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LALPIR POWER LIMITED

THIRD QUARTERLY REPORT

FOR THE PERIOD ENDED SEPTEMBER 30

2013



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COMPANY PROFILE

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.

BOARD OF DIRECTORS

Mian Hassan Mansha	Chairman
Mr. Aurangzeb Feroz	Chief Executive Officer
Mr. Mark Nicholas Cutis	
Mr. Omar Liaqat	
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
Meezan Bank Limited

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.

DIRECTORS' REPORT

The Directors of **Lalpir Power Limited “the Company”** are pleased to present their report together with operational and financial results of your Company for the period ended 30 September 2013.

Your Company is engaged in power generation with a net capacity of 350.00 MW furnace oil fired power plant against a gross capacity of 362 MW. The Sole purchaser of the power is Water and Power Development Authority (WAPDA). We report that during the period under review power plant, by achieving all the operating standards, dispatched 1,387,112 MWH of electricity as compared with 1,446,844 MWH dispatched during the corresponding nine months of the previous financial year. Resultantly the capacity factor remained at 60.70% as against 62.80% demonstrated in the comparable nine months of the previous financial year.

Operation Financial Results:

The financial results of the Company for period ended 30 September 2013 are as follows:

Financial Highlights	PERIOD ENDED	
	30 September 2013	30 September 2012
Revenue (Rs '000')	26,100,644	27,709,768
Gross profit (Rs '000')	1,435,273	1,730,451
Gross profit ratio to revenue (%)	5.50	6.25
Pre-tax profit (Rs '000')	610,363	971,800
After tax profit (Rs '000')	610,363	971,800
After tax profit ratio to revenue (%)	2.34	3.51
Earnings per share (Rs)	1.61	2.55

The Company has posted after tax profit of Rs.610.363 million as against Rs.971.800 million earned in the comparative period. The net profits of the Company demonstrated the Earnings Per Share of Rs. 1.61 as against Rs 2.55 earned per share in the previous period because of several negative factors effecting profitability.

Main reason for variation in net profit for period ended 30th Sep-13 in Comparison with period ended 30th Sep-12 is increase in delta loss of Rupees 304.37 million (i.e. increase of 3.93 Grams per kwh fuel consumption).

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.

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: 24 October 2013

CONDENSED INTERIM BALANCE SHEET

As at 30 September 2013

	Note	Un-audited 30 September 2013 (Rupees in thousand)	Restated Audited 31 December 2012
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 500,000,000 (31 December 2012: 500,000,000) ordinary shares of Rupees 10 each		5,000,000	5,000,000
Issued, subscribed and paid up share capital 379,838,732 (31 December 2012: 345,307,939) ordinary shares of Rupees 10 each		3,798,387	3,453,079
Capital reserve		107,004	107,004
Revenue reserve		8,147,183	8,641,805
		<u>12,052,574</u>	<u>12,201,888</u>
LIABILITIES			
NON - CURRENT LIABILITIES			
Provision for gratuity		13,591	16,416
CURRENT LIABILITIES			
Trade and other payables		615,175	917,879
Accrued mark-up		187,070	259,612
Short-term borrowings		8,545,020	9,437,779
		<u>9,347,265</u>	<u>10,615,270</u>
Total liabilities		<u>9,360,856</u>	<u>10,631,686</u>
CONTINGENCIES AND COMMITMENTS	5		
TOTAL EQUITY AND LIABILITIES		<u>21,413,430</u>	<u>22,833,574</u>

The annexed notes form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE

	Note	Un-audited 30 September 2013 (Rupees in thousand)	Audited 31 December 2012
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	8,453,130	8,352,537
Long-term loans to employees		69,613	41,356
		<hr/>	<hr/>
		8,522,743	8,393,893
CURRENT ASSETS			
Stores, spare parts and other consumables		738,686	696,820
Fuel stock		1,416,452	363,927
Trade debts		8,453,530	10,590,535
Advances and short-term prepayments		353,772	595,791
Other receivables		310,940	368,874
Sales tax recoverable		1,600,659	1,137,993
Cash and bank balances		16,648	685,741
		<hr/>	<hr/>
		12,890,687	14,439,681
TOTAL ASSETS		<hr/> <hr/>	<hr/> <hr/>
		21,413,430	22,833,574



DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 SEPTEMBER 2013 (UN-AUDITED)

	Note	Restated		Restated	
		Period Ended		Period Ended	
		30 September 2013 (Rupees in thousand)	30 September 2012	30 September 2013 (Rupees in thousand)	30 September 2012
REVENUE		26,100,644	27,709,768	8,992,495	9,251,289
COST OF SALES	7	(24,665,371)	(25,979,317)	(8,749,735)	(8,735,887)
GROSS PROFIT		1,435,273	1,730,451	242,760	515,402
ADMINISTRATIVE EXPENSES		(104,608)	(105,815)	(37,697)	(40,021)
OTHER OPERATING EXPENSES		(18,017)	(22,312)	(479)	(495)
OTHER INCOME		1,312,648 21,145	1,602,324 16,914	204,584 1,744	474,886 3,605
PROFIT FROM OPERATIONS		1,333,793	1,619,238	206,328	478,491
FINANCE COST		(723,430)	(647,438)	(210,003)	(233,770)
PROFIT / (LOSS) BEFORE TAXATION		610,363	971,800	(3,675)	244,721
TAXATION		-	-	-	-
PROFIT / (LOSS) AFTER TAXATION		610,363	971,800	(3,675)	244,721
OTHER COMPREHENSIVE INCOME / (LOSS)		-	-	-	-
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS ACCOUNT		-	-	-	-
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS ACCOUNT		-	-	-	-
RECOGNITION OF ACTUARIAL LOSS ON DEFINED BENEFIT PLAN		-	(2,043)	-	(681)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		-	(2,043)	-	(681)
TOTAL COMPREHENSIVE INCOME / (LOSS)		610,363	969,757	(3,675)	244,040
EARNINGS / (Loss) PER SHARE - BASIC AND DILUTED (RUPEES)		1.61	2.55	(0.01)	0.64

The annexed notes form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2013 (UN-AUDITED)

Note	30 September 2013 (Rupees in thousand)	30 September 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	610,363	971,800
Adjustment for non cash charges and other items:		
Depreciation	312,907	290,747
Provision for gratuity	6,064	5,850
Provision for doubtful debts	-	20,256
Gain on disposal of property, plant and equipment	(650)	(1,946)
Interest income	(10,600)	(13,656)
Finance cost	723,430	647,438
Cash flows from operating activities before working capital changes	1,641,514	1,920,489
(Increase) / decrease in current assets:		
Stores, spare parts and other consumables	(41,866)	(180,660)
Fuel stock	(1,052,525)	195,150
Trade debts	2,137,005	(1,782,007)
Advances and short-term prepayments	257,681	(484,836)
Other receivables	57,934	(744)
Sales tax recoverable	(462,666)	(219,376)
	895,563	(2,472,473)
Increase trade and other payables	(488,257)	25,279
Cash generated from operations	2,048,820	(526,705)
Finance cost paid	(795,972)	(639,125)
Interest income received	10,600	13,656
Income tax paid	(15,662)	(90,910)
Gratuity paid	(8,889)	(8,328)
Net cash generated from / (used in) operating activities	1,238,897	(1,251,412)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(413,555)	(246,457)
Proceeds from sale of property, plant and equipment	706	1,967
Long term loans	(28,257)	(25,054)
Net cash used in investing activities	(441,106)	(269,544)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	-	240,000
Dividends paid	(574,124)	(517,962)
Net cash used in financing activities	(574,124)	(277,962)
Net increase/(decrease)in cash and cash equivalents	223,666	(1,798,918)
Cash and cash equivalents at beginning of the period	(8,752,038)	(5,471,126)
Cash and cash equivalents at end of the period	8 (8,528,372)	(7,270,044)

The annexed notes form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2013 (UN-AUDITED)

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 - audited	3,453,079	107,004	-	8,406,921	11,967,004
Effect of change in accounting policy (Note 3)	-	-	-	(72)	(72)
Balance as at 31 December 2011 - audited (Restated)	3,453,079	107,004	-	8,406,849	11,966,932
Final dividend for the year ended 31 December 2011 @ Rupees 1.5 per share	-	-	-	(517,962)	(517,962)
Interim dividend for @ Rupee 1 per share Transactions with owners of the Company recognized directly in equity	-	-	-	(345,308)	(345,308)
	-	-	-	(863,270)	(863,270)
Profit for the Period ended 30 September 2012	-	-	-	971,800	971,800
Other comprehensive loss for the half year ended 31 December 2012	-	-	-	(2,043)	(2,043)
Total comprehensive income for the period ended 30 September 2012	-	-	-	969,757	969,757
Balance as at 30 September 2012	3,453,079	107,004	-	8,513,336	12,073,419
Balance as at 31 December 2012 - audited	3,453,079	107,004	345,308	8,299,293	12,204,684
Effect of change in accounting policy (Note 3)	-	-	-	(2,796)	(2,796)
Balance as at 31 December 2012 - audited (Restated)	3,453,079	107,004	345,308	8,296,497	12,201,888
Bonus shares issued during the period	345,308	-	(345,308)	-	-
Final dividend for the year ended 31 December 2012 @ Rupee 1 per share	-	-	-	(379,839)	(379,839)
Interim dividend @ Rupee 1 per share Transactions with owners of the Company recognized directly in equity	-	-	-	(379,839)	(379,839)
	-	-	-	(759,677)	(759,677)
Profit for the period ended 30 September 2013	-	-	-	610,363	610,363
Other comprehensive income for the period ended 30 September 2013	-	-	-	-	-
Total comprehensive income for the period ended 30 September 2013	-	-	-	610,363	610,363
Balance as at 30 September 2013 - un-audited	3,798,387	107,004	-	8,147,183	12,052,574

The annexed notes form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



DIRECTOR

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 SEPTEMBER 2013 (UN-AUDITED)

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 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.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited. This condensed interim financial information for the nine months period ended 30 September 2013 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 “Interim Financial Reporting” and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information should be read in conjunction with the audited annual financial statements of the Company for the year ended 31 December 2012 and interim financial statements for the period ended 30 June 2013.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are same as applied in the preparation of the preceding audited annual financial statements of the Company for the year ended 31 December 2012, except for change in accounting policy under IAS 19 “Employee Benefits” with effect from 01 January 2013 as given below:

During the period, 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 figures recognized in this condensed interim financial information and financial statements for the year ended 31 December 2012 would have been different as follows:

	Un-audited 30 September 2013 (Rupees in thousand)	Audited 31 December 2012
Decrease in provision for gratuity	2,796	2,796
Increase in un-appropriated profit	2,796	2,796

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the 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.

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual financial statements of the Company for the year ended 31 December 2012.

5. CONTINGENCIES AND COMMITMENTS

There is no change in the contingencies and commitments disclosed in the preceding audited annual financial statements of the Company for the year ended 31 December 2012.

	Un-audited 30 September 2013 (Rupees in thousand)	Audited 31 December 2012
6. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 6.1)	7,269,691	7,044,273
Capital work-in-progress (Note 6.2)	1,183,439	1,308,263
	<u>8,453,130</u>	<u>8,352,536</u>
6.1 Operating fixed assets		
Opening book value	7,044,273	7,356,210
Add: Cost of addition during the period / year (Note 6.1.1)	538,380	75,262
Less: Book value of deletions / derecognition during the period / year (Note 6.1.2)	(55)	(21)
Less: Depreciation charged during the period / year	(312,907)	(387,178)
Closing book value	<u>7,269,691</u>	<u>7,044,273</u>
6.1.1 Cost of additions		
Freehold Land	-	1,210
Buildings on freehold land	274,800	6,224
Improvements on leasehold property	-	3,280
Plant and machinery	219,735	38,904
Furniture and fixtures	2,843	1,303
Vehicles	29,654	3,608
Office equipment	10,563	4,074
Electric equipment and appliances	785	16,659
	<u>538,380</u>	<u>75,262</u>

	Un-audited 30 September 2013 (Rupees in thousand)	Audited 31 December 2012
6.1.2 Book value of deletions / derecognition		
Vehicles	55	21
	<u>55</u>	<u>21</u>

6.2 Capital work-in-progress

Civil Work	55,892	323,180
Plant and machinery	1,127,547	985,083
	<u>1,183,439</u>	<u>1,308,263</u>

	(Un-audited) Nine Months Ended		(Un-audited) Quarter Ended	
	30 September 2013 (Rupees in thousand)	30 September 2012	30 September 2013 (Rupees in thousand)	30 September 2012
7. COST OF SALES				
Fuel consumed	23,854,140	25,295,964	8,502,038	8,498,084
Operation and maintenance costs	280,801	225,072	70,258	66,484
Insurance cost	233,347	179,660	77,380	78,172
Depreciation	296,968	278,426	101,194	93,147
Others	115	195	(1,135)	-
	<u>24,665,371</u>	<u>25,979,317</u>	<u>8,749,735</u>	<u>8,735,887</u>

	NINE MONTHS ENDED	
	30 September 2013 (Rupees in thousand)	30 September 2012
8. CASH AND CASH EQUIVALENTS		
Cash and bank balances	16,648	538,819
Short-term borrowings	(8,545,020)	(7,808,863)
	<u>(8,528,372)</u>	<u>(7,270,044)</u>

9. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise of associated undertakings, other related group companies and key management personnel. 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. Detail of transactions with related parties other than those which have been specifically disclosed elsewhere in this condensed interim financial information are as follows:

Relationship with the Company	Nature of transaction	(Un-audited) Nine Months Ended		(Un-audited) Quarter Ended	
		30 September 2013 (Rupees in thousand)	30 September 2012	30 September 2013 (Rupees in thousand)	30 September 2012
Associated undertakings	Insurance premium	315,253	232,709	93,195	96,418
	Dividend paid	844,896	517,962	177,763	-
	Share of expenses	171,819	162,023	61,069	53,194
	Rent Expenses	4,710	4,710	1,570	1,570
Key management personnel	Flying services	4,865	2,116	1,881	939
	Remuneration	3,782	3,602	2,088	5,465

10. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors of the Company and authorized for issue on 24 October 2013.

11. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual financial statements of the Company for the year ended 31 December 2012

12. CORRESPONDING FIGURES

In order to comply with requirements of International Accounting Standard 34 "Interim Financial Reporting", the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of audited annual financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.

13. GENERAL

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



CHIEF EXECUTIVE



DIRECTOR

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