



# GIVING LIGHT TO YOUR DREAMS

ANNUAL REPORT 2013

LALPIR POWER LIMITED

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## THE COMPANY

Lalpir Power Limited ("the Company") was incorporated in Pakistan on 8 May 1994 under the Companies Ordinance, 1984. The registered office is situated at 53-A, Lawrence Road, Lahore. The principal activities of the Company are to own, operate and maintain an oil fired power station ("the Complex") having gross capacity of 362 MW in Mehmood Kot, Muzaffargarh, Punjab, Pakistan.

# COMPANY PROFILE



**BOARD OF DIRECTORS**

Mian Hassan Mansha	Chairman
Mr. Aurangzeb Feroz	Chief Executive Officer
Mr. Mark Nicholas Cutis	
Mr. Omar Liaqat	
Mr. Aurangzeb Feroz	
Mr. Kamran Rasool	
Mr. Khalid Qadeer Qureshi	
Mr. Mahmood Akhtar	
Mr. Samir Hammami	Alternate Director

**AUDIT COMMITTEE**

Mr. Aurangzeb Feroz	Chairman
Mr. Mark Nicholas Cutis	
Mr. Mahmood Akhtar	

**CHIEF FINANCIAL OFFICER**

Mr. Khalid Qadeer Qureshi

**COMPANY SECRETARY**

Mr. Khalid Mahmood Chohan

**BANKERS OF THE COMPANY**

Habib Bank Limited  
 The Bank of Punjab  
 United Bank Limited  
 Allied Bank Limited  
 National Bank of Pakistan  
 Bank Alfalah Limited  
 Faysal Bank Limited  
 Askari Bank Limited  
 Habib Metropolitan Bank Limited  
 NIB Bank Limited  
 MCB Bank Limited  
 Bank Islami Pakistan Limited  
 KASB Bank Limited  
 Standard Chartered Bank (Pakistan) Limited  
 Al Baraka Bank (Pakistan) Limited  
 Pakbrunei Investment company

**AUDITOR OF THE COMPANY**

Riaz Ahmad & Co.  
 Chartered Accountants

**LEGAL ADVISOR OF THE COMPANY**

Mr. M. Aurangzeb Khan  
 Advocate High Court

**REGISTERED OFFICE**

53-A, Lawrence Road,  
 Lahore-Pakistan  
 UAN: 042-111-11-33-33

**HEAD OFFICE**

1-B, Aziz Avenue, Gulberg-V,  
 Lahore- Pakistan  
 Tel:042-35717090-96  
 Fax:042-35717239

**SHARE REGISTRAR**

Central Depository Company of Pakistan Limited  
 CDC House,99-B, Block-B, S.M.C.H.S  
 Shahra-e-Faisal, Karachi – 74400  
 Tel: (92-21) 111-111-500  
 Fax: (92-21) 34326053

**PLANT**

Mehmood Kot, Muzaffargarh,  
 Punjab – Pakistan.



# VISION STATEMENT

ENLIGHTEN THE FUTURE THROUGH EXCELLENCE,  
COMMITMENT, INTEGRITY AND HONESTY



# MISSION STATEMENT

TO BECOME LEADING POWER PRODUCER WITH SYNERGY OF  
CORPORATE CULTURE AND VALUES THAT RESPECT COMMUNITY  
AND ALL OTHER STAKE HOLDERS.



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (the "AGM") of Lalpir Power Limited ("the Company") will be held on Saturday, April 26, 2014 at 11:00 a.m. at Nishat House, 53-A, Lawrence Road, Lahore-Pakistan, to transact the following business:

1. To receive, consider and adopt the audited financial information of the Company for the year ended December 31, 2013 together with the Directors' and Auditors' reports thereon.
2. To approve Cash Dividend @ 15% (i.e. Rs. 1.50 Per Ordinary Share ) as recommended by the Board in addition to the Interim Cash Dividend @ 10% (i.e. Rs. 1/- per share) already paid.
3. To elect seven Directors of the Company for a period of three years in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 in place of the following retiring Directors :-
  1. Mian Hassan Mansha
  2. Mr. Aurangzeb Firoz
  3. Mr. Mark Nicholas Cutis
  4. Mr. Omar Liaqat
  5. Mr. Kamran Rasool
  6. Mr. Khalid Qadeer Qureshi
  7. Mr. Mahmood Akhtar
4. To appoint statutory Auditors for the year 2014 and fix their remuneration.

## SPECIAL BUSINESS

5. To consider and if deemed fit, to pass the following resolution as Special Resolution under Section 208 of the Companies Ordinance, 1984 with or without modification(s), addition(s) or deletions as recommended by the directors:

**“RESOLVED** that pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, Lalpir Power Limited (“the Company”) be and is hereby authorized to extend a loan as running finance facility of up to PKR 1,000,000,000/- (PKR One Billion Only), to Pakgen Power Limited (“Pakgen”), an associated company, as and when required by Pakgen, provided that the return on such running finance shall be equivalent to the average borrowing cost of the Company for each month with minimum rate of one (1) month KIBOR + 0.75% and that such loan shall be for a period of one year renewable by the members of the Company”.

**FURTHER RESOLVED**, “that the Chairman and/or Company Secretary of the Company be and are hereby singly empowered and authorized to undertake the decision of said investment as and when required by Pakgen and to take all steps and actions necessary, incidental and ancillary including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things as may be necessary or expedient for the purpose of giving effect to the spirit and intent of this special resolution”.

6. To pass the following resolution with or without modification(s):-

**RESOLVED** that subject to approval of the Securities and Exchange Commission of Pakistan, the consent of the Company be and is hereby granted to place the quarterly accounts of Lalpir Power Limited (“the Company”) on the website of the Company, pursuant to the SECP Circular No. 19 of 2004 dated 14 April 2004.

**FURTHER RESOLVED** that the Chairman and the Company Secretary be and are hereby singly authorized to apply SECP for its consent for such placing of the quarterly accounts on the website of the Company and to do all necessary acts, deeds and things in connection therewith and ancillary thereto including consultation with the Stock Exchanges on which the Company is listed.

By order of the Board



(KHALID MAHMOOD CHOCHAN)  
COMPANY SECRETARY

LAHORE  
February 27, 2014



**NOTES:****1. BOOK CLOSURE NOTICE:-**

The Share Transfer Books of Ordinary Shares of the Company will remain closed from 14-04-2014 to 26-04-2014 (both days inclusive) for entitlement of 15% Final Cash Dividend (i.e. Rs. 1.50 Per Ordinary Share) and attending of Annual General Meeting. Physical transfers / CDS Transactions IDs received in order up to 1:00 p.m. on 11-04-2014 at Share Registrar Office, Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi, will be considered in time for entitlement of 15% Final Cash Dividend and attending of meeting.

2. A member entitled to attend and vote at this meeting may appoint other member as his/her proxy to attend and vote instead of his/her. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting.
3. The members are requested to promptly notify any change in their addresses.
4. Members who have not yet submitted photocopies of their CNICs to the Company are requested once again to submit a valid attested copy at the earliest in compliance with the directive of the Securities and Exchange Commission of Pakistan vide SRO No. 831(1)/2012 dated 05 July 2012.
5. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

**A. For Attending the Meeting**

- a. In case of Individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.
- b. In case of corporate entity, the Board's 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**

- a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
- b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
- c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.

- e. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.
6. Any member of the Company seeking to contest the election of directors, whether he/she is a retiring Director or otherwise, must file with the Company at its Registered Office the following documents not later than 14 days before the date of the aforesaid meeting as required under Section 178(3) of the Companies Ordinance, 1984.
- a. The notice of intention to offer himself/herself for the election of directors in terms of section 178(3) of the Companies Ordinance, 1984 (the "Ordinance") along with completed Form 28 - Consent to act as a Director duly signed in terms of Section 184 of the Ordinance;
  - b. A detailed profile including directorship in other companies along with his/her office address under SECP SRO 25(1)/2012 dated January 16, 2012.
  - c. A declaration that they are aware of their duties and powers under the relevant law(s) and the Company's Memorandum & Articles of Association and listing Regulations of the Stock Exchanges, that he / she is not ineligible to become a director under any applicable laws and regulations (including listing regulation of Stock Exchanges), he / she is not serving more than seven (7) listed companies simultaneously by excluding the listed subsidiaries of listed holding companies wherever applicable, he/she, if Pakistani resident, is a registered as tax payer and has not defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange, that neither he/she nor his/ her spouse engages in the business of brokerage or is a sponsor director or officer of a corporate brokerage house.

#### STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the Special Business, given in agenda item No.5 and 6 to be transacted at the Annual General Meeting of the Company to be held on April 26, 2014.

##### A. Running Finance Facility to Pakgen:

Pakgen Power Limited ("the Company") was incorporated in Pakistan on 22 June 1995 under the Companies Ordinance, 1984. The registered office of the Company is situated at 53-A, Lawrence Road, Lahore. The principal activities of the Company are to own, operate and maintain an oil fired power station ("the Complex") having gross capacity of 365 MW in Mehmood Kot, Muzaffargarh, Punjab, Pakistan. It is currently listed on the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited.

Pakgen Power Limited has a persistent problem with its trade debt balances which fluctuate routinely due to delay in payments from the WAPDA. This creates liquidity problems for Pakgen Power Limited due to which it has to borrow funds from Banks and Financial Institutions to meet its working capital requirements.

The Company feels that it can benefit itself from this opportunity by lending funds at a rate higher than the interest payable by the Company on its borrowing. The average borrowing rate of the Company was 12.38% per annum for the year ended December 31, 2013. Lalpir Power Limited will invest surplus funds available in order to enhance its profitability and good financial management.

Ref. No.	Requirement	Information																		
I	Name of associated company	Pakgen Power Limited																		
	Criteria of associated relationship	Common Directorship																		
ii	Amount of loans as running finance	Rs. 1,000,000,000/- (Rupees One Billion Only)																		
iii	Purpose	Both the companies are located at one place and they have some common facilities. The expenses of the facilities are shared between the companies according to share facility agreement. To cover DR and CR side of such transaction companies required the approval of board																		
	Benefits	the Company will benefit in the shape of income on its surplus funds.																		
iv	Details of existing loans	Nil																		
v	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	<p>Audited Financial Statements for the year ended December 31, 2013 showed:</p> <p style="text-align: right;"><b>Rs. in million</b></p> <p><u>Balance Sheet:</u></p> <p>Assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td>Property, plant &amp; equipment</td> <td style="text-align: right;">8,204</td> </tr> <tr> <td>Inventories</td> <td style="text-align: right;">338</td> </tr> <tr> <td>Trade debts</td> <td style="text-align: right;">10,047</td> </tr> <tr> <td>Other assets</td> <td style="text-align: right;">2,723</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">21,312</td> </tr> </table> <p>Liabilities</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td>Long term Borrowings</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Trade and Other payables</td> <td style="text-align: right;">313</td> </tr> <tr> <td>Other liabilities</td> <td style="text-align: right;">6,645</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">6,958</td> </tr> </table>	Property, plant & equipment	8,204	Inventories	338	Trade debts	10,047	Other assets	2,723		21,312	Long term Borrowings	0	Trade and Other payables	313	Other liabilities	6,645		6,958
Property, plant & equipment	8,204																			
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Ref. No.	Requirement	Information
		<b>Rs. in million</b>
		Equity 14,354 Current Ratio 1:1.88 Profit & loss: Sales 37,744 Gross Profit 2,156 Gross Profit Ratio 5.71% Net Profit after tax 1,110 Net Profit after tax Ratio 2.94% EPS 2.98
vi	Average borrowing cost of the investing company	12.38%
vii	Rate of interest, mark up, profit, fees or commission etc. to be charged	1 Month KIBOR + 0.75%
viii	Sources of funds from where loans or advances will be given	Surplus funds of the company.
ix	Where loans or advances are being granted using borrowed funds; justification for granting loan or advance out of borrowed funds; detail of guarantees/assets pledged for obtaining such funds, if any; and repayment schedules of borrowing of the investing company.	Not Applicable
x	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any.	Nil
xi	If the loans or advances carry conversion feature:	Not applicable
xii	Repayment schedule and terms of loans or advances to be given to the investee company.	This is running finance for one year period and will be renewed with approval of members.
xiii	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment.	Agreement will be executed before extending the loan on the basis of the terms and conditions as approved by the shareholders.

Ref. No.	Requirement	Information																																
xiv	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associates company or associated undertaking or the transaction under consideration:	<p>Five directors of Lalpir Power Limited, Mian Hassan Mansha currently holds 3.93% shares, Mr. Aurangzeb Firoz currently holds 0.00% (500) shares, Mr. Khalid Qadeer Qureshi currently holds 0.00% (500) shares, Mr. Kamran Rasool currently holds 0.00% (1,000) shares, Mr. Mahmood Akhtar currently holds 0.00% (500) shares, in Pakgen Power Limited.</p> <p>The directors of the associated company are interested in the investing company to the extent of their shareholding as under:-</p> <table border="0" data-bbox="828 884 1345 1108"> <tr> <td>Name</td> <td>% of Shareholding</td> </tr> <tr> <td>Mian Hassan Mansha</td> <td>7.20</td> </tr> <tr> <td>Mr. Aurangzeb Firoz</td> <td>0.00 (550Shares)</td> </tr> <tr> <td>Mr. Khalid Qadeer Qureshi</td> <td>0.00 (550 Shares)</td> </tr> <tr> <td>Mr. Kamran Rasool</td> <td>0.00 (500 Shares)</td> </tr> <tr> <td>Mr. Mahmood Akhtar</td> <td>0.00 (550 Shares)</td> </tr> </table> <p>The companies holding shares of Lalpir Power Limited are interested in Pakgen Power Limited to the extent of their shareholding as follows:-</p> <table border="0" data-bbox="828 1297 1345 1457"> <tr> <td></td> <td>%</td> </tr> <tr> <td>Nishat Mills Limited</td> <td>27.55</td> </tr> <tr> <td>Engen (Pvt) Limited</td> <td>17.22</td> </tr> <tr> <td>Security General Insurance Co. Ltd.</td> <td>1.72</td> </tr> <tr> <td>Adamjee Insurance Co. Ltd.</td> <td>6.89</td> </tr> </table> <p>The companies holding shares of Pakgen Power Limited are interested in Lalpir Power Limited to the extent of their shareholding as follows:-</p> <table border="0" data-bbox="828 1619 1345 1778"> <tr> <td></td> <td>%</td> </tr> <tr> <td>Nishat Mills Limited</td> <td>28.80</td> </tr> <tr> <td>Engen (Pvt) Limited</td> <td>18.00</td> </tr> <tr> <td>Security General Insurance Co. Ltd.</td> <td>1.80</td> </tr> <tr> <td>Adamjee Insurance Co. Ltd.</td> <td>7.20</td> </tr> </table>	Name	% of Shareholding	Mian Hassan Mansha	7.20	Mr. Aurangzeb Firoz	0.00 (550Shares)	Mr. Khalid Qadeer Qureshi	0.00 (550 Shares)	Mr. Kamran Rasool	0.00 (500 Shares)	Mr. Mahmood Akhtar	0.00 (550 Shares)		%	Nishat Mills Limited	27.55	Engen (Pvt) Limited	17.22	Security General Insurance Co. Ltd.	1.72	Adamjee Insurance Co. Ltd.	6.89		%	Nishat Mills Limited	28.80	Engen (Pvt) Limited	18.00	Security General Insurance Co. Ltd.	1.80	Adamjee Insurance Co. Ltd.	7.20
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Ref. No.	Requirement	Information
xv	Any other important details necessary for the members to understand the transaction:	None
xvi	In case of investment in a project of an associated company or associated undertaking that has not commenced operations:	Not Applicable
	Starting date of work	Not Applicable
	Completion of work	Not Applicable
	Commercial operations date	Not Applicable
	Expected time by which the project shall start paying return on investment	Not Applicable

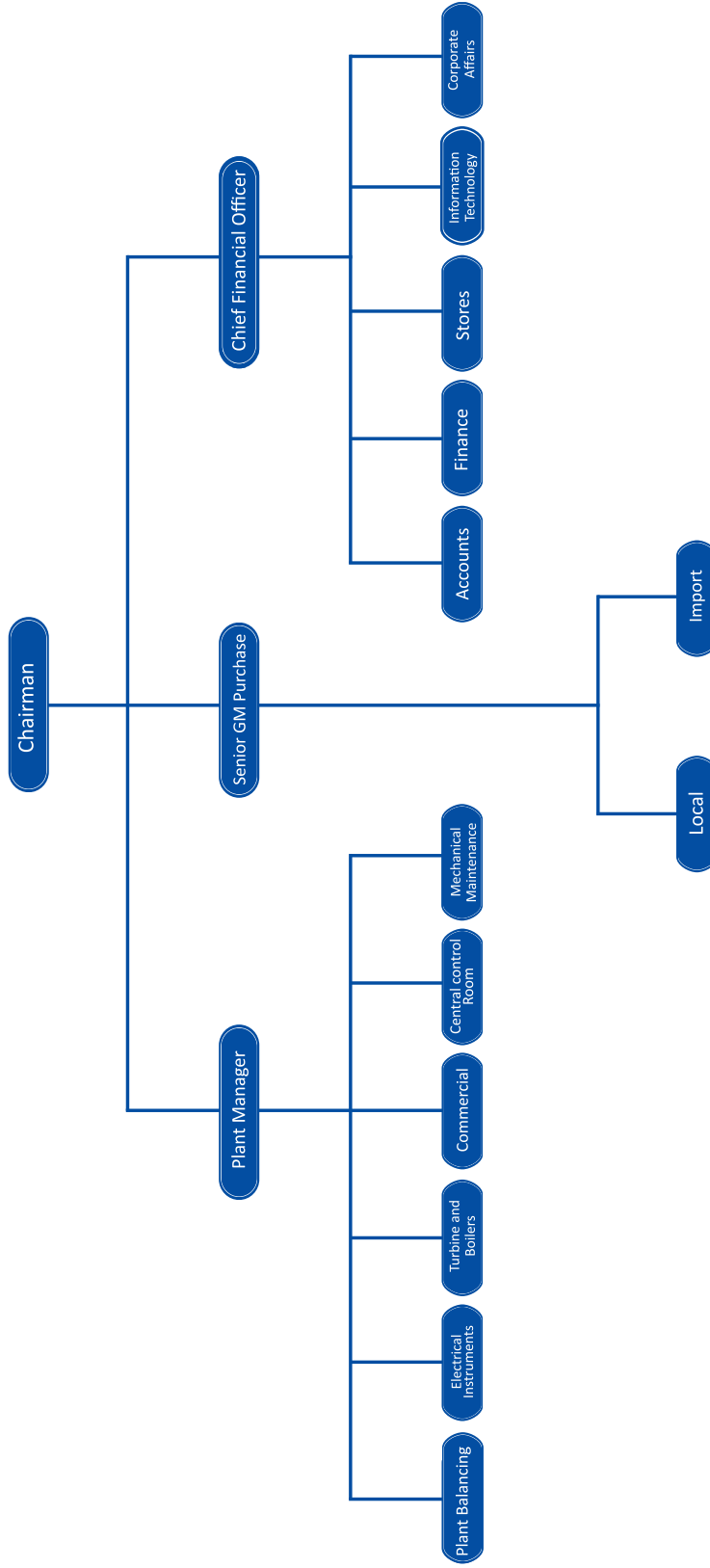
#### B. Placement of Quarterly Accounts on Website:-

The Securities & Exchange Commission of Pakistan (SECP) vide Circular No.19 of 2004 has allowed the listed Companies to place the quarterly accounts on their websites instead of sending the same to each shareholder by post. We appreciate this decision which would ensure prompt disclosure of information to the shareholders, besides saving of costs associated with printing and dispatch of the accounts by post.

Prior permission of the Securities & Exchange Commission of Pakistan would be sought for transmitting the quarterly accounts through Company's website after the approval of the shareholders. The Company, however, will supply the copies of accounts to the shareholders on demand at their registered address, free of cost, within one week of receiving such request. The shareholders are requested to approve the proposed resolution as ordinary resolution.

The Directors of the Company have no interest, directly or indirectly, in the above business.

# ORGANIZATION CHART



## DIRECTOR'S PROFILE

### MR. HASSAN MANSHA

Chairman

Mr. Hassan Mnasha has over 11 years of professional managerial experience. He has completed his education from USA and presently serving on the Board of Nishat Millis Limited, Security General Insurance Company Limited, Pakistan Aviators and Aviation (Pvt) Limited and Pakgen Power Limited. He is also the Chief Executive of Nishat Power Limited.

### MR. AURANGZEB FIROZ

Chief Executive Officer

Mr. Aurangzeb Firoz currently heading the organization as the chief Executive Officer of Lalpir Power Limited. He is a graduate of the Lahore American School and University of London and has played a fundamental role in the planning and operation of the company.

His prime experience is focused in the areas of finance, business strategy and operation management. Apart from Lalpir power limited, Mr. Aurangzeb Firoz is also director of the City Schools Group and has been Instrumental in providing strategic and operational support in driving business expansion into Arab States for City Schools' (pvt) Ltd.

Mr. Aurangzeb Firoz holds directorships of Educational System (Pvt) Limited, City APIIT (PAKISTAN) (Pvt) Limited, Engen (Pvt) Limited, Pakgen Power Limit.ed and City Hospitality Management Services (Pvt) Limited. His primary interest remains in the development of the new projects, especially in power & Energy and Educational Sector of Pakistan.

### MR. KHALID QADEER QURESHI

Director Finance

Mr. Qureshi is a Fellow member of the Institute of Chartered Accountants of Pakistan. He has over 45 years experience in financial management at corporate level, corporate reporting, treasury and development and implementation of information systems. During his professional career he has been actively associated in mergers, IPOs, reorganization of companies including financial restructuring

### MR. KAMRAN RASOOL

Director

Mr. Kamran Rasool holds a Post Graduate Diploma in Development Administration from Manchester University and MA in English from Punjab University. He was associated with Govt. of Pakistan as secretary Defense (2007-2008), cabinet secretary (2006-2007), secretary Industries and Production (2005-2006). Mr. Rasool is also acting as the Adviser to President at MCB Bank Limited. He also holds Directorship in Pakistan Agricultural Storage and Services Corporation Limited.



### **MR. OMER LIAQAT**

Director

Mr. Liaqat is Chartered Accountant and fellow member of the Institute of Chartered Accountant in England and Wales. He is the Chief Operating Officer at the Sovereign Wealth Fund in the DCC and has spent over 20 years in the asset management industry. He currently serves on the Board/ audit Committee of several organizations. He is also a Director at Lalpir Power Limited.

### **MR. MARK NICHOLAS CUTIS**

Director

Mr. Cutis holds an MBA from Wharton Business School, USA. His professional experience involves working for the global investment banks in various capacities. He joined sovereign fund in the GCC in March, 2008. Prior to that, he was associated with the shiniest Bank as a Chief Investment Officer. He was worked in NY, London, Frankfurt, Tokyo and Moscow.

### **MR. MEHMOOD AKHATR**

Director

Mr. Mehmood Akhtar an MBA from Punjab University and brings on board with him over 35 years of managerial experience spread across various industries.

### **MR. SAMIR HAMMAMI**

Alternate Director

Mr. Hammami, is an Investment Analyst since 2008 at a sovereign Wealth fund at GCC. He has led some of the fund's investment efforts mostly in private investments in the financial, natural resources, real estate and power sectors with a particular focus on emerging and frontier markets.

Prior to joining the fund, he has held teaching and research positions at academic institutions in the United States (University of Chicago and Kennedy School of Government, Harvard University) in his capacity as financial economist. He was as economic consultant to clients based in United States and the Middle East. Mr. Samir holds a PHD in economic from Brown University.

# DIRECTORS' REPORT



The Directors are pleased to present the Annual Report and the audited financial statements of the Company for the year ended December 31, 2013 together with the auditors' report thereon.

## GENERAL

Lalpir Power Limited ("the Company") was incorporated in Pakistan on 8 May 1994 under the Companies Ordinance, 1984. The shares of the Company are listed on the Karachi, and Lahore Stock Exchanges. The principal activities of the Company are to own, operate and maintain an oil fired power station ("the Complex") with a dependable capacity of 350 MW against a gross capacity of 362 MW in Mehmood Kot, Muzaffargarh, Punjab, Pakistan. The Sole purchaser of the power is Water and Power Development Authority (WAPDA).

## FINANCE

We report that during the year 2013 the total sales revenue of the Company was Rupees 36.571 billion (2012: Rupees 32.907 billion) and operating costs were Rupees 34.750 billion (2012: Rupees 30.429 billion), resulting in gross profit of Rupees 1.821 billion (2012: Rupees 2.478 billion). The Company earned a net profit of Rupees 642 Million resulting in earnings per share of Rupees 1.70 per share compared to a net profit of Rupees 1.443 billion and earnings per share of Rupees 3.81 last year.

Main reason for variation in net profit for year ended 31 December 2013 in Comparison with year ended 31 December 2012 is increase in delta loss of Rupees 628.945Million (i.e. increase of 3.24 Grams per kWh fuel consumption).

Our sole customer WAPDA remains unable to meet its obligations in accordance with the Power Purchase Agreement (PPA) which are secured under a sovereign guarantee of Government of Pakistan. As on 31 December 2013 an amount of Rupees 10.352 billion was outstanding against WAPDA of this Rupees 5.790 billion was classified overdue. Despite frequent follow-up with the concerned Ministry of Government of Pakistan it is regretted there has been no improvement in the situation and this has resulted in irregular supply of fuel which has affected Plant Operations. In addition, WAPDA has failed to provide its obligatory Letter of Credit for Rupees 7.462 billion as required under the PPA. The Company is persistently pursuing WAPDA/NTDC and the Government of Pakistan for early retirement of the entire outstanding amounts. The Company is also pursuing WAPDA for establishing the letter of credit as required under its PPA.

### OPERATIONS

In response to load demanded by WAPDA, the Lalpir plant operated at capacity factor of 63.1% with an average load factor of 79.4 %

and an average complex availability of 98.9% and dispatched 1,925,480 MW of electricity. The Company continues to allocate funds on various improvement projects towards the ongoing modernization of the plant in order to ensure its long term integrity and maximum availability for our customer WAPDA.

### OPERATIONAL PERFORMANCE

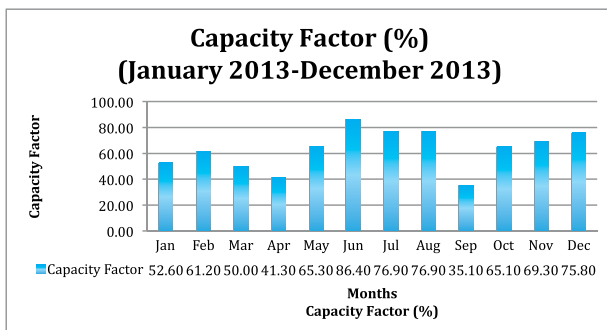
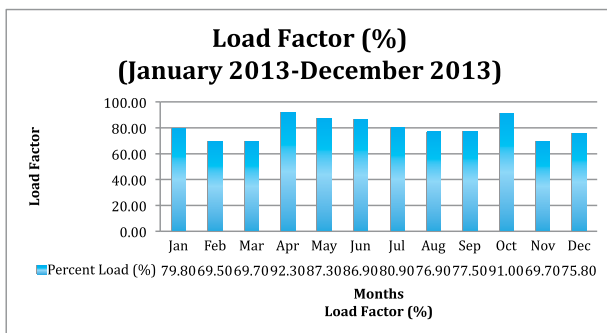
As per the requirement of Power Purchase Agreement (PPA), the Company conducted its Annual Capacity Test on October 23rd 2013 whereby it successfully maintained the capacity of 350 MW.

### CORPORATE OBJECTIVE

Being a responsible and reliable energy company, we aim to facilitate the nation in reducing its cost of energy. To accomplish this objective MOU (Memorandum of Understanding) has been signed between Government of Pakistan and the company to convert its oil fired plant into coal or petcoke on 28 June 2013. Conversion is expected to take place within three years.

With respect to auditor's comments in auditor's report we report that WAPDA has raised invoices for liquidate damages to the company on account of short supply of electricity by the company. Liquidate damages invoiced to the company amounts to rupees 3,046 Million. We are of the view that since technically the plant was available to deliver electricity as per WAPDA's requirement and the failure to deliver was consequential only to financial constrains caused by default in payments by WAPDA, therefore WAPDA cannot claim the liquidate damages which are triggered as a result of its own default.

Resultantly we have disputed the said invoices of liquidate damages raised by WAPDA. Based on the strength of the case, management and the legal counsel of the company are confident that the matter will be settled in company's favor therefore no provision has been made in these financial statements.





## PROJECTS:

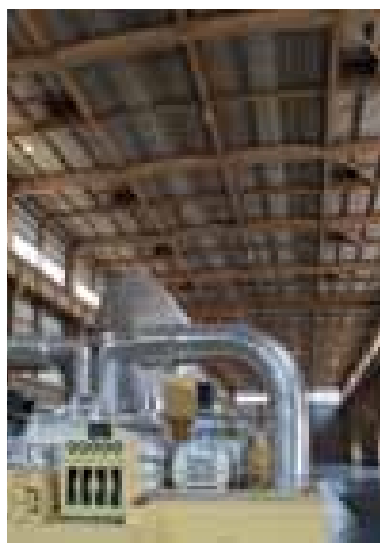
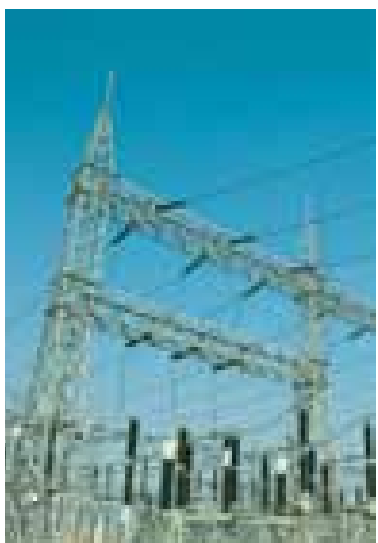
We would also like to inform you that in order to improve efficiency of the project, we are going to carry out following projects:

**1. Turbine Retrofit:** This project activity includes the replacement of existing turbine rotor and blades with the improved design rotor, efficient blades and advanced seals. This will not only recover permanent aged deterioration but also bring the benefit of new technology. The Improvement in Heat Rate for HIP & LP Turbine efficiency by 1.5% is guaranteed by supplier. Contract signed with Sojitz Machinery Corporation, Osaka and advance payment made by a letter of credit established through NIB Bank Limited for the import of equipment. Project will be executed in September 2014.

**2. Cooling Tower Improvement Project:** This project was implemented at PakGen last year. The project proved 1.2° C improvements in cooling water temperature. It is being replicated at LalPir this year. Cooling towers fills will be replaced and Nozzle design will be changed as per SPIG proposal. The Project has potential of Rs. 71M annual savings with a payback of 1.2 years. The project will be executed in September 2014.

**3. VVVF at Small VFD:** Small BFP has been installed to cater low load requirement of the plant. Addition of VVVF will bring further savings in Heat Rate as well as startup MDI. Project has a potential savings of Rs.19M with a payback of 4 years. The project will be commissioned in September 2014.

We believe that foregoing arrangements shall be very beneficial for improvement in the efficiency of the project and reducing delta loss.



## CREDIT RATINGS

The Company has continuously been receiving “AA” (Double A) as long term rating and “A1+” (A One Plus) as short term rating by PACRA. These ratings reflect the Company’s financial management strength and denote very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

## HUMAN RESOURCES

The Company has employed experienced and qualified human resources to meet the challenges ahead and to achieve its management objectives. The Company offers an encouraging work environment and employs a dedicated management team and workforce who are instrumental in achieving higher levels of productivity through continuous growth and expansion. The Company has transparent Human Resource policies, including succession planning, hiring, developing and retaining the best talent.

## INTERNAL AUDIT AND CONTROL:

The board has set up an independent audit function headed by a qualified person reporting to the Audit Committee. The scope of internal auditing within the Company is clearly defined which broadly involves review and evaluation of its’ internal control system.

## ENVIRONMENT HEALTH AND SAFETY

Lalpir Power Limited is proud of its commitment to protecting the environment and enhancing the health and safety of its employees. We continued our pursuit of Health, Safety and Environment (HSE) excellence remaining true to our corporate values. We recognize and applaud the exceptional efforts of our employees for the work they do to protect the environment and to promote health and safety.

Health and safety excellence, integrated with our business goals, positions our Company for continued leadership and future growth. The Company continues to maintain the safer work place for all of the employees. ‘Put Safety First’ is among the highest priorities of our Company’s management. A complete medical checkup of the employees is carried out every year and where required a full concentration is given to any required medical treatment.

## SOCIAL RESPONSIBILITY AND COMMUNITY WELFARE

As part of our Social Responsibility Program we are focusing on free medical treatment facility, and free education for children of the people living in the vicinity of the power plant. In this regards company is contributing to CARE FOUNDATION SCHOOLS. Care Foundation adopted Government Girls Primary School Darkhanwala in 2009 and since then the school has been playing a vital role in educating the children of the community. Presently, a total of 336 students are receiving quality education at the school. The school has accomplished significant milestones and each passing day significantly contributes towards our goal of an educated Pakistan.

## STATEMENTS IN COMPLIANCE TO THE REVISED CODE OF CORPORATE GOVERNANCE

The Company Management is fully cognizant of its responsibility as recognized by the formulated Companies Ordinance provisions and Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (SECP). The following comments are acknowledgement of Company’s commitment to high standards of Corporate Governance and continuous improvement.

- The financial statements, prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control, which is in place, is being continuously reviewed internally. The process will continue and any weakness in controls will be removed.
- There are no doubts upon Company's ability to continue as going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- The key operating and financial data of last six years is attached to the report.
- Value of investments of provident fund and gratuity scheme as at 31 December 2013 were as follows

Provident fund: 31 December 2013 is Rupees: 105,532,000

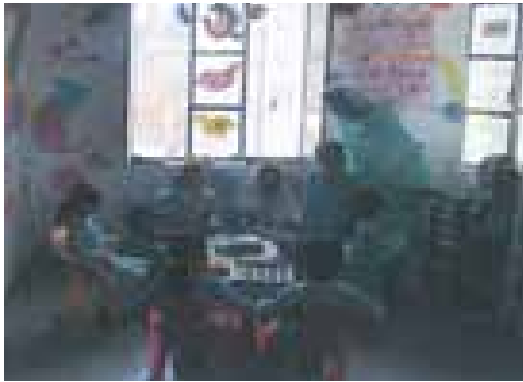
Gratuity fund: 31 December 2013 is Rupees: 20,605,776.89

During the year under review 4 meetings of the board of Directors were held, attendance position was as under:

Sr. #	Name of Directors		No. of Meetings Attended
1	Mian Hassan Mansha	Chairman	4
2	Mr. Khalid Qadeer Qureshi	Director/CFO	4
3	Mr Mark Nicholas Cutis	Director	0
4	Mr Omer Liaqat	Director	0
5	Mr. Kamran Rasool	Director	4
6	Mr. Mahmood Akhtar	Director	4
7	Mr. Aurangzeb Feroz	CEO	3
8	Mr Sammir Hammami	Alternate Director To Mr Mark Nicholas Cutis	3

During the year under review 4 meetings of the audit committee were held, attendance position was as under:

Sr. #	Name of Directors		No. of Meetings Attended
1	Mr. Aurangzeb Feroz	Chairman/Member	3
2	Mr. Mark Nicholas Cutis	Member	0
3	Mr. Mahmood Akhtar	Member	4
4	Mr Sammir Hamami	Alternate Director To Mr Mark Nicholas Cutis	3



## CORPORATE GOVERNANCE:

The Statement of Compliance with the best practices of Code of Corporate Governance is annexed.

## PATTERN OF SHAREHOLDING:

The statement of pattern of shareholding as on 31 December 2013 is attached.

## RELATED PARTIES

Related party transactions were placed before the Audit Committee and approved by the Board. These transactions were in line with the requirements of IFRS and the Companies Ordinance, 1984. The Company maintains a record of all such transactions.

## DIVIDEND DISTRIBUTION

The Board of Directors take pleasure to recommend, to the shareholders of the Company for approval in the ensuing Annual General Meeting, a final dividend at the rate of Rupees 1.5 per ordinary share of Rupees 10/ each (i.e. @ 15%) which will be paid to those shareholders whose names would appear on members' register on the date as mentioned in the notice of AGM. This dividend, together with the interim dividends which has already paid @ 10%, shall make the cumulative dividend distribution for the financial year 2013 at the rate of 25%.

## AUDITORS

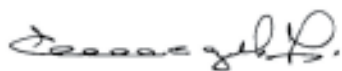
The present auditors M/s Riaz Ahmad and Company, Chartered Accountants retired and being eligible, offer themselves for re-appointment for the year 2014. The Audit Committee of the Board has recommended the reappointment of the retiring auditors.

## ACKNOWLEDGEMENT

We wish to thank our valuable shareholders, WAPDA, financial institutions, lenders, Pakistan State Oil and other suppliers for their trust and faith in the Company and their valuable support that enabled the Company to achieve better results.

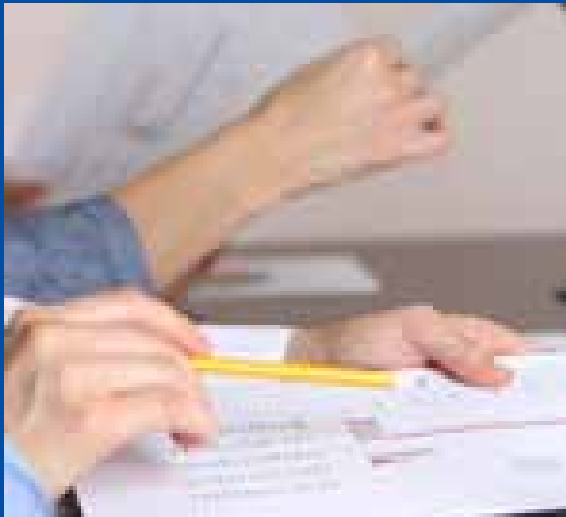
We also appreciate the management for establishing a modern and motivating working climate and promoting high levels of performance in all areas of the power plant. We also take this opportunity to thank our executives and staff members for their consistent support, hardworking and commitment for delivering remarkable results and we wish for their long life relationship with the Company.

For and on behalf of the Board of Directors



Mr. Aurangzeb Feroz  
Chief Executive Officer  
Lahore: 27 February 2014





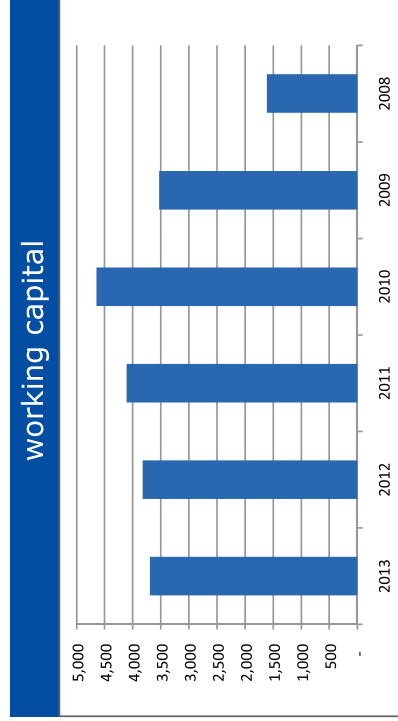
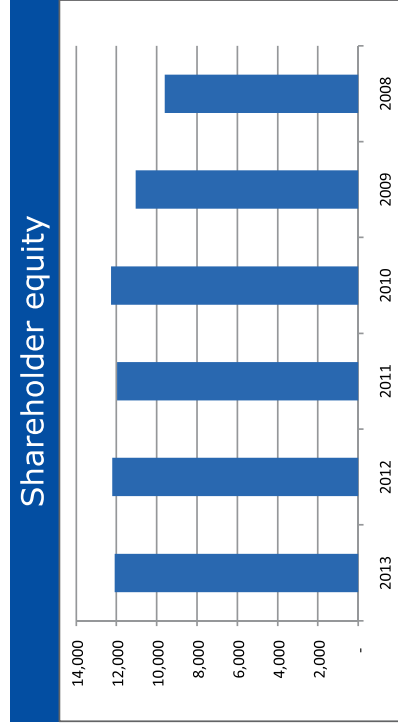
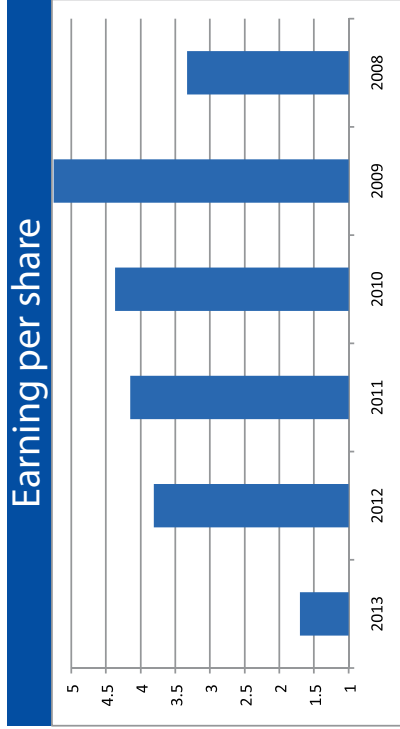
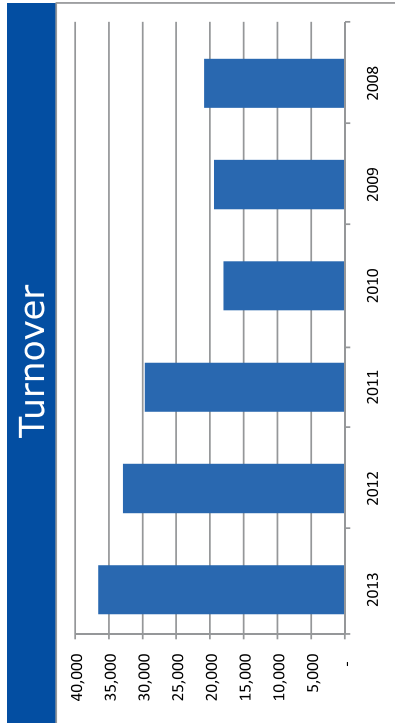
# FINANCIAL DATA

	2013	2012	2011	2010	2009	2008
Dispatch level %	63.10	54.80	57.00	76.00	65.60	59.30
Dispatch(GWH)	1,925	1,685	1,768	1,387	2,144	1,961
<b>Revenue(000)</b>						
Revenue	36,571,100	32,906,885	29,669,914	17,967,660	19,390,197	208,070,700
Cost Of Sales	(34,750,082)	(30,415,938)	(27,283,667)	(16,317,534)	(16,756,388)	(18,324,042)
Gross Profit	1,821,018	2,490,947	2,386,247	1,650,126	2,633,809	2,546,658
<b>Profitability (000)</b>						
Profit/(loss) before tax	644,691	1,446,258	1,431,684	1,478,175	1,839,605	1,155,758
Provision for tax	-	-	-	30,245	(11,086)	(3,698)
Profit/(loss) after tax	644,691	1,446,258	1,431,684	1,508,420	1,828,519	1,151,790
<b>Financial position (000)</b>						
Non Current Assets	8,406,498	8,393,893	7,872,095	7,623,513	7,544,130	8,008,669
Current Assets	13,943,942	14,439,681	11,639,766	9,868,069	8,281,191	7,688,205
Less: Current Liabilities	(10,264,135)	(10,628,890)	(7,531,720)	(5,219,656)	(4,754,191)	(6,058,209)
Net Working Capital	32,614,575	33,462,464	27,043,581	22,711,238	20,579,512	21,755,083
Capital Employed	12,104,305	12,218,304	11,980,141	12,271,926	11,071,130	9,638,665
less: Long term Loans	-	-	-	-	-	-
less: Deferred Liabilities	(20,222)	(16,416)	(13,137)	(10,066)	(21,112)	(44,342)
Share Holders Equity	12,084,083	12,201,888	11,967,004	12,261,860	11,050,018	9,594,323
<b>Represented by (000)</b>						
Share Capital	3,798,387	3,453,079	3,453,079	3,453,079	3,453,079	3,453,079
Capital Reserve	107,004	107,004	107,004	107,004	107,004	107,004
Un-appropriated Profit	8,178,692	8,641,805	8,406,921	8,701,777	7,489,935	6,034,240
	12,084,083	12,201,888	11,967,004	12,261,860	11,050,018	9,594,323
<b>Dividends (000)</b>						
Dividends	1,158,509	690,616	2,244,504	1,249,439	379,031	5,570,482
Earning Per Share	1.70	4.19	4.15	4.37	5.30	3.00
P/E ratio	5.88	2.39	2.41	2.29	1.89	3.34
Delta Loss(000)	1,971,173	1,342,229	1,282,053	788,945	1,754,918	1,618,787
<b>Ratio</b>						
Break up value per share of RS 10 Each share	31.81	35.34	34.66	35.51	59.60	63.00
Current ratio	1.36	1.36	1.55	1.89	1.74	1.27
Net profit/(loss) to sales %	1.76	4.40	4.83	8.40	9.43	0.55

## VERTICAL ANALYSIS

	2013	% of Turnover	2012	% of Turnover	2011	% of Turnover
<b>Revenue</b>	36,571,100	100	32,906,885	100	29,669,914	100
Cost of Sales	(34,750,082)	(95.02)	(30,429,077)	(92.47)	(27,266,668)	(91.90)
Gross Profit	1,821,018	4.98	2,477,808	7.53	2,403,246	8.10
Administration Expenses	(177,848)	(0.49)	(149,779)	(0.46)	(38,688)	(0.13)
Other operating Expenses	(60,482)	(0.17)	(20,420)	(0.06)	(38,688)	(0.13)
Other income	26,194	0.07	135,933	0.41	80,106	0.27
Finance Cost.	(964,191)	(2.64)	(997,284)	(3.03)	(832,021)	(2.80)
Profit for the year	644,691	1.76	1,443,534	4.39	1,431,684	4.83
<b>Horizontal Analysis</b>	<b>2013</b>	<b>13 v 12</b>	<b>2012</b>	<b>12 v 11</b>	<b>2011</b>	<b>11 v 10</b>
Revenue	36,571,100	11.14	32,906,885	10.91	29,669,914	65.13
Cost of Sales	(34,750,082)	14.20	(30,429,077)	11.60	(27,266,668)	66.84
Gross Profit	1,821,018	(26.51)	2,477,808	3.10	2,403,246	47.96
Administration Expenses	(177,848)	18.74	(149,779)	287.15	(38,688)	(84.03)
Other operating Expenses	(60,482)	196.19	(20,420)	(47.22)	(38,688)	10.43
Other income	26,194	(80.73)	135,933	69.69	80,106	(89.46)
Finance Cost.	(964,191)	(3.32)	(997,284)	19.86	(832,021)	32.28
Profit for the year	644,691	(55.34)	1,443,534	0.83	1,431,684	(5.09)

# PERFORMANCE REVIEW



# PATTERN OF SHAREHOLDINGS

As at December 31, 2013

# of Shareholders	Shareholdings' Slab		Total Shares Held
53	1	to 100	1,685
1416	101	to 500	704,839
497	501	to 1000	491,728
557	1001	to 5000	1,601,453
147	5001	to 10000	1,246,941
46	10001	to 15000	587,361
31	15001	to 20000	557,726
27	20001	to 25000	636,278
16	25001	to 30000	453,290
11	30001	to 35000	370,605
10	35001	to 40000	398,000
6	40001	to 45000	258,104
22	45001	to 50000	1,066,759
2	50001	to 55000	104,000
3	55001	to 60000	176,600
3	60001	to 65000	192,803
4	65001	to 70000	268,500
1	70001	to 75000	75,000
3	75001	to 80000	239,800
4	80001	to 85000	326,590
1	85001	to 90000	90,000
1	90001	to 95000	91,500
7	95001	to 100000	700,000
2	100001	to 105000	203,711
3	120001	to 125000	373,000
1	130001	to 135000	133,500
1	140001	to 145000	142,803
2	145001	to 150000	295,605
1	155001	to 160000	160,000
1	180001	to 185000	185,000
2	195001	to 200000	400,000
1	215001	to 220000	215,500
2	265001	to 270000	538,500
2	310001	to 315000	624,000
1	345001	to 350000	350,000
1	415001	to 420000	416,849
4	495001	to 500000	2,000,000
1	500001	to 505000	501,000
1	545001	to 550000	550,000
1	595001	to 600000	600,000
1	665001	to 670000	666,500
1	805001	to 810000	808,900
1	900001	to 905000	905,000
1	1110001	to 1115000	1,112,000
1	1260001	to 1265000	1,264,953
2	1325001	to 1330000	2,651,110
1	1590001	to 1595000	1,594,500
2	2070001	to 2075000	4,143,260
1	2310001	to 2315000	2,311,500
1	4195001	to 4200000	4,200,000
1	6835001	to 6840000	6,836,547
2	27345001	to 27350000	54,696,099
1	68365001	to 68370000	68,369,871
1	102555001	to 102560000	102,556,457
1	109390001	to 109395000	109,393,005
			<b>379,838,732</b>

# CATEGORIES OF SHAREHOLDERS

As at December 2013

Categories of Shareholders	Shareholders	Shares Held	Percentage
<b>Directors and their spouse(s) and minor children</b>			
MIAN HASSAN MANSHA	2	27,347,762	7.20
MAHMOOD AKHTAR	1	550	0.00
KHALID QADEER QURESHI	1	550	0.00
KAMRAN RASOOL	1	500	0.00
AURANGZEB FIROZ	1	550	0.00
<b>Associated Companies, undertakings and related parties</b>			
ENGEN (PRIVATE) LTD	2	68,370,422	18.00
SECURITY GENERAL INSURANCE COMPANY LIMITED	2	6,836,548	1.80
ADAMJEE INSURANCE COMPANY LIMITED	1	27,348,388	7.20
NISHAT MILLS LIMITED	1	109,393,005	28.80
<b>Executives</b>			
	-	-	-
Public Sector Companies and Corporations	2	2,287,358	0.60
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>			
	2	5,794,500	1.53
<b>Mutual Funds</b>			
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	1	1,325,555	0.35
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	600,000	0.16
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	1,325,555	0.35
<b>General Public</b>			
a. Local	2857	16,949,364	4.46
b. Foreign	1	102,556,457	27
<b>Foreign Companies</b>			
	-	-	-
<b>Others</b>	36	9,701,668	2.55
Totals	2913	379,838,732	100.00

Share holders holding 5% or more	Shares Held	Percentage
NISHAT MILLS LIMITED	109,393,005	28.80
STANHOPE INVESTMENTS	102,556,457	27.00
ENGEN (PRIVATE) LTD	68,370,422	18.00
ADAMJEE INSURANCE COMPANY LIMITED	27,348,388	7.20
MIAN HASSAN MANSHA	27,347,762	7.20

# PATTERN OF SHAREHOLDERS

As at December 31, 2013

S.No.	Folio #	Name of shareholder	Number of shares	Percentage %	
<b>Directors and their spouse(s) and minor children</b>					
1	9	MIAN HASSAN MANSHA	51	0.00	
2	03525-5745	MIAN HASSAN MANSHA	27,347,711	7.20	
3	6	MAHMOOD AKHTAR	550	0.00	
4	7	KHALID QADEER QURESHI	550	0.00	
5	11	KAMRAN RASOOL	500	0.00	
6	03525-3993	AURANGZEB FIROZ	550	0.00	
			6	27,349,912	7.20
<b>Associated companies, undertakings and related parties</b>					
1	03525-75375	ENGEN (PRIVATE) LTD	68,369,871	18.00	
2	5	ENGEN (PRIVATE) LIMITED	551	0.00	
3	12	SECURITY GENERAL INSURANCE COMPANY LIMITED	1	0.00	
4	03525-8082	SECURITY GENERAL INSURANCE CO LTD	6,836,547	1.80	
5	13755-21	ADAMJEE INSURANCE COMPANY LIMITED	27,348,388	7.20	
6	03525-35171	NISHAT MILLS LIMITED	109,393,005	28.80	
			6	211,948,363	82.80
<b>Executive</b>					
			NIL		
			0	0	-
<b>Public sector companies and corporations</b>					
1	04812-24	PAK-OMAN INVESTMENT COMPANY LTD.	2,071,858	0.55	
2	10819-26	PAK BRUNEI INVESTMENT COMPANY LIMITED	215,500	0.06	
			2	2,287,358	0.60
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>					
1	02626-37	BANK AL HABIB LIMITED	1,594,500	0.42	
2	05132-26	ASKARI BANK LIMITED	4,200,000	1.11	
			2	5,794,500	1.53

S.No.	Folio #	Name of shareholder	Number of shares	Percentage %
<b>Mutual Funds</b>				
1	02154-27	NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	1,325,555	0.35
2	05959-27	CDC - TRUSTEE ATLAS STOCK MARKET FUND	600,000	0.16
3	12120-28	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1,325,555	0.35
			3	0.86
<b>General Public Foreign</b>				
			NIL	-
			0	-
<b>Foreign Companies</b>				
1	00521-3837	STANHOPE INVESTMENTS	102,556,457	27.00
			1	-
<b>Others</b>				
1	774	EHSAN INTERNATIONAL	500	0.00
2	00513-17184	TRUSTEES KOHINOOR ENERGY LIMITED EMPLOYEES GRATUITY FUND	125,000	0.03
3	00935-11617	KAIZEN CONSTRUCTION (PVT) LIMITED	5,000	0.00
4	00992-3345	F & B BULK STORAGE (PTIVATE) LIMITED	10,000	0.00
5	01446-874	TRUSTEE - MCB PROVIDENT FUND PAK STAFF	2,071,402	0.55
6	03228-27	ABBASI & COMPANY (PRIVATE) LIMITED	1,000	0.00
7	03228-10844	TRUSTEES-ABBASI & CO.PVT.LTD.EMPS.P.FUND	1,000	0.00
8	03277-226	ROOMI ENTERPRISES (PVT) LIMITED.	2,311,500	0.61
9	03277-4841	BULK MANAGEMENT PAKISTAN (PVT.) LTD.	1,264,953	0.33
10	03277-7041	HABIB SUGAR MILLS LTD	350,000	0.09
11	03277-7421	TRUSTEES SAEEDA AMIN WAKF	25,000	0.01
12	03277-7633	TRUSTEES MOHAMAD AMIN WAKF ESTATE	80,000	0.02
13	03277-7652	ISMAILIA YOUTH SERVICES	43,480	0.01
14	03277-26972	WESTBURY (PRIVATE) LTD	416,849	0.11
15	03277-35867	TRUSTEE GUL AHMED TEXTILE MILLS LTD EMP P.F	666,500	0.18
16	03277-50852	TRUSTEES OF FAR EASTERN IMPEX (PVT) LTD. EMP. PROVIDENT FUND	1,000	0.00
17	03277-61170	HABIB SAFE DEPOSIT VAULT (PVT) LTD	500,000	0.13
18	03277-61171	PAKISTAN WARRANTED WAREHOUSE (PVT)LTD	125,000	0.03
19	03277-61348	POLYPROPYLENE PRODUCTS LTD	500,000	0.13
20	03277-61491	M/S RANG COMMODITIES (PVT) LTD	1,000	0.00
21	03277-67767	ANAM FABRICS (PVT) LTD.	75,000	0.02
22	03350-22	ZAHID LATIF KHAN SECURITIES (PVT) LTD.	65,000	0.02



23	03939-12463	CAPITAL VISION SECURITIES PVT LIMITED	28,484	0.01
24	03939-12703	EXCEL SECURITIES (PRIVATE) LIMITED	1,500	0.00
25	04184-22	AZEE SECURITIES (PRIVATE) LIMITED	19,000	0.01
26	04192-518	N. H . SECURITIES PVT. LTD	500	0.00
27	04333-23	S.D. MIRZA SECURITIES (PVT) LTD.	30,000	0.01
28	04705-78456	TRUSTEES OF PAKISTAN MOBILE COMMUNICATION LTD-PROVIDENT FUND	312,500	0.08
29	05116-28	TIME SECURITIES (PVT.) LTD.	19,500	0.01
30	05264-41173	KAIZEN CONSTRUCTION (PVT) LIMITED	25,000	0.01
31	05298-28	MAAN SECURITIES (PRIVATE) LIMITED	82,000	0.02
32	06122-47191	TRUSTEE- HI-TECH LUBRICANTS LTD - EMPLOYEES PROVIDENT FUND	25,000	0.01
33	06445-28	DARSON SECURITIES (PVT) LIMITED	2,000	0.00
34	06445-9870	STOCK STREET (PVT) IIMITED.	6,000	0.00
35	12484-3004	TRUSTEE-AFTAB ADAMJEE TRUST	501,000	0.13
36	14241-22	FIKREE'S (SMC-PVT) LTD.	10,000	0.00
		<b>36</b>	<b>9,701,668</b>	<b>2.55</b>
<b>Total</b>		<b>2913</b>	<b>379,838,732</b>	<b>100.00</b>
<b>General Public Local</b>		<b>2857</b>	<b>16,949,364</b>	<b>4.46</b>

**Information Under Clause (1) of sub-regulation (XVI) of Regulation 35 of chapter (XI)  
of Listing Regulations of the Karachi Stock Exchange (G) Limited  
As at December 31, 2013**

There is no trading in the shares of the Company, carried out by its directors, executives and their spouses and minor children during the period January 01, 2013 to December 31, 2013

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE (COCG 2013) [SEE CLAUSE (XL)]

NAME OF COMPANY: LALPIR POWER LIMITED

YEAR ENDING DECEMBER 31, 2013.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of listing regulations of Karachi Stock Exchange Ltd and Lahore Stock Exchange Ltd for the purpose of establishing a framework 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 representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

CATEGORY	NAMES
Independent Directors	Nil
Executive Directors	Mr. Khalid Qadeer Qureshi
Non Executive Directors	Mian Hassan Mansha Mr. Aurangzeb Firoz Mr. Mark Nicholas Cutis Mr. Omar Liaqat Mr. Kamran Rasool Mr. Mahmood Akhtar

The requirement of Executive Directors and Independent Director in composition of Board under CCG will be met at the time of next election of directors.

2. The directors have confirmed that none of them is serving as a director on 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the board during the year.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with 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 along with the dates on which they were approved or amended 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 CEO, other executive and non-executive directors, have been taken by the board/shareholders.
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, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Orientation Course: -  
  
All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The directors were apprised of their duties and responsibilities through orientation courses  
  
Directors' Training Programme: -  
  
(i) One ( 1 ) Director of the Company is exempt from directors training programme due to 14 years of education and 15 years of experience on the board of a listed company.  
  
(ii) One director Mr. Mahmood Akhtar has completed the directors training programme from the Institute of Chartered Accountants of Pakistan.
10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been approved by the board. The remuneration of CFO, Head of Internal Audit and Company Secretary was revised during the year after due approval of the Board.
11. 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.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises 3 members and all of them are non-executive directors and the Chairman of the committee is not an independent director and will be changed after next election of directors.
16. The meetings of the audit committee were held at least 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.

17. The board has formed an HR and Remuneration Committee. It comprises 3 members and all of them are non-executive directors and the chairman of the committee is a Non Executive director.
18. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on full time basis.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. 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.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied.



**(AURANGZEB FEROZ)**

CHIEF EXECUTIVE

CNIC Number:42301-0959716-1

Date: February 27, 2014

## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of LALPIR POWER LIMITED ("the Company") for the year ended 31 December 2013, to comply with the requirement of Listing Regulations of the no 35 of Karachi and Lahore Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non compliance with the requirement of the code. 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 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 of director'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.

The code requires the Company to place before the audit committee and upon recommendation of the audit committee, and approval its 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. We are only required and have ensure compliance of this requirement to the extent of the approval of the related party transaction by the board of directors upon recommendations of the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2013.



**RIAZ AHMAD & COMPANY**  
Chartered Accountants

**Name of engagement partner:**  
**Muhammad Atif Mirza**

Date: February 27, 2014

LAHORE





# FINANCIAL HIGHLIGHTS

Latin America	0.37	2.03	2.69	2.69
FSU	-1.98	0.35	0.00	0.00
Africa	0.75	0.27	0.00	0.00
Europe	0.28	0.33	0.00	0.00
Total	0.42	0.06	0.00	0.00
World	0.42	0.06	0.00	0.00
Revisions to	0.96	-0.06	0.00	0.00
North America	-1.02	2.86	2.10	2.10
Europe	0.00	2.17	2.69	2.69
Pacific	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
Demand	0.00	0.00	0.00	0.00
Latin America	0.00	0.00	0.00	0.00
FSU	0.00	0.00	0.00	0.00
Africa	0.00	0.00	0.00	0.00
Europe	0.03	0.00	0.00	0.00
Total	0.03	0.00	0.00	0.00
World	-0.01	0.03	0.00	0.00
Revisions to Oil Den	0.00	-0.01	0.00	0.00
World	0.00	0.00	-0.01	0.00
Growth	0.02	0.00	0.00	0.00
World	0.02	0.02	0.02	0.02
World	-0.01	0.02	0.02	0.02
World	-0.01	-0.01	-0.01	-0.01



# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **LALPIR POWER LIMITED** as at 31 December 2013 and the related profit and loss account, 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 purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in Note 2.5.2 with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 31 December 2013 and of the profit, its cash flows and changes in equity for the year then ended; and

- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to note 9.1.3 to the financial statements which explains the uncertainty regarding outcome of claims lodged by Water and Power Development Authority (WAPDA), which have been disputed by the company. Our opinion is not qualified in respect of this matter.



**RIAZ AHMAD & COMPANY**  
Chartered Accountants

Name of engagement partner:  
Muhammad Atif Mirza

Date: February 27, 2014

LAHORE

# BALANCE SHEET

As at 31 December 2013

	Note	2013 (Rupees in thousand)	Restated 2012
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 500,000,000 (2012: 500,000,000) ordinary shares of Rupees 10 each		5,000,000	5,000,000
Issued, subscribed and paid-up share capital	3	3,798,387	3,453,079
Capital reserve	4	107,004	107,004
Revenue reserves	5	8,178,692	8,641,805
<b>Total equity</b>		12,084,083	12,201,888
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITY</b>			
Provision for gratuity	6	20,222	16,416
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	518,297	917,879
Accrued interest / profit		183,054	259,612
Short-term borrowings	8	9,544,784	9,437,779
		10,246,135	10,615,270
<b>Total liabilities</b>		10,266,357	10,631,686
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
<b>TOTAL EQUITY AND LIABILITIES</b>		22,350,440	22,833,574

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



CHIEF EXECUTIVE

	Note	2013 (Rupees in thousand)	Restated 2012
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	8,363,469	8,352,537
Long-term loans to employees	11	43,029	41,356
		8,406,498	8,393,893
<b>CURRENT ASSETS</b>			
Stores, spare parts and other consumables	12	809,593	696,820
Fuel stock	13	455,110	363,927
Trade debts	14	10,190,266	10,590,535
Loans, advances and short-term prepayments	15	776,199	595,791
Other receivables	16	343,175	368,874
Sales tax recoverable		1,364,722	1,137,993
Cash and bank balances	17	4,877	685,741
		13,943,942	14,439,681
<b>TOTAL ASSETS</b>		<b>22,350,440</b>	<b>22,833,574</b>



DIRECTOR

# PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2013

	Note	2013 (Rupees in thousand)	Restated 2012
REVENUE	18	36,571,100	32,906,885
COST OF SALES	19	(34,750,082)	(30,429,077)
GROSS PROFIT		1,821,018	2,477,808
ADMINISTRATIVE EXPENSES	20	(177,848)	(149,779)
OTHER EXPENSES	21	(60,482)	(20,420)
OTHER INCOME	22	1,582,688 26,194	2,307,609 135,933
PROFIT FROM OPERATIONS		1,608,882	2,443,542
FINANCE COST	23	(964,191)	(997,284)
PROFIT BEFORE TAXATION		644,691	1,446,258
TAXATION	24	-	-
PROFIT AFTER TAXATION		644,691	1,446,258
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS ACCOUNT		-	-
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS ACCOUNT:			
ACTUARIAL LOSS ON DEFINED BENEFIT PLAN		(2,818)	(2,724)
OTHER COMPREHENSIVE LOSS		(2,818)	(2,724)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		641,873	1,443,534
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	25	1.70	3.81

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



CHIEF EXECUTIVE



DIRECTOR

# CASH FLOW STATEMENT

for the year ended 31 December 2013

	Note	2013 (Rupees in thousand)	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	26	1,483,613	(544,829)
Finance cost paid		(1,040,749)	(950,487)
Gratuity paid		(8,203)	(6,940)
Net increase in long-term loans to employees		(1,362)	(10,978)
Interest income received		7,922	97,414
Income tax paid		(21,672)	(103,447)
<b>Net cash generated from / (used in) operating activities</b>		<b>419,549</b>	<b>(1,519,267)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		(449,009)	(900,342)
Proceeds from disposal of property, plant and equipment		705	1,967
<b>Net cash used in investing activities</b>		<b>(448,304)</b>	<b>(898,375)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(759,114)	(863,270)
<b>Net cash used in financing activities</b>		<b>(759,114)</b>	<b>(863,270)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(787,869)</b>	<b>(3,280,912)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>(8,752,038)</b>	<b>(5,471,126)</b>
<b>Cash and cash equivalents at end of the year</b>		<b>(9,539,907)</b>	<b>(8,752,038)</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Cash in hand		174	451
Cash at banks		4,703	685,290
Short-term borrowings		(9,544,784)	(9,437,779)
		<b>(9,539,907)</b>	<b>(8,752,038)</b>

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



CHIEF EXECUTIVE



DIRECTOR

# STATEMENT OF CHANGES IN EQUITY

## For the year ended 31 December 2013

SHARE CAPITAL	RESERVES			TOTAL EQUITY	
	Capital	Revenue			
	Retained payments reserve	Reserve for issuance of bonus shares	Un-appropriated profit		
(-----Rupees in thousand-----)					
Balance as at 31 December 2011	3,453,079	107,004	-	8,406,921	11,967,004
Effect of change in accounting policy (Note 2.5.2)	-	-	-	(72)	(72)
Balance as at 31 December 2011 (Restated)	3,453,079	107,004	-	8,406,849	11,966,932
Profit for the year ended 31 December 2012	-	-	-	1,446,258	1,446,258
Other comprehensive loss for the year ended 31 December 2012	-	-	-	(2,724)	(2,724)
Total comprehensive income for the year ended 31 December 2012	-	-	-	1,443,534	1,443,534
Transfer to reserve for issuance of bonus shares	-	-	345,308	(345,308)	-
Transactions with owners:					
Final dividend for the year ended 31 December 2011 @ Rupees 1.5 per share	-	-	-	(517,962)	(517,962)
1st Interim dividend for the year ended 31 December 2012 @ Rupee 1 per share	-	-	-	(345,308)	(345,308)
2nd Interim dividend for the year ended 31 December 2012 @ Rupee 1 per share	-	-	-	(345,308)	(345,308)
Transactions with the owners of the Company recognized directly in equity	-	-	-	(1,208,578)	(1,208,578)
Balance as at 31 December 2012 (Restated)	3,453,079	107,004	345,308	8,296,497	12,201,888
Profit for the year ended 31 December 2013	-	-	-	644,691	644,691
Other comprehensive loss for the year ended 31 December 2013	-	-	-	(2,818)	(2,818)
Total comprehensive income for the year ended 31 December 2013	-	-	-	641,873	641,873
Transactions with owners:					
Bonus shares issued during the year	345,308	-	(345,308)	-	-
Final dividend for the year ended 31 December 2012 @ Rupee 1 per share	-	-	-	(379,839)	(379,839)
Interim dividend for the year ended 31 December 2013 @ Rupee 1 per share	-	-	-	(379,839)	(379,839)
Transactions with the owners of the Company recognized directly in equity	345,308	-	(345,308)	(759,678)	(759,678)
Balance as at 31 December 2013	3,798,387	107,004	-	8,178,692	12,084,083

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



CHIEF EXECUTIVE



DIRECTOR

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 1. THE COMPANY AND ITS OPERATIONS

Lalpir Power Limited (“the Company”) was incorporated in Pakistan on 08 May 1994 under the Companies Ordinance, 1984. The registered office of the Company is situated at 53-A, Lawrence Road, Lahore. The ordinary shares of the Company are listed on Karachi Stock Exchange Limited and Lahore Stock Exchange Limited of Pakistan. The principal activities of the Company are to own, operate and maintain an oil fired power station (“the Complex”) having gross capacity of 362 MW in Mehmood Kot, Muzaffargarh, Punjab, Pakistan.

During the year, following shareholders of the Company have divested their holdings in the Company through Offer for Sale of 37,984,000 ordinary shares of the Company whereby 75% of the total offer for sale has been made through Book Building Process to institutional investors and high net worth individuals and remaining 25% of the Offer for Sale has been made to general public:

Name of Shareholder	No. of Shares
Mian Hassan Mansha	3,038,837
Nishat Mills Limited	12,154,839
Adamjee Insurance Company Limited	3,038,710
Security General Insurance Company Limited	759,677
Stanhope Investments	11,395,162
Engen (Private) Limited	7,596,775
	37,984,000

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

#### a) Statement of compliance

These financial statements have been prepared in accordance with 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 directives of the Companies Ordinance, 1984 shall prevail.

Securities and Exchange Commission of Pakistan (SECP) has granted waiver to all companies from the requirements of International Financial Reporting Interpretation Committee (IFRIC) 4 ‘Determining Whether an Arrangement Contains a Lease’ through its notification, S.R.O.24(1)/2012 dated 16 January 2012. Therefore, the Company is not required to account for the portion of its Power Purchase Agreement (PPA) with Water and Power Development Authority (WAPDA) as a lease under International Accounting Standard (IAS) 17 ‘Leases’. Further, the SECP has also granted waiver for the requirements of IAS 21 ‘The Effects of Changes in Foreign Exchange Rates’ in respect of accounting principle of capitalization of exchange differences to power sector companies.



However, if the Company followed IFRIC 4 and IAS 17, the effect on the financial statements would be as follows:

	2013 (Rupees in thousand)	2012
De-recognition of property, plant and equipment	(8,180,202)	(8,228,772)
Recognition of lease debtor	4,341,566	4,769,252
	<u>(3,838,636)</u>	<u>(3,459,520)</u>
Decrease in un-appropriated profit at the beginning of the year	(3,459,520)	(2,254,493)
Decrease in profit for the year	(379,116)	(1,205,027)
Decrease in un-appropriated profit at the end of the year	<u>(3,838,636)</u>	<u>(3,459,520)</u>

#### b) Accounting convention

These financial statements have been prepared on historical cost basis, except for recognition of certain employee benefits liabilities at present value and certain financial instruments at fair value.

#### c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

##### Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decisions by appellate authorities on certain issues in the past.

##### Useful lives, pattern of economic benefits and impairment

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of the assets for possible impairments on an annual basis. If such indication exist assets recoverable amount is estimated in order to determine the extent of impairment loss, if any. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

### Provision for obsolescence of stores, spare parts and other consumables

Provision for obsolescence of items of stores, spare parts and other consumables is made on the basis of management's estimate of net realizable value and ageing analysis prepared on an item-by-item basis.

### Provisions for doubtful debts

The Company reviews its receivables against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

### Retirement benefit

The cost of defined benefit retirement plan is determined using actuarial valuation. The actuarial valuation is based on the assumptions as mentioned in Note 6.9.

#### d) Amendments to published approved standards that are effective in current year and are relevant to the Company

Following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 January 2013:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, these amendments do not have a material impact on the Company's financial statements.

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. However, this amendment does not have an impact on the Company's financial statements.

IAS 16 (Amendment), 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2013). This amendment requires that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. However, this amendment does not have an impact on the Company's financial statements.

IAS 19 (Amendment) 'Employee Benefits' (effect for annual periods beginning on or after 01 January 2013). This amendment requires actuarial gains and losses to be recognized immediately in other comprehensive income; to immediately recognize all past service costs; and to replace interest cost and expected returned on plan assets with a net interest amount that is calculated

by applying the discount rate to the net defined benefit liability / asset. This change has removed the corridor method and eliminated the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit and loss, which was previously allowed under IAS 19. The impact of this amendment on these financial statements has been explained in note 2.5.2 to these financial statements.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009 – 2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 ‘Presentation of Financial Statements’, IAS 32 ‘Financial instruments: Presentation’ and IAS 34 ‘Interim Financial Reporting’ that are considered relevant to the Company’s financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. These amendments do not have a significant impact on the Company’s financial statements and have therefore not been analyzed in detail.

**e) Standards that are issued and effective in current year and relevant to the Company but not adopted by SECP**

IFRS 13 ‘Fair Value Measurement’ (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. This standard is not expected to have a material impact on the Company’s financial statements.

There are other new issued standards that are mandatory for accounting periods beginning on or after 01 January 2013 and are considered not to be relevant or do not have any significant impact on the Company’s financial statements but not adopted by SECP are therefore not detailed in these financial statements.

**f) Interpretations and amendments to published approved accounting standards that are effective in current year but not relevant to the Company**

There are other new interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 January 2013 but are considered not to be relevant or do not have any significant impact on the Company’s financial statements and are therefore not detailed in these financial statements.

**g) Standard and amendments to published approved accounting standards that are not yet effective but relevant to the Company**

Following standard and amendments to existing standards have been published and are mandatory for the Company’s accounting periods beginning on or after 01 January 2014 or later periods:

IFRS 9 ‘Financial Instruments’ (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 ‘Financial Instruments: Recognition and Measurement’. IFRS 9 has two measurement categories: amortized cost and fair value. All equity

instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

**h) Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant to the Company**

There are other accounting standards, amendments to published approved accounting standards and new interpretation that are mandatory for accounting periods beginning on or after 01 January 2014 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

## **2.2 Property, plant and equipment**

### **2.2.1 Operating fixed assets**

Operating fixed assets, except freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost less impairment loss, if any. Residual values and estimated useful lives are reviewed at each reporting date, with the effect of changes in estimate accounted for on prospective basis.

Depreciation is charged to income applying the straight line method whereby cost of an asset less its residual value is written off over its estimated useful life at the rates given in Note 10.1. Depreciation on additions is charged for the full month in which the asset is available for use and on deletion up to the month immediately preceding the deletion.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are included in the profit and loss account during the period in which they are incurred.

The Company assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated remaining useful life.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

### 2.2.2 Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

## 2.3 Leases

The Company is the lessee:

### 2.3.1 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to income on a straight line basis over the lease term.

## 2.4 Foreign currency translation

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

Transactions in foreign currency are converted in Pak Rupees at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies at the reporting date are translated into Pak Rupees at the rate of exchange prevailing on that date. Net exchange differences are recognized as income or expense in the period in which they arise.

## 2.5 Employee benefits

### 2.5.1 Defined contribution plan

The Company operates a contributory provident fund scheme covering all regular employees. Equal monthly contributions are made by the Company and employees to the fund at the rate of 10 % of basic salary of employees.

### 2.5.2 Defined benefit plan

The Company operates a funded gratuity scheme for all of its employees who have completed the qualifying period as defined under the scheme. The charge for the year is based on actuarial valuation. The latest actuarial valuation was carried out as at 31 December 2013 using projected unit credit method. The future contribution rates of the plan include allowances for deficit and surplus.

During the year, the Company has adopted IAS 19 (Amendment) "Employee Benefits" and changed its basis for recognition of actuarial gains and losses on its defined benefit plan. According to new policy, actuarial gains and losses are recognized in other comprehensive income in the period in which they occur. Amounts recognized in profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income / expense. Previously, the Company recognized actuarial gains and losses over the expected average remaining working lives of the employees, to the extent that unrecognized actuarial gains / losses exceeds 10 percent of present value of defined benefit obligation. This change in accounting policy has been accounted for retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Had there been no change in this accounting policy, the amount recognized in the financial statements would have been different as follows:

	2013 (Rupees in thousand)	2012
Increase in un-appropriated profit at the beginning of the year	2,796	72
Increase in other comprehensive income	2,818	2,724
Decrease in provision for gratuity / Increase in un-appropriated profit at the end of the year	5,614	2,796

Balance sheet as at the beginning of the preceding period has not been presented due to immaterial effect (i.e. Rupees 72,000) on the information in balance sheet at the beginning of the preceding period as required by IAS 1 "Presentation of Financial Statements".

## 2.6 Inventories

Inventories, except in transit are stated at lower of cost and net realizable value. Cost is determined as follows:

### 2.6.1 Fuel stock

Cost is determined on the basis of first-in-first-out method.

## 2.6.2 Stores, spare parts and other consumables

Cost is determined on the basis of average cost method, less allowance for obsolete and slow moving items. Cost in relation to items in transit comprises of invoice value and other charges incurred thereon up to the reporting date.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

## 2.7 Financial instruments

### 2.7.1 Recognition and de-recognition

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of financial assets and financial liabilities is included in the profit and loss account.

Financial instruments carried on the balance sheet include long term loans to employees, trade debts, accrued interest / profit, other receivables, cash and bank balances, short term borrowings and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

### 2.7.2 Offsetting

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 2.7.3 Cash and cash equivalents

Cash and cash equivalents comprise cash, balance with banks in current, saving and deposit accounts and short term borrowings under mark up arrangements.

## 2.8 Provision

A provision is recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

## 2.9 Taxation

### 2.9.1 Current

Income (profit and gains) of the Company derived from power generation are exempt from income tax under Clause 132 of Part I and Clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. This exemption is available till the term of Power Purchase Agreement (PPA). However, full provision is made in the profit and loss account on income from sources not covered under the above clauses at current rates of taxation after taking into account, tax credits and rebates available, if any.

### 2.9.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax has not been provided in these financial statements as the management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the Company remains exempt from taxation under Clause 132 of Part I and Clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001.

## 2.10 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

## 2.11 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the profit and loss account in the period in which they arise.



## 2.12 Trade debts and other receivables

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Company will not be able to collect the entire amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

## 2.13 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

## 2.14 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables comprise loans, trade debts, other receivables and cash and bank balances in the balance sheet.

## 2.15 Impairment

### 2.15.1 Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

### 2.15.2 Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss

is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

## 2.16 Revenue

### 2.16.1 Sale of electricity

Revenue from sale of electricity to the Water and Power Development Authority (WAPDA), the sole customer of the Company, is recorded on the basis of output delivered and capacity available at rates specified under the Power Purchase Agreement (PPA). PPA is a contract over a period of 30 years.

### 2.16.2 Interest income

Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

### 2.16.3 Rental income

Rental income is recognized on accrual basis.

## 2.17 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

## 2.18 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

### 3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2013 (Number of Shares)	2012		2013 (Rupees in thousand)	2012
342,458,215	342,458,215	Ordinary shares of Rupees 10 each fully paid-up in cash	3,424,582	3,424,582
2,849,724	2,849,724	Ordinary shares of Rupees 10 each issued as fully paid-up for consideration other than cash	28,497	28,497
34,530,794	-	Ordinary shares of Rupees 10 each issued as fully paid-up bonus shares	345,308	-
<b>379,838,733</b>	<b>372,081,591</b>		<b>3,798,387</b>	<b>3,453,079</b>

#### 3.1 Ordinary shares of the Company held by associated companies:

	2013 (Number of shares)	2012
Nishat Mills Limited	109,393,005	110,498,040
Adamjee Insurance Company Limited	27,348,388	27,624,635
Security General Insurance Company Limited	6,836,547	6,905,659
Stanhope Investments	102,556,457	103,592,382
Engen (Private) Limited	68,369,871	69,061,088
	<b>314,504,268</b>	<b>317,681,804</b>

#### 3.2 Movement during the year

2013 (Number of Shares)	2012		2013 (Rupees in thousand)	2012
345,307,939	345,307,939	At 01 January	3,453,079	3,453,079
34,530,794	-	Ordinary shares of Rupees 10 each issued as fully paid-up bonus shares	345,308	-
<b>379,838,733</b>	<b>345,307,939</b>	At 31 December	<b>3,798,387</b>	<b>3,453,079</b>

#### 3.3 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders keeping in view its cash flow requirements to maintain its operating capacity in terms of PPA. No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. The Company includes within net debt, short-term borrowings less cash and bank balances. Capital includes equity attributable to the equity holders.

	2013 (Rupees in thousand)	2012
Short-term borrowings	9,544,784	9,437,779
Cash and bank balances	(4,877)	(685,741)
Net debt	9,539,907	8,752,038
Equity	12,084,083	12,201,888
Capital and net debt	21,623,990	20,953,926
Gearing ratio	44.12%	41.77%

#### 4. CAPITAL RESERVE

This represents Retained Payments Fund (“the reserve”) maintained under clause 9.11 of the PPA. Initially the reserve was established at one twenty fourth of the annual operating and maintenance budget of the Company’s first year of operations less fuel expenses. The reserve can only be utilized to pay expenses on major maintenance for proper operation of the Complex in case of non-availability of sufficient funds. The reserve fund needs to be replenished for the monies utilized by the Company.

#### 5. REVENUE RESERVES

	2013 (Rupees in thousand)	2012
Un-appropriated profit	8,178,692	8,296,497
Reserve for issuance of bonus shares	-	345,308
	8,178,692	8,641,805

#### 6. PROVISION FOR GRATUITY

Present value of defined benefit obligation (Note 6.1)	63,011	42,246
Fair value of plan assets (Note 6.2)	(42,789)	(25,830)
Liability recognized at balance sheet date	20,222	16,416

##### 6.1 Reconciliation of changes in present value of the defined benefit obligation is as follows:

Present value of obligation at beginning of the year	42,246	23,877
Current service cost	17,494	14,091
Interest cost	4,641	2,908
Benefits paid	(3,773)	(1,225)
Actuarial loss on obligation	2,403	2,595
Present value of obligation at end of the year	63,011	42,246

	2013 (Rupees in thousand)	2012
<b>6.2</b>	Reconciliation of changes in fair value of plan assets is as follows:	
	25,830	10,668
Fair value of plan assets at the beginning of the year	13,620	13,137
Contributions	3,754	2,154
Expected return on plan assets	3,773	1,225
Benefits paid on behalf of fund	(3,773)	(1,225)
Benefits paid by fund	(415)	(129)
Actuarial loss on plan assets	<u>42,789</u>	<u>25,830</u>
Fair value of plan assets at the end of the year		
	2013 (Rupees in thousand)	Restated 2012
<b>6.3</b>	3,339	2,025
<b>6.4</b>	Plan assets consist of the followings:	
	37,122	25,459
Term deposit receipts	5,535	364
Units of mutual fund	132	7
Cash at banks	<u>42,789</u>	<u>25,830</u>
<b>6.5</b>	Net movement in provision for gratuity recognized:	
	16,416	13,209
Opening liability	18,381	14,845
Charge for the year (Note 6.6)	2,818	2,724
Actuarial losses recognized in other comprehensive income	(13,620)	(13,137)
Contributions	(3,773)	(1,225)
Benefits paid on behalf of fund	<u>20,222</u>	<u>16,416</u>
Liability recognized at the balance sheet date		
<b>6.6</b>	Charge for the year recognized in profit and loss account:	
	17,494	14,091
Current service cost	(3,754)	(2,154)
Expected return on plan assets	4,641	2,908
Interest cost	<u>18,381</u>	<u>14,845</u>
<b>6.7</b>	The charge for the year is shared with Pakgen Power Limited - associated company on fifty-fifty basis in accordance with "Shared Facilities Agreement".	

6.8 Amounts for the current and previous four periods are as follows:

	2013	2012	2011	2010	2009
	(----- Rupees in thousand -----)				
Present value of defined benefit obligation	63,011	42,246	23,877	10,780	95,250
Fair value of plan assets	(42,789)	(25,830)	(10,668)	-	(60,507)
Deficit	20,222	16,416	13,209	10,780	34,743
Experience adjustments arising on plan liability	2,403	2,595	(640)	5,327	6,724
Experience adjustments arising on plan assets	(415)	(129)	2	2,710	(10,005)

6.9 Principal actuarial assumptions used at the end of reporting period are as follow:

	2013	2012
	(% per annum)	
Discount rate	13.0	11.5
Expected rate of increase in salary	13.0	11.5
Expected rate of return on plan assets	13.0	11.5

6.10 The Company expects to contribute Rupees 21.870 million to the defined benefit plan in next financial year.

## 7 TRADE AND OTHER PAYABLES

	2013	2012
	(Rupees in thousand)	
Creditors	290,869	359,800
Due to related party (Note 7.1)	-	25,112
Accrued liabilities	106,340	103,555
Workers' profit participation fund payable (Note 7.2)	104,548	72,313
Unclaimed and unpaid dividend	564	345,308
Others	15,976	11,791
	518,297	917,879

### 7.1 Due to related party

This represented payable to Adamjee Insurance Company Limited - associated company in the ordinary course of business.

	2013 (Rupees in thousand)	2012
<b>7.2 Workers' profit participation fund payable</b>		
Opening balance	72,313	237,238
Allocation for the year (Note 21.2)	32,235	72,313
Payments made to the fund during the year	-	(237,238)
Closing balance	104,548	72,313

## 8 SHORT-TERM BORROWINGS

### From banking companies and financial institution

Running finances - secured (Note 8.1)	7,802,065	9,195,460
Syndicated bridge finance - secured (Note 8.2)	242,319	242,319
Privately placed short term Islamic CP Sukuk - secured (Note 8.3)	1,499,997	-
Temporary overdraft - unsecured	403	-
	9,544,784	9,437,779

**8.1** The Company has total working capital finance facilities of Rupees 11,115 million (2012: Rupees 9,790 million) available from commercial banks and financial institution out of which Rupees 3,313 million (2012: Rupees 594 million) remained unutilized at year end. These facilities carry mark-up at average offer rate for 1 month to 6 months KIBOR plus 0.75% to 2.50% (2012: 1 month to 6 months KIBOR plus 1.75% to 2.50%) per annum payable quarterly / semi-annually (2012: quarterly / semi-annually). The effective interest rate ranges from 10.24% to 14.20% (2012: from 11.15% to 15.14%) per annum. These facilities are secured by way of charge to the extent of Rupees 16,006 million (2012: Rupees 14,460 million) on the present and future current assets of the Company.

**8.2** This represents syndicated bridge finance facility of Rupees 1,500 million from Standard Chartered Bank (Pakistan) Limited out of which Rupees 1,258 million (2012: Rupees 1,258 million) remained unutilized at year end. This facility was obtained for advance payment to supplier against import of turbine rotors. This facility carries mark-up at the rate of 1 month KIBOR plus 2.25% (2012: 1 month KIBOR plus 2.25%) per annum payable monthly. The effective interest rate ranges from 11.27% to 12.40% (2012: from 11.76% to 12.76%) per annum. This is repayable in twelve months or less through disbursement of structured medium term finance facility for retirement of letter of credit of turbine rotors. This facility is secured by way of ranking charge over all present and future fixed assets (excluding land and building) amounting to Rupees 3,520 million (2012: Rupees 3,520 million) which shall subsequently upgraded to first pari passu charge.

**8.3** During the year, the Company has obtained Islamic CP Sukuk Certificates of Rupees 1,500 million from Meezan Bank Limited to meet short term working capital requirements. This facility carries profit at the rate of 6 month KIBOR plus 1.15% per annum payable on redemption. The effective profit rate is 10.72% per annum. This facility is secured by way of first charge on book debts and stock-in-trade amounting to Rupees 2,000 million. This facility will be redeemed in lump sum at the expiry of the tenor i.e. 6 months from the date of drawdown.

## 9 CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

- 9.1.1** Up to the year ended 31 December 2002, the Company had recorded and paid to the Federal Treasury contributions on its annual profit as per the provisions of the Companies Profits (Workers' Participation) Act, 1968 (the Act).

Based on legal advice, the Company filed a petition on 15 April 2004 in the Lahore High Court challenging the application of the Act to the Company on the grounds that since inception the Company has not employed any person who falls within the definition of the term "Worker" as per the provisions of the Act. The Company asserts that it had erroneously deposited in the past certain sums with Federal Treasury as contributions of Workers' Profit Participation Fund (WPPF) and Workers' Welfare Fund (WWF), although it was not obligated to make such payments. The petition was filed subsequent to the Company's receipt of the Federal Board of Revenue's Income Tax / Wealth Tax Circle's letter dated 30 March 2004 directing the Company to allocate five percent of its net profit towards the WPPF and deposit the un-utilized amount of the WPPF in the Federal Treasury. The petition had been filed against the Labour, Manpower and Overseas Pakistani Division of Ministry of Labour, Manpower and Overseas Pakistanis.

The management, based on legal advice, asserts that if the Company does not succeed in the above petition and it is held that the scheme is applicable to the Company, any payments that the Company is ultimately required to make under the provision of the Act are considered as pass through items recoverable from Water and Power Development Authority (WAPDA) under the provisions of the Power Purchase Agreement (PPA). Consequently, there will be no impact on its financial position and its results of operations, even if it does not succeed in the above petition.

The changes to the law will not affect the aforementioned petition filed by the Company. The Company expects a favourable outcome of the matter.

- 9.1.2** The Inspecting Additional Commissioner of Income Tax (IACIT) passed reassessment orders under section 66A of the Income Tax Ordinance, 1979 (ITO, 79) for the assessment years 1995-1996, 1996-1997 and 1997-1998 creating tax demands aggregating of Rupees 781 million by treating the assessment orders earlier passed by the Deputy Commissioner of Income Tax (DCIT), as erroneous and prejudicial to the interest of Federal Board of Revenue (FBR). Completed assessments were reopened on the ground that while framing the assessments under section 52/86, the assessing officer failed to take cognizance of the fact that the Company failed to withhold tax, as required under section 50(3) of the ITO, 79, at the time of issuance of the shares to its parent company against project development expenditure incurred by the parent company. The said reassessments made by IACIT were contested by the Company in Income Tax Appellate Tribunal (ITAT), Lahore. The ITAT remanded back the case to the IACIT for re-examination with specific directions which was decided against the Company. Thereafter, the Company preferred an appeal with ITAT which was decided in favour of the Company which is being challenged by the department.



**9.1.3** WAPDA has raised invoices for liquidated damages to the Company from 11th to 16th (up to October 2013) agreement year (after taking into account forced outage allowance stipulated under the terms of Power Purchase Agreement) on account of short supply of electricity by the Company, which was due to cash constraints of the Company as a result of default by WAPDA in making timely payments. Liquidated damages invoiced to the Company amounts to Rupees 3,046 million. Out of these the Company has accepted and paid Rupees 19.188 million.

The Company disputes and rejects balance claims on account of liquidated damages that are raised by WAPDA on the premise that its failure to despatch electricity was due to WAPDA's non-payment of dues on timely basis to the Company and consequential inability of the Company to make timely payments to its fuel supplier (PSO) that resulted in inadequate level of electricity production owing to shortage of fuel. Against these the Company has raised invoice dispute notices to WAPDA.

According to legal advice available with the Company, there are adequate grounds to defend any claim by WAPDA for such liquidated damages since these conditions were imposed on the Company due to circumstances beyond its control. The ultimate outcome of the matter cannot presently be determined, and consequently, no provision for such liquidated damages has been made in these financial statements.

**9.1.4** The banks of the Company has issued a letter of credit in favour of Water and Power Development Authority (WAPDA) for an amount of Rupees 596 million (2012: Rupees 596 million) to meet its obligations under the Power Purchase Agreement (PPA).

**9.1.5** Post dated cheques amounting to Rupees 706 million were issued in favour of Attock Petroleum Limited against purchase of fuel.

## 9.2 Commitments

**9.2.1** The Company has entered into a contract for a period of thirty years for purchase of fuel from Pakistan State Oil Company Limited (PSO). Under the terms of Fuel Supply Agreement (FSA), the Company is not required to buy any minimum quantity of fuel from PSO.

**9.2.2** Commitments in respect of letters of credit for capital expenditure

## 10 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 10.1)  
Capital work-in-progress (Note 10.2)

	2013 (Rupees in thousand)	2012
	1,925,627	2,073,305
	7,732,229	7,044,274
	631,240	1,308,263
	<u>8,363,469</u>	<u>8,352,537</u>

## 10.1 Operating fixed assets

Reconciliation of carrying amounts of operating fixed assets at the beginning and at the end of the year is as follows:

Description	Freehold land	Buildings on freehold land	Improvements on leasehold property	Plant and machinery	Furniture and fittings	Vehicles	Office equipment	Electric equipment and appliances	Telephone installations	Clinical equipment	Total	
												Rupees in thousand
<b>At 01 January 2012</b>												
Cost	9,189	920,759	38,062	10,022,917	15,791	47,952	45,433	64,575	1,084	1,393	11,167,155	
Accumulated depreciation	-	(344,937)	(1,586)	(3,366,314)	(9,795)	(24,438)	(30,976)	(30,612)	(1,065)	(1,222)	(3,810,945)	
Net book value	9,189	575,822	36,476	6,656,603	5,996	23,514	14,457	33,963	19	171	7,356,210	
<b>Year ended 31 December 2012</b>												
Opening net book value	9,189	575,822	36,476	6,656,603	5,996	23,514	14,457	33,963	19	171	7,356,210	
Additions	1,210	6,224	3,280	38,905	1,303	3,608	4,074	16,659	-	-	75,263	
Disposals / derecognitions:	-	-	-	-	-	(1,695)	-	-	-	-	(1,695)	
Cost	-	-	-	-	-	1,674	-	-	-	-	1,674	
Accumulated depreciation	-	-	-	-	-	(21)	-	-	-	-	(21)	
Depreciation charge	-	(26,500)	(3,888)	(340,944)	(1,321)	(7,234)	(2,219)	(5,009)	(6)	(57)	(387,178)	
Closing net book value	10,399	555,546	35,868	6,354,564	5,978	19,867	16,312	45,613	13	114	7,044,274	
<b>At 31 December 2012</b>												
Cost	10,399	926,983	41,342	10,061,822	17,094	49,865	49,507	81,234	1,084	1,393	11,240,723	
Accumulated depreciation	-	(371,437)	(5,474)	(3,707,258)	(11,116)	(29,998)	(33,195)	(35,621)	(1,071)	(1,279)	(4,196,449)	
Net book value	10,399	555,546	35,868	6,354,564	5,978	19,867	16,312	45,613	13	114	7,044,274	
<b>Year ended 31 December 2013</b>												
Opening net book value	10,399	555,546	35,868	6,354,564	5,978	19,867	16,312	45,613	13	114	7,044,274	
Additions	-	295,857	-	744,388	2,910	31,772	10,623	40,482	-	-	1,126,032	
Disposals / derecognitions:	-	-	-	(43,184)	-	(1,664)	-	(1,867)	-	-	(46,715)	
Cost	-	-	-	43,184	-	1,609	-	1,867	-	-	46,660	
Accumulated depreciation	-	-	-	-	-	(55)	-	-	-	-	(55)	
Depreciation charge	-	(36,597)	(4,134)	(375,195)	(1,546)	(11,175)	(2,783)	(6,533)	(2)	(57)	(438,022)	
Closing net book value	10,399	814,806	31,734	6,723,757	7,342	40,409	24,152	79,562	11	57	7,732,229	
<b>At 31 December 2013</b>												
Cost	10,399	1,222,840	41,342	10,763,026	20,004	79,973	60,130	119,849	1,084	1,393	12,320,040	
Accumulated depreciation	-	(408,034)	(9,608)	(4,039,269)	(12,662)	(39,564)	(35,978)	(40,287)	(1,073)	(1,336)	(4,587,811)	
Net book value	10,399	814,806	31,734	6,723,757	7,342	40,409	24,152	79,562	11	57	7,732,229	
Annual rate of depreciation (%)		2.5-20	10	2.5-33	10-20	20	10-50	6.67-33	10	10		

10.1.1 Detail of operating fixed assets, exceeding the book value of Rupees 50,000 disposed of during the year is as follows:

2013							
Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchasers
----- Rupees in thousand -----							
<b>Vehicles</b>							
Mitsubishi 4X2 D-Cab MNA-08-2033	1,664	1,609	55	705	650	Negotiation	Mr. Muhammad Waheed, Lahore.
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50,000	45,051	45,051	-	-	-	Derecognition (Note 10.1.4)	
	<u>46,715</u>	<u>46,660</u>	<u>55</u>	<u>705</u>	<u>650</u>		

2012							
Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchasers
----- Rupees in thousand -----							
<b>Vehicles</b>							
Suzuki Pick up MNS-07-2127	405	384	21	501	480	Negotiation	Mr. Aziz-ur-Rehman, Lahore.
Toyota Hilux DGH-292	645	645	-	738	738	Negotiation	Mr. Shahid Nazir, Sargodha.
Toyota Hilux DGH-392	645	645	-	728	728	Negotiation	Mr. Shahid Nazir, Sargodha.
	<u>1,695</u>	<u>1,674</u>	<u>21</u>	<u>1,967</u>	<u>1,946</u>		

**2013**                      **2012**  
**(Rupees in thousand)**

10.1.2 The depreciation charge for the year has been allocated as follows:

Cost of sales (Note 19)	411,792	367,444
Administrative expenses (Note 20)	26,230	19,734
	<u>438,022</u>	<u>387,178</u>

- 10.1.3 Property, plant and equipment include operating fixed assets costing Rupees 157.828 million (2012: Rupees 155.912 million) which are fully depreciated but still in the use of the Company.
- 10.1.4 This represents operating fixed assets derecognized during the year due to replacement of assets as per requirement of IAS 16 "Property, Plant and Equipment".
- 10.1.5 Improvements on leasehold property represent costs of improvements incurred on rented property which is owned by Nishat (Aziz Avenue) Hotels and Properties Limited - associated company.

## 10.2 Capital work-in-progress

	2013 (Rupees in thousand)	2012
Civil works	49,221	323,180
Plant and machinery (Note 10.2.1)	577,557	985,083
Others	4,462	-
	631,240	1,308,263

- 10.2.1 It includes borrowing cost amounting to Rupees 28.382 million (2012: Rupees 9.920 million) capitalized during the year using capitalization rates ranging from 11.27% to 12.40% (2012: 11.76% to 12.76%) per annum.

## 11 LONG-TERM LOANS TO EMPLOYEES

Considered good:

Executives (Note 11.1)	61,243	60,356
Other employees	1,343	868
	62,586	61,224

Current portion shown under current assets (Note 15)

Executives	(19,139)	(19,629)
Other employees	(418)	(239)
	(19,557)	(19,868)
	43,029	41,356

### 11.1 Reconciliation of carrying amount of loans to executives:

Opening balance	60,356	44,836
Add: Disbursements	39,903	57,069
	100,259	101,905
Less: Repayments	39,016	41,549
Closing balance	61,243	60,356

11.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 72.909 million (2012: Rupees 63.004 million).

11.2 Loans given to employees are in accordance with the Company policy. These loans are interest free and are repayable in equal monthly instalments within a maximum period of five years. These loans are provided for purchase of vehicles and are secured against those vehicles.

11.3 Fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of employees loans is not considered material and hence not recognized.

	2013 (Rupees in thousand)	2012
<b>12 STORES, SPARE PARTS AND OTHER CONSUMABLES</b>		
Stores, spare parts and other consumables	874,646	761,873
Provision for slow moving / obsolete items	(65,053)	(65,053)
	809,593	696,820
<b>13 FUEL STOCK</b>		
Furnace oil	438,569	345,217
Diesel	16,541	18,710
	455,110	363,927
<b>14 TRADE DEBTS</b>		
Considered good	10,190,266	10,590,535
Considered doubtful (Note 14.3)	40,396	113,713
	10,230,662	10,704,248
Provision for doubtful trade debts (Note 14.4)	-	(113,713)
Written off during the year (Note 21)	(40,396)	-
	10,190,266	10,590,535

14.1 These represent receivables from Water and Power Development Authority (WAPDA), the Company's sole customer, and are backed by sovereign guarantee of Government of Pakistan. This includes an overdue amount of Rupees 5,016 million (2012: Rupees 6,722 million) on which a penal mark-up at the rate of State Bank of Pakistan (SBP) reverse repo (discount rate) plus 2% per annum is charged in case the amounts are not paid within due dates. The penal mark-up rate charged during the year ranges from 11% to 12% (2012: 11.5 % to 14%) per annum.

	2013 (Rupees in thousand)	2012
<b>14.2</b> As at 31 December, age analysis of trade debts is as follows:		
Neither past due nor impaired	4,400,521	3,268,549
Past due but not impaired:		
- 26 to 90 days	4,270,347	4,485,282
- 91 to 180 days	1,348,983	938,483
- 181 to 365 days	170,415	264,702
- above 365 days	-	1,633,519
	5,789,745	7,321,986
	10,190,266	10,590,535
<b>14.3</b> These represent amounts not acknowledged by WAPDA.		
<b>14.4 Provision for doubtful trade debts</b>		
Opening balance	113,713	96,030
Charge for the year (Note 21)	-	17,683
Trade debts written off during the year against provision	(113,713)	-
Closing balance	-	113,713
<b>15 LOANS, ADVANCES AND SHORT-TERM PREPAYMENTS</b>		
Current maturity of long-term loans to employees (Note 11)	19,557	19,868
Advances - considered good, unsecured		
- to employees for expenses	1,415	1,208
- to suppliers	564,937	406,940
Advance income tax - net	187,369	165,697
Short-term prepayments	2,921	2,078
	776,199	595,791
<b>16 OTHER RECEIVABLES</b>		
Recoverable from WAPDA as pass through items:		
Workers' profit participation fund (Note 16.1)	342,021	367,574
Workers' welfare fund (Note 16.2)	-	-
Others	1,154	1,300
	343,175	368,874

	2013 (Rupees in thousand)	2012
<b>16.1 Workers' profit participation fund</b>		
Opening balance	367,574	295,261
Allocation for the year (Note 21.2)	32,235	72,313
Amount received during the year	(57,788)	-
Closing balance	342,021	367,574
<b>16.2 Workers' welfare fund</b>		
Opening balance	13,216	13,216
Provision for doubtful receivable	(13,216)	(13,216)
Closing balance	-	-

16.2.1 Provision for Workers' Welfare Fund has not been made in these financial statements based on the advice of legal counsel of the Company.

	2013 (Rupees in thousand)	2012
<b>17 CASH AND BANK BALANCES</b>		
Cash in hand	174	451
Cash at banks:		
Saving accounts (Note 17.1)	4,703	684,916
Current accounts	-	374
	4,703	685,290
	4,877	685,741

17.1 Saving accounts carry mark-up at the rates ranging from 6% to 7% (2012: from 5% to 10.25%) per annum.

	2013 (Rupees in thousand)	2012
<b>18 REVENUE</b>		
Capacity	4,157,772	4,188,950
Energy	37,155,882	32,735,681
Interest on delayed payments	531,700	496,397
Supplemental bonus income	15,987	1,123
Gross revenue	41,861,341	37,422,151
Sales tax	(5,290,241)	(4,515,266)
	36,571,100	32,906,885

	2013 (Rupees in thousand)	2012
<b>19 COST OF SALES</b>		
Fuel cost (Note 19.1)	33,597,741	29,386,062
Operation and maintenance costs (Note 19.2)	426,104	405,447
Insurance	310,718	257,820
Depreciation (Note 10.1.2)	411,792	367,444
Others	3,727	12,304
	34,750,082	30,429,077
<b>19.1 Fuel consumed</b>		
Opening stock	363,927	581,842
Purchased during the year	33,688,924	29,168,147
	34,052,851	29,749,989
Closing stock	(455,110)	(363,927)
	33,597,741	29,386,062
<b>19.2 Operation and maintenance costs</b>		
Salaries, wages and other benefits (Note 19.2.1)	127,762	114,389
Repair and maintenance	79,303	68,780
Fee and subscription	4,179	3,749
Stores and spare parts consumed	158,192	146,603
Electricity consumed in-house	56,668	71,926
	426,104	405,447

19.2.1 Salaries, wages and other benefits include provident fund contribution and provision for gratuity of Rupees 9.646 million (2012: Rupees 5.566 million) and Rupees 5.805 million (2012: Rupees 4.525 million) respectively.



	2013 (Rupees in thousand)	2012
<b>20 ADMINISTRATIVE EXPENSES</b>		
Salaries and other benefits	70,175	69,184
Travelling, conveyance and entertainment	10,940	6,725
Office rent	6,280	6,280
Communication and utilities	1,487	1,872
Insurance	6,518	7,216
Repair and maintenance	4,609	5,857
Printing and stationery	1,278	653
Advertisement and publicity	78	35
Legal and professional charges	17,622	11,769
Depreciation (Note 10.1.2)	26,230	19,734
Community welfare	6,919	6,415
Security services	89	815
General expenses	25,623	13,224
	177,848	149,779

**20.1** Salaries and other benefits include provident fund contribution and provision for gratuity of Rupees 1.276 million (2012: Rupees 1.459 million) and Rupees 3.386 million (2012: Rupees 2.897 million) respectively.

	2013 (Rupees in thousand)	2012
<b>21 OTHER EXPENSES</b>		
Liquidated damages to WAPDA	17,296	926
Auditors' remuneration (Note 21.1)	2,790	1,775
Workers' profit participation fund (Note 21.2)	-	-
Provision for doubtful trade debts (Note 14.4)	-	17,683
Trade debts written off (Note 14)	40,396	-
Charity and donations (Note 21.3)	-	36
	60,482	20,420
<b>21.1 Auditors' remuneration</b>		
Statutory audit	1,575	1,430
Half yearly review	400	-
Other certifications and reporting	740	300
Out of pocket expenses	75	45
	2,790	1,775

	2013 (Rupees in thousand)	2012
<b>21.2 Workers' profit participation fund</b>		
Allocation for workers' profit participation fund (Note 7.2 and 9.1.1)	32,235	72,313
Allocation to workers' profit participation fund recoverable from WAPDA (Note 16.1)	(32,235)	(72,313)
	-	-
<b>21.3</b> None of the directors or their spouses have any interest in donees.		
<b>22 OTHER INCOME</b>		
<b>Income from financial assets</b>		
Interest income	7,922	97,414
Exchange gain - net	-	65
<b>Income from assets other than financial assets</b>		
Rental income	3,524	1,559
Gain on disposal of property, plant and equipment	650	1,946
Scrap sales	14,098	34,949
	26,194	135,933
<b>23 FINANCE COST</b>		
Mark-up / profit on short-term borrowings	958,579	989,673
Bank charges	5,612	7,611
	964,191	997,284
<b>24 TAXATION</b>		

Provision for taxation has not been made in these financial statements as the total income of the Company except other income is exempt from levy of income tax under clause 132 of Part I and clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. No provision for taxation is required against other income due to availability of tax credits. The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements being impracticable.

	2013	2012
<b>25 EARNINGS PER SHARE - BASIC AND DILUTED</b>		
There is no dilutive effect on the basic earnings per share which is based on:		
Profit after taxation attributable to ordinary shareholders (Rupees in thousand)	644,691	1,446,258
Weighted average number of shares (Number)	379,838,733	379,838,733
Earnings per share - basic (Rupees)	1.70	3.81
<b>26 CASH GENERATED FROM / (USED IN) OPERATIONS</b>	<b>2013</b> <b>(Rupees in thousand)</b>	<b>2012</b>
Profit before taxation	644,691	1,446,258
<b>Adjustments for non - cash charges and other items:</b>		
Depreciation	438,022	387,178
Provision for gratuity	9,191	7,423
Provision for doubtful trade debts	-	17,683
Trade debts written off	40,396	-
Gain on disposal of property, plant and equipment	(650)	(1,946)
Interest income	(7,922)	(97,414)
Finance cost	964,191	997,284
Cash flows from operating activities before working capital changes	2,087,919	2,756,466
<b>(Increase) / decrease in current assets:</b>		
Stores, spare parts and other consumables	(112,773)	(188,336)
Fuel stock	(91,183)	217,915
Trade debts	359,873	(2,749,620)
Loans, advances and short-term prepayments	(159,047)	(118,788)
Other receivables	25,699	(72,274)
Sales tax recoverable	(226,729)	(256,498)
	(204,160)	(3,167,601)
Decrease in trade and other payables	(400,146)	(133,694)
	1,483,613	(544,829)

## 27. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, key management personnel and staff retirement benefit plans. Transactions with related parties include expenses charged between these companies. The Company in the normal course of business carries out transactions with various related parties. Remuneration to key management personnel is disclosed in note 28 and other significant transactions with related parties are as follows:

Associated company	Nature of transaction	2013 (Rupees in thousand)	2012
Nishat Mills Limited	Dividend	230,941	386,744
Adamjee Insurance Company Limited	Dividend	57,735	96,686
	Insurance premium	222,981	319,450
	Purchase of operating fixed assets	2,620	-
Security General Insurance Company Limited	Dividend	14,433	24,171
	Insurance premium	179,266	-
Nishat Hospitality (Private) Limited	Medical services	145	-
Stanhope Investments	Dividend	216,508	362,573
Engen (Private) Limited	Dividend	144,338	241,714
D.G. Khan Cement Company Limited	Purchase of goods	-	1,234
Pakgen Power Limited	Share of expenses	272,292	236,521
	Share of rental income	1,549	1,395
Pakistan Aviators and Aviation (Private) Limited	Flying services	7,109	2,665
Nishat Hotels and Properties Limited	Rent expense	3,140	6,280
	Boarding lodging services	-	159
Nishat (Aziz Avenue) Hotels and Properties Limited	Rent expense	3,140	-
Staff retirement benefit plans			
Provident fund	Contributions	21,843	20,146
Gratuity fund	Contributions	13,620	13,137

27.1 The Company shares premises, employees and other common costs with its associated company, Pakgen Power Limited on fifty-fifty basis in accordance with "Shared Facilities Agreement".

## 28. REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVE DIRECTOR AND EXECUTIVES

Aggregate amounts charged in these financial statements for the year in respect of remuneration, including all benefits to the chief executive, director and executives of the Company were as follows:

	2013		2012	
	Executive Director	Executives	Executive Director	Executives
	(----- Rupees in thousand -----)			
Managerial remuneration	4,623	159,261	4,403	104,327
Medical expenses	56	5,094	65	7,724
Bonus	971	25,682	264	31,664
Retirement benefits	421	15,195	400	9,357
	<u>6,071</u>	<u>205,232</u>	<u>5,132</u>	<u>153,072</u>
Number of persons	1	127	1	118

**28.1** No expense was charged in these financial statements against salary to Chief Executive of the Company during the year. The Company provides to director and certain executives with free use of the Company maintained cars.

**28.2** No remuneration was paid to non-executive directors of the Company during the year.

## 29 PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the provident fund for the year ended 31 December 2013 and audited financial statements of the provident fund for the year ended 31 December 2012:

	2013 (Rupees in thousand)	2012
Size of the fund - Total assets	280,252	244,951
Cost of investments	211,064	192,472
Percentage of investments made	75.31%	78.58%
Fair value of investments	219,539	198,730

**29.1** The break-up of cost of investments is as follows:

	2013 Percentage	2012	2013 (Rupees in thousand)	2012
Units of mutual funds	10%	19%	21,064	36,272
Term deposit receipts and certificate of investment of scheduled banks	78%	65%	165,000	126,200
Term finance certificate - listed	2%	3%	5,000	5,000
Certificates of investment - Pak Kuwait Investment Company (Private) Limited	-	13%	-	25,000
Preference shares - unlisted (Note 29.2)	10%	-	20,000	-
	<u>100%</u>	<u>100%</u>	<u>211,064</u>	<u>192,472</u>

**29.2** These represent non-cumulative convertible preference shares issued by Silk Bank Limited at Rupees 2.50 per share. These convertible preference shares have three years tenor and are convertible into ordinary shares of the Silk Bank Limited at the conversion ratio of 1:1. Silk Bank Limited has long term credit rating of "A-" by JCR-VIS.

**29.3** For year 2013, investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose other than investment in preference shares of Silk Bank Limited. The management is taking steps to dispose of such investment.

## 30 NUMBER OF EMPLOYEES

	2013	2012
Number of employees as on December 31	168	161
Average number of employees during the year	162	157

## 31. FINANCIAL RISK MANAGEMENT

### 31.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors (the Board). The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

#### (a) Market risk

##### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Great Britain Pound (GBP). As on reporting date, the Company's foreign exchange risk exposure is restricted to payables only. The Company's exposure to currency risk was as follows:

	2013	2012
Trade and other payables		
- USD	(28,806)	(184,046)
- GBP	(15,492)	(92,536)
- JPY	-	(16,669,132)
Net exposure - USD	(28,806)	(184,046)
Net exposure - GBP	(15,492)	(92,536)
Net exposure - JPY	-	(16,669,132)

The following significant exchange rates were applied during the year:

#### Rupees per US Dollar

Average rate	101.75	93.60
Reporting date rate	105.20	97.10

#### Rupees per GBP

Average rate	159.49	149.04
Reporting date rate	173.36	156.90

#### Rupees per JPY

Average rate	1.04	1.17
Reporting date rate	1.00	1.13

### Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and GBP with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 0.286 million (2012: Rupees 2.561 million) respectively lower / higher, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. The sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

#### (ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no investments in equity securities. The Company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

#### (iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from bank balances in saving accounts, past due trade debts and short-term borrowings. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments, if any, at fixed rate expose the Company to fair value interest rate risk.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was as follows:

	2013 (Rupees in thousand)	2012
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances- saving accounts	4,703	684,916
Trade debts - past due	5,016,454	6,721,344
<b>Financial liabilities</b>		
Short-term borrowings	9,544,784	9,437,779

#### 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. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

### Cash flow sensitivity analysis for variable rate instruments

If interest rates at the reporting date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 45.252 million (2012: Rupees 22.712 million) lower / higher, mainly as a result of higher / lower interest income and as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of assets and liabilities outstanding at reporting dates were outstanding for the whole year.

#### (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2013 (Rupees in thousand)	2012
Long-term loans to employees	62,586	61,224
Trade debts	10,190,266	10,590,535
Other receivables	343,175	368,874
Bank balances	4,703	685,290
	10,600,730	11,705,923

Age analysis of trade debts as at reporting date is given in note 14.2.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2013	2012
	Short Term	Long Term	Agency		
				(Rupees in thousand)	
WAPDA		Not available		4,400,521	3,268,549
National Bank of Pakistan	A-1+	AAA	JCR-VIS	893	285
Askari Bank Limited	A1+	AA	PACRA	-	127
Habib Bank Limited	A-1+	AAA	JCR-VIS	1	1
MCB Bank Limited	A1+	AAA	PACRA	3,520	160,537
United Bank Limited	A-1+	AA+	JCR-VIS	1	20
The Bank of Punjab	A1+	AA-	PACRA	32	1,165
Allied Bank Limited	A1+	AA+	PACRA	1	67
Samba Bank Limited	A-1	AA-	JCR-VIS	-	374
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	-	522,713
NIB Bank Limited	A1+	AA -	PACRA	255	-
				4,405,224	3,953,838

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.



**(c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As 31 December 2013, the Company had Rupees 4,571 million (2012: Rupees 1,852 million) available borrowing limits from financial institutions and Rupees 4.877 million (2012: Rupees 685.741 million) cash and bank balances to meet the short-term funding requirements due to delay in payments by WAPDA. Management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest / profit payments. The amounts disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 31 December 2013:

Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
-----------------	------------------------	------------------	-------------	-----------	-------------------

( ..... Rupees in thousand ..... )

**Non-derivative financial liabilities:**

Trade and other payables	413,749	413,749	413,749	-	-	-
Accrued interest / profit	183,054	183,054	183,054	-	-	-
Short-term borrowings	9,544,784	9,824,931	9,162,282	662,649	-	-
	<u>10,141,587</u>	<u>10,421,734</u>	<u>9,759,085</u>	<u>662,649</u>	<u>-</u>	<u>-</u>

Contractual maturities of financial liabilities as at 31 December 2012:

Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
-----------------	------------------------	------------------	-------------	-----------	-------------------

( ..... Rupees in thousand ..... )

**Non-derivative financial liabilities:**

Trade and other payables	845,566	845,566	845,566	-	-	-
Accrued interest / profit	259,612	259,612	259,612	-	-	-
Short-term borrowings	9,437,779	9,909,270	8,666,066	1,243,204	-	-
	<u>10,542,957</u>	<u>11,014,448</u>	<u>9,771,244</u>	<u>1,243,204</u>	<u>-</u>	<u>-</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 31 December. The rates of interest / mark-up / profit have been disclosed in note 8 to these financial statements.

**31.2 Fair values of financial assets and liabilities**

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

### 31.3 Financial instruments by categories

#### Assets as per balance sheet

	Loans and receivables	
	2013 (Rupees in thousand)	2012
Long-term loans to employees	62,586	61,224
Trade debts	10,190,266	10,590,535
Other receivables	343,175	368,874
Cash and bank balances	4,877	685,741
	<u>10,600,904</u>	<u>11,706,374</u>

#### Liabilities as per balance sheet

	Financial liabilities at amortized cost	
	2013 (Rupees in thousand)	2012
Trade and other payables	413,749	845,566
Accrued interest / profit	183,054	259,612
Short-term borrowings	9,544,784	9,437,779
	<u>10,141,587</u>	<u>10,542,957</u>

### 32. CAPACITY AND ACTUAL PRODUCTION

	2013 MWH	2012 MWH
Installed capacity based on 8,760 (2012: 8,784) hours	3,171,120	3,179,808
Actual energy delivered	1,925,480	1,686,390

Under utilisation of available capacity is due to less demand by WAPDA.

### 33. UNUTILIZED CREDIT FACILITIES

The Company has total funded and unfunded credit facilities of Rupees 14,115 million (2012: Rupees 11,290 million) and Rupees 2,396 million (2012: Rupees 2,895 million) out of which Rupees 4,571 million (2012: Rupees 1,852 million) and Rupees 300 million (2012: Rupees 800 million) respectively remained unutilized at the end of the year.

### 34 SEGMENT INFORMATION

These financial statements have been prepared on the basis of single reportable segment. Revenue from sale of electricity relates to WAPDA, the Company's sole customer in Pakistan. All non-current assets of the Company as at reporting date were located in Pakistan.

### 35 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company has proposed final cash dividend for the year ended 31 December 2013 of Rupees 1.5 per share (2012: Rupee 1 per share). However, this event has been considered as non-adjusting event under IAS 10 'Event after Reporting Period' and has not been recognized in these financial statements.

### 36 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, no significant rearrangement and reclassification have been made in these financial statements.

### 37 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 27 February 2014 by the Board of Directors of the Company.

### 38 GENERAL

Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated.



CHIEF EXECUTIVE



DIRECTOR

# FORM OF PROXY

I/We, \_\_\_\_\_

of \_\_\_\_\_ CDCA/CNO./FOLIONO. \_\_\_\_\_

being a shareholder of the Lalpir Power Limited (The Company) do hereby appoint.

Mr./Miss/Ms. \_\_\_\_\_

of \_\_\_\_\_ CDCA/CNO./FOLIONO. \_\_\_\_\_ and

or failing him/her \_\_\_\_\_ of \_\_\_\_\_

who is/are also a shareholder of the said Company, as my/our proxy in my/our absence and to vote for me/us at the Annual General Meeting of the Company to be held on 26th April 2014 (Saturday) at 11.00 AM. at Nishat House, 53-A, Lawrence Road, Lahore and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.

As witness my/our hands in this day of \_\_\_\_\_ 2014.

Revenue Stamp of Rs. 5/-
--------------------------------

Signature \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

No. of shares held \_\_\_\_\_

Witness:-

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

## IMPORTANT:

- a. This instrument appointing a proxy, duly completed, must be received at the registered Office of the Company at Nishat House, 53- A, Lawrence Road, Lahore not later than 48 hours before the time of holding the Annual General Meeting. For Appointing Proxies
- b. Attested copies of the CNIC or the passport of beneficial owners shall be furnished with the proxy form.
- c. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- d. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished along with proxy form to the Company.

AFFIX  
CORRECT  
POSTAGE

The Company Secretary

**LALPIR POWER LIMITED**

53 - A, Lawrence Road, Lahore.

Tel : 042 - 36367812 - 16 Fax: 042 - 36367414



## LALPIR POWER LIMITED

53 - A, Lawrence Road, Lahore. Tel: 042 - 36367812 - 16

Fax: 042 - 363674141 UAN: 042 - 111-11-33-33