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PN-ABU 385

JAMSHORO THERMAL POWER STATION

A. F. FERGUSON & CO.

PN-ABU 385

JAMSHORO THERMAL POWER STATION

A.F.FERGUSON & Co .
Chartered Accountants

February 28, 1994

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Mr. Robert K. Clark
Price Waterhouse
Chief of Party
Private Sector Power Project
Karachi, Pakistan

Dear Sir

JAMSHORO THERMAL POWER STATION - CWP # 40

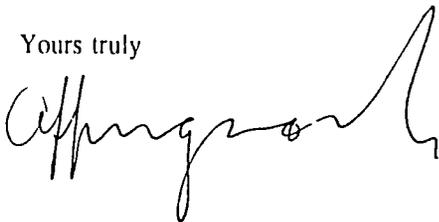
We refer to the Control Work Plan (CWP) # 40 dated October 1993 and enclose our draft report for the work performed on Jamshoro Thermal Power Station (JTPS).

In accordance with our terms of reference we have prepared a balance sheet, statement of operating costs, notes supporting the trial balance and an opening trial balance as at June 30, 1993 for Units 1, 2, 3, 4 of WAPDA's Jamshoro Thermal Power Station.

The above mentioned financial statements of JTPS are for the period ended June 30, 1993. At the moment the exact date of transfer has not been specified. Consequently, the balances in this report would need to be updated with the transactions processed to the date of eventual transfer.

Please review this draft and let us have your comments, if any. We would be pleased to clarify any matters arising out of this report.

Yours truly



**JAMSHORO THERMAL POWER STATION
CORPORATIZATION**

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EXECUTIVE SUMMARY

Background

As part of the Government of Pakistan's (GOP) effort to disinvest in the public sector enterprises, WAPDA is also under consideration for privatization albeit in phases. Jamshoro Power Station (JTPS) is one of the thermal unit which has been identified by WAPDA for corporatization in the first stage of this strategy. As a step forward towards implementation of this strategy Price Waterhouse compiled a statement of assets and liabilities for JTPS as of June 30, 1991 from the WAPDA accounting records vide their report submitted in November 1992. JTPS is a 880 MW gas and fuel oil fired power plant station located at Jamshoro near Hyderabad in the province of Sind. The plant consists of four units. The construction of the plant started in 1984 and the first unit was commissioned in January 1990.

Objectives of the assignment and scope of work

This report has been prepared by A.F.Ferguson and Co. in response to a Price Waterhouse request for assistance in the eventual eventual corporatization of units 1 to 4 of JTPS. The main purpose of this report is to identify the historical cost of these units using the accounting records of JTPS since the commencement of the project in 1984 and to compile an opening trial balance of assets and liabilities as at June 30, 1993 for these units of Jamshoro Power Company (JPC), the proposed stand alone profit centre. This document would provide a base for transfer of assets and liabilities to the independent profit centre. Adjustments identified and considered necessary have been incorporated in this trial balance.

The figures appearing in financial statements have been up-dated from the report submitted by Price Waterhouse on the financial year ended June 30, 1991 (Herein referred to as PW report). The adjustments proposed in the PW report but not incorporated in JTPS books of accounts have been adjusted in the financial statements prepared by us as at June 30, 1993.

The opening trial balance as at June 30, 1993 is based on the chart of accounts developed by Price Waterhouse, USA for Jamshoro Thermal Power Station. A balance sheet and statement of operating and other costs has also been derived from the trial balance as at June 30, 1993. Physical verification of assets is not within the scope of this assignment.

Our approach

Our approach to this assignment, as specified in the contract document, has been generally similar to that taken by Price Waterhouse for JTPS in their report. We have identified the book value of assets and liabilities of JTPS by reviewing the accounting records maintained at the plant. The record keeping of the JTPS is handled by three separate groups. One group each maintains the records for transactions related to the pre-operation period for unit 1 (OFJ) and 2 to 4 (OCF) while the third group (OFP) maintains the records for the post-operation period of the plant as a whole. The accounting groups only maintain records for the expenditure at the plant level. WAPDA Head Office at Lahore processes the transactions related to borrowing and repayment of funds and the related interest thereon. Therefore, financial statements produced by the plant do not give a complete financial picture. Furthermore, JTPS books do not reflect a credit for the value of power generated and delivered to the WAPDA grid, since WAPDA does not have a transfer pricing policy whereby some revenue is transferred to the generating units.

JTPS's accounting policies also are not strictly in accordance with standard accounting principles. Differences noted are that

- a cash based system of accounting is followed instead of an accruals based system. Costs are recognized on payment. Hence, accruals are not made for costs incurred but not paid.
- all assets, irrespective of their useful lives, are depreciated at a rate of 3.5% per annum.
- liabilities payable in foreign currencies are not translated into Rupees at the year-end exchange rates. Consequently, exchange differences are not capitalized as part of the plant cost. Exchange differences, therefore are not recognized till the loan is fully repaid.

Recently WAPDA has started recognising foreign exchange gains or losses on foreign currency translation at the consolidation stage at the head office. However, these exchange differences have not been fully pushed down to the projects.

Appropriate adjustments have been incorporated in the trial balance to bring it in accordance with standard accounting principles. Based on the adjusted balances, an opening trial balance as at June 30, 1993 has been compiled by consolidating the individual trial balances of the three accounting units of JTPS. The trial balance has then been reclassified on the basis of the chart of accounts developed by Price Waterhouse for JTPS. A balance sheet and a statement of operating and other costs for JTPS have also been derived from the reclassified trial balance.

Conclusion

The annexed financial statements, which have been compiled from the accounting records of JTFS present a statement of assets and liabilities of JPC as at June 30, 1993.

A summary of the balance sheet is as follows:

Rupees in millions

Total cost of assets	14,452
Less: Long-term liabilities	(9,151)
Other liabilities	<u>(905)</u>
Total WAPDA's Equity	<u>4,396</u>

Long-term liabilities of KAPC consist of:

Rupees in millions

Foreign loans	5,198
Domestic loans - WAPDA Bonds and Cash Development loans	4,382
Current maturity of loans	(429)
Long-term liabilities	<u>9,151</u>

These figures are however subject to revision as certain matters have not been resolved till the date of submission of this report. WAPDA will have to follow these matters up and where necessary quantify their effects and incorporate appropriate adjustments in these accounts prior to transfer of assets and liabilities of JTFS. Some of the important matters are :

- WAPDA was allowed to defer payment of 50% of its custom duty on the import of plant and equipment for units 1 to 4. Since JTFS records cost on payment, the deferred portion of custom duty, surcharge at the rate of 11% per annum thereon has not been recorded in the books. Consequently, the cost of plant and the related custom duty liability were both understated by the amount of the deferred portion of the custom duty and needed to be quantified and capitalized. Based on the information gathered by us from various sources, we have adjusted the accounts. However this matter, which is explained in Section 1.2.2 needs to be followed up by WAPDA .
- As explained in note 5 and 6 to accounts we have not physically checked the quantity of stocks and stores and spares as at June 30, 1993. Further we have not been provided the listing of stores and spares as on June 30, 1993. We understand that quantitative and value wise movement of fuel inventory has not been properly maintained at the Power Station.
- Pension and provident fund liability needs to be calculated by WAPDA and appropriate adjustments be made in the accounts prior to transfer.

Organization of this report

This report has four sections.

Section I Background

This section discusses the background of the assignment and the approach adopted by us.

Section II WAPDA's accounting policies and procedures

This section gives an overview of the significant accounting policies and procedures used by WAPDA and identifies the major deviations from the generally accepted accounting policies

Section III Jamshoro Power Company Financial Statements

This section consists of the adjusted financial statements for JPC with explanation of the major balances and the related problems.

Section IV JTPS Trial Balance and Adjusted JPC Trial Balance

This section contains the trial balances of the JTPS groups and the adjustments incorporated by us to derive the financial statements.

I. BACKGROUND

The Water and Power Development Authority (WAPDA) was established in 1958 as a semi-autonomous agency to coordinate the development of Pakistan's water and power resources. As part of the Government of Pakistan's (GOP) effort to disinvest in the public sector enterprises, WAPDA is also under consideration for privatization albeit in phases. Under this strategy existing generation and distribution stations are to be initially corporatized with the aim of eventual privatization. Jamshoro Thermal Power Station (JTPS) is one of the thermal units which has been identified by WAPDA for corporatization in the first stage of this strategy. However an interim stage has been added to the privatisation process, whereby JTPS will be initially transformed into a stand alone profit centre with a view to eventual corporatization. This interim stage has been referred to in this report as corporatization of JTPS.

A. Corporatization of JTPS

JTPS is a four unit Gas and Oil Fired Power station at Jamshoro with a generating capacity of 880 MW. WAPDA intends to Transform all the units listed below into a profit centre herein referred to as Jamshoro Power Company (JPC).

Unit #	Builder	MW size	Commercial Operation date
1	Mitsui & Co. Japan	250	January 8, 1990
2	CMEC, China	210	January 16, 1990
3	CMEC, China	210	January 16, 1990
4	CMEC, China	210	March 6, 1991

We understand that the strategy for corporatization of JTPS will eventually involve setting up a wholly owned subsidiary under the Companies Ordinance 1984, to operate and to manage the generation of power by the station.

B. Objectives of the Assignment

The overall objective of this study is to use the accounting records of JTPS since start of construction and make appropriate adjustments to arrive at an opening trial balance as at June

30, 1993 for JPC. Price Waterhouse compiled a statement of assets and liabilities as of June 30, 1991 and submitted their report in November 1992. This report updates the statement of assets and liabilities compiled by Price Waterhouse.

C. Scope of Work

Our scope of work as outlined in the Control Work Plan (CWP) dated October, 1993 was to:

- o Compile a statement of Assets and Liabilities as of June 30, 1993 for JTPS from the accounting records at the plant and WAPDA Headquarters.
- o Develop an opening trial balance as at June 30, 1993 based on the chart of accounts developed by Price Waterhouse for JTPS.
- o Review financial liabilities related to JTPS.
- o Develop a statement of costs on a total and per KWH basis.

D. Deliverables

The deliverables under the contract consist of the following reports as at June 30, 1993:

- o Balance sheet
- o Statement of costs
- o Opening trial balance and supporting notes

E. Our approach to the assignment

As specified in the contract document, the technical approach adopted for this study is generally similar to that taken by Price Waterhouse for JTPS. Our approach is to compile a balance sheet and a statement of operating and other expenses from the accounting records and adjust the accounts to bring them in accordance with standard accounting principles. An overview of our approach to this study is given below:

- o Designed a work programme incorporating the procedures required to be performed for reconstructing the financial statements for the Jamshoro Power Company (JPC).
- o Reclassified the unit trial balances by individual accounts from the existing WAPDA chart of accounts to the Price Waterhouse recommended chart of accounts.
- o Accounting adjustments identified in the course of the study were incorporated to each account.
- o Compiled the adjusted balances to arrive at an opening trial balance for JPC.
- o Derived a balance sheet and statement of operating expenses from the opening trial balance of JPC.
- o Carried out cut-off tests at the June 30, 1993 in order to identify any significant unrecorded liabilities related to the accounting period under review since such a possibility exists as WAPDA accounts for the transactions on a cash basis.

II. WAPDA's Accounting policies and procedures

The financial year end for WAPDA and its components is 30 June. All accounting records of JTFS are manual. Accounting records are maintained by three separate units; the accounting for the two unit groups in their pre-commissioning stage is performed by three individual accounting sections, while the third accounting section handles the post-commissioning period of the plant. These are:

- o OFJ -- Pre operation records for Unit 1
- o OCF -- Pre-operation records for Units 2 to 4
- o OFP -- Post-operation records for all units

A balance sheet for each unit group is prepared from the accounting records. However, this balance sheet does not provide a comprehensive statement since certain transactions are not handled at the plant level. These transactions relate to:

- o Long term loans which are included in the intercompany account
- o Revenues
- o Customs duties and related expenses

A. General accounting policies and procedures

i Capitalization Policy

Direct costs are recorded and accumulated for each plant under broad classifications. Indirect costs are allocated to the assets in proportion of their direct costs to the total direct costs capitalized.

ii Indirect costs

The indirect costs mainly represent the payroll cost of the project, financial charges related to the borrowing and consultancy charges. These costs are accumulated in various expense accounts

till the assets are transferred to Operations. On transfer these costs are allocated to the fixed assets based on the policy described in (i) above.

iii Liabilities

A cash based system of accounting is followed instead of an accruals based system. Costs are recognized on payment rather than the point of being incurred except for stores and spares items for which the liability is accrued on receipt of goods.

iv Borrowings

The specific foreign loans and suppliers credits received for JTPS are not recorded separately in the project's books. All funding is routed through Head Office's inter-unit account with the project. Of this funding foreign loans and suppliers credit can be associated directly with the project.

Local funds from WAPDA's own resources, funds locally raised through cash development loans and floatation of WAPDA bonds are not assigned to a specific plant but are allocated to projects from a pool of WAPDA's general debt and own resources.

Repayments by WAPDA of loans and the related interest thereon are recorded in Head Office's books and are not reflected in the project's records. However, we have reflected such repayments in JPC's accounts.

v Revenues

The power plants do not receive any credit for the revenue generated by WAPDA from the sale of electricity produced by the plants. The entire revenue earned is recorded in the Head Office books. Hence, the accounting records of JTPS do not reflect any operating income. Identification of the operating income after the start of operation of the plant does not form part of this study.

vi Depreciation

Depreciation is provided on the straight-line method. The existing assets are depreciated at the rate of 3.5% per annum, while additions during the year are depreciated at a rate of 1.75%.

vii Exchange Gain/Loss

Liabilities payable in foreign currencies are not translated to Rupees at the year-end rates of exchange. Therefore, any exchange gains or losses arising from such retranslations are not recognized till the loan is fully paid and hence are not capitalized as part of the plant cost. However, adjustments to this effect have been made in the attached accounts.

Recently WAPDA started recognising exchange gains or losses on foreign currency translation at the consolidation stage in head office ,however these have not been fully pushed down to the project

viii Taxes

Being a component of WAPDA, JTPS is not subject to income taxes.

ix Insurance

WAPDA has a self-insurance scheme against fire and machine breakdown for its generating equipment. The remaining plant, such as civil works and buildings are not insured. There is no insurance cover for natural disasters, war or civil unrest.

x Pension and other retirement plans

Pension benefits for JTPS employees are provided through participation in the WAPDA non-contributory, defined-benefit pension fund. Benefits are based on the employee's years of service and salary. The plant makes annual contributions to the fund equal to the amounts billed by WAPDA. Accumulated benefits and fund assets are not determined or allocated separately by individual components or power plant.

Cost of the pension plan is allocated to JTPS based on the overall WAPDA pension contribution rate applicable to plant's staff.

Provident fund contributions are deducted from the monthly salaries of the employees and paid to the provident fund.

B. Chart of Accounts

At present, JTPS prepares financial statements from its accounting records which are maintained in accordance with the existing standard chart of accounts of WAPDA. However, such financial statements are not comprehensive since certain transactions are processed and recorded in the Head Office's books. In view of this deficiency, a chart of accounts for a stand-alone power

station was designed by Price Waterhouse for JTPS. As specified in the contract, we have reclassified the trial balances of the units as at June 30, 1993 on the basis of the aforementioned chart of accounts recommended by Price Waterhouse for Jamshoro power plant. A balance sheet and statement of expenses have been compiled from the reclassified trial balances.

**III. JAMSHORO POWER COMPANY STATEMENT OF ASSETS & LIABILITIES
(UNAUDITED)**

**A. JAMSHORO POWER COMPANY (PROPOSED)
BALANCE SHEET AS AT JUNE 30, 1993**

Rupees in millions

<u>ASSETS</u>	<u>Note</u>	
Utility plant in service:	1	15,888.09
Less: accumulated depreciation		<u>(1,615.84)</u>
		14,272.25
Construction work-in-process	2	18.84
Current assets:		
Cash	3	
Accounts receivable	4	8.51
Materials and supplies:		
Fuel	5	73.02
Others	6	<u>79.53</u>
		<u>14,452.15</u>
<u>LIABILITIES AND CAPITALIZATION</u>		
Current Liabilities:		
Long-term loans due within one year	8	428.70
Accounts payable	7	475.92
Long-term loans	8	9,151.44
Capitalization:		
Invested capital	9	17,250.74
Less: Accumulated loss	10	<u>(12,854.65)</u>
Proprietary capital		4,396.09
Contingencies	11	
		<u>14,452.15</u>

ASSETS

1.0 Utility Plant in service

The utility plant in service is composed of:

Rupees in millions

Classification	Unit 1	Units 2-4	Total cost	Accumulated depreciation	Written down value
Land	5.13	10.61	15.74		15.74
Civil works	739.05	1,067.80	1,806.85	177.18	1,629.67
Generation plant and equipment	5,791.21	7,992.90	13,784.11	1,425.34	12,358.77
Transmission equipment		4.22	4.22	0.37	3.85
Mobile plant and equipment	8.33	13.95	22.28	2.10	20.18
Others	64.64	190.25	254.89	10.85	244.04
Total	6,608.36	9,279.73	15,888.09	1,615.84	14,272.25

Included in the cost of utility plant are overheads amounting to Rs 2,304.02 million allocated over the original cost of the respective assets.

1.1 Land

We understand that the transfer of title of land has not yet been completed. JTPS has also provided depreciation on land amounting to Rs 1.920 million at the uniform rate of 3.5% per annum. An adjustment for this amount has been made in these accounts.

1.2 Generation plant and equipment

OFJ (UNIT 1) AND OCF (UNITS 2 TO 4)

1.2.1 Custom duties

We have checked the custom duties and other related charges with the debit advices received from the office of Chief Resident Representative of WAPDA, Karachi (CRRK) These debit advices are not completely supported by the relevant bill of entries. The custom duties as recorded in the general ledger have been checked with the photocopies of bills of entry since the original bills of entry have not been provided to us.

1.2.2 Deferred Custom Duties

SRO 490 (I) dated May 23, 1985 allows WAPDA the benefit of deferred payment of custom duties whereby 50% duty is to be paid in cash, while the remaining 50% may be deferred and paid in six semi annual equal instalment with a grace period of 2 years from the date of Bill of Entry (B/E) along with surcharge at the rate of 11% per annum on the outstanding balance. JTPS availed the benefit of this SRO and deferred payment of 50 % of the duty at the time of clearance of goods from customs authorities. Consequently, equipment was imported on payment of 50% of the custom duty due, while the balance duty was deferred on submission of a bank guarantee as explained above. JTPS did not account for the deferred portion of the custom duty as part of cost of equipment, since it operates on a cash based system. However, based on our request the JTPS staff has initially quantified an amount of Rs. 502.77 million representing the deferred portion of custom duty. An adjustment for this amount, after giving effect to payments made upto June 30, 1993, has been made in these accounts and the cost of equipment adjusted accordingly. This liability needs to be completely quantified by WAPDA and appropriate adjustments made to the accounts.

2.0 Construction Work-in-Progress

Construction Work-in-Progress represents the costs relating to capital projects which had not been completed at the year end and includes unabsorbed overheads amounting to Rs.5.304 million.

3.0 Cash

The balance of Rs. 1,939 represents cash and bank balances of the two projects and operations.

4.0 Accounts receivable

These are composed of:

Rupees in millions

Employees Advances	0.52
Advances to fuel suppliers	3.72
Others	4.27
Total	8.51

5.0 Fuel

5.1 This represents amount of fuel in stock at the year end valued on a moving average cost basis. We have not physically verified the quantity of fuel stock as of June 30, 1993.

5.2 Furthermore we could not prepare the movement of fuel inventory from the commencement of operations in 1989 to June 30, 1993 since the record relating to fuel inventory was not properly maintained in the initial stages of operations of Jamshoro Thermal Power Station.

6.0 Other materials and supplies

6.1 This balance is composed of stores and spares inventory at year end valued on moving average cost basis. Stores and spares have not been physically checked by us.

6.2 Difference in stores and financial records

We have not been provided an item-wise listing of stores and spares containing the quantity and value of respective items of stores and spares as at June 30, 1993. Due to none availability of the above listing we could not ensure that figures appearing in financial records agree to the balance appearing in the store records.

A list of stores and spares from the stores records needs to be prepared and reconciled to the general ledger balance and any adjustments relating to any unresolved differences should be made in the accounts.

6.3 Listing of capital spares

We have not ensured if capital spares, whose cost is included in respective contracts with suppliers for unit 1 to 4, were received, since a listing for such spares has not been provided to us. We were informed at JTPS that most of the capital stores relating to units have been consumed, while a detailed record of quantity, description value of stores for these units was not available.

LIABILITIES

7.0 Accounts payable

This balance is composed of:

Rupees in millions

Trade payable	- Natural Gas	238.09	253.42
	- Stores	15.33	
Custom duties payable			172.55
Provision for short receipt of fuel			28.00
Contractors' deposits			19.49
Provident fund payable			0.10
Others			2.36
Total			Rs. 475.92

8.0 Long-term Liabilities

These are composed of:

Rupees in millions

	Note	Total	Short-term portion	Long-term portion
Relent loans	8.1	3,071.03		3,071.03
Direct loans	8.2	2,127.23	424.39	1,702.84
WAPDA bonds	8.3	4,073.11		4,073.11
Cash development loans	8.4	308.77	4.31	304.46
Total		9,580.14	428.70	9,151.44

8.1 Relent loans

The composition of the loans is as follows:

Rupees in millions

Description	Outstanding balance as at June 30, 1993
PK-P-14	3,071.03

The outstanding balance represents loan taken by GOP from Japanese Government. The loan has been relent to WAPDA and is repayable to GOP in Pak Rupees in twenty equal annual instalments. The loan carries an interest of 11% per annum (inclusive of exchange risk cover fee).

8.2 Direct loans

The composition of the loan is as follows:

Rupees in millions

Description	Outstanding balance	Interest rate p.a.	Repayment terms
Chinese Suppliers Credit	2,127.23	6 %	20 half yearly instalments of \$5.178 million commenced November 20, 1991

The outstanding balance represents loan obtained directly by WAPDA from a funding agency. This loan is guaranteed by GOP against a guarantee fee of 0.5% p.a. on the outstanding balance. The loan is denominated and payable in foreign currency by WAPDA. No exchange risk cover has been obtained for this loan.

8.3 WAPDA bearer bonds

The composition of the outstanding balance of bonds as at June 30, 1993 is as follows:

Rupees in millions

Issue	Balance	Year of repayment	Interest rate
2nd	2,292.73	1998/9	13.5% p.a
3rd	1,699.37	1999/2000	12.5% p.a
4th	43.94	2001/2	12.5% p.a
5th	37.07	2002/3	16.0% p.a
Total	4073.11		

The balance represents the allocation by WAPDA to JTFS of the funds raised through the floatation of WAPDA bearer bonds. The bonds are repayable by WAPDA under the above terms and conditions.

8.4 Cash development loans

The composition of the outstanding loans as at June 30, 1993 along with their interest rates is given below:

Rupees in millions

Year of disbursement	Disbursement	Repayments	Outstanding balance	Interest rate
1983/84	0.73	0.05	0.68	15% p.a
1984/85	23.75	1.21	22.54	15% p.a
1985/86	15.62	0.42	15.20	15% p.a
1986/87	276.38	6.03	270.35	14.67% p.a
Total	316.48	7.71	308.77	

The balance represents cash development loans as allocated by WAPDA to JTTPS. These loans were obtained from GOP and are repayable in twenty years from the date of disbursement.

8.5 Loan balances outstanding as at June 30, 1993 have not been directly confirmed with the funding agencies.

9.0 Invested Capital

Invested capital represents the funding by WAPDA of plant's cost and its operating cost during the post commissioning period. The balance has been arrived at by deducting all the funding through foreign and relent loans, WAPDA bonds and cash development loans from the total recorded costs represented by the inter unit account of JTTPS with WAPDA Head Office.

10.0 Accumulated loss

Accumulated loss represents the operating and other costs of the plant for the post-commissioning period. Since WAPDA does not have a policy of allocating revenue from sale of power, all the costs incurred are accumulated in the Operations (OFP) books resulting in a notional loss balance.

11.0 Contingencies

11.1 Details of pending litigation, if any, related to JTTPS have not been provided to us.

B. JAMSHORO POWER COMPANY
STATEMENT OF OPERATING AND OTHER COSTS
FOR THE PERIOD FROM JULY 1, 1989 TO June 30, 1993.

Rupees in millions

	Note	
Operating costs:		
Fuel	12	7,229.12
Other operations and maintenance	13	467.53
Depreciation	14	<u>1,615.84</u>
		9,312.49
Interest and other charges	15	<u>3,549.58</u>
Total Cost		<u>12,862.07</u>
Less: Other income and deductions		
Other non-operating income (sale of scrap and others)		7.42
Accumulated loss as at June 30, 1993		<u>12,854.65</u>

STATEMENT OF COST PER KWII GENERATED

Total cost incurred on operations (Rupees in millions)	12,854.65
KWH (in millions) generated since commencement of operations	12,860.98
Cost per KWII generated	1.00

The units generated have been extracted from the Form 'E' prepared by JTPS.

OPERATING EXPENSES

12.0 Fuel

This represents cost of high speed diesel and furnace oil consumed in the generation of power since the commissioning of the first unit in January 1990. Cost of fuel is composed of the following:

	<u>Rupees in millions</u>
Furnace oil	3,893.73
Gas	3,222.19
Diesel	27.59
Chemicals	<u>85.61</u>
	<u>7,229.12</u>

13.0 Other operations and maintenance

The balance is composed of:

	<u>Rupees in millions</u>
Technical and administrative staff payroll	107.05
Water treatment and cooling equipment	18.63
Stores and spares consumed	13.94
Insurance	145.82
Provision for short receipt of fuel	28.00
Miscellaneous	<u>154.09</u>
	<u>467.53</u>

14.0 Depreciation

Depreciation is provided on the straight-line method at a rate of 3.5% p.a., which is designed to amortize the original cost of the plants over their useful lives. All other fixed assets are also depreciated at the above rate. Additions are depreciated at a rate of 1.75% p.a. in the year of capitalization. Accumulated depreciation upto June 30, 1993 amounts to Rs 1615.84 million as described in section III.A.1.

15.0 Interest and other related charges

The balance is composed of:

Rupees in millions

Description	Capitalized	Charged to operations	Total
Relent loans	348.08	1,098.86	1,446.94
Direct loans	17.55	271.61	289.16
WAPDA bonds	899.57	1,734.89	2,634.46
Cash development loans	159.05	128.96	288.01
Commitment and guarantee charges	10.95	0.02	10.97
Exchange loss	357.68	315.24	672.92
Total	1,792.88	3,549.58	5,342.46

15.1 The interest record is maintained by WAPDA Head Office. Interest expense chargeable to each project is advised by Head Office to JTFS. We have recalculated the borrowing cost by applying the rates of interest and the other charges on the outstanding balance from the date of disbursement to June 30, 1993. Total borrowing cost recalculated is segregated between capital and revenue expenditure by considering the date of commissioning for respective units. These dates have been taken from 'Form E' and as mentioned in section I.A of this report. We have incorporated certain adjustments to the interest, both capitalized and charged off, in order to:

- o account for interest in the year of loan disbursements
- o allocate interest accurately between capital and revenue based on actual dates of commissioning of the plants instead of targeted dates of completion used by WAPDA for such allocation

JTPS
SECTION IV-A
TRIAL BALANCE, 1 to 4
PERIOD: JUNE 30, 1993

AFF Reclassified Accounts	Ref. Code	JTPS Pre-Adjusted Trial Balance, FY 1993			Ref. Code	AFF Adjustments		JTPS Post-Adjusted Trial Balance, FY 1993		
		Debit	Credit	Net		Debit	Credit	Debit	Credit	Net
Plant in service	A	15,009,330.910	0	15,009,330.910	A	947,786.162	59,021.351	15,957,117.072	59,021.351	15,898,095.721
Accumulated depreciation	MM	0	1,517,757.733	(1,517,757.733)	MM	1,920.000	0	1,920.000	1,517,757.733	(1,515,837.733)
Construction work in process	C	47,754.269	29,909.156	18,845.112	C	0	0	47,754.269	29,909.156	18,845.112
Cash	D	1,939	0	1,939	D	0	0	1,939	0	1,939
Account receivable	E	9,510,768	703,418	7,807,350	E	0	0	9,510,768	703,418	7,807,350
Materials & supplies	F	152,543.964	0	152,543.964	F	0	73,020.000	152,543.964	73,020.000	79,523.964
Fuel inventory	G	0	0	0	G	73,020.000	0	73,020.000	0	73,020.000
Other assets	H	0	0	0	H	0	0	0	0	0
Totals		15,218,141.850	1,647,370.307	13,570,771.543		949,706.162	142,041.351	16,240,868.012	1,789,411.658	14,451,456.354
Divisional equity	AA	290,527.089	25,376,468.045	(26,095,940.956)	AA	9,935,674.593	1,090,469.344	10,216,201.792	27,466,937.390	(17,250,735.609)
Accumulated deficit upto 30.6.9-	LL	8,559,135.667	105,000	8,559,030.667	LL	0	0	8,559,135.667	105,000	8,559,030.667
Deficit for the year	**	4,240,810.392	0	4,240,810.392	**	54,810.287	0	4,295,620.679	0	4,295,620.679
Total		12,799,945.059	105,000	12,799,840.059		54,810.287	0	12,854,756.346	105,000	12,854,651.346
Divisional equity (Net: AA **)	AA	13,080,473.148	26,378,573.046	(13,298,099.898)	AA	9,990,484.980	1,090,469.344	23,070,959.128	27,487,042.390	(4,396,084.262)
Long term debt-foreign	BB	0	0	0	BB	424,391.711	5,198,258.447	424,391.711	5,198,258.447	(4,773,874.736)
Long term debt-WAPDA general issues	CC	0	0	0	CC	4,311.000	4,381,880.000	4,311.000	4,381,880.000	(4,377,569.000)
Deferred grant	JJ	0	0	0	JJ	0	0	0	0	0
Short term debt-foreign	KK	0	0	0	KK	0	424,391.711	0	424,391.711	(424,391.711)
Short term debt-WAPDA general issues	SS	0	0	0	SS	0	4,311.000	0	4,311.000	(4,311.000)
Payables	DD	0	274,671.645	(274,671.645)	DD	0	200,554.000	0	475,225.645	(475,225.645)
Accruals	EE	0	0	0	EE	0	0	0	0	0
		0	0	0		0	0	0	0	0
		0	0	0		0	0	0	0	0
		0	0	0		0	0	0	0	0
		0	0	0		0	0	0	0	0
		0	0	0		0	0	0	0	0
Totals		13,080,473.148	26,851,244.691	(13,570,771.543)		10,419,187.891	11,299,872.502	23,489,860.839	37,951,117.193	(14,451,456.354)
Checks		0	0	0		0	0	0	0	0
Operating revenues	1	0	0	0	1	0	0	0	0	0
Operating expenses:										
Fuel-furnace oil	2	978,868.008	0	978,868.008	2	0	0	978,868.008	0	978,868.008
Fuel-diesel	5	2,655.113	0	2,655.113	5	0	0	2,655.113	0	2,655.113
Other operations & maintenance	3	1,818,310.762	0	1,818,310.762	3	28,000.000	0	1,844,310.762	0	1,844,310.762
Depreciation	4	517,449.169	0	517,449.169	4	0	1,920.000	517,449.169	1,920.000	515,529.169
Taxes other than income		0	0	0		0	0	0	0	0
Non operating income:										
AFUDC-equity portion	6	0	0	0	6	0	0	0	0	0
Miscellaneous	7	0	3,988.167	(3,988.167)	7	0	0	0	3,988.167	(3,988.167)
Amortisation	10	0	0	0	10	0	0	0	0	0
Interest expense	8	1,131,515.507	0	1,131,515.507	8	315,237.182	286,508.895	1,448,752.669	286,508.895	1,150,245.794
less: AFUDC-other funds	9	0	0	0	9	0	0	0	0	0
Total Operating Cost		4,244,798.559	3,988.167	4,248,786.726		343,237.182	286,508.895	4,588,035.741	292,415.062	(292,415.062)
Total Revenues		0	0	0		0	0	0	0	0
Total Expenses		4,244,798.559	3,988.167	4,248,786.726		343,237.182	286,508.895	4,588,035.741	292,415.062	(292,415.062)
Net (Income) Loss	**	4,240,810.392	0	4,240,810.392	**	54,810.287	0	4,295,620.679	0	4,295,620.679

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JTFS
SECTION IV-A
TRIAL BALANCE, 1 to 4
PERIOD JUNE 30, 1993

JTFS Account Title	ACCOUNTY CODE	AFF Reclassified Accounts	Nat. Code	JTFS Pre-Adjusted Trial Balance, FY 1993			Nat. Code	AFF Adjustments		JTFS Post-Adjusted Trial Balance, FY 1993		
				Debit	Credit	Net		Debit	Credit	Debit	Credit	Net
Long term debt (IOT)	9 0 4 0 0	Long term debt - WAFSA	CC									
Short term debt (IOT)	9 0 4 0 0	Short term debt - foreign	CC				4 311 000	4 311 000	4 311 000	4 311 000	4 311 000	(4 311 000)
Short term debt (IOT)	9 0 4 0 0	Short term debt - gen issue	CC									
Other provisions (incl dead stock)	9 0 4 1 1	Accounts payable	SS									
Revenue surplus / deficit	9 0 4 9	Divisional equity	DD						200 554 000	0	200 554 000	(200 554 000)
Sundry ac; to 90490	9 0 4 9 2	Divisional equity	LL	8 559 136 557		8 559 136 557			8 559 136 557	0	8 559 136 557	
End of the year (IOT)	9 0 5 0 3 3	Divisional equity	AA		105 000	(105 000)						(105 000)
IOT	9 0 5 0 3 1	Divisional equity	AA		22 110 404 792	(22 110 404 792)	9 936 574 593	1 030 490 344	9 936 574 593	23 201 374 136	(13 265 909 443)	
Cash	9 0 5 0 3 2	Divisional equity	AA		3 774 461 784	(3 774 461 784)				3 774 461 784	(3 774 461 784)	
Subscribed cheque	9 0 5 0 3 3	Divisional equity	AA		200 434 064	(200 434 064)				200 434 064	(200 434 064)	
Advices awaiting ac; (IOT)	9 0 5 1	Other accounts receivable	E		77 160	(77 160)				77 160	(77 160)	
Depreciation provision	9 0 0 9	Accumulated depreciation	MM		1 517 757 733	(1 517 757 733)	1 920 000		1 920 000	1 517 757 733	(1 517 757 733)	
SUB-TOTAL					27 968 384 357	27 968 384 357	11 730 340 744	11 730 340 744	39 696 725 736	39 696 725 736	(11 515 827 733)	(0)
CHECK												(0)

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JAMSHORO THERMAL POWER STATION
SECTION IV-B: SUMMARY OF A.F.F. PROPOSED ADJUSTMENTS
PERIOD: JUNE 30, 1993

Account Title /Explanation	Schedule "C"	Debit	Credit
Excess interest capitalized by WAPDA	1		69,021,351
Interest not capitalized by WAPDA	2	417,557,146	
Exchange fluctuation capitalized upto 30-6-93	4	357,675,016	
To recognise deferred custom duties	9	28,921,000	
	9	143,633,000	
	A	947,786,162	69,021,351
To rectify depreciation charged on land	8	1,920,000	
	MM	1,920,000	0
	C	0	0
	D	0	0
	E	0	0
Reclassification of fuel	11		73,020,000
	F	0	73,020,000
Reclassification of fuel	11	73,020,000	
	G	73,020,000	0
	HH	0	0
	H	0	0
Excess interest capitalized by WAPDA	1	69,021,351	
Interest not capitalized by WAPDA	2		417,557,146
Excess interest and guarantee fee charged-off	3	286,506,895	
Exchange fluctuation capitalized	4		357,675,016
Exchange fluctuation charged-off	5		315,237,182
Reclassification of divisional equity from loans	6	9,580,146,447	
	AA	9,935,674,693	1,090,469,344
	LL	0	0
Foreign (relent) loans	6		3,071,031,735
Foreign (direct) loans	6		2,127,234,712
Recognise short portion of the direct loan	7	424,391,711	
	BB	424,391,711	5,198,266,447
Cash Development Loan	6		308,771,000
WAPDA Bearer Bonds	6		4,073,109,000
Recognise short portion of C.D.L	7	4,311,000	
	CC	4,311,000	4,381,880,000

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JAMSHORO THERMAL POWER STATION
SECTION IV-B: SUMMARY OF A.F.F. PROPOSED ADJUSTMENTS
PERIOD: JUNE 30, 1993

Account Title /Explanation		Schedule "C" Reference	Debit	Credit
	JJ		0	0
Current Maturity of foreign loans		7		424,391,711
	KK		0	424,391,711
Current Maturity of WAPDA general issue		7		4,311,000
	SS		0	4,311,000
To recognise deferred custom duties payable		9		172,554,000
Provision made for short receipt of fuel		10		28,000,000
	DD		0	200,554,000
	EE		0	0
	1		0	0
	2		0	0
	5		0	0
Provision for short receipt of fuel		10	28,000,000	0
	3		28,000,000	0
Rectify depreciation charged on land		8		1,920,000
	4		0	1,920,000
	6		0	0
	7		0	0
	10		0	0
Excess interest and guarantee fee charged-off		3		286,506,895
Exchange fluctuation charged-off		5	315,237,182	
	8		315,237,182	286,506,895
	9		0	0
GRAND TOTAL			11,730,340,748	11,730,340,748

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JTPS

Period : June 30, 1993

Section IV - C: AFF Proposed Adjusting Entries

(Figures in rupees)

Sr. No.	Account Title Description	ACCOUNT CODE	Ref. Code	UNIT 1 (OFJ)		UNIT 2,3&4 (OCF)		OPERATIONS (OFF)	
				Debit	Credit	Debit	Credit	Debit	Credit
1	Divisional Equity	9 0 5 0 3	AA					69,021,351	
	Utility plant in service	9 0 1 2	A						69,021,351
	Excess interest capitalized in the books of JTPS (OFJ) now reversed.								
2	Utility plant in service	9 0 1 2	A					417,557,146	
	Divisional Equity	9 0 5 0 3	AA						417,557,146
	Interest short capitalized in the books of JTPS (OCF)								
3	Divisional Equity	9 0 5 0 3	AA					286,506,895	
	Interest Expense	1 7 6	8						286,506,895
	Excess interest and guarantee fee charged in the books of JTPS (Operation - P)								
4	Utility plant in service	9 0 1 2	A					357,675,016	
	Divisional Equity	9 0 5 0 3	AA						357,675,016
	To recognise foreign exchange loss on direct loans relating to OCF upto the date of commissioning i.e. 6-3-90.								
5	Interest Expense	1 7 6	8					315,237,182	
	Divisional Equity	9 0 5 0 3	AA						315,237,182
	Foreign exchange loss on direct loans charged off to operation relating to post commissioning period.								
6	Divisional Equity	9 0 5 0 3	AA					9,580,146,447	
	Foreign (Releb) Loans	9 0 4 0	BB						3,071,031,735
	Foreign (Direct) loans	9 0 4 0	BB						2,127,234,712
	Cash Development Loan	9 0 4 0	CC						308,771,000
	WAPDA Bearer Bonds	9 0 4 0	CC						4,073,109,000
	To reclassify divisional equity from foreign loans								

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JTPS

Period : June 30, 1993

Section IV-C: AFF Proposed Adjusting Entries

(Figures in rupees)

Sr. No.	Account Title Description	ACCOUNT CODE	Ref. Code	UNIT 1 (OFJ)		UNIT 2,3&4 (OCF)		OPERATIONS (OFF)	
				Debit	Credit	Debit	Credit	Debit	Credit
7	Foreign (Direct) loans	9 0 4 0	BB					424,391,711	
	Cash Development Loan	9 0 4 0	CC					4,311,000	
	Current Maturity - Foreign	9 0 4 0	KK						424,391,711
	Current Maturity - WAPDA general issue	9 0 4 0	SS						4,311,000
	To recognise short term portion of the two loans								
8	Accumulated Depreciation	9 0 0 9	MM					1,920,000	
	Depreciation	1 7 9	4						1,920,000
	To rectify depreciation charged on land from date to capitalisation to June 30 1993.								
9	Utility plant in service (OFJ)	9 0 1 2	A					28,921,000	
	Utility plant in service (OCF)	9 0 1 2	A					143,633,000	
	Custom duty payable	9 0 3 0 0	DD						172,554,000
	To recognise deferred custom duties payable as at June 30, 1993.								
10	Other operating & Maintenance Expenses	1 2 0 9	3					28,000,000	
	Provision for short receipt of fuel	9 0 4 1	DD						28,000,000
	Provision made for short receipt of fuel from suppliers. Claims for the above have been lodged with the respective fuel suppliers and transporters								
11	Fuel	9 0 2 2	G					73,020,000	
	To Materials and Supplies	9 0 2 2	F						73,020,000
	Reclassification of fuel stock from material and supplies.								

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