Number of Shares Held	Percentage of Total Capital
	From	To		
108	1	100	2,744	0.00
511	101	500	240,543	0.15
586	501	1000	580,837	0.37
1469	1001	5000	4,902,387	3.14
569	5001	10000	4,973,178	3.19
196	10001	15000	2,613,508	1.67
165	15001	20000	3,153,434	2.02
126	20001	25000	3,043,633	1.95
90	25001	30000	2,596,140	1.66
28	30001	35000	948,787	0.61
44	35001	40000	1,719,500	1.10
23	40001	45000	1,004,000	0.64
82	45001	50000	4,069,372	2.61
9	50001	55000	484,500	0.31
17	55001	60000	1,004,500	0.64
8	60001	65000	506,000	0.32
11	65001	70000	764,000	0.49
18	70001	75000	1,335,000	0.86
7	75001	80000	553,000	0.35
5	80001	85000	419,634	0.27
6	85001	90000	533,000	0.34
6	90001	95000	567,000	0.36
52	95001	100000	5,192,500	3.33
4	100001	105000	408,752	0.26
5	105001	110000	545,500	0.35
4	110001	115000	450,500	0.29
8	115001	120000	942,000	0.60
11	120001	125000	1,368,657	0.88
3	125001	130000	387,500	0.25
5	130001	135000	662,244	0.42
2	135001	140000	272,617	0.17
1	140001	145000	144,209	0.09
6	145001	150000	894,506	0.57
1	150001	155000	150,500	0.10
1	155001	160000	160,000	0.10
3	160001	165000	484,703	0.31
1	165001	170000	170,000	0.11
3	170001	175000	525,000	0.34
2	175001	180000	360,000	0.23
2	180001	185000	361,160	0.23
1	185001	190000	188,554	0.12

**Japan Power Generation Limited
Pattern of Shareholding as on June 30, 2013**

**Consolidated
CDC+Non-CDC
(Section 236(1) and 464)**

Number of ShareHolders	Shareholding		Total Number of Shares Held	Percentage of Total Capital
	From	To		
2	190001	195000	384,500	0.25
15	195001	200000	2,995,000	1.92
2	200001	205000	404,042	0.26
1	210001	215000	215,000	0.14
2	215001	220000	438,000	0.28
1	220001	225000	225,000	0.14
1	225001	230000	230,000	0.15
1	235001	240000	240,000	0.15
1	240001	245000	240,001	0.15
3	245001	250000	746,000	0.48
1	250001	255000	252,000	0.16
2	255001	260000	520,000	0.33
1	265001	270000	266,500	0.17
2	280001	285000	565,500	0.36
7	295001	300000	2,098,000	1.34
2	345001	350000	695,500	0.45
1	355001	360000	360,000	0.23
1	395001	400000	400,000	0.26
1	430001	435000	431,000	0.28
1	435001	440000	440,000	0.28
1	445001	450000	450,000	0.29
1	495001	500000	500,000	0.32
1	515001	520000	516,500	0.33
1	530001	535000	535,000	0.34
2	595001	600000	1,200,000	0.77
1	615001	620000	620,000	0.40
1	745001	750000	750,000	0.48
1	795001	800000	800,000	0.51
1	895001	900000	900,000	0.58
1	1205001	1210000	1,208,500	0.77
1	2995001	3000000	3,000,000	1.92
2	3395001	3400000	6,800,000	4.36
1	3805001	3810000	3,806,236	2.44
1	3995001	4000000	4,000,000	2.56
1	4230001	4235000	4,231,872	2.71
1	7765001	7770000	7,765,963	4.98
1	8940001	8945000	8,940,811	5.73
1	17620001	17625000	17,622,878	11.29
1	30560001	30565000	30,560,189	19.59
4,268	<-----Total----->		156,037,591	100.00

JAPAN POWER GENERATION LIMITED
CATEGORIES OF SHAREHOLDERS
(Section 236(1) and 364)
AS ON JUNE 30, 2013

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE
A) Directors / Chief Executive Officer and their spouse and minor Children			
Mr. Ayaz Dawwod	1	500	0.0003
B) Sponsoring Companies, Associated Companies, Undertakings and related parties			
Pak Oman Investment Company Limited	1	30,560,189	19.59
National Logistics Cell	2	26,563,689	17.02
Saudi Pak Industrial and Agricultural Investment Company Limited. - CAD	2	11,572,199	7.42
Patagonia Corporation (Pvt.) Ltd.	1	4,231,872	2.71
	6	72,927,949	46.74
(The directors are nominees of Institutions)			
C) Executives	N/A	-	0.00
D) <u>Mutual Funds</u>	1	5,000	0.00
E) Public Sectors Companies & Corporations	-	-	0.00
Banks, Development Finance Institutions & Non-			
F) Banking Finance Companies, Insurance Companies, Takaful, Madarabas and Pension Funds,	10	526,803	0.34
G) Joint Stock Companies	53	4,490,959	2.88
H) Others	25	7,492,000	4.80
I) General Public	4,172	70,594,880	45.24
TOTAL: -	4,268	156,037,591	100.00

Shareholding Detail of 5% or more

Name of Shareholder	Share held	%
Pak Oman Investment Company Limited	30,560,189	19.59
National Logistic Cell	26,563,689	17.02
Saudi Pak Industrial & Agricultural Investment Company Limited.-CAD	11,572,199	7.42
TOTAL :-	68,696,077	44.03

FORM OF PROXY

Folio No:

Shares held

I / We _____
_____ being shareholder(s) of
JAPAN POWER GENERATION LIMITED and entitled to vote hereby
appoint _____ of my / our proxy to attend and
vote for me / us on my / our behalf at the 19th Annual General Meeting of the Company to be
held at registered office / plant located at Jia Bagga, Off Raiwind Road, Lahore on Tuesday, 29th
October 2013 at 9:00 AM. and every adjournment thereof.

As witness my / our hand this _____ day of _____ 2013.

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.

PLANT: Jia Bagga, Off Raiwind Road, District Lahore, Pakistan.