



ANNUAL REPORT 2013

The
POWER
To **CHANGE**
LIFES

PAKGEN POWER LIMITED



Empowering The Growth
ENLIGHTENING THE FUTURE



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COMPANY PROFILE

THE COMPANY

Pakgen Power Limited (“the Company”) was incorporated in Pakistan on 22 June 1995 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 365 MW in Mehmood Kot, Muzaffargarh, Punjab, Pakistan.

BOARD OF DIRECTORS

Mian Hassan Mansha	Chairman
Mr. Shahid Zulfiqar Khan	Chief Executive Officer
Mr. Aurangzeb Feroz	
Mr. Kamran Rasool	
Mr. Khalid Qadeer Qureshi	
Mr. Mahmood Akhtar	
Mr. Shahid Malik	
Dr. Arif Bashir	

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

Al Baraka Bank (Pakistan) Limited
 Allied Bank Limited
 Askari Bank Limited
 Bank Alfalah Limited
 Bank Islami Pakistan Limited
 Faysal Bank Limited
 Habib Bank Limited
 Habib Metropolitan Bank Limited
 KASB Bank Limited
 MCB Bank Limited
 National Bank of Pakistan
 NIB Bank Limited
 Silk Bank Limited
 The Bank of Punjab
 United 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.

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 Pakgen Power Limited ("the Company") will be held on Saturday April 26, 2014 at 12:00 Noon 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 appoint statutory Auditors for the year 2014 and fix their remuneration.

Special Business

4. 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, Pakgen 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 Lalpir Power Limited ("Lalpir"), an associated company, as and when required by Lalpir, 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 Lalpir 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".

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 19-04-2014 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 18-04-2014 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.

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.4 to be transacted at the Annual General Meeting of the Company to be held on April 26, 2014.

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 It is currently listed on the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited.

Lalpir 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 LPL 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 12.22% per annum for the year ended December 31, 2013. Pakgen Power Limited will invest surplus funds available in order to enhance its profitability and good financial management.

Information required under Clause (b) of sub-regulation (1) of regulation 3 of (Investment in Associated Companies or Associated Undertakings) Companies Regulations, 2012

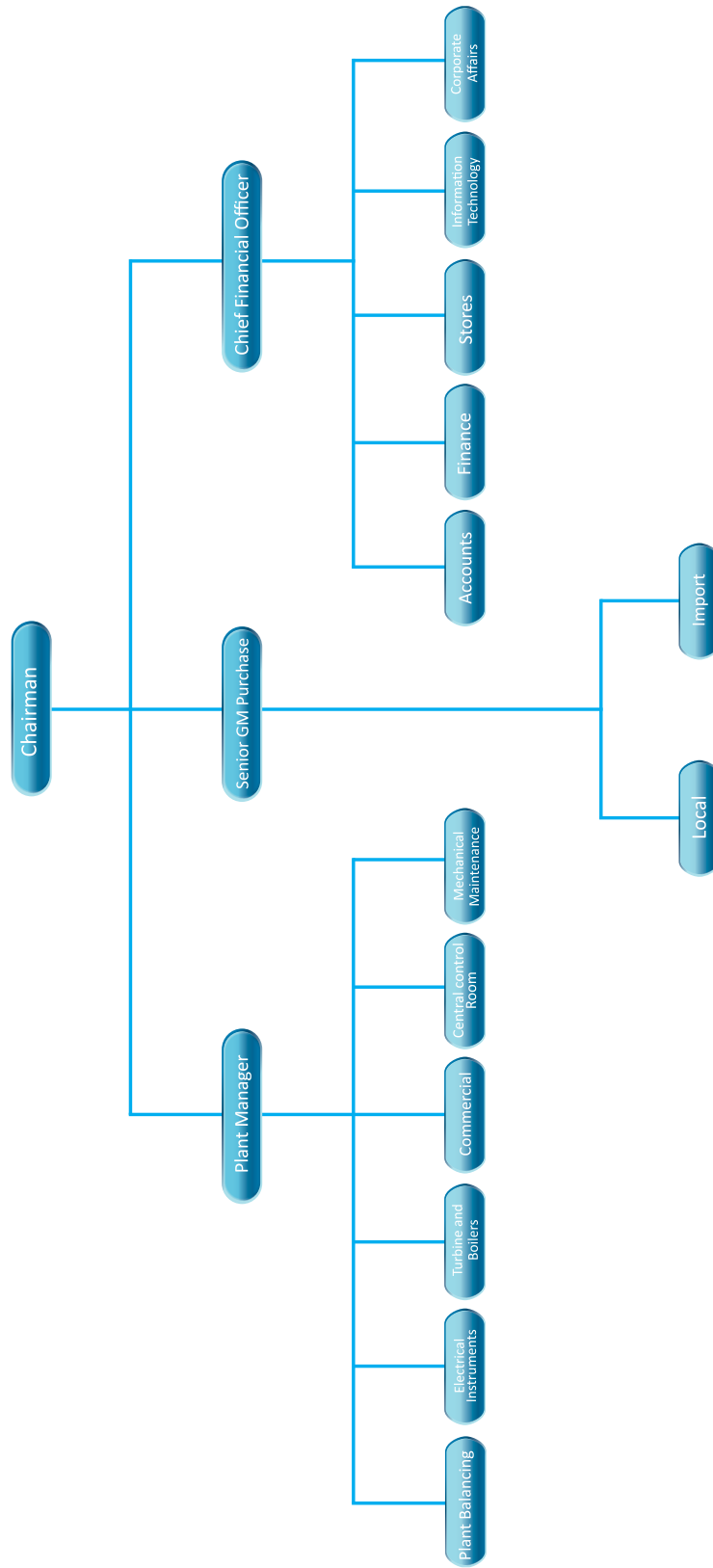
Ref. No.	Requirement	Information																												
I	Name of associated company	Lalpir Power Limited																												
	Criteria of associated relationship	Common Directorship																												
ii	Amount of loans as running finance	Rs. 1,000,000,000/- (Rupees One Billion 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> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; width: 20%;">Rs. in million</th> </tr> </thead> <tbody> <tr> <td colspan="2">Balance Sheet:</td> </tr> <tr> <td colspan="2">Assets</td> </tr> <tr> <td>Property, plant & equipment</td> <td style="text-align: right;">8,363</td> </tr> <tr> <td>Inventories</td> <td style="text-align: right;">455</td> </tr> <tr> <td>Trade debts</td> <td style="text-align: right;">10,190</td> </tr> <tr> <td>Other assets</td> <td style="text-align: right;">3,342</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">22,350</td> </tr> <tr> <td colspan="2">Liabilities</td> </tr> <tr> <td>Long term Borrowings</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Provision for gratuity</td> <td style="text-align: right;">20</td> </tr> <tr> <td>Trade and Other payables</td> <td style="text-align: right;">518</td> </tr> <tr> <td>Other liabilities</td> <td style="text-align: right;">9,728</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">10,266</td> </tr> </tbody> </table>		Rs. in million	Balance Sheet:		Assets		Property, plant & equipment	8,363	Inventories	455	Trade debts	10,190	Other assets	3,342		22,350	Liabilities		Long term Borrowings	0	Provision for gratuity	20	Trade and Other payables	518	Other liabilities	9,728		10,266
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Ref. No.	Requirement	Information
		Rs. in million
		Equity 12,084 Current Ratio 01:01.4 Profit & loss: Sales 36,571 Gross Profit 1,821 Gross Profit Ratio 4.98% Net Profit after tax 645 Net Profit after tax Ratio 1.76% EPS 1.7
vi	Average borrowing cost of the investing company	12.22%
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.

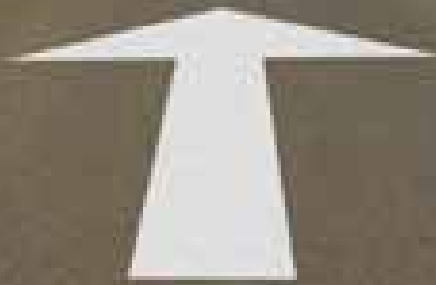
Ref. No.	Requirement	Information																																
xiv	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associates company or associated undertaking or the transaction under consideration:	<p>Five directors of Lalpir Power Limited, 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="874 842 1394 1066"> <thead> <tr> <th>Name</th> <th>% of Shareholding</th> </tr> </thead> <tbody> <tr> <td>Mian Hassan Mansha</td> <td>3.93</td> </tr> <tr> <td>Mr. Aurangzeb Firoz</td> <td>0.00 (500Shares)</td> </tr> <tr> <td>Mr. Khalid Qadeer Qureshi</td> <td>0.00 (500 Shares)</td> </tr> <tr> <td>Mr. Kamran Rasool</td> <td>0.00 (1,000 Shares)</td> </tr> <tr> <td>Mr. Mahmood Akhtar</td> <td>0.00 (500 Shares)</td> </tr> </tbody> </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="874 1226 1394 1381"> <thead> <tr> <th></th> <th>%</th> </tr> </thead> <tbody> <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> </tbody> </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="874 1541 1394 1696"> <thead> <tr> <th></th> <th>%</th> </tr> </thead> <tbody> <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> </tbody> </table>	Name	% of Shareholding	Mian Hassan Mansha	3.93	Mr. Aurangzeb Firoz	0.00 (500Shares)	Mr. Khalid Qadeer Qureshi	0.00 (500 Shares)	Mr. Kamran Rasool	0.00 (1,000 Shares)	Mr. Mahmood Akhtar	0.00 (500 Shares)		%	Nishat Mills Limited	28.80	Engen (Pvt) Limited	18.00	Security General Insurance Co. Ltd.	1.80	Adamjee Insurance Co. Ltd.	7.20		%	Nishat Mills Limited	27.55	Engen (Pvt) Limited	17.22	Security General Insurance Co. Ltd.	1.72	Adamjee Insurance Co. Ltd.	6.89
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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

ORGANIZATION CHART



Success is a
Journey not a
Destination



SUCCESS

DIRECTOR'S PROFILE

Mr. Hassan Mansha

Chairman

Mr. Hassan Mansha has over 11 years of professional managerial experience. He has completed his education from USA and presently serving on the Board of Nishat Mills 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. Shahid Zulfiqar Khan

Chief Executive Officer

Mr. Khan is Cost & Management Accountant by profession. He is serving as Chief Executive Officer of Pakgen Power Limited. He brings on board, an experience of 23 years, primarily in the power sector.

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. Shahid Malik

Director

Mr. Shahid Malik is Group Head of Corporate Communication & Marketing/Special Projects. Previously he was High Commissioner of Pakistan to India; High Commissioner of Pakistan to Canada – concurrently accredited as High Commissioner to Trinidad & Tobago, High Commissioner to Guyana, and Ambassador to Venezuela. He has also served as Additional Foreign Secretary, and Director General Ministry of Foreign Affairs; Minister (Political)/Counselor, Embassy of Pakistan, Washington; Charge d'Affaires, Embassy of Pakistan, Rome and Second Secretary in Pakistan Embassy, Tokyo.

Dr. Arif Bashir

Director

Dr. Arif basher holds PHD in chemical Engineering. He has been 30 years diversified experience in the fields of project and production management, research and development, power generation and contractual management. Widely travelled on the globe, represented Pakistan in various international conferences. He is member of Chief Minister of Punjab committee on the "Fast Track Coal based power generation Plants". He is also serving as a director of DG Khan Cement Company Limited.

Mr. Mehmood Akhtar

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.



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

Pakgen Power Limited (“the Company”) was incorporated in Pakistan on 22 June 1995 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 365 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 37.744 billion (2012: Rupees 33.718 billion) and operating costs were Rupees 35.588 billion (2012: Rupees 30.618 billion), resulting in gross profit of Rupees 2.156 billion (2012: Rupees 3.100 billion). The Company earned a net profit of Rupees 1.110 billion resulting in earnings per share of Rupees 2.98 per share compared to a net profit of Rupees 2.031 billion and earnings per share of Rupees 5.46 last year.

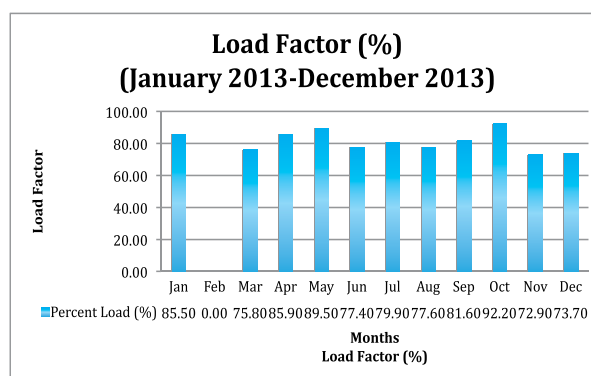
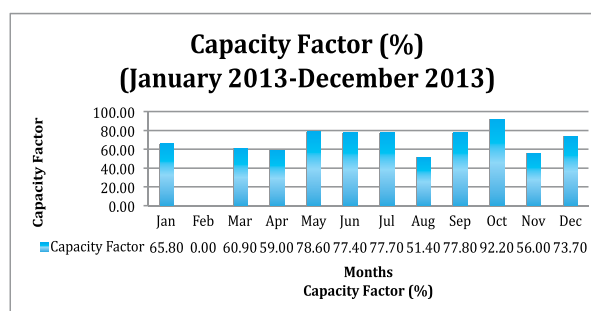
Main reason for variation in net profit for year ended 31 December 2013 in Comparison with year ended 31 December 2012 is increase in delta loss by Rupees 653.193 Million due to increase in net electricity supplied to WAPDA by 255.635 Gwh and increase in fuel consumption 3.42 grams per kwh.

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 10.244 billion was outstanding against WAPDA of this Rupees 5.702 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 8.324 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 Pakgen plant operated at capacity factor of 64.7% with an average load factor of 81.2 % and an average complex availability of 95.8% and dispatched 1,981,073 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 24th 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 2,380 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 2015.

2. iWater: This project has been commissioned at LalPir. The project has proved 1.1oC improvement in cooling water temperature. It is being replicated at PakGen this year at its annual outage. In this project VWF will be installed on cooling tower fans and some of the pumps in BOP area. The project has a potential of Rupees 70 million per annum savings with a pay back of 3 years.

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 & SAFETY

Pakgen 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 & 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. Shahid Malik	Director	0***
4	Dr. Arif Bashir	Director	1****
5	Mr. Kamran Rasool	Director	4
6	Mr. Mahmood Akhtar	Director	4
7	Mr. Aurangzeb Firoz	Director	3
8	Mr. Shahid Zulfiqar Khan	CEO	4
9	Mr. Sammir Hammami	Alternate Director to Mr Nicholas Cuits	3*****
10	Mr. Omer Liaqat	Director	0**
11	Mr. Mark Nicholas Cuits	Director	0*

- * Mr. Mark Nicholas Cutis resigned from the Board of Directors on 10-10-2013.
 ** Mr. Omar Liaqat resigned from the Board of Directors on 10-10-2013.
 *** Mr. Shahid Malik appointed as Director in place of Mr. Mark Nicholas Cutis on 10-10-2013 to fill the casual vacancy.
 **** Dr. Arif Bashir appointed as Director in place of Mr. Omar Liaqat on 10-10-2013 to fill the casual vacancy.
 ***** Mr. Sammir Hammami ceased to be Alternate Director after resignation of Mr. Mark Nicholas Cutis on 10-10-2013

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	3
2	Mr. Mark Nicholas Cutis	Director	0*
3	Mr. Mahmood Akhtar	Director	4
4	Mr. Shahid Malik	member	0**
5	Mr Sammir Hammami	Alternate Director to Mr Nicholas Cuits	3***

- * Mr. Mark Nicholas Cutis ceased to be member of Audit Committee due to his resignation from the Board of Directors on 10-10-2013.
 ** Mr. Shahid Malik appointed as member of the Audit Committee in place of Mr. Mark Nicholas Cutis on 10-10-2013.
 *** Mr. Sammir Hammami ceased to be Alternate Director after resignation of Mr. Mark Nicholas Cutis on 10-10-2013

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



(Shahid Zulfiqar Khan)
Chief Executive Officer
Lahore: 27 February 2014

FINANCIAL DATA

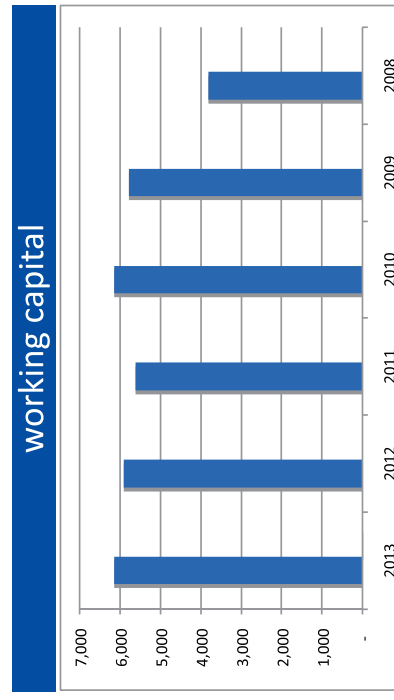
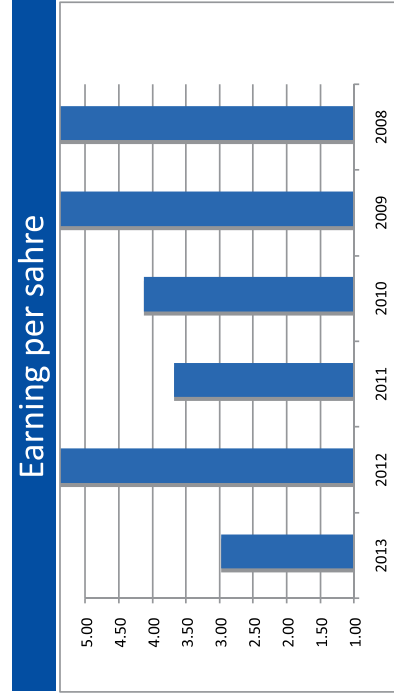
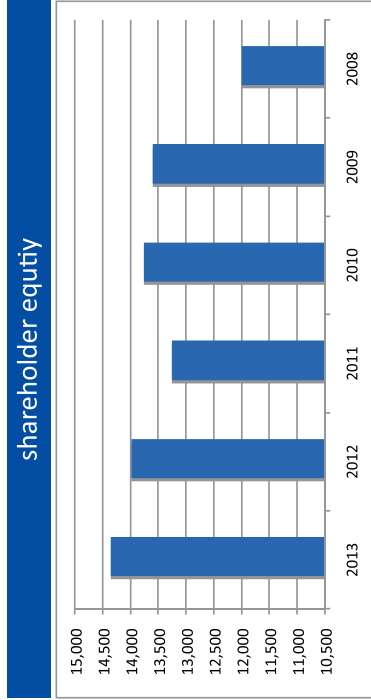
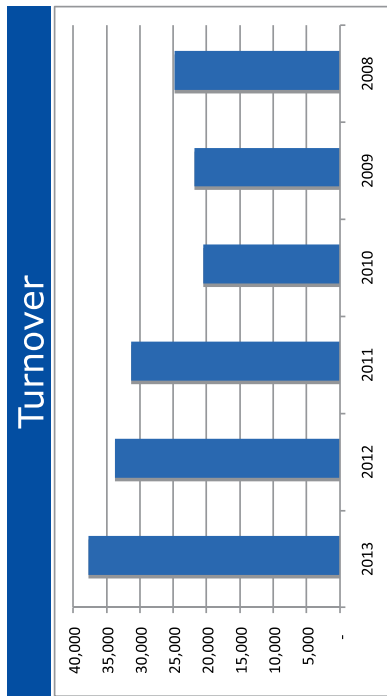
	2013	2012	2011	2010	2009	2008
Dispatch Level %	65	56	60	51	68	68
Dispatch (GWH)	1,981	1,725	1,844	1,571	2,088	2,085
Revenue (Rupees.000)						
Revenue	37,743,681	33,718,174	31,303,251	20,506,732	21,843,189	24,745,359
Cost of Sales	35,587,989	30,612,069	28,997,530	17,958,606	17,087,648	21,412,763
Gross Profit	2,155,692	3,106,105	2,305,721	2,548,126	4,755,541	3,332,596
Profitability (Rupees.000)						
Profit/(Loss) before Tax	1,109,735	2,030,910	1,368,223	1,551,001	2,640,353	2,327,933
Provision for Income Tax	-	-	-	13,557	6,728	3,217
Profit/(Loss) after Tax	1,109,735	2,030,910	1,368,223	1,537,444	2,633,625	2,324,716
Financial Position (Rupees.000)						
Non Current Assets	8,203,680	8,088,987	7,637,432	7,603,829	7,815,628	8,419,064
Current Assets	13,108,105	15,536,799	14,224,302	11,716,942	9,542,822	10,719,986
Less; Current Liabilities	6,957,684	9,637,256	8,601,828	5,568,680	3,765,996	6,910,650
Net Working Capital	6,150,421	5,899,543	5,622,474	6,148,262	5,776,826	3,809,336
Capital Employed	14,354,101	13,988,530	13,259,906	13,752,091	13,592,454	12,228,400
Less; Long Term Loans	-	-	-	-	-	198,225
Less; Differed Liabilities	-	-	-	-	-	34,219
Share Holders Equity	14,354,101	13,988,530	13,259,906	13,752,091	13,592,454	11,995,956
Represented by (Rupees.000)						
Share Capital	3,720,816	3,720,816	3,720,816	3,720,816	3,720,816	3,720,816
Capital Reserves	116,959	116,959	116,959	116,959	116,959	116,959
Un-appropriated profit	10,516,326	10,150,755	9,422,131	9,914,316	9,754,679	8,158,181
	14,354,101	13,988,530	13,259,906	13,752,091	13,592,454	11,995,956
Dividends (Rupees.000)	1,134,850	744,164	2,418,530	1,375,561	1,037,127	3,265,531
Earning Per Share (Rupees)	2.98	5.46	3.68	4.13	7.08	6.25
Delta Loss (Rupees.000)	1,691,396	1,038,203	1,703,868	860,711	690,471	1,106,047
Ratios:						
Return on assets	0.05	0.09	0.06	0.08	0.15	0.12
Break up value per share of Rs. 10 each- Rupees	38.58	37.60	35.64	36.96	36.53	32.24
Current Ratio	1.88	1.61	1.65	2.10	2.53	1.55
Net Profit / (Loss) to sales (%age)	2.94%	6.02%	4.37%	7.50%	12.06%	9.39%

VERTICAL ANALYSIS

	2013	% of Turnover	2012	% of Turnover	2011	% of Turnover
Revenue	37,743,681	100	33,718,174	100	31,303,251	100
Cost of Sales	(35,587,989)	(94.29)	(30,617,989)	(90.81)	(28,989,780)	(92.61)
Gross Profit	2,155,692	5.71	3,100,185	9.19	2,313,471	7.39
Administration Expenses	(162,035)	(0.43)	(144,306)	(0.43)	(146,755)	(0.47)
Other operating Expenses	(67,658)	(0.18)	(26,598)	(0.08)	(57,018)	(0.18)
Other income	18,403	0.05	132,871	0.39	65,072	0.21
Finance Cost.	(834,667)	(2.21)	(1,031,242)	(3.06)	(806,547)	(2.58)
Profit for the year	1,109,735	2.94	2,030,910	6.02	1,368,223	4.37

Horizontal Analysis	2013	13 v 12	2012	12 v 11	2011	11 v 10
Revenue	37,743,681	11.94	33,718,174	7.71	31,303,251	52.65
Cost of Sales	(35,587,989)	16.23	(30,617,989)	5.62	(28,989,780)	61.43
Gross Profit	2,155,692	(30.47)	3,100,185	34.01	2,313,471	(9.21)
Administration Expenses	(162,035)	12.29	(144,306)	(1.67)	(146,755)	(30.98)
Other operating Expenses	(67,658)	154.37	(26,598)	(53.35)	(57,018)	(69.97)
Other income	18,403	(86.15)	132,871	104.19	65,072	(81.58)
Finance Cost.	(834,667)	(19.06)	(1,031,242)	27.86	(806,547)	(185.09)
Profit for the year	1,109,735	(45.36)	2,030,910	48.43	1,368,223	(11.01)

PERFORMANCE REVIEW



PATTERN OF SHAREHOLDINGS

As at December 31, 2013

# of Shareholders	Shareholdings' Slab		Total Shares Held
111	1	to 100	2,992
703	101	to 500	339,327
563	501	to 1000	555,928
1223	1001	to 5000	3,890,509
444	5001	to 10000	3,793,956
136	10001	to 15000	1,843,854
109	15001	to 20000	2,062,216
109	20001	to 25000	2,646,540
42	25001	to 30000	1,199,914
27	30001	to 35000	905,488
28	35001	to 40000	1,092,500
15	40001	to 45000	657,850
75	45001	to 50000	3,745,000
14	50001	to 55000	760,500
15	55001	to 60000	884,506
5	60001	to 65000	318,500
9	65001	to 70000	624,500
10	70001	to 75000	743,000
3	75001	to 80000	235,500
4	80001	to 85000	335,500
4	85001	to 90000	355,500
3	90001	to 95000	279,000
39	95001	to 100000	3,896,500
1	100001	to 105000	100,500
2	105001	to 110000	220,000
2	110001	to 115000	230,000
3	115001	to 120000	355,500
3	120001	to 125000	372,000
3	125001	to 130000	387,675
1	130001	to 135000	133,500
5	135001	to 140000	692,500
1	140001	to 145000	142,500
8	145001	to 150000	1,196,000
2	150001	to 155000	304,000
2	155001	to 160000	316,500
3	160001	to 165000	495,000
4	165001	to 170000	673,000
2	170001	to 175000	350,000
1	180001	to 185000	181,000
1	185001	to 190000	188,500
2	190001	to 195000	385,500
10	195001	to 200000	2,000,000
2	200001	to 205000	402,504
2	205001	to 210000	414,500
2	210001	to 215000	423,500
2	230001	to 235000	468,500
3	235001	to 240000	720,000
1	240001	to 245000	243,000
7	245001	to 250000	1,742,000
1	250001	to 255000	255,000
1	255001	to 260000	260,000
6	295001	to 300000	1,800,000
2	300001	to 305000	605,000
1	330001	to 335000	334,500
2	345001	to 350000	700,000
2	350001	to 355000	706,000
1	355001	to 360000	360,000

# of Shareholders	Shareholdings' Slab		Total Shares Held
3	360001	to 365000	1,090,500
1	375001	to 380000	380,000
4	395001	to 400000	1,600,000
1	430001	to 435000	430,500
1	435001	to 440000	436,000
1	450001	to 455000	450,198
1	460001	to 465000	462,500
1	465001	to 470000	467,500
7	495001	to 500000	3,498,000
1	505001	to 510000	507,500
1	525001	to 530000	526,315
1	570001	to 575000	573,000
1	580001	to 585000	584,500
2	595001	to 600000	1,200,000
1	625001	to 630000	630,000
2	695001	to 700000	1,400,000
1	740001	to 745000	742,000
1	745001	to 750000	750,000
1	770001	to 775000	773,237
1	795001	to 800000	800,000
1	810001	to 815000	811,500
1	825001	to 830000	826,000
1	850001	to 855000	853,000
1	855001	to 860000	860,000
1	905001	to 910000	910,000
1	960001	to 965000	961,500
5	995001	to 1000000	5,000,000
1	1050001	to 1055000	1,052,631
1	1065001	to 1070000	1,069,000
1	1170001	to 1175000	1,175,000
2	1195001	to 1200000	2,400,000
1	1395001	to 1400000	1,400,000
3	1495001	to 1500000	4,500,000
1	1560001	to 1565000	1,565,000
1	1570001	to 1575000	1,575,000
2	1695001	to 1700000	3,399,500
1	1995001	to 2000000	2,000,000
1	2935001	to 2940000	2,935,789
1	3120001	to 3125000	3,125,000
1	3270001	to 3275000	3,270,845
1	4405001	to 4410000	4,407,500
1	4545001	to 4550000	4,550,000
1	6405001	to 6410000	6,407,296
1	6425001	to 6430000	6,428,000
1	8995001	to 9000000	9,000,000
1	11280001	to 11285000	11,280,318
1	14630001	to 14635000	14,631,340
1	16825001	to 16830000	16,826,000
1	25630001	to 25635000	25,631,181
1	64075001	to 64080000	64,076,954
1	102520001	to 102525000	102,524,228
TOTAL	3854		372,081,591

Categories of Shareholders

As at December 2013

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MAHMOOD AKHTAR	1	500	0.00
KHALID QADEER QURESHI	1	500	0.00
ARIF BASHIR	1	1,000	0.00
KAMRAN RASOOL	1	1,000	0.00
AURANGZEB FIROZ	1	500	0.00
MIAN HASSAN MANSHA	1	14,631,340	3.93
SHAHID MALIK	1	500	0.00
Associated Companies, undertakings and related parties			
ENGEN (PRIVATE) LIMITED	2	64,077,454	17.22
SECURITY GENERAL INSURANCE CO LTD	1	6,407,296	1.72
NISHAT MILLS LIMITED	1	102,524,228	27.55
ADAMJEE INSURANCE COMPANY LIMITED	1	25,631,181	6.89
Executives			
	-	-	-
Public Sector Companies and Corporations			
	5	10,055,789	2.70
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds			
	20	16,399,000	4.41
Mutual Funds			
CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	1	961,500	0.26
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	150,000	0.04
CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	1	165,000	0.04
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	1,500,000	0.40
CDC - TRUSTEE MEEZAN BALANCED FUND	1	250,000	0.07
CDC - TRUSTEE FAYSAL BALANCED GROWTH FUND	1	24,000	0.01
CDC-TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND	1	240,000	0.06
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	400,000	0.11
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	1,500,000	0.40
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	1	300,000	0.08
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	1,200,000	0.32
CDC - TRUSTEE MCB DYNAMIC STOCK FUND	1	853,000	0.23
CDC - TRUSTEE APF-EQUITY SUB FUND	1	200,000	0.05
CDC - TRUSTEE APIF - EQUITY SUB FUND	1	500,000	0.13
CDC - TRUSTEE KASB ASSET ALLOCATION FUND	1	181,000	0.05
CDC - TRUSTEE MCB DYNAMIC ALLOCATION FUND	1	255,000	0.07
CDC - TRUSTEE CROSBY DRAGON FUND	1	96,500	0.03
CDC-TRUSTEE PAKISTAN PREMIER FUND	1	584,500	0.16
CDC-TRUSTEE MEEZAN CAPITAL PROTECTED FUND-II	1	40,000	0.01
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	95,000	0.03
CDC - TRUSTEE KSE MEEZAN INDEX FUND	1	233,500	0.06
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	200,000	0.05

Categories of Shareholders	Shareholders	Shares Held	Percentage
General Public			
a. Local	3701	61,557,168	16.54
b. Foreign	2	14,500	0.00
Foreign Companies	7	34,459,318	9.26
Others	85	26,391,317	7.09
Totals	3854	372,081,591	100.00

Share holders holding 5% or more	Shares Held	Percentage
NISHAT MILLS LIMITED	102,524,228	27.55
ENGEN (PRIVATE) LIMITED	64,077,454	17.22
ADAMJEE INSURANCE COMPANY LIMITED	25,631,181	6.89

Pattern of Shareholders

As at December 31, 2013

S.No.	Folio #	Name of shareholder	Number of shares	Percentage %	
Directors and their spouse(s) and minor children					
1	6	MAHMOOD AKHTAR	500	0.00	
2	7	KHALID QADEER QURESHI	500	0.00	
3	01164-8954	ARIF BASHIR	1,000	0.00	
4	03228-10869	KAMRAN RASOOL	1,000	0.00	
5	03525-3993	AURANGZEB FIROZ	500	0.00	
6	03525-5745	MIAN HASSAN MANSHA	14,631,340	3.93	
7	06502-4286	SHAHID MALIK	500	0.00	
			7	14,635,340	3.93
Associated companies, undertakings and related parties					
1	5	ENGEN (PRIVATE) LIMITED	500	0.00	
2	03525-75375	ENGEN (PRIVATE) LTD	64,076,954	17.22	
3	03525-8082	SECURITY GENERAL INSURANCE CO LTD	6,407,296	1.72	
4	03525-35171	NISHAT MILLS LIMITED	102,524,228	27.55	
5	13755-21	ADAMJEE INSURANCE COMPANY LIMITED	25,631,181	6.89	
			5	198,640,159	53.39
Executive					
		NIL	-	-	
Public sector companies and corporations					
1	02659-34	PAK LIBYA HOLDING COMPANY (PVT.) LIMITED	1,400,000	0.38	
2	03889-44	NATIONAL BANK OF PAKISTAN	4,550,000	1.22	
3	10819-26	PAK BRUNEI INVESTMENT COMPANY LIMITED	170,000	0.05	
4	06247-63	SAUDI PAK INDUSTRIAL & AGRICULTURAL INVESTMENT CO. LTD.- PMD	1,000,000	0.27	
5	07088-47	THE BANK OF PUNJAB, TREASURY DIVISION.	2,935,789	0.79	
			5	10,055,789	2.70
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds					
1	02626-37	BANK AL HABIB LIMITED	4,407,500	1.18	
2	02832-32	MEEZAN BANK LIMITED	800,000	0.22	
3	03079-83	SONERI BANK LIMITED	3,000	0.00	
4	03111-46	UNITED BANK LIMITED - TRADING PORTFOLIO	6,428,000	1.73	
5	03277-978	INVEST CAPITAL INVESTMENT BANK LIMITED	75,000	0.02	
6	04606-29	SILKBANK LIMITED	1,175,000	0.32	
7	05132-26	ASKARI BANK LIMITED	1,000,000	0.27	
8	11940-2810	ESCORTS INVESTMENT BANK LIMITED	70,000	0.02	
9	02139-29	PREMIER INSURANCE LIMITED	100,000	0.03	
10	03277-2184	EFU GENERAL INSURANCE LIMITED	206,000	0.06	
11	03277-2538	EFU LIFE ASSURANCE LTD	860,000	0.23	
12	03277-13019	SHAHEEN INSURANCE CO.LTD	57,000	0.02	
13	03277-17338	EAST WEST LIFE ASSURANCE COMPANY LIMITED	10,000	0.00	
14	03277-57588	ATLAS INSURANCE LIMITED	507,500	0.14	
15	03939-17934	SILVER STAR INSURANCE COMPANY LIMITED	50,000	0.01	

S.No.	Folio #	Name of shareholder	Number of shares	Percentage %
16	03277-1142	FIRST PRUDENTIAL MODARABA	70,000	0.02
17	06122-3616	FIRST PRUDENTIAL MODARABA	20,000	0.01
18	11544-4475	FIRST PRUDENTIAL MODARABA	25,000	0.01
19	06122-3749	FIRST PAK MODARABA	35,000	0.01
20	10397-29	CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	500,000	0.13
20			16,399,000	4.41
Mutual Funds				
1	05371-28	CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	961,500	0.26
2	05488-25	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	150,000	0.04
3	05819-23	CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	165,000	0.04
4	05959-27	CDC - TRUSTEE ATLAS STOCK MARKET FUND	1,500,000	0.40
5	05991-23	CDC - TRUSTEE MEEZAN BALANCED FUND	250,000	0.07
6	06171-21	CDC - TRUSTEE FAYSAL BALANCED GROWTH FUND	24,000	0.01
7	06726-23	CDC-TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND	240,000	0.06
8	07062-23	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	400,000	0.11
9	07070-22	CDC - TRUSTEE MEEZAN ISLAMIC FUND	1,500,000	0.40
10	07252-20	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	300,000	0.08
11	09449-25	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1,200,000	0.32
12	09738-29	CDC - TRUSTEE MCB DYNAMIC STOCK FUND	853,000	0.23
13	10603-21	CDC - TRUSTEE APF-EQUITY SUB FUND	200,000	0.05
14	10900-25	CDC - TRUSTEE APIF - EQUITY SUB FUND	500,000	0.13
15	11106-21	CDC - TRUSTEE KASB ASSET ALLOCATION FUND	181,000	0.05
16	11262-23	CDC - TRUSTEE MCB DYNAMIC ALLOCATION FUND	255,000	0.07
17	12419-23	CDC - TRUSTEE CROSBY DRAGON FUND	96,500	0.03
18	12682-21	CDC-TRUSTEE PAKISTAN PREMIER FUND	584,500	0.16
19	13581-22	CDC-TRUSTEE MEEZAN CAPITAL PROTECTED FUND-II	40,000	0.01
20	13714-25	CDC - TRUSTEE HBL PF EQUITY SUB FUND	95,000	0.03
21	13946-28	CDC - TRUSTEE KSE MEEZAN INDEX FUND	233,500	0.06
22	14514-28	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	200,000	0.05
22			9,929,000	2.67
General Public Foreign				
1	07260-21769	WAHEED AHMAD	5,000	0.00
2	03590-2631	FAZAL REHMAN	9,500	0.00
2			14,500	0.00
Foreign Companies				
1	00521-3811	ACADIAN FRONTIER MARKETS EQUITY FUND	826,000	0.22
2	00521-3837	STANHOPE INVESTMENTS	11,280,318	3.03
3	00521-5592	POLUNIN DISCOVERY FUNDS-FRONTIER MARKETS FUND	1,700,000	0.46
4	00521-6251	PORTMAN LIMITED	16,826,000	4.52
5	03533-698	Habib Bank AG Zurich, Zurich,Switzerland	3,125,000	0.84
6	03533-722	HABIB BANK AG ZURICH, DEIRA DUBAI	350,000	0.09
7	06502-755	HABIBSONS BANK LTD - CLIENT ACCOUNT	352,000	0.09
7			34,459,318	9.26

S.No.	Folio #	Name of shareholder	Number of shares	Percentage %
Others				
1	13904-22	CYAN LIMITED	2,000,000	0.54
2	00364-115541	UHF CONSULTING (PRIVATE) LIMITED	10	0.00
3	00513-17184	TRUSTEES KOHINOOR ENERGY LIMITED EMPLOYEES GRATUITY FUND	165,000	0.04
4	00992-3345	F & B BULK STORAGE (PTIVATE) LIMITED	10,000	0.00
5	01164-7584	TRUSTEES D.G.KHAN CEMENT CO. LTD. EMPLOYEES PROVIDENT FUND	240,000	0.06
6	01339-34	INTERMARKET SECURITIES LIMITED	462,500	0.12
7	01446-874	Trustee - MCB Provident Fund Pak Staff	3,270,845	0.88
8	01826-69559	TRUSTEE-CHERAT CEMENT COMPANY LTD. EMPLOYEES PROVIDENT FUND	50,000	0.01
9	01826-72306	UNIFIED SHIPPING AGENCIES (PRIVATE) LIMITED	200,000	0.05
10	01826-72314	EMIRATES SHIPPING AGENCY PAKISTAN (PRIVATE) LIMITED	50,000	0.01
11	03038-38	STANDARD CAPITAL SECURITIES (PVT) LIMITED	50,000	0.01
12	03038-46	STANDARD CAPITAL SECURITIES (PVT) LIMITED	50,000	0.01
13	03038-19137	RANG COMMODITIES (PRIVATE) LTD	100,000	0.03
14	03038-35489	KAYSONS INTERNATIONAL (PRIVATE) LTD	200,000	0.05
15	03053-36	AZIZ FIDAHUSEIN & COMPANY (PVT) LTD.	10,000	0.00
16	03103-21	ALI HUSAIN RAJABALI LTD	10,000	0.00
17	03137-36	MOOSANI SECURITIES (PVT) LTD.	11,000	0.00
18	03244-25	ZAFAR SECURITIES (PVT) LTD.	8,000	0.00
19	03277-4230	CRESCENT STEEL AND ALLIED PRODUCTS LTD.	100,000	0.03
20	03277-4841	BULK MANAGEMENT PAKISTAN (PVT.) LTD.	122,000	0.03
21	03277-4865	SHAKOO (PVT) LTD.	773,237	0.21
22	03277-6166	MASOOD FABRICS LTD	9,000,000	2.42
23	03277-7421	TRUSTEES SAEEDA AMIN WAKF	20,000	0.01
24	03277-7633	TRUSTEES MOHAMAD AMIN WAKF ESTATE	90,000	0.02
25	03277-38435	PREMIER MERCANTILE SERVICES (PRIVATE) LIMITED	25,000	0.01
26	03277-61491	M/S RANG COMMODITIES (PVT) LTD	1,069,000	0.29
27	03277-67767	ANAM FABRICS (PVT) LTD.	90,000	0.02
28	03277-76619	A. R. TELI(PRIVATE) LIMITED	10,000	0.00
29	03277-83462	NADEEM INTERNATIONAL (PVT.) LTD.	350,000	0.09
30	03525-57613	CITY SCHOOLS(PVT) LTD	526,315	0.14
31	03525-63474	PYRAMID INVESTMENTS (PVT) LTD.	450	0.00
32	03525-64045	NH CAPITAL FUND LTD	1,000	0.00
33	03525-65723	AKRAM COTTON MILLS LIMITED	10,000	0.00
34	03525-75718	TRUSTEES KAUKAB MIR MEMORIAL WELFARE TRUST	188,500	0.05
35	03525-78461	TRUSTEES CITY SCHOOLS PROVIDENT FUND TRUST	1,052,631	0.28
36	03525-82219	UHF CONSULTING (PRIVATE) LIMITED	1,528	0.00
37	03525-82523	TRUSTEES KOHINOOR ENERGY LTD EMPLOYEES GRATUITY FUND	365,000	0.10
38	03657-25	CONTINENTAL CAPITAL MANAGEMENT (PVT) LTD	500	0.00
39	03863-20	ACE SECURITIES (PVT.) LIMITED	62,500	0.02
40	03939-12232	AMCAP SECURITIES PVT LIMITED	110,000	0.03
41	03939-12463	CAPITAL VISION SECURITIES PVT LIMITED	4,000	0.00
42	03939-12703	EXCEL SECURITIES (PRIVATE) LIMITED	500	0.00
43	03939-19211	S. Z. SECURITIES (PVT.) LIMITED	3,000	0.00
44	03939-20029	KHAWAJA SECURITIES (PVT.) LIMITED	75,000	0.02
45	04143-778	MUMTAZ ENTERPRISES PVT LTD.	75,000	0.02
46	04184-22	AZEE SECURITIES (PRIVATE) LIMITED	84,500	0.02
47	04192-2126	MANAGING COMMITTEE RAZIA SHEIKH WELFARE TRUST	30,000	0.01
48	04226-26	ZILLION CAPITAL SECURITIES (PVT) LTD.	100,000	0.03
49	04366-20	MULTILINE SECURITIES (PVT) LIMITED	243,000	0.07
50	04432-21	ADAM SECURITIES (PVT) LTD.	100,000	0.03
51	04432-12018	CAPITAL VISION SECURITIES (PVT) LTD.	19,000	0.01
52	04457-45	FDM CAPITAL SECURITIES (PVT) LIMITED	100,000	0.03

S.No.	Folio #	Name of shareholder	Number of shares	Percentage %	
53	04481-26	DOSSLANI'S SECURITIES (PVT) LIMITED	20,000	0.01	
54	04705-10542	TRUSTEES OF FFC EMPLOYEES PROVIDENT FUND	500,000	0.13	
55	04705-65373	ASSOCIATED CONSULTANCY CENTRE (PVT) LIMITED	870	0.00	
56	04895-26	DJM SECURITIES (PRIVATE) LIMITED	235,000	0.06	
57	05116-28	TIME SECURITIES (PVT.) LTD.	4,000	0.00	
58	05264-3595	TRUSTEE-ABAMCO LIMITED STAFF PROVIDENT FUND	75,000	0.02	
59	05298-28	MAAN SECURITIES (PRIVATE) LIMITED	21,500	0.01	
60	05348-21	HH MISBAH SECURITIES (PRIVATE) LIMITED	37,000	0.01	
61	05405-10923	Unified Junctions Services (pvt) LTD	100,000	0.03	
62	05660-22	ABBASI SECURITIES (PRIVATE) LIMITED	127,675	0.03	
63	05736-15	NCC - PRE SETTLEMENT DELIVERY ACCOUNT	4,500	0.00	
64	06122-39487	SHAFI POULTRY N PRODUCTS (PVT.) LTD	100,000	0.03	
65	06122-47191	TRUSTEE- HI-TECH LUBRICANTS LTD- EMPLOYEES PROVIDENT FUND	25,000	0.01	
66	06270-5960	ANAM FABRICS (PRIVATE) LIMITED.	10,000	0.00	
67	06445-28	DARSON SECURITIES (PVT) LIMITED	170	0.00	
68	06601-10448	AWJ SECURITIES (SMC-PVT) LIMITED	3,000	0.00	
69	06650-22	SAAO CAPITAL (PVT) LIMITED	20,000	0.01	
70	06676-3412	BANDENAWAZ (PVT) LTD.	5,000	0.00	
71	06676-9773	ALLIANCE INVESTMENT MANAGEMENT LIMITED	100,000	0.03	
72	06684-29	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT.) LTD.	742,000	0.20	
73	06882-25	AWJ SECURITIES (PRIVATE) LIMITED.	1,000	0.00	
74	07260-29	M.R. SECURITIES (SMC-PVT) LTD.	296	0.00	
75	07419-10359	TRUSTEE- J. K. SPINNING LTD. EMPLOYEES PROVIDENT FUNDS	70,000	0.02	
76	07450-26	DAWOOD EQUITIES LTD.	5,000	0.00	
77	10181-24	HORIZON SECURITIES LIMITED	290	0.00	
78	10629-74503	UNIFIED VENTURES (PVT) LIMITED	250,000	0.07	
79	11148-571	TRUSTEE KAUKAB MIR MEMORIAL WELFARE TRUST	25,000	0.01	
80	11478-28	CMA SECURITIES (PVT) LIMITED	58,000	0.02	
81	11940-8114	S. Z. SECURITIES (PVT.) LIMITED	3,000	0.00	
82	13417-39228	UNIFIED VENTURES (PVT) LTD	300,000	0.08	
83	13649-24	JS GLOBAL CAPITAL LIMITED - MF	135,500	0.04	
84	13987-24	EMPLOYEES OLD AGE BENEFITS INSTITUTION	1,699,500	0.46	
85	14589-21	STANDARD CAPITAL SECURITIES (PVT) LIMITED - MF	24,000	0.01	
			85	26,391,317	7.09
Total			1818	372,081,590	100.00
General Public			3701	61,557,168	16.54

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

Name of CEO/Director/CFO/Company Secretary and their Spouse and Minor Children	No. of Shares	Nature of Transaction	Date	Rate (Rs.)
MIAN HASSAN MANSHA - DIRECTOR/CHAIRMAN	1,000,000	Sale	06.03.2013	20.84
-do-	1,031,500	Sale	07.03.2013	20.77
-do-	1,143,500	Sale	08.03.2013	20.47
-do-	973,000	Sale	11.03.2013	19.84
-do-	133,000	Sale	12.03.2013	19.05
-do-	2,000	Sale	25.03.2013	20.34
-do-	57,500	Sale	28.03.2013	20.05
-do-	54,000	Sale	29.03.2013	20.15
-do-	448,500	Sale	01.04.2013	20.29
-do-	25,000	Sale	02.04.2013	20.34
-do-	625,500	Sale	03.04.2013	20.37
-do-	1,849,500	Sale	04.04.2013	20.57
-do-	173,500	Sale	05.04.2013	20.58
-do-	51,000	Sale	08.04.2013	20.48
-do-	102,000	Sale	02.05.2013	19.34
-do-	200,000	Sale	03.05.2013	19.34
-do-	300,000	Sale	06.05.2013	19.34
-do-	119,500	Sale	08.05.2013	18.97
-do-	180,000	Sale	09.05.2013	18.96
-do-	307,500	Sale	10.05.2013	19.05
-do-	575,000	Sale	13.05.2013	19.53
-do-	832,500	Sale	14.05.2013	19.76
-do-	816,000	Sale	15.05.2013	19.69
	11,000,000			

Statement of Compliance with the Code of Corporate Governance (COCG 2013) [See clause (xl)]

Name of company Pakgen Power Limited

Year ended 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. Shahid Zulfiqar Khan - CEO Mr. Khalid Qadeer Qureshi
Non Executive Directors	Mian Hassan Mansha Mr. Aurangzeb Firoz Mr. Kamran Rasool Mr. Shahid Malik Dr. Arif Bashir 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. Two casual vacancies occurred on the Board during the year and were filled up on the same day.
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 of whom 2 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.



(SHAHID ZULFIQAR KHAN)

CHIEF EXECUTIVE

CNIC Number:35202-2262470-9

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 PAKGEN 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



Auditors' Report to the Members

We have audited the annexed balance sheet of PAKGEN 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;
 - 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 7.1.3 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)	2012
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 400,000,000 (2012: 400,000,000) ordinary shares of Rupees 10 each		4,000,000	4,000,000
Issued, subscribed and paid-up share capital	3	3,720,816	3,720,816
Capital reserve	4	116,959	116,959
Revenue reserve - Un-appropriated profit		10,516,326	10,150,755
Total equity		14,354,101	13,988,530
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	5	313,471	649,710
Accrued mark-up / interest		114,281	276,682
Short-term borrowings	6	6,529,932	8,710,864
		6,957,684	9,637,256
Total liabilities		6,957,684	9,637,256
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		21,311,785	23,625,786

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



CHIEF EXECUTIVE

	Note	2013 (Rupees in thousand)	2012
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	8,203,680	8,088,972
Long-term security deposit		-	15
		8,203,680	8,088,987
CURRENT ASSETS			
Stores, spare parts and other consumables		744,513	570,800
Fuel stock	9	337,516	312,842
Trade debts	10	10,046,693	12,770,094
Advances and short-term prepayments	11	730,203	561,750
Other receivables	12	434,980	495,043
Sales tax recoverable		553,601	712,403
Cash and bank balances	13	260,599	113,867
		13,108,105	15,536,799
TOTAL ASSETS		21,311,785	23,625,786



DIRECTOR

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2013

	Note	2013 (Rupees in thousand)	2012
REVENUE	14	37,743,681	33,718,174
COST OF SALES	15	(35,587,989)	(30,617,989)
GROSS PROFIT		2,155,692	3,100,185
ADMINISTRATIVE EXPENSES	16	(162,035)	(144,306)
OTHER EXPENSES	17	(67,658)	(26,598)
OTHER INCOME	18	1,925,999 18,403	2,929,281 132,871
PROFIT FROM OPERATIONS		1,944,402	3,062,152
FINANCE COST	19	(834,667)	(1,031,242)
PROFIT BEFORE TAXATION		1,109,735	2,030,910
TAXATION	20	-	-
PROFIT AFTER TAXATION		1,109,735	2,030,910
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS ACCOUNT		-	-
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS ACCOUNT		-	-
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,109,735	2,030,910
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	21	2.98	5.46

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
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	22	5,086,467	934,760
Finance cost paid		(997,068)	(1,022,092)
Interest income received		15,941	126,216
Income tax paid		(23,454)	(38,459)
Gratuity paid		(9,191)	(7,422)
Net cash generated from / (used in) operating activities		4,072,695	(6,997)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(631,269)	(815,930)
Net cash used in investing activities		(631,269)	(815,930)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,113,762)	(929,290)
Net cash used in financing activities		(1,113,762)	(929,290)
Net increase / (decrease) in cash and cash equivalents		2,327,664	(1,752,217)
Cash and cash equivalents at beginning of the year		(8,596,997)	(6,844,780)
Cash and cash equivalents at end of the year		(6,269,333)	(8,596,997)
CASH AND CASH EQUIVALENTS			
Cash in hand		302	28
Cash at banks		260,297	113,839
Short-term borrowings		(6,529,932)	(8,710,864)
		(6,269,333)	(8,596,997)

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

	RESERVES			TOTAL EQUITY
	Capital	Revenue		
	Retained payments reserve	Un-appropriated profit		
	(-----Rupees in thousand-----)			
Balance as at 31 December 2011	3,720,816	116,959	9,422,131	13,259,906
Profit for the year ended 31 December 2012	-	-	2,030,910	2,030,910
Other comprehensive income for the year ended 31 December 2012	-	-	-	-
Total comprehensive income for the year ended 31 December 2012	-	-	2,030,910	2,030,910
Transactions with owners:				
Final dividend for the year ended 31 December 2011 @ Rupees 1.5 per share	-	-	(558,122)	(558,122)
1st Interim dividend for the year ended 31 December 2012 @ Rupee 1 per share	-	-	(372,082)	(372,082)
2nd Interim dividend for the year ended 31 December 2012 @ Rupee 1 per share	-	-	(372,082)	(372,082)
Transactions with the owners of the Company recognized directly in equity	-	-	(1,302,286)	(1,302,286)
Balance as at 31 December 2012	3,720,816	116,959	10,150,755	13,988,530
Profit for the year ended 31 December 2013	-	-	1,109,735	1,109,735
Other comprehensive income for the year ended 31 December 2013	-	-	-	-
Total comprehensive income for the year ended 31 December 2013	-	-	1,109,735	1,109,735
Transactions with owners:				
Final dividend for the year ended 31 December 2012 @ Rupee 1 per share	-	-	(372,082)	(372,082)
Interim dividend for the year ended 31 December 2013 @ Rupee 1 per share	-	-	(372,082)	(372,082)
Transactions with the owners of the Company recognized directly in equity	-	-	(744,164)	(744,164)
Balance as at 31 December 2013	3,720,816	116,959	10,516,326	14,354,101

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

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 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 365 MW in Mehmood Kot, Muzaffargarh, Punjab, Pakistan.

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	(8,027,067)	(8,034,979)
Recognition of lease debtor	4,574,038	5,158,578
	<u>(3,453,029)</u>	<u>(2,876,401)</u>
Decrease in un-appropriated profit at the beginning of the year	(2,876,401)	(1,603,142)
Decrease in profit for the year	(576,628)	(1,273,259)
Decrease in un-appropriated profit at the end of the year	<u>(3,453,029)</u>	<u>(2,876,401)</u>

b) **Accounting convention**

These financial statements have been prepared on historical cost basis, except for recognition of 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.

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.

Provision for obsolescence of stores, spares parts and other consumables

Provision for obsolescence of stores, spares 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.

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.

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) Standards 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 8.1. 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 contributes towards a funded contributory provident fund scheme being maintained by Lalpir Power Limited – associated company at the rate of 10% of basic salary of employees.

2.5.2 Defined benefit plan

The Company contributes (as per actuarial valuation) towards a gratuity fund scheme being maintained by Lalpir Power Limited – associated company on fifty-fifty basis in accordance with “Shared Facilities Agreement”.

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 deposits, trade debts, accrued mark-up / interest, other receivables, cash and bank balances, 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 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value and are subsequently re-measured at their fair value. Fair value of the derivative financial instrument is determined using estimated discounted future cash flows. Derivatives are carried as assets where fair value is positive and as liabilities where fair value is negative.

Derivatives embedded in other financial instruments or non-derivative host contracts are traced as separate derivatives when their risks and economic characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealized gains or losses reported in the profit and loss account.

If the fair value of an embedded derivative that is required to be separated cannot be reliably measured, the entire combined contract is treated as a financial instrument held for trading. The combined contract is measured at fair value if the fair value of the combined instrument can be reliably measured.

Changes in fair value of derivative financial instruments are recognized in the profit and loss account.

2.7.3 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.

2.8 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.

2.9 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.

2.10 Taxation

2.10.1 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.

2.10.2 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.

2.11 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.

2.12 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.

2.13 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.

2.14 Trade and other payables

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

2.15 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 trade debts, deposits, other receivables and bank balances in the balance sheet.

2.16 Impairment

2.16.1 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.

2.16.2 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.

2.17 Revenue

2.17.1 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.

2.17.2 Interest income

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

2.17.3 Rental income

Rental income is recognized on accrual basis.

2.18 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.

2.19 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
370,586,125	370,586,125	Ordinary shares of Rupees 10 each fully paid-up in cash	3,705,861	3,705,861
1,495,466	1,495,466	Ordinary shares of Rupees 10 each issued as fully paid-up for consideration other than cash	14,955	14,955
372,081,591	372,081,591		3,720,816	3,720,816

3.1 Ordinary shares of the Company held by associated companies:

	2013 (Number of shares)	2012
Nishat Mills Limited	102,524,228	102,524,228
Adamjee Insurance Company Limited	25,631,181	25,631,181
Security General Insurance Company Limited	6,407,296	6,407,296
Stanhope Investments	11,280,318	96,116,932
Engen (Private) Limited	64,077,454	64,077,454
	209,920,477	294,757,091

3.2 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 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	6,529,932	8,710,864
Cash and bank balances	(260,599)	(113,867)
Net debt	6,269,333	8,596,997
Equity	14,354,101	13,988,530
Equity and net debt	20,623,434	22,585,527
Gearing ratio	30.40%	38.06%

4. CAPITAL RESERVE

This represents the 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. TRADE AND OTHER PAYABLES

	2013 (Rupees in thousand)	2012
Creditors	105,740	104,706
Due to related party (Note 5.1)	-	24,317
Accrued liabilities	44,198	44,022
Workers' profit participation fund payable (Note 5.2)	157,033	101,546
Unclaimed and unpaid dividend	5,113	374,711
Others	1,387	408
	313,471	649,710

5.1 Due to related party

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

5.2 Workers' profit participation fund payable

Opening balance	101,546	277,956
Allocation for the year (Note 17.3)	55,487	101,546
Payments made during the year	-	(277,956)
Closing balance	157,033	101,546

6. SHORT TERM BORROWINGS

From banking companies		
Running finances - secured (Note 6.1)	6,284,746	8,346,468
Short term finance - secured (Note 6.2)	244,300	244,300
Temporary overdraft - unsecured	886	120,096
	6,529,932	8,710,864

6.1 The Company has total working capital finance facilities of Rupees 10,472 million (2012: Rupees 9,880 million) available from commercial banks out of which Rupees 4,187 million (2012: Rupees 1,533 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 9 months KIBOR plus 1.75% to 2.50%) per annum payable quarterly / semi-annually (2012: quarterly / semi-annually). The effective interest rate during the year ranges from 10.24% to 14.53% (2012: from 11.15 % to 15.14%) per annum. These facilities are secured by way of charge to the extent of Rupees 15,410 million (2012: Rupees 13,505 million) on the present and future current assets of the Company.

- 6.2 The Company obtained short term finance of Rupees 300 million (2012: Rupees 300 million) from NIB Bank Limited out of which Rupees 56 million (2012: Rupees 56 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 3 month KIBOR plus 2.25% (2012: 3 month KIBOR plus 2.25%) per annum payable quarterly. The effective interest rate is 11.34% to 11.76% (2012: 12.53%) per annum. This is repayable in six months or less as bullet payment to be settled through long term finance facility. This facility is secured by way of first charge ranking pari passu over all present and future fixed assets (excluding land and building) amounting to Rupees 4,000 million (2012: Rupees 4,000 million).

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

- 7.1.1 Up to the year ended 31 December 2002, the Company had recorded the provision for workers' profits participation fund 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 has 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.

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 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.

Consequent to the amendments that have been made in the Act through the Finance Act, 2006, the Company is required to pay 5% of its profits to WPPF from the financial year 2006. The Company established a workers' profit participation fund to comply with the requirements of the Companies Profit (Workers' Participation) Act, 1968.

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

- 7.1.2 The banks of the Company have issued a letter of credit in favour of Water and Power Development Authority (WAPDA) for an amount of Rupees 651 million (2012: Rupees 651 million) to meet its obligations under the Power Purchase Agreement (PPA).

7.1.3 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 2,380 million. Out of these the Company has accepted and paid Rupees 219 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 dispatch 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.

7.1.4 Post dated cheques amounting to Rupees 427 million were issued in favour of Attock Petroleum Limited against purchase of fuel.

7.2 Commitments

7.2.1 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.

7.2.2 Commitments for capital expenditure as at reporting date are amounting to Rupees 1,901 million (2012: Rupees 2,052 million).

	2013 (Rupees in thousand)	2012
8. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 8.1)	7,514,382	6,934,052
Capital work-in-progress (Note 8.2)	689,298	1,154,920
	8,203,680	8,088,972

8.1 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	Air strip	Plant and machinery	Furniture and fittings	Vehicles	Office equipment	Electric equipment and appliances	Total
----- Rupees in thousand -----									
At 01 January 2012									
Cost	36,631	731,041	23,807	10,448,731	1,916	5,338	20,690	69,875	11,338,029
Accumulated depreciation	-	(264,702)	(16,586)	(3,743,117)	(1,915)	(1,975)	(5,321)	(31,536)	(4,065,152)
Net book value	36,631	466,339	7,221	6,705,614	1	3,363	15,369	38,339	7,272,877
Year ended 31 December 2012									
Opening net book value	36,631	466,339	7,221	6,705,614	1	3,363	15,369	38,339	7,272,877
Additions	-	-	-	19,576	977	-	-	4,997	25,550
Depreciation charge	-	(21,389)	(1,190)	(332,743)	(12)	(1,062)	(2,971)	(5,008)	(364,375)
Closing net book value	36,631	444,950	6,031	6,392,447	966	2,301	12,398	38,328	6,934,052
At 31 December 2012									
Cost	36,631	731,041	23,807	10,468,307	2,893	5,338	20,690	74,872	11,363,579
Accumulated depreciation	-	(286,091)	(17,776)	(4,075,860)	(1,927)	(3,037)	(8,292)	(36,544)	(4,429,527)
Net book value	36,631	444,950	6,031	6,392,447	966	2,301	12,398	38,328	6,934,052
Year ended 31 December 2013									
Opening net book value	36,631	444,950	6,031	6,392,447	966	2,301	12,398	38,328	6,934,052
Additions	90,559	7,637	-	955,536	1,523	2,260	2,866	36,510	1,096,891
Derecognition (Note 8.1.3):									
Cost	-	-	-	(146,552)	-	-	-	(517)	(147,069)
Accumulated depreciation	-	-	-	146,552	-	-	-	517	147,069
Depreciation charge	-	(21,616)	(1,190)	(482,657)	(208)	(1,326)	(2,954)	(6,610)	(516,561)
Closing net book value	127,190	430,971	4,841	6,865,326	2,281	3,235	12,310	68,228	7,514,382
At 31 December 2013									
Cost	127,190	738,678	23,807	11,277,291	4,416	7,598	23,556	110,865	12,313,401
Accumulated depreciation	-	(307,707)	(18,966)	(4,411,965)	(2,135)	(4,363)	(11,246)	(42,637)	(4,799,019)
Net book value	127,190	430,971	4,841	6,865,326	2,281	3,235	12,310	68,228	7,514,382
Annual rate of depreciation (%)		2.5-10	5	2.5-33	10-33	20	6.67-33	6.25-33	

	2013 (Rupees in thousand)	2012
8.1.1 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 15)	504,273	354,132
Administrative expenses (Note 16)	12,288	10,243
	<u>516,561</u>	<u>364,375</u>

8.1.2 Property, plant and equipment include operating fixed assets costing Rupees 49,878 million (2012: Rupees 56.505 million) which are fully depreciated but still in the use of the Company.

8.1.3 This represents operating fixed assets derecognized during the year due to replacement of assets as per requirement of IAS 16 "Property, Plant and Equipment".

	2013 (Rupees in thousand)	2012
8.2 Capital work-in-progress		
Civil works	207,901	26,406
Plant and machinery (Note 8.2.1)	479,159	1,126,706
Others	2,238	1,808
	<u>689,298</u>	<u>1,154,920</u>

8.2.1 It includes borrowing cost amounting to Rupees 28.313 million (2012: Rupees 7.003 million) capitalized during the year using capitalization rates ranging from 11.34% to 11.76% (2012: 12.53%) per annum.

9. FUEL STOCK

Furnace oil	329,941	297,985
Diesel	7,575	14,857
	<u>337,516</u>	<u>312,842</u>

10. TRADE DEBTS

Considered good	10,046,693	12,770,094
Considered doubtful (Note 10.3)	64,423	145,712
	<u>10,111,116</u>	<u>12,915,806</u>
Provision for doubtful trade debts (Note 10.4)	-	(145,712)
Written off during the year (Note 17)	(64,423)	-
	<u>10,046,693</u>	<u>12,770,094</u>

10.1 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 5,006 million (2012: Rupees 7,191 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
10.2 As at 31 December, age analysis of trade debts was as follows:		
Neither past due nor impaired	4,344,863	4,785,308
Past due but not impaired:		
- 26 to 90 days	4,186,893	807,775
- 91 to 180 days	1,391,876	1,120,437
- 181 to 365 days	123,061	2,129,064
- above 365 days	-	3,927,510
	5,701,830	7,984,786
	10,046,693	12,770,094
10.3 These represent amounts not acknowledged by WAPDA.		
10.4 Provision for doubtful trade debts		
Opening balance	145,712	121,718
Charge for the year (Note 17)	-	23,994
Trade debts written off during the year against provision	(145,712)	-
Closing balance	-	145,712
11. ADVANCES AND SHORT-TERM PREPAYMENTS		
Advances to suppliers - considered good	593,433	449,012
Advance income tax - net	134,092	110,638
Short-term prepayments	2,678	2,100
	730,203	561,750
12. OTHER RECEIVABLES		
Recoverable from WAPDA as pass through items:		
Workers' profit participation fund (Note 12.1 and 7.1.1)	434,798	494,861
Workers' welfare fund (Note 12.2)	-	-
Others	182	182
	434,980	495,043
12.1 Workers' profit participation fund		
Opening balance	494,861	393,315
Allocation for the year (Note 17.3)	55,487	101,546
Amount received during the year	(115,550)	-
Closing balance	434,798	494,861

	2013 (Rupees in thousand)	2012
12.2 Workers' welfare fund - net		
Opening balance	5,135	5,135
Provision for doubtful receivable	(5,135)	(5,135)
Closing balance	-	-

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

13. CASH AND BANK BALANCES

Cash in hand	302	28
Cash at banks - saving accounts (Note 13.1)	260,297	113,839
	<u>260,599</u>	<u>113,867</u>

13.1 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
14. REVENUE		
Capacity	4,258,274	4,257,341
Energy	38,333,954	33,207,373
Interest on delayed payments	606,115	819,302
Supplemental bonus income	9,010	14,485
Gross revenue	43,207,353	38,298,501
Sales tax	(5,463,672)	(4,580,327)
	<u>37,743,681</u>	<u>33,718,174</u>
15. COST OF SALES		
Fuel consumed (Note 15.1)	34,306,941	29,480,092
Operation and maintenance costs (Note 15.2)	463,581	525,822
Insurance	312,566	257,553
Depreciation (Note 8.1.1)	504,273	354,132
Others	628	390
	<u>35,587,989</u>	<u>30,617,989</u>

	2013 (Rupees in thousand)	2012
15.1 Fuel consumed		
Opening stock	312,842	330,227
Purchased during the year	34,331,615	29,462,707
	<u>34,644,457</u>	<u>29,792,934</u>
Closing stock	(337,516)	(312,842)
	<u>34,306,941</u>	<u>29,480,092</u>
15.2 Operation and maintenance costs		
Salaries, wages and other benefits	127,762	114,389
Repair and maintenance	125,873	234,604
Stores and spare parts consumed	158,881	110,227
Fee and subscription	4,406	3,631
Electricity consumed in-house	46,659	62,971
	<u>463,581</u>	<u>525,822</u>

15.2.1 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 charged by Lalpir Power Limited - associated company in accordance with "Shared Facilities Agreement".

	2013 (Rupees in thousand)	2012
16. ADMINISTRATIVE EXPENSES		
Salaries and other benefits	70,502	69,183
Travelling, conveyance and entertainment	16,173	13,235
Communication and utilities	1,573	1,928
Insurance	5,969	7,219
Legal and professional charges	18,280	9,431
Printing and stationery	2,680	1,629
Office rent	6,278	6,278
Depreciation (Note 8.1.1)	12,288	10,243
Community welfare	7,248	8,095
Security services	102	1,269
General expenses	20,942	15,796
	<u>162,035</u>	<u>144,306</u>

16.1 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 charged by Lalpir Power Limited - associated company in accordance with "Shared Facilities Agreement".

	2013 (Rupees in thousand)	2012
17. OTHER OPERATING EXPENSES		
Liquidated damages to WAPDA	820	368
Auditors' remuneration (Note 17.1)	2,400	2,200
Charity and donations (Note 17.2)	-	36
Workers' profit participation fund (Note 17.3)	-	-
Provision for doubtful trade debts (Note 10.4)	-	23,994
Long term security deposit written off	15	-
Trade debts written off (Note 10)	64,423	-
	<u>67,658</u>	<u>26,598</u>
17.1 Auditors' remuneration		
Statutory audit	1,575	1,430
Half yearly review	400	400
Other certifications and reporting	350	300
Out of pocket expenses	75	70
	<u>2,400</u>	<u>2,200</u>
17.2 None of the directors of the Company or their spouses had any interest in the donee.		
17.3 Workers' profit participation fund		
Allocation for workers' profit participation fund (Note 5.2 and 7.1.1)	55,487	101,546
Allocation to workers' profit participation fund recoverable from WAPDA (Note 12.1)	(55,487)	(101,546)
	<u>-</u>	<u>-</u>
18. OTHER OPERATING INCOME		
Income from financial assets		
Interest income	15,941	126,216
Exchange gain - net	-	304
Income from assets other than financial assets		
Rental income	1,549	1,395
Scrap sales	913	4,956
	<u>18,403</u>	<u>132,871</u>

	2013 (Rupees in thousand)	2012
19. FINANCE COST		
Mark-up / interest on short-term borrowings	828,910	1,022,336
Bank charges	5,757	8,906
	<u>834,667</u>	<u>1,031,242</u>

20. TAXATION

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
21. EARNINGS PER SHARE - BASIC AND DILUTED		
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)	<u>1,109,735</u>	<u>2,030,910</u>
Weighted average number of shares (Number)	<u>372,081,591</u>	<u>372,081,591</u>
Earnings per share - basic (Rupees)	<u>2.98</u>	<u>5.46</u>

	2013 (Rupees in thousand)	2012
22. CASH GENERATED FROM / (USED IN) OPERATIONS		
Profit before taxation	1,109,735	2,030,910
Adjustments for non-cash charges and other items:		
Depreciation	516,561	364,375
Long-term security deposit written off	15	-
Provision for gratuity	9,191	7,422
Provision for doubtful trade debts	-	23,994
Trade debts written off	64,423	-
Interest income	(15,941)	(126,216)
Finance cost	834,667	1,031,242
Cash flows from operating activities before working capital changes	2,518,651	3,331,727
(Increase) / decrease in current assets:		
Stores, spare parts and other consumables	(173,713)	218,202
Fuel stock	(24,674)	17,385
Trade debts	2,658,978	(1,771,140)
Advances and short-term prepayments	(144,999)	(332,169)
Other receivables	60,063	(101,575)
Sales tax recoverable	158,802	(207,045)
	2,534,457	(2,176,342)
Increase / (decrease) in trade and other payables	33,359	(220,625)
	5,086,467	934,760

23. PROVIDENT FUND RELATED DISCLOSURES

The Company shares employees and other common costs including expense of provident fund with its associated company, Lalpir Power Limited on fifty-fifty basis in accordance with "Shared Facilities Agreement". The Company contributes to provident fund maintained by Lalpir Power Limited - associated company as disclosed in note 2.5.1. Provident fund, its investments and other matters are managed by Lalpir Power Limited - associated company. Therefore, provident fund related disclosures are presented in the financial statements of Lalpir Power Limited - associated company.

	2013	2012
24. NUMBER OF EMPLOYEES		
Number of employees as on December 31	168	161
Average number of employees during the year	162	157

25. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated 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. Remuneration to key management personnel is disclosed in note 26 and other significant transactions with related parties are as follows:

Associated company	Nature of transaction	2013 (Rupees in thousand)	2012
Nishat Mills Limited	Dividend	205,048	358,835
Adamjee Insurance Company Limited	Dividend	51,262	89,709
	Insurance premium	205,252	309,137
	Insurance claim received	1,193	-
Security General Insurance Company Limited	Dividend	12,815	22,426
	Insurance premium	184,260	-
Stanhope Investments	Dividend	105,908	336,409
Engen (Private) Limited	Dividend	128,155	224,271
Lalpir 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	187	-
Nishat Hotels and Properties Limited	Rent expense	3,139	6,278
Nishat (Aziz Avenue) Hotels and Properties Limited	Rent expense	3,139	-

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

26. REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVE DIRECTOR AND EXECUTIVES

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

	2013			2012		
	Chief Executive	Executive Director	Executives	Chief Executive	Executive Director	Executives
	(- - - - - Rupees in thousand - - - - -)					
Managerial remuneration	10,418	4,623	148,843	10,321	4,403	92,867
Medical expenses	1,080	56	4,014	1,072	65	6,691
Bonus	4,011	971	21,671	7,795	264	19,955
Retirement benefits	1,042	421	14,153	1,042	400	8,315
	16,551	6,071	188,681	20,230	5,132	127,828
Number of persons	1	1	126	1	1	118

26.1 The Company provides to chief executive, director and certain executives with free use of the Company maintained cars.

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

27. FINANCIAL RISK MANAGEMENT

27.1 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 Euro. At 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 payable		
- USD	(76,402)	(106,312)
- Euro	(11,300)	(11,300)
- JPY	-	(11,586,000)
Net exposure - USD	(76,402)	(106,312)
Net exposure - Euro	(11,300)	(11,300)
Net exposure - JPY	-	(11,586,000)

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 Euro

Average rate	135.64	120.95
Reporting date rate	145.10	128.31

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 Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 0.484 million (2012: Rupees 1.243 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 obtained at variable rates expose the Company to cash flow interest rate risk. Financial instruments obtained, 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
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	260,297	113,839
Trade debts - past due	5,006,182	7,191,046
Financial liabilities		
Short-term borrowings	6,529,932	8,710,864

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 13.520 million (2012: Rupees 14.458 million) higher / lower, mainly as a result of higher / lower interest income and as a result of lower / higher 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 security deposit	-	15
Trade debts	10,046,693	12,770,094
Other receivables	434,980	495,043
Bank balances	260,297	113,839
	<u>10,741,970</u>	<u>13,378,991</u>

Age analysis of trade debts as at reporting date is given in note 10.2.

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		4,344,863	4,785,308
National Bank of Pakistan	A-1+	AAA	JCR-VIS	157	64
Askari Bank Limited	A1+	AA	PACRA	-	66
Habib Bank Limited	A-1+	AAA	JCR-VIS	256	1
MCB Bank Limited	A1+	AAA	PACRA	507	111,433
United Bank Limited	A-1+	AA+	JCR-VIS	16	12
The Bank of Punjab	A1+	AA-	PACRA	259,332	2,221
Allied Bank Limited	A1+	AA+	PACRA	29	42
				<u>4,605,160</u>	<u>4,899,147</u>

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 4,243 million (2012: Rupees 1,589 million) available borrowing limits from financial institutions and Rupees 261 million (2012: Rupees 114 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 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	156,438	156,438	156,438	-	-	-
Accrued mark-up / interest	114,281	114,281	114,281	-	-	-
Short-term borrowings	6,529,932	6,696,329	6,621,003	75,326	-	-
	<u>6,800,651</u>	<u>6,967,048</u>	<u>6,891,722</u>	<u>75,326</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	548,164	548,164	548,164	-	-	-
Accrued mark-up	276,682	276,682	276,682	-	-	-
Short-term borrowings	8,710,864	9,159,314	7,917,820	1,241,494	-	-
	<u>9,535,710</u>	<u>9,984,160</u>	<u>8,742,666</u>	<u>1,241,494</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 have been disclosed in note 6 to these financial statements.

27.2 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.

27.3 Financial instruments by categories

Assets as per balance sheet

Long-term security deposit
Trade debts
Other receivables
Cash and bank balances

Loans and receivables	
2013 (Rupees in thousand)	2012
-	15
10,046,693	12,770,094
434,980	495,043
260,599	113,867
10,742,272	13,379,019

Liabilities as per balance sheet

Trade and other payables
Accrued mark-up / interest
Short-term borrowings

Financial liabilities at amortized cost	
2013 (Rupees in thousand)	2012
156,438	548,164
114,281	276,682
6,529,932	8,710,864
6,800,651	9,535,710

28. CAPACITY AND ACTUAL PRODUCTION

Installed capacity based on 8,760 (2012: 8,784) hours
Actual energy delivered

2013 MWH	2012 MWH
3,197,400	3,206,160
1,981,073	1,725,437

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

29. UNUTILIZED CREDIT FACILITIES

The Company has total funded and unfunded credit facilities of Rupees 10,772 million (2012: Rupees 10,180 million) and Rupees 4,243 million (2012: Rupees 4,151 million) out of which Rupees 3,651 million (2012: Rupees 1,589 million) and Rupees 300 million (2012: Rupees 800 million) respectively remained unavailed at the end of the year.

30. 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.

31. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors have proposed final cash dividend for the year ended 31 December 2013 of Rupees 1.5 per share (2012: Rupee 1.00 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.

32. DATE OF AUTHORIZATION FOR ISSUE

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

33. 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.

34. 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 Pakgen 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 26 April 2014 (Saturday) at 12.00 Noon 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:

- 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.
- Attested copies of the CNIC or the passport of beneficial owners shall be furnished with the proxy form.
- The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- 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

PAKGEN POWER LIMITED

53 - A, Lawrence Road, Lahore.

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



PAKGEN POWER LIMITED

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

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