





JAPAN POWER GENERATION LIMITED

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COMPANY INFORMATION

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

JAPAN POWER GENERATION LIMITED



DIRECTORS' REVIEW REPORT TO THE MEMBERS

The Directors of your Company are presenting the un-audited accounts & brief review of the Company's operation for the quarter ended September 30, 2009.

PRINCIPAL ACTIVITIES

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

FINANCIAL PERFORMANCE

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

For the quarter ended September 30,	2009	2008
	Rupees '000'	Rupees '000'
Turnover	231,898.69	1,806,414.80
Cost of Sales	(106,191.95)	(1,808,495.59)
Gross profit / (loss)	125,706.74	(2,080.79)
Operating Expenses	(13,838.56)	(11,370.39)
Operating profit / (loss)	111,868.18	(13,451.18)
Other Income	2,341.27	5,329.54
Financial /other Charges	(150,905.75)	(198,261.09)
Provision for Taxation	(21.12)	(90.44)
Net loss after taxation	(36,717.42)	(206,473.17)
Profit / (Loss) per Share	Rs. (0.24)	Rs. (1.40)

The sales revenue for the current quarter decreased to Rs. 231.90 million as compared to Rs. 1,806.41 million last quarter due to shutdown of plant. However, the gross profit margin increased as compared to last quarter due to the reason that operational losses of fuel consumption were reduced due to shutdown of the plant during the current quarter.

The Operating Expenses slightly increased as compared to last quarter because of payment of fees to Lawyers and International Chamber of Commerce's (the "ICC") for arbitration proceedings. The decrease in financial charges as compared to last quarter is mainly due to decrease in applicable KIBOR rates and reduction in WAPDA advances. However other income considerably decreases as compare to last quarter due to shutdown of plant.

For the above mentioned reasons, the net loss after taxation decreased to Rs. 36.717 million as compared to Rs. 206.473 million for the last quarter.

RESOLUTION OF CONTRACTUAL ISSUES

i) As reported in the last year's annual report, the Company was contingently liable for the liquidated damages claimed by WAPDA for the period from July 1, 2001 to September 30, 2009, to the tune of Rs. 1,851.709 million. The Company disputed the liquidated damages and arbitrary deduction by WAPDA from the Company's capacity invoices.

ii) WAPDA had disputed payments amounting to Rs. 384.032 million, relating to indexation of non-escalable components of capacity purchase price (CPP) already paid to the Company from March 14, 2004 to March 13, 2006 and disputed further amount of Rs. 545.533 million against the Company's CPP invoices for the period from March 14, 2006 to September 30, 2009. The total amount disputed by WAPDA comes to Rs. 929.564 million, against which WAPDA has arbitrarily withheld a total amount of Rs. 581.351 million from the Company's CPP invoices up-till September 30, 2009.

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

In January 2009, the Company has referred the matter to the International Court of Arbitration under the International Chamber of Commerce's (the "ICC") Rules as per the provisions of the PPA for the implementation of the Expert's recommendations. The claimed amount as per recommendations of the Expert is Rs. 3.6 billion (approximately). After adjusting the Company's liabilities to WAPDA, net expected cash inflow could be Rs. 2.5 billion (approximately). The management of the Company is optimistic about the outcome of the arbitration. The arbitration process is expected to be completed in another year's time.

FUTURE PROSPECTS

As soon as the disputes with WAPDA are resolved in favor of the Company, its cash flows will improve. Accordingly, the Company will carry out plant improvements that are part of the turnaround strategy for which groundwork has already been completed, as well as meet its obligations towards lenders.

Lahore: October 28, 2009

On behalf of the Board
Chief Executive Officer

JAPAN POWER GENERATION LIMITED



CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2009

	UN-AUDITED Sep 30, 2009 Rupees	AUDITED Jun 30, 2009 Rupees
Non current assets		
Property, plant and equipment	5,252,334,286	5,316,816,953
Long term deposit	100,000	100,000
	5,252,434,286	5,316,916,953
Current assets		
Stores and spares	37,538,742	37,633,145
Stock in trade	95,750,441	105,484,447
Trade debts	962,960,188	680,993,835
Advances, deposits, prepayments and other receivables	187,529,949	194,262,238
Tax refunds due from the Government	42,735,699	69,491,612
Cash and bank balances	22,884,601	24,845,502
	1,349,399,620	1,112,710,779
TOTAL ASSETS	<u>6,601,833,906</u>	<u>6,429,627,732</u>
Capital and reserves		
Authorized capital		
160,000,000 (June 2009: 160,000,000) ordinary shares of Rs. 10 each	<u>1,600,000,000</u>	<u>1,600,000,000</u>
Issued, subscribed and paid-up capital	1,560,375,910	1,560,375,910
Accumulated loss	(2,204,642,570)	(2,173,108,840)
Shareholders' equity	(644,266,660)	(612,732,930)
Surplus on revaluation of property, plant and equipment	475,528,482	480,712,176
Non current liabilities		
Long term finances	4,556,158,164	4,650,516,469
Deferred liability	6,465,774	5,644,994
	4,562,623,938	4,656,161,463
Current liabilities		
Short term borrowings	224,782,185	221,400,000
Current portion of long term finances	566,149,830	471,791,525
Trade and other payables	747,294,220	666,889,928
Accrued markup	669,721,911	545,405,570
	2,207,948,146	1,905,487,023
Contingencies and commitments	4	
TOTAL EQUITY AND LIABILITIES	<u>6,601,833,906</u>	<u>6,429,627,732</u>

The annexed notes 1 to 10 form an integral part of these financial statements

Chief Financial Officer
Lahore: October 28, 2009

Chief Executive

Chairman / Director

JAPAN POWER GENERATION LIMITED



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) For the Quarter ended September 30, 2009

	Note	Sep 30, 2009 Rupees	Sep 30, 2008 Rupees
Sales	6	231,898,687	1,806,414,801
Cost of sales	7	(106,191,949)	(1,808,495,593)
Gross profit / (loss)		125,706,738	(2,080,792)
Operating expenses			
Administrative and general		(13,838,557)	(11,370,391)
Operating profit/ (loss)		111,868,181	(13,451,183)
Other income		2,341,255	5,329,541
		114,209,436	(8,121,642)
Financial and other charges			
Financial charges		(150,905,745)	(198,261,091)
Other charges		-	-
		(150,905,745)	(198,261,091)
Net loss before taxation		(36,696,309)	(206,382,733)
Provision for taxation:			
Current - on other income		(21,119)	(90,440)
Net loss after taxation		(36,717,428)	(206,473,173)
Loss per share		(0.24)	(1.40)

The annexed notes 1 to 10 form an integral part of these financial statements

Chief Financial Officer
Lahore: October 28, 2009

Chief Executive

Chairman / Director

JAPAN POWER GENERATION LIMITED



CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For The Quarter ended September 30, 2009

	Sep 30, 2009 Rupees	Sep 30, 2008 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss before taxation	(36,696,309)	(206,382,733)
Adjustment for non-cash and other items:		
Depreciation	64,523,416	63,708,649
(Gain)/loss on disposal of fixed assets	18	(1,005,704)
Provision for gratuity	820,780	1,651,036
Financial charges	150,905,745	198,261,091
	<u>216,249,959</u>	<u>262,615,072</u>
Operating profit before working capital changes	179,553,650	56,232,339
Working capital changes		
Stores and spares	94,403	(43,580,078)
Stock in trade	9,734,006	(88,541,753)
Trade debts	(281,966,353)	(823,513,291)
Advances, deposits, prepayments and other receivables	33,488,202	63,900,889
Trade and other payables	80,404,292	1,092,633,643
	<u>(158,245,450)</u>	<u>200,899,410</u>
Cash inflow after working capital changes	21,308,200	257,131,749
Financial charges paid	(26,589,404)	(159,501,122)
Income tax paid	(21,113)	(90,481)
Net cash out flow/ inflow from operating activities	(5,302,317)	97,540,146
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(41,969)	(6,352,760)
Proceeds from sale of property, plant and equipment	1,200	1,005,740
Net cash outflow from investing activities	(40,769)	(5,347,020)
CASH FLOW FROM FINANCING ACTIVITIES		
Change in long term loans/ finances	-	(94,358,305)
Change in short term borrowings	3,382,185	(3,943,602)
Net cash inflow / outflow from financing activities	3,382,185	(98,301,907)
Net decrease in cash and cash equivalents	(1,960,901)	(6,108,781)
Cash and cash equivalents at beginning of the period	24,845,502	20,897,881
Cash and cash equivalents at end of the period	<u>22,884,601</u>	<u>14,789,100</u>

The annexed notes 1 to 10 form an integral part of these financial statements

Chief Financial Officer
Lahore: October 28, 2009

Chief Executive

Chairman / Director

JAPAN POWER GENERATION LIMITED



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) For The Quarter Ended September 30, 2009

	Share capital Rupees	Share deposit money Rupees	Accumulated loss Rupees	Total Rupees
Balance as at June 30, 2008	1,476,188,460	84,187,458	(1,601,333,147)	(40,957,229)
Incremental depreciation on revaluation of property, plant & equipment	-	-	5,183,694	5,183,694
Net loss for the quarter ended September 30, 2008	-	-	(206,473,173)	(206,473,173)
Balance as at September 30, 2008	<u>1,476,188,460</u>	<u>84,187,458</u>	<u>(1,802,622,626)</u>	<u>(242,246,708)</u>
Share deposit money	84,187,450	(84,187,450)	-	-
Incremental depreciation on revaluation of property, plant & equipment	-	-	15,551,082	15,551,082
Net loss for the last nine months	-	(8)	(386,037,292)	(386,037,300)
Balance as at June 30, 2009	<u>1,560,375,910</u>	<u>-</u>	<u>(2,173,108,836)</u>	<u>(612,732,926)</u>
Incremental depreciation on revaluation of property, plant & equipment	-	-	5,183,694	5,183,694
Net loss for the quarter ended September 30, 2009	-	-	(36,717,428)	(36,717,428)
Balance as at September 30, 2009	<u>1,560,375,910</u>	<u>-</u>	<u>(2,204,642,570)</u>	<u>(644,266,660)</u>

The annexed notes 1 to 10 form an integral part of these financial statements

Chief Financial Officer
Lahore: October 28, 2009

Chief Executive

Chairman / Director

JAPAN POWER GENERATION LIMITED



CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS For The Quarter Ended September 30, 2009

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 principal business of the company is to generate and supply electric power to WAPDA. The company commenced commercial operations from March 15, 2000. Through an agreement dated February 23, 2006 the management of the company had been vested to the new shareholders who acquired the entire shareholding of 35% of the outgoing management.
- 1.2 The major loss contributing factor has been shortfall in reimbursement from WAPDA of actual fuel cost incurred vis-à-vis Power Purchase Agreement (PPA's) standard formula. This issue has been addressed materially through amendment to the PPA. The effect of this amendment together with proposed modification in engines would eliminate fuel loss and would contribute to the profitability of the company. Due to a couple of disputes with WAPDA as explained in note 4.1 and 4.2 of these financial statements, the Capacity Price Payments (CPP) were withheld by WAPDA to adjust these against its own disputed dues / amount of fuel advance; the disputes were referred to an expert but on the non-implementation of the recommendations of the expert, the company has suspended its operations w.e.f. December 24, 2008. In order to expedite the settlements of above disputes, the company has taken up the matter with International Chamber of Commerce (ICC) and expects a favourable decision, which will generate a substantial cash inflow to the company as fully explained in Note - 4.3 of these financial statements.

However, the going concern assumption used by the management in preparing these financial statements is still appropriate in view of the fact that the company is actively pursuing WAPDA / PEPCO / Financial Institutions (which request is being favourably considered) to facilitate the company by providing cash flow support so that the plant is back in operations, particularly considering the dire need of electricity in the Country. On the other hand, the company is also negotiating with Syndicated Banks to get concession for restructuring of its loans so that the project becomes financially viable.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of section 245 of the Companies Ordinance, 1984 and the International Accounting Standard - IAS 34 "Interim Financial Reporting".

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these financial statements are the same as applied in the preparation of the annual published financial statements of the company for the period ended June 30, 2009.

4 CONTINGENCIES AND COMMITMENTS

Contingencies:

- 4.1 As reported in the last year's annual report, the Company was contingently liable for the liquidated damages claimed by WAPDA for the period from July 1, 2001 to September 30, 2009 to the tune of Rs. 1,851.709 million. The Company disputed the liquidated damages and arbitrary deduction by WAPDA from the Company's capacity invoices.
- 4.2 WAPDA had disputed payments amounting to Rs. 384.032 million, relating to indexation of non-escalable components of capacity purchase price (CPP) already paid to the company from March 14, 2004 to March 13, 2006 and disputed further amount of Rs. 545.533 million against the Company's CPP invoices for the period from March 14, 2006 to September 30, 2009. The total amount disputed by WAPDA comes to Rs. 929.564 million, against which WAPDA has arbitrarily withheld a total amount of Rs. 581.351 million from the Company's CPP invoices upto September 30, 2009.
- 4.3 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 on September 1, 2007 that fully supported the Company's position. Both Parties initialed a settlement based on the Expert's recommendations but with certain concessions given to WAPDA. WAPDA has failed to sign the said settlement. Therefore, neither the recommendations of the Expert are implemented nor the settlement was followed by WAPDA. WAPDA is, therefore, in breach of the terms of the PPA. Under the circumstances, the Company is not able to continue its operations and hence had shutdown its plant in last week of December 2008.
- In January 2009, the Company has referred the matter to the International Court of Arbitration under the International Chamber of Commerce's (the "ICC") Rules as per the provisions of the PPA for the implementation of the Expert's recommendations. The claimed amount as per recommendations of the Expert is Rs. 3.6 billion (approximately). After adjusting the Company's liabilities to WAPDA, net expected cash inflow could be Rs. 2.5 billion (approximately). Under ICC rules, an award can be granted in one year's time from the date the case is filed before the Tribunal so appointed by the ICC, which is October 09, 2009. The management of the Company is optimistic about the outcome of the arbitration. Under the circumstances, although the Expert's recommendations were in favour of the Company, no adjustment has been made in these financial statements.
- 4.4 The remaining contingencies are the same as were disclosed in the preceding annual accounts of the Company.

JAPAN POWER GENERATION LIMITED



Commitments:

4.5 The company has no capital or other commitments at the terminal date (June 2009: nil).

5. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

The following assets have been added / disposed off (at cost) during the quarter ended September 30, 2009:

	Sep 30, 2009		Sep 30, 2008	
	Rupees		Rupees	
	Additions	Disposal	Additions	Disposal
Plant and machinery	-	-	6,321,660	-
Furniture and fixtures	-	19,500	-	-
Electric installations	41,969	-	31,100	-
Computers	-	-	-	305,436
Vehicles	-	-	-	7,389,895
	<u>41,969</u>	<u>19,500</u>	<u>6,352,760</u>	<u>7,695,331</u>
			Sep 30, 2009	Sep 30, 2008
			Rupees	Rupees
6. SALES				
Energy payments			8,310,955	1,606,716,957
Capacity payments			223,587,732	199,697,844
			<u>231,898,687</u>	<u>1,806,414,801</u>
7. COST OF SALES				
Fuel and oils consumed			11,915,778	1,688,966,124
Salaries, wages and benefits			3,145,549	3,329,019
Operating and maintenance fee			14,100,000	15,900,000
Stores and spares consumed			191	27,977,320
Electricity consumed in-house			3,201,595	683,201
Communication charges			576,200	453,000
Repair and maintenance			2,584,826	3,399,870
Power generation licensing expenditure			215,073	318,546
Insurance			6,272,745	4,021,857
Depreciation			64,179,992	63,446,656
			<u>106,191,949</u>	<u>1,808,495,593</u>
8. PLANT CAPACITY AND ACTUAL PRODUCTION				
Installed capacity in MWh			<u>266,064</u>	<u>266,064</u>
Actual energy delivered in MWh			<u>1,541</u>	<u>133,585</u>

Installed annual capacity is 1,055,580 MWh. Utilization of available capacity depends on the load demanded by WAPDA.

9. These financial statements were authorized for issue by the Board of Directors on October 28, 2009.

10. All figures except for June 30, 2009 figures appearing in these financial statements are un-audited. There has been no material re-arrangement or regrouping of figures of the corresponding period given in these financial statements for the purpose of comparison. Figures in these financial statements have been rounded off to the nearest rupee.

Chief Financial Officer
Lahore: October 28, 2009

Chief Executive

Chairman / Director