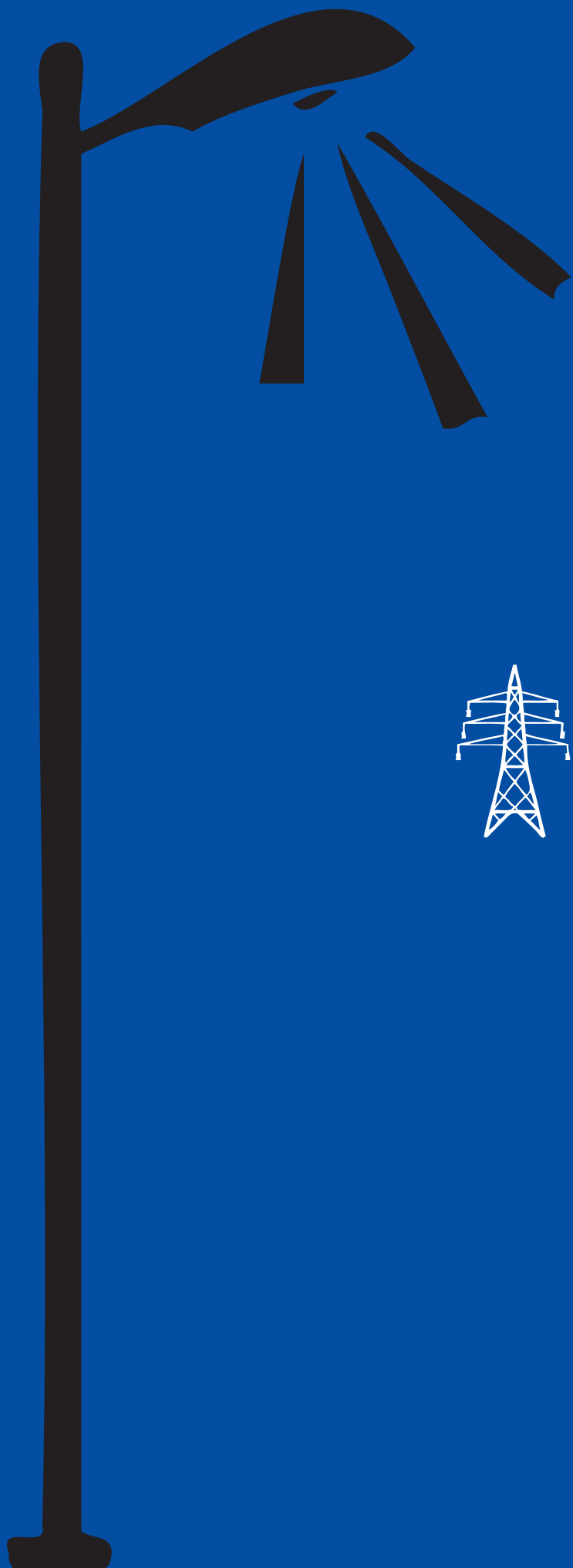




NISHAT

PAKGEN POWER LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED
DECEMBER 31
2014





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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. Ghazanfar Hussain Mirza	Chief Executive Officer
Mr. Shahid Malik	
Dr. Arif Bashir	
Mr. Aurangzeb Feroz	
Mr. Kamran Rasool	
Mr. Khawaja Muhammad Younas	
Mr. Mahmood Akhtar	

AUDIT COMMITTEE

Mr. Aurangzeb Feroz	Chairman
Mr. Khawaja Muhammad Younas	
Mr. Shahid Malik	

CHIEF FINANCIAL OFFICER

Mr. Khalid Qadeer Qureshi

COMPANY SECRETARY

Mr. Khalid Mahmood Chohan

BANKERS OF THE COMPANY

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

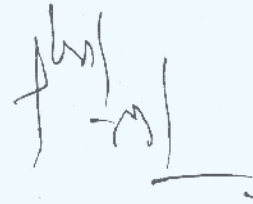
TO BECOME LEADING POWER PRODUCER
WITH SYNERGY OF CORPORATE CULTURE
AND VALUES THAT RESPECT COMMUNITY
AND ALL OTHER STAKE HOLDERS

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 Thursday, April 30, 2015 at 11:30 a.m. at Nishat Hotel, 9-A, Mian Mahmood Ali Kasuri Road, Gulberg III, 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, 2014 together with the Directors' and Auditors' reports thereon.
2. To approve Cash Dividend @ 10% (i.e. Rs. 1.00 Per Ordinary Share) as recommended by the Board.
3. To appoint statutory Auditors for the year 2015 and fix their remuneration.

By order of the Board



(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

LAHORE
March 16, 2015

NOTES:

1. BOOK CLOSURE NOTICE:-

The Share Transfer Books of Ordinary Shares of the Company will remain closed from 23-04-2015 to 30-04-2015 (both days inclusive) for entitlement of 10% Final Cash Dividend (i.e. Rs. 1.00 Per Ordinary Share) and attending of Annual General Meeting. Physical transfers / CDS Transactions IDs received in order up to 1:00 p.m. on 22-04-2015 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 10% Final Cash Dividend and attending of meeting.

2. A member eligible to attend and vote at this meeting may appoint another member his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's Registered office not less than 48 hours before the time for holding the meeting. Proxies of the Members through CDC shall be accompanied with attested copies of their CNIC. 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. The shareholder through CDC are requested to bring original CNIC, Account Number and Participant Account Number to produce at the time of attending the meeting.

3. Shareholders are requested to immediately notify the change in address, if any.

4. Submission of copy of CNIC (Mandatory):

The Securities and Exchange Commission of Pakistan (SECP) vide their S.R.O. 779 (i) 2011 dated August 18, 2011 has directed the company to print your Computerized National Identity Card (CNIC) number on your dividend warrants and if your CNIC number is not available in our records, your dividend warrant will not be issued / dispatched to you. In order to comply with this regulatory requirement, you are requested to kindly send immediately photocopy of your CNIC to your Participant / Investor Account Services or in case of physical shareholding to the

Company's Share Registrar Office, Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi.

5. Dividend Mandate (Optional):

Under Section 250 of the Companies Ordinance, 1984 a shareholder may, if so desires, direct the Company to pay dividend through his/ her/its bank account. In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide Circular Number 18 of 2012 dated June 05, 2012, kindly authorize the company for direct credit of your cash dividend in your bank account please note that giving bank mandate for dividend payments is optional, in case you do not wish to avail this facility please ignore this notice, dividend will be paid to you through dividend warrant at your registered address. If you want to avail the facility of direct credit of dividend amount in your bank account, please provide following information to Company's Share Registrar Office, Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi.

Bank Account Details of Shareholder

Title of Bank Account
Bank Account Number
Bank's name
Branch name and address
Cell number of shareholder
Landline number of shareholder, if any

It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate to the company and the concerned share registrar.

Name, signature, folio # and CNIC number of shareholder

Notes:

- (1) Those shareholders, who hold shares in book entry form in their CDS accounts, will provide the above dividend mandate information directly to their respective Participant / CDC Investor Account Services Department.
- (2) If dividend mandate information has already been provided by you, ignore this request.

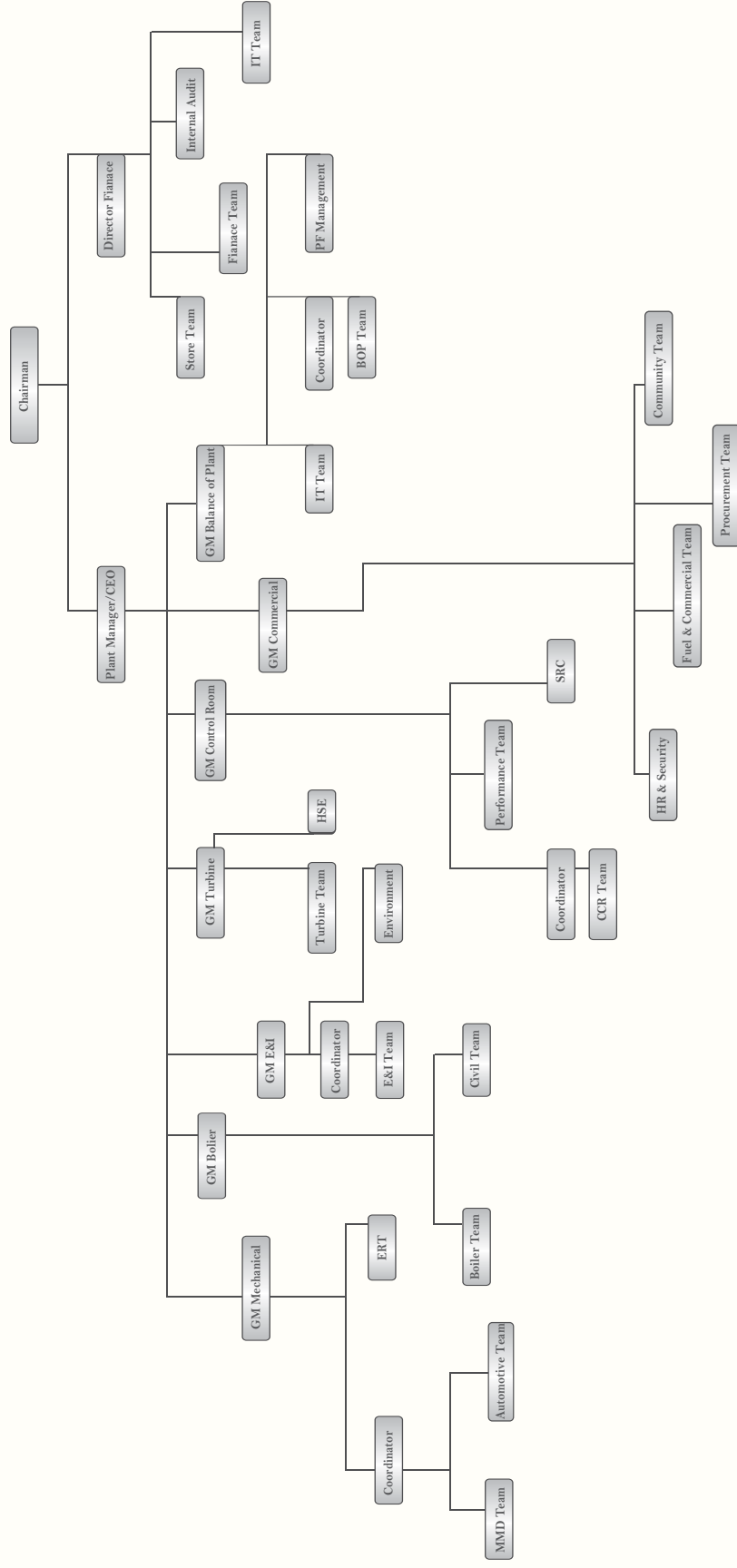
6. Transmission of Annual Financial Statements Through Email:

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 787 (I)/2014 dated September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. www.pakgen.com and send the said form duly signed by the shareholder along with copy of his CNIC to the Company's Share Registrar Office, Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi. Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice, Financial Statements will be sent to you at your registered address.

Statement under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Name of Investee Company	Lalpir Power Limited	Nishat Energy Limited
Total Investment Approved	PKR 1,000,000,000 (Rupees One Billion Only) by way of loans and advances was approved by members in AGM held on April 26, 2014 for the period of three (3) years.	PKR 4,875,000,000 (Rupees Four Billion Eight Hundred Seventy Five Million Only) by way of acquisition of 487,500,000 ordinary shares of Rs. 10/- each was approved by members in EOGM held on December 15, 2014 for the period of three (3) years.
Amount of Investment Made to date	NIL	PKR 2,500,000
Reason for not having made complete Investment so far where resolution Required to be implemented in Specified time.	The approval was not for long term debts. The companies have expense share agreement between them. Whenever expenses are incurred by one company, the other company's account is debited and subsequently clear the account after receiving the payment.	The investment in Nishat Energy is based on certain milestone which are not achieved yet, and the first of such is conducting feasibility study. Proposals have sought from various European consultants and its evaluation is underway.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	At the time of approval, as per then available latest financial statements for the year ended December 31, 2013, the basic Earnings per Share was Rs. 1.70 and Break-up Value per Share was Rs. 31.81. As per Latest available financial statements for the year ended 31 December 2014, the Basic Earnings per share is Rs. 2.09 and Break-up Value per Share is Rs. 32.38.	Loss from the date of approval upto 31 Dec 2014 Rs.442,410 Loss per share is Rs.0.44 and break up value per share is Rs. 9.56.

ORGANIZATION CHART



DIRECTOR'S PROFILE

Mian Hassan Mansha

Chairman

Mian 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, Adamjee Insurance Company Limited and Pakgen Power Limited. He is also the Chief Executive of Nishat Power Limited.

Mr. Ghazanfar Hussain Mirza

Chief Executive Officer

Mr. Ghazanfar Hussain Mirza has 34 years of experience in business development, business and corporate management in an engineering, technical and multinational environment. He has been Managing Director of Wartsila Corporation (Finland) companies in Pakistan and Saudi Arabia. Mr. Mirza has a bachelor's degree in Mechanical Engineering from NED University of Engineering & Technology.

Mr. Khawaja Muhammad Younas

Director

Mr. Khawaja Muhammad Younas holds B.Sc (Hons) degree from Bahauddin Zakariya University. He is managing the family owned business as Director in the name and style of Mahmood Group of Industries and running ginning, spinning, weaving, garments and leather tannery since 1977. He has a vast experience in leading different Government, Semi Government and Public Limited Companies. He holds Directorship of Mahmood Textile Mills Limited, Masood Spinning Mills Limited, Masood Fabrics Limited, Roomi Enterprises (Pvt) Limited, Roomi Foods (Pvt) Limited, He is also CEO of Roomi Fabrics Limited., Tritex Cotton Mills Limited, and Khawaja Tanneries (Pvt) Limited. He also holds other positions such as Chairman of Multan Dry Port Trust, he is also a Director of Punjab Social Security Health Management Company, and Member of Board of Director of Textile College (Bahauddin Zakriya University, Multan). Formerly, he was also director of Northern Power Generation Company Limited.

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 Bashir 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. Mahmood Akhtar

Director

Mr. Mahmood 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, 2014 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 2014 the total sales revenue of the Company was Rupees 34.923 billion (2013: Rupees 37.744 billion) and operating costs were Rupees 33.607 billion (2013: Rupees 35.611 billion), resulting in gross profit of Rupees 1.316 billion (2013: Rupees 2.133 billion). The Company earned a net profit of Rupees 612.110 million resulting in earnings per share of Rupees 1.65 per share compared to a net profit of Rupees 1,109.735 million and earnings per share of Rupees 2.98 last year.

Main reason for variation in net profit for period ended 31 December 2014 in Comparison with period ended 31 December 2013 is increase in delta loss by Rupees 411.326 Million due to increase in fuel consumption of 4.58 grams per kwh.

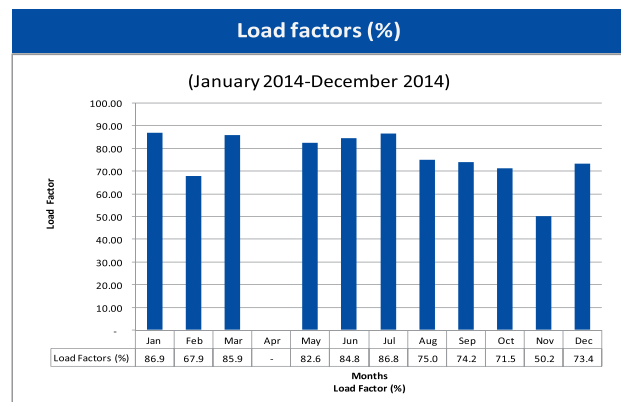
Our sole customer WAPDA remains unable to meet its obligations in accordance with the Power Purchase Agreement (PPA) which are secured under a sovereign guarantee of Government of Pakistan. As on 31 December 2014 an amount of Rupees 8.009 billion was outstanding against WAPDA of this Rupees 4.713 billion 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 4.595 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 Power Purchase Agreement.

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 2,460 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.

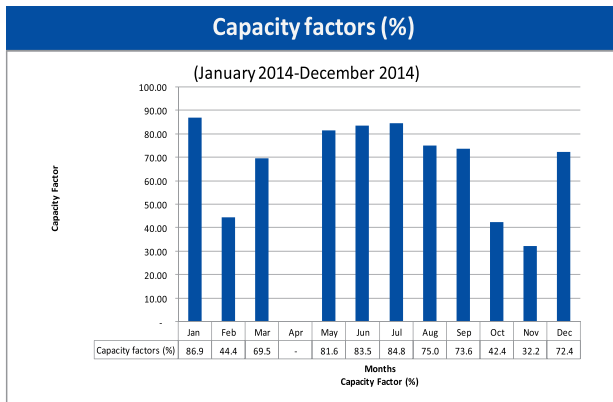
Resultantly we have disputed the said invoices of liquidate damages raised by WAPDA. Based on the strength of the case, management and the legal counsel of the company are confident that the matter will be settled in company’s favor therefore no provision has been made in these financial statements.

OPERATIONS



In response to load demanded by WAPDA, the Pakgen plant operated at capacity factor of 62.5% with an average load factor of 77.7 % and an average complex availability of 98.8% and dispatched 1,906 GWh 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 June 12th, 2014 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.

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 October 2015.

2. iWater: This project has been commissioned at LalPir. The project has proved 1.1oC improvement in cooling water temperature. It has been replicated at PakGen this year during 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 RS. 70M 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 AND 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.

Plant has zero LTA during 2014. Man-hours since last LTA have crossed to 4.8 million.

SOCIAL RESPONSIBILITY AND COMMUNITY WELFARE

Company since inception has consistently worked for the uplift of communities that are influenced directly or indirectly by our business. The Corporate Social Responsibility (CSR) program is based on the principles of transparency, accountability, integrity and sustainability. Community and stakeholder needs are carefully

assessed and strategic support is extended in line with the Company's Policies, Code of Business Ethics and business objectives. The Company takes its responsibilities to the society seriously. We want to be perceived as a good neighbor within the communities where we are present, and to contribute to worthy causes wherever and whenever we can.

Our CSR program has focused on Healthcare, education, environment and infrastructure. The initiatives undertaken seek to ensure that there is clear value addition and that the real impact is made at the grassroots level.

CSR INITIATIVES:

- The company is managing a clinic that is fully equipped with emergency facilities and diagnostics laboratory for the local community. Additionally company also arranges special eye camp for the local community on annual basis.
- Supporting operational expenses to CARE Foundation for the five adopted government schools of local community.
- Continuing support to TCF schools in local community, started from primary level and being upgraded to metric level.
- Company also running a little angle program for the free education to the house maids working in employee's community.
- The company has upgraded many local government institutions like Vocational Training Institute and higher secondary school.
- Extensive Plantation of trees. The Company has built/upgrade the infrastructure in the surrounding community like building houses damaged by flood, roads, bridges, drinking water etc. on as and when required basis.

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.

- o 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.
- o Proper books of account of the company have been maintained.
- o Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- o 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 and explained.
- o The system of internal control is sound in design and has been effectively implemented and monitored.
- o There are no doubts upon Company's ability to continue as going concern.
- o All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The director were apprised of their duties and responsibilities through orientation courses.
- o The key operating and financial data of last six years is attached to the report.

During the year under review, Seven Board of Directors Meetings were held, attendance position was as under:-

Sr. #	Name of Directors	No. of Meetings Attended
1	Mian Hassan Mansha (Director/Chairman)	7
2	Mr. Aurangzeb Firoz	6
3	*Mr. Khalid Qadeer Qureshi (Retired)	3
4	Mr. Shahid Malik	7
5	Mr. Kamran Rasool	7
6	Dr. Arif Bashir	4
7	Mr. Mahmood Akhtar	5
8	***Mr. Shahid Zulfiqar Khan CEO (Resigned)	4
9	**Khawaja Mohammad Younas	3
10	****Mr. Ghazanfar Hussain Mirza CEO	2

Mr. Khalid Qadeer Qureshi retired on June 30, 2014.

** Khawaja Mohammad Younas elected as director on June 30, 2014.

*** Mr. Shahid Zulfiqar Khan resigned on August 06, 2014.

****Mr. Ghazanfar Hussain Mirza appointed as CEO on August 06, 2014 in place of Mr. Shahid Zulfiqar Khan.

During the year under review, Four Audit Committee Meetings were held, attendance position was as under:-

Sr. #	Name of Directors	No. of Meetings Attended
1.	Mr. Aurangzeb Firoz (Member/ Chairman)	4
2.	*Mr. Mahmood Akhtar (Member)	1
3.	Mr. Shahid Malik (Member)	4
4.	**Mr. Khawaja Mohammad Younas (Member)	2

*Mr. Mahmood Akhtar retired on June 30, 2014.

**Khawaja Mohammad Younus appointed as member of audit committee on July 08, 2014 in place of Mr. Mahmood Akhtar.

ATTENDANCE OF MEMBERS IN HR COMMITTEE MEETINGS DURING THE YEAR FROM JANUARY 01, 2014 TO DECEMBER 31, 2014

During the year under review, one Human Resource & Remuneration (HR&R) Committee meeting was held, attendance position was as under:-

Sr. #	Name of Directors	No. of Meetings Attended
1.	Mian Hassan Mansha (Member/Chairman)	1
2.	Mr. Kamran Rasool (Member)	1
3.	*Mr. Shahid Zulfiqar Khan (Member)	1
4.	**Mr. Ghazanfar Hussain Mirza (Member)	0

* Mr. Shahid Zulfiqar Khan resigned on August 06, 2014.

** Mr. Ghazanfar Hussain Mirza appointed as member HR & Remuneration Committee on August 27, 2014.

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.

TRADING IN THE SHARES OF THE COMPANY

All the trades in the shares of the listed Company, carried out by its directors, executives and their spouses and minor children during the year ended December 31,2014 is annexed to this report.

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.

APPROPRIATION

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 Rupee 1 per ordinary share of Rupees 10/ each (i.e. @ 10%) which will be paid to those shareholders whose names would appear on members' register on the date as mentioned in the notice of AGM.

AUDITORS

The present auditors M/s Riaz Ahmad and Company, Chartered Accountants retired and being eligible, offer themselves for re-appointment for the year 2015. 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



(Ghazanfar Hussain Mirza)
Chief Executive Officer
Lahore: 16 March 2015

FINANCIAL DATA

	2014	2013	2012	2011	2010	2009
Dispatch Level %	63	65	56	60	51	68
Dispatch (GWH)	1,906	1,981	1,725	1,844	1,571	2,088
Revenue (Rupees.000)						
Revenue	34,922,901	37,743,681	33,718,174	31,303,251	20,506,732	21,843,189
Cost of Sales	(33,607,721)	(35,611,924)	30,612,069	28,997,530	17,958,606	17,087,648
Gross Profit	1,315,180	2,132,757	3,106,105	2,305,721	2,548,126	4,755,541
Profitability (Rupees.000)						
Profit/(Loss) before Tax	612,110	1,109,735	2,030,910	1,368,223	1,551,001	2,640,353
Provision for Income Tax	-	-	-	-	13,557	6,728
Profit/(Loss) after Tax	612,110	1,109,735	2,030,910	1,368,223	1,537,444	2,633,625
Financial Position (Rupees.000)						
Non Current Assets	8,465,608	8,203,680	8,088,987	7,637,432	7,603,829	7,815,628
Current Assets	12,491,663	13,108,105	15,536,799	14,224,302	11,716,942	9,542,822
Less; Current Liabilities	6,549,182	6,957,684	9,637,256	8,601,828	5,568,680	3,765,996
Net Working Capital	5,942,481	6,150,421	5,899,543	5,622,474	6,148,262	5,776,826
Capital Employed	14,408,089	14,354,101	13,988,530	13,259,906	13,752,091	13,592,454
Less; Long Term Loans	-	-	-	-	-	-
Less; Differed Liabilities	-	-	-	-	-	-
Share Holders Equity	14,408,089	14,354,101	13,988,530	13,259,906	13,752,091	13,592,454
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	10,570,314	10,516,326	10,150,755	9,422,131	9,914,316	9,754,679
	14,408,089	14,354,101	13,988,530	13,259,906	13,752,091	13,592,454
Dividends (Rupees.000)	-	930,204	744,164	2,418,530	1,375,561	1,037,127
Earning Per Share (Rupees)	1.65	2.98	5.46	3.68	4.13	7.08
Delta Loss (Rupees.000)	2,100,494	1,689,168	1,038,203	1,703,868	860,711	690,471
Ratios:						
Return on assets	0.03	0.05	0.09	0.06	0.08	0.15
Break up value per share of Rs. 10 each- Rupees	38.72	38.58	37.60	35.64	36.96	36.53
Current Ratio	1.91	1.88	1.61	1.65	2.10	2.53
Net Profit / (Loss) to sales (%age)	1.75%	2.94%	6.02%	4.37%	7.50%	12.06%

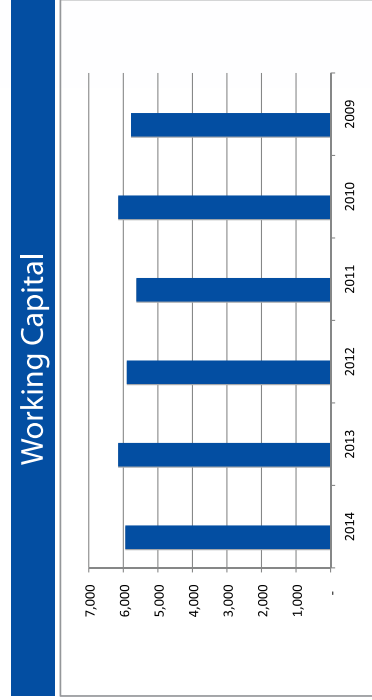
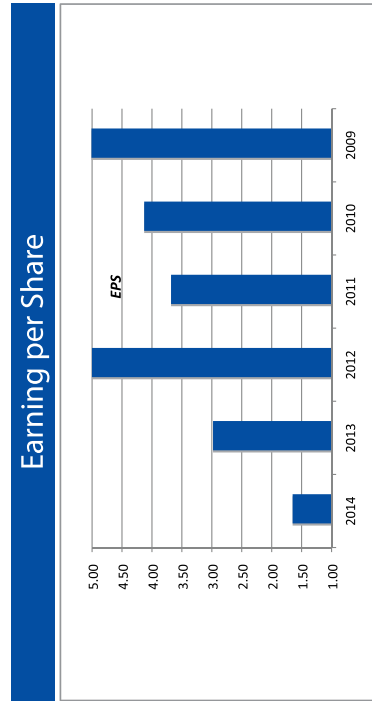
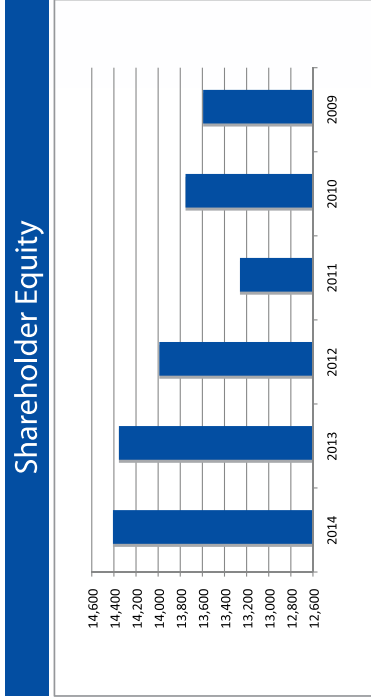
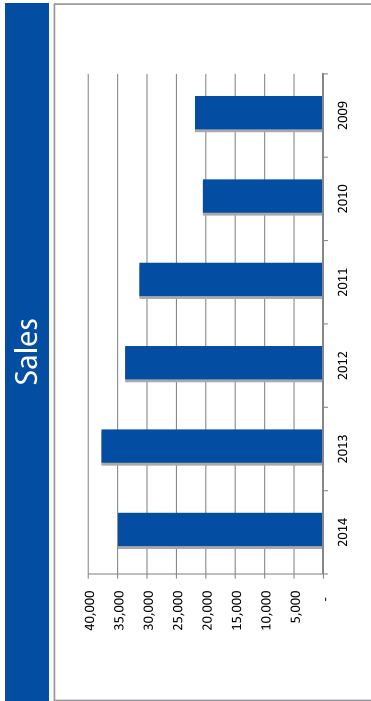
VERTICAL ANALYSIS

	2014	% of Turnover	2013	% of Turnover	2012	% of Turnover
Revenue	34,922,901	100	37,743,681	100	33,718,174	100
Cost of Sales	(33,607,721)	(96.23)	(35,587,989)	(94.29)	(30,617,989)	(90.81)
Gross Profit	1,315,180	3.77	2,155,692	5.71	3,100,185	9.19
Administration Expenses	(146,638)	(0.42)	(162,035)	(0.43)	(150,226)	(0.45)
Other operating Expenses	(2,341)	(0.01)	(67,658)	(0.18)	(26,598)	(0.08)
Other income	24,447	0.07	18,403	0.05	132,871	0.39
Finance Cost.	(578,427)	(1.66)	(834,667)	(2.21)	(1,031,242)	(3.06)
Share of loss of associated company	(111)	-	-	-	-	-
Profit for the year	612,110	1.75	1,109,735	2.94	2,030,910	6.02

HORIZONTAL ANALYSIS

	2014	14 v 13	2013	13 v 12	2012	12 v 11
Revenue	34,922,901	(7.47)	37,743,681	11.94	33,718,174	7.71
Cost of Sales	(33,607,721)	(5.56)	(35,587,989)	16.23	(30,617,989)	5.62
Gross Profit	1,315,180	(38.99)	2,155,692	(30.47)	3,100,185	34.46
Administration Expenses	(146,638)	(9.50)	(162,035)	7.86	(150,226)	8.07
Other operating Expenses	(2,341)	(96.54)	(67,658)	154.37	(26,598)	(53.35)
Other income	24,447	32.84	18,403	(86.15)	132,871	104.19
Finance Cost.	(578,427)	(30.70)	(834,667)	(19.06)	(1,031,242)	27.86
Share of loss of associated company	(111)	-	-	-	-	-
Profit for the year	612,110	(44.84)	1,109,735	(45.36)	2,030,910	48.43

PERFORMANCE REVIEW



PATTERN OF SHAREHOLDINGS

As at December 31, 2014

# of Shareholders	Shareholdings' Slab		Total Shares Held
168	1	to 100	3,458
651	101	to 500	316,420
452	501	to 1000	447,494
775	1001	to 5000	2,436,052
305	5001	to 10000	2,643,164
95	10001	to 15000	1,268,368
75	15001	to 20000	1,437,932
65	20001	to 25000	1,568,502
37	25001	to 30000	1,074,486
14	30001	to 35000	475,000
21	35001	to 40000	804,000
3	40001	to 45000	135,000
45	45001	to 50000	2,244,000
8	50001	to 55000	436,000
6	55001	to 60000	348,500
6	60001	to 65000	384,500
7	65001	to 70000	481,490
16	70001	to 75000	1,194,000
7	75001	to 80000	554,000
5	80001	to 85000	417,000
3	85001	to 90000	266,500
4	90001	to 95000	378,000
32	95001	to 100000	3,194,000
2	100001	to 105000	207,500
2	110001	to 115000	227,000
1	115001	to 120000	120,000
1	120001	to 125000	124,000
1	125001	to 130000	130,000
3	130001	to 135000	398,500
1	135001	to 140000	139,000
9	145001	to 150000	1,346,000
2	150001	to 155000	306,000
4	155001	to 160000	630,000
2	160001	to 165000	328,500
1	165001	to 170000	166,000
1	175001	to 180000	180,000
1	180001	to 185000	181,000
2	185001	to 190000	380,000
1	190001	to 195000	195,000
7	195001	to 200000	1,397,000
2	200001	to 205000	405,500
1	205001	to 210000	206,000
1	210001	to 215000	214,000
1	215001	to 220000	219,500
1	225001	to 230000	228,500
3	235001	to 240000	720,000
2	240001	to 245000	488,000
6	245001	to 250000	1,500,000
1	250001	to 255000	251,000
1	255001	to 260000	257,000
1	270001	to 275000	275,000
4	295001	to 300000	1,200,000
1	300001	to 305000	303,000
1	325001	to 330000	330,000
1	330001	to 335000	334,500
2	340001	to 345000	685,000
1	350001	to 355000	352,500

# of Shareholders	Shareholdings' Slab		Total Shares Held
1	365001	to 370000	370,000
1	370001	to 375000	372,000
2	395001	to 400000	800,000
1	435001	to 440000	436,000
1	450001	to 455000	450,198
1	465001	to 470000	467,500
1	470001	to 475000	472,500
1	495001	to 500000	500,000
2	525001	to 530000	1,054,815
1	560001	to 565000	564,000
1	585001	to 590000	585,500
1	625001	to 630000	630,000
1	645001	to 650000	650,000
1	750001	to 755000	753,237
1	760001	to 765000	763,000
1	820001	to 825000	821,000
1	835001	to 840000	836,500
1	850001	to 855000	853,500
1	885001	to 890000	890,000
1	920001	to 925000	925,000
2	995001	to 1000000	2,000,000
1	1025001	to 1030000	1,030,000
1	1050001	to 1055000	1,052,631
1	1100001	to 1105000	1,104,000
1	1115001	to 1120000	1,120,000
1	1195001	to 1200000	1,200,000
1	1280001	to 1285000	1,281,500
2	1495001	to 1500000	3,000,000
1	1550001	to 1555000	1,554,500
1	1570001	to 1575000	1,575,000
1	1595001	to 1600000	1,600,000
2	1695001	to 1700000	3,399,500
1	1910001	to 1915000	1,913,000
1	2020001	to 2025000	2,023,500
1	2060001	to 2065000	2,063,000
1	2455001	to 2460000	2,460,000
1	2495001	to 2500000	2,500,000
1	2610001	to 2615000	2,613,000
1	2970001	to 2975000	2,975,000
1	2995001	to 3000000	3,000,000
1	3020001	to 3025000	3,025,000
1	3270001	to 3275000	3,270,845
1	3735001	to 3740000	3,740,000
1	3830001	to 3835000	3,834,500
1	3995001	to 4000000	3,997,000
1	4405001	to 4410000	4,407,500
1	4495001	to 4500000	4,500,000
1	4545001	to 4550000	4,550,000
1	6405001	to 6410000	6,407,296
1	8235001	to 8240000	8,239,000
1	9615001	to 9620000	9,618,500
1	14630001	to 14635000	14,631,340
1	19720001	to 19725000	19,725,000
1	25630001	to 25635000	25,631,181
1	64385001	to 64390000	64,387,954
1	102520001	to 102525000	102,524,228
2932			372,081,591

Categories of Shareholders

As at December 2014

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	64,388,454	17.30
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			
	3	7,313,000	1.97
Banks, development finance institutions, non-banking finance companies,			
insurance companies, takaful, modarabas and pension funds			
	15	17,205,000	4.62
Mutual Funds			
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	2,500,000	0.67
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	35,000	0.01
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	80,000	0.02
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	75,000	0.02
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	1,700,000	0.46
CDC - TRUSTEE APF-EQUITY SUB FUND	1	300,000	0.08
CDC - TRUSTEE APIF - EQUITY SUB FUND	1	370,000	0.10
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	134,000	0.04
CDC - TRUSTEE FAYSAL INCOME & GROWTH FUND - MT	1	5,500	0.00
PAK QATAR INDIVIDUAL FAMILY PARTICIPANT INVEST FUND	1	40,000	0.01
CDC - TRUSTEE NAFA MULTI ASSET FUND	1	245,000	0.07
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	1	342,000	0.09
CDC - TRUSTEE ABL STOCK FUND	1	250,000	0.07
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1	1,913,000	0.51
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	1	49,500	0.01
CDC - TRUSTEE ASKARI HIGH YIELD SCHEME - MT	1	214,000	0.06

Categories of Shareholders	Shareholders	Shares Held	Percentage
General Public			
a. Local	2798	59,510,926	15.99
b. Foreign	2	10,000	0.00
Foreign Companies	5	7,526,500	2.02
OTHERS	81	58,676,666	15.77
Totals	2932	372,081,591	100.00

Share holders holding 5% or more	Shares Held	Percentage
NISHAT MILLS LIMITED	102,524,228	27.55
ENGEN (PRIVATE) LTD	64,388,454	17.30
ADAMJEE INSURANCE COMPANY LIMITED	25,631,181	6.89
MASOOD FABRICS LTD	19,725,000	5.30

All trades carried out by Directors, CEO, CFO, Company Secretary, Executives, their Spouse(s) and Minor children during the year 2014 are given as under:-

Name	Status	No. of Shares	Purchase/Sale
Mr. Aurangzeb Firoz	Director	99,500	Purchase

Pattern of Shareholders

As at December 31, 2014

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	64,387,954	17.30	
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	198,951,159	53.47
Executive		NIL	-	-	
Public sector companies and corporations					
1	03889-44	National Bank Of Pakistan	4,550,000	1.22	
2	07088-47	The Bank Of Punjab, Treasury Division.	2,613,000	0.70	
3	11304-27	Pair Investment Company Limited	150,000	0.04	
			3	7,313,000	1.97
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds					
1	02618-20	Habib Metropolitan Bank Limited	200,000	0.05	
2	02626-37	Bank Al Habib Limited	4,407,500	1.18	
3	03277-978	Invest Capital Investment Bank Limited	75,000	0.02	
4	03798-60	The Bank Of Khyber	250,000	0.07	
5	05132-26	Askari Bank Limited	4,500,000	1.21	
6	02139-29	Premier Insurance Limited	190,000	0.05	
7	03277-2184	Efu General Insurance Limited	206,000	0.06	
8	03277-2538	Efu Life Assurance Ltd	2,460,000	0.66	
9	03277-17338	East West Life Assurance Company Limited	10,000	0.00	
10	03277-57588	Atlas Insurance Limited	821,000	0.22	
11	14357-29	Alfalah Insurance Company Limited	100,000	0.03	
12	03277-1142	First Prudential Modaraba	75,000	0.02	
13	11320-25	B.r.r. Guardian Modaraba	20,000	0.01	
14	02246-42	Habib Bank Limited-Treasury Division	3,834,500	1.03	
15	14431-29	Cdc - Trustee Nafa Islamic Pension Fund Equity Account	56,000	0.02	
			15	17,205,000	4.62

S.No.	Folio #	Name of shareholder	Number of shares	Percentage %	
Mutual Funds					
1	05959-27	Cdc - Trustee Atlas Stock Market Fund	2,500,000	0.67	
2	06411-21	Cdc - Trustee Akd Index Tracker Fund	35,000	0.01	
3	07062-23	Cdc - Trustee Al Meezan Mutual Fund	80,000	0.02	
4	07070-22	Cdc - Trustee Meezan Islamic Fund	75,000	0.02	
5	09449-25	Cdc - Trustee Atlas Islamic Stock Fund	1,700,000	0.46	
6	10603-21	Cdc - Trustee Apf-Equity Sub Fund	300,000	0.08	
7	10900-25	Cdc - Trustee Apif - Equity Sub Fund	370,000	0.10	
8	14514-28	Cdc - Trustee First Capital Mutual Fund	134,000	0.04	
9	14811-22	Cdc - Trustee Faysal Income & Growth Fund - Mt	5,500	0.00	
10	07419-8676	Pak Qatar Individual Family Participant Invest Fund	40,000	0.01	
11	09506-26	Cdc - Trustee Nafa Multi Asset Fund	245,000	0.07	
12	10801-27	Cdc - Trustee Nafa Islamic Asset Allocation Fund	342,000	0.09	
13	12195-21	Cdc - Trustee Abl Stock Fund	250,000	0.07	
14	14373-27	Mcbfsl - Trustee Abl Islamic Stock Fund	1,913,000	0.51	
15	14803-23	Cdc - Trustee Faysal Savings Growth Fund - Mt	49,500	0.01	
16	15115-26	Cdc - Trustee Askari High Yield Scheme - Mt	214,000	0.06	
			16	8,253,000	2.22
General Public Foreign					
1	03590-2631	Fazal Rehman	9,500	0.00	
2	05587-55281	Pervaiz Rabbani Khan	500	0.00	
			2	10,000	0.00
Foreign Companies					
1	00521-3811	Acadian Frontier Markets Equity Fund	1,554,500	0.42	
2	00521-5592	Polunin Discovery Funds-Frontier Markets Fund	3,997,000	1.07	
3	03533-698	Habib Bank Ag Zurich, Zurich,Switzerland	1,000,000	0.27	
4	03533-722	Habib Bank Ag Zurich, Deira Dubai	925,000	0.25	
5	06502-5283	Tariic Holding Company Bsc (Closed)	50,000	0.01	
			5	7,526,500	2.02
Others					
1	11544-3816	Pak Asian Fund Limited 5,000	0.00		
2	00992-36	Concordia Securities (Pvt) Limited	100,000	0.03	
3	00992-3345	F & B Bulk Storage (Pivate) Limited	10,000	0.00	
4	01164-7584	Trustees D.g.khan Cement Co. Ltd. Employees Provident Fund	240,000	0.06	
5	01446-874	Trustee - Mcb Provident Fund Pak Staff	3,270,845	0.88	
6	03277-4230	Crescent Steel And Allied Products Ltd.	100,000	0.03	
7	03277-4841	Bulk Management Pakistan (Pvt.) Ltd.	257,000	0.07	
8	03277-4865	Shakoo (Pvt) Ltd. 753,237	0.20		
9	03277-4927	Prudential Capital Management Limited	10,000	0.00	
10	03277-6166	Masood Fabrics Ltd 19,725,000	5.30		
11	03277-7421	Trustees Saeeda Amin Wakf	20,000	0.01	
12	03277-7633	Trustees Mohamad Amin Wakf Estate	90,000	0.02	

S.No.	Folio #	Name of shareholder	Number of shares	Percentage %
13	03277-30088	Roomi Fabrics Ltd 9,618,500	2.59	
14	03277-38435	Premier Mercantile Services (Private) Limited	25,000	0.01
15	03277-50851	Masood Spinning Mills Limited	8,239,000	2.21
16	03277-67767	Anam Fabrics (Pvt) Ltd. 219,500	0.06	
17	03277-72917	Dawood Family Takaful Limited	20,000	0.01
18	03277-78974	Cs Capital (Pvt) Ltd 20,000	0.01	
19	03277-82362	Trustees Of Khatida Adamjee Foundation	25,000	0.01
20	03525-48327	Suraj Cotton Mills Ltd. 330,000	0.09	
21	03525-57613	City Schools(Pvt) Ltd 526,315	0.14	
22	03525-63474	Pyramid Investments (Pvt) Ltd.	450	0.00
23	03525-64045	Nh Capital Fund Ltd 1,000	0.00	
24	03525-65723	Akram Cotton Mills Limited	10,000	0.00
25	03525-75718	Trustees Kaukab Mir Memorial Welfare Trust	3,500	0.00
26	03525-78461	Trustees City Schools Provident Fund Trust	1,052,631	0.28
27	03525-82219	Uhf Consulting (Private) Limited	1,528	0.00
28	03939-19211	S. Z. Securities (Pvt.) Limited	3,000	0.00
29	04143-778	Mumtaz Enterprises Pvt Ltd.	240,000	0.06
30	04184-22	Azee Securities (Private) Limited	100,000	0.03
31	04192-2126	Managing Committee Razia Sheikh Welfare Trust	30,000	0.01
32	04218-1868	Trustees Resource Development Foundation	5,000	0.00
33	04366-20	Multiline Securities (Pvt) Limited	243,000	0.07
34	04457-45	Fdm Capital Securities (Pvt) Limited	100,000	0.03
35	04705-65373	Associated Consultancy Centre (Pvt) Limited	870	0.00
36	04879-28	Akhai Securities (Private) Limited	1,000	0.00
37	04895-26	Djm Securities (Private) Limited	32,500	0.01
38	05298-28	Maan Securities (Private) Limited	500	0.00
39	05348-21	Hh Misbah Securities (Private) Limited	7,000	0.00
40	05736-15	Ncc - Pre Settlement Delivery Account	139,000	0.04
41	06122-47191	Trustee- Hi-Tech Lubricants Ltd- Employees Provident Fund	10,000	0.00
42	06122-49239	Siddiq Leather Works (Pvt) Ltd	10,000	0.00
43	06445-28	Darson Securities (Pvt) Limited	5,000	0.00
44	06452-27	Arif Habib Limited 500	0.00	
45	06452-15645	Trustee Greaves Pakistan (Pvt) Ltd Employees Provident Fund	10,000	0.00
46	06452-22971	Trustee Greaves Pakistan (Pvt) Ltd Staff Gratuity Fund 10,000	0.00	
47	06650-22	Saao Capital (Pvt) Limited	30,000	0.01
48	06882-25	Awj Securities (Private) Limited.	1,000	0.00
49	07419-10359	Trustee- J. K. Spinning Ltd. Employees Provident Funds	70,000	0.02
50	09639-21	Ksr Stock Brokerage (Pvt) Ltd.	10,000	0.00
51	10181-24	Horizon Securities Limited	290	0.00
52	11478-28	Cma Securities (Pvt) Limited	45,000	0.01
53	13649-24	Js Global Capital Limited - Mf	155,500	0.04
54	13987-24	Employees Old Age Benefits Institution	1,699,500	0.46
55	14589-21	Standard Capital Securities (Pvt) Limited - Mf	10,000	0.00
56	00307-75113	Rs Capital (Private) Limited	50,000	0.01

S.No.	Folio #	Name of shareholder	Number of shares	Percentage %
57	03277-226	Roomi Enterprises (Pvt) Limited.	3,025,000	0.81
58	03277-11924	Amir Fine Exports (Pvt) Ltd.	3,740,000	1.01
59	03277-45542	Naveena Exports (Pvt) Ltd	853,500	0.23
60	03277-64506	Alliance Investment Management Limited	50,000	0.01
61	03277-72577	Hameed Shafi Holdings (Pvt) Ltd.	20,000	0.01
62	03277-82754	Sapphire Holding Limited	50,000	0.01
63	03277-87008	Sapphire Finishing Mills Limited	100,000	0.03
64	03657-25	Continental Capital Management (Pvt) Ltd	1,500	0.00
65	04234-8465	Hussain Mills Limited 10,000	0.00	
66	04432-21	Adam Securities (Pvt) Ltd.	25,000	0.01
67	04481-27649	Engen (Private) Limited 88,500	0.02	
68	04804-25436	Shafi Lifestyle (Pvt) Limited	250,000	0.07
69	04804-25444	Ever Fresh Farms (Pvt) Limited	250,000	0.07
70	05116-28	Time Securities (Pvt.) Ltd.	203,500	0.05
71	06122-2501	Muhammad Shafi Tanneries (Pvt) Ltd (00378)	150,000	0.04
72	06122-39487	Shafi Poultry N Products (Pvt.) Ltd	35,000	0.01
73	06452-10604	Trustee Cherat Cement Co. Ltd		
		Employees Provident Fund	50,000	0.01
74	07302-23	Habib Ullah Sheikh (Pvt) Ltd.	30,000	0.01
75	07310-22	Yasir Mahmood Securities (Pvt) Ltd.	25,000	0.01
76	12484-7757	Muhammad Shafi Tanneries (Pvt) Limited	75,000	0.02
77	12716-1156	Muhammad Shafi Tanneries (Pvt.) Limited	99,000	0.03
78	12732-4794	Naseem Enterprises & Trading (Pvt) Ltd	1,500,000	0.40
79	13227-25	Elixir Securities Pakistan (Pvt.) Ltd. - Mf	228,500	0.06
80	13417-39228	Unified Ventures (Pvt) Ltd	100,000	0.03
81	14118-27	Asda Securities (Pvt.) Ltd.	25,000	0.01
		81	58,676,666	15.77
Total	2932	372,081,591	100.00	
General Public Local		2798	59,510,926	15.99

TO ALL MEMBERS OF THE COMPANY

Dear Sir (s) / Madam,

INFORMATION UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

The members of Pakgen Power Limited ("the Company") are hereby informed that the Board of Directors in their meeting held on March 16, 2015 has revised the monthly remuneration of Mr. Ghazanfar Husain Mirza, Chief Executive Officer of the Company from PKR 1,484,000 (equivalent of US \$ 15,000) to PKR 1,545,833 and bonus @ 20% of annual basic salary, with effect from January 01, 2015. There is no change in other terms and conditions of his appointment.

The Company shares remuneration of CEO with its associated company Lalpir Power Limited on fifty-fifty basis in accordance with "Shared Facilities Agreement".

Lahore
Dated: March 16, 2015



Khalid Mahmood Chohan
Company Secretary

Statement of Compliance with the Code of Corporate Governance (CCG 2012) [See Clause (XL)]

Name of Company: Pakgen Power Limited

Year ended: December 31, 2014.

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited 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	Khawaja Muhammad Younas
Executive Directors	Mr. Ghazanfar Hussain Mirza - CEO
Non Executive Directors	Mian Hassan Mansha Mr. Aurangzeb Firoz Mr. Kamran Rasool Mr. Shahid Malik Dr. Arif Bashir Mr. Mahmood Akhtar

The independent director meets the criteria of Independence under clause i(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on the board of more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. The directors have confirmed that they are registered 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. One casual vacancy of (CEO) occurred during the year and was filled up on 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. The board arranged followings for its directors during the year.

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 due to 14 years of education and 15 years of experience on the board of a listed company.
 - (ii) Three directors, Mr. Aurangzeb Firoz, Dr. Arif Bashir and Mr. Mahmood Akhtar have completed the directors training programme.
10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made during the year. The remuneration of CFO 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 2012 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 of 3 members of whom 2 are non-executive directors and one is independent director.
 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 Human Resource and Remuneration Committee. It comprises 3 members of whom 2 are non-executive directors and the chairman of the committee is also non-executive director.

18. The board has set up an effective internal audit function, and the members of internal audit function are considered suitably qualified and experienced for the purpose and are conversant with the policies and the procedures of the Company.
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 Institute of Chartered Accountants of Pakistan (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 requirements of the CCG 2012 have been complied.



GHAZANFAR HUSSAIN MIRZA
CHIEF EXECUTIVE OFFICER
NIC Number: 35201-1478495-9

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 (“the Code”) prepared by the Board of Directors of PAKGEN POWER LIMITED (“the Company”) for the year ended 31 December 2014 to comply with the requirements of Listing Regulation 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 requirements of the Code. A review is limited primarily to inquiries of the Company personnel and reviews of various documents prepared by the Company to comply with the Code.

As a part of our audit of the 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 Directors’ 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, place before the Board of Directors for their review 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation 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 2014.



RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Atif Mirza

Date: 16 March 2015
LAHORE



FINANCIAL
HIGHLIGHTS



Auditors' Report to the Members

We have audited the annexed balance sheet of PAKGEN POWER LIMITED as at 31 December 2014 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 2014 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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: 16 March 2015

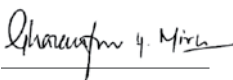
LAHORE

BALANCE SHEET

As at 31 December 2014

	Note	2014 (Rupees in thousand)	2013
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 400,000,000 (2013: 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		10,570,314	10,516,326
Total equity		14,408,089	14,354,101
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	5	1,176,151	313,471
Accrued mark-up / interest		102,694	114,281
Short-term borrowings	6	5,270,337	6,529,932
		6,549,182	6,957,684
Total liabilities		6,549,182	6,957,684
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		20,957,271	21,311,785

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


CHIEF EXECUTIVE

	Note	2014 (Rupees in thousand)	2013
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	8,462,919	8,203,680
Long-term investment	9	2,389	-
Long-term security deposit		300	-
		8,465,608	8,203,680
CURRENT ASSETS			
Stores, spare parts and other consumables		796,713	744,513
Fuel stock	10	470,121	337,516
Trade debts	11	8,009,287	10,046,693
Advances and short-term prepayments	12	538,785	730,203
Other receivables	13	187,617	434,980
Sales tax recoverable		994,153	553,601
Cash and bank balances	14	1,494,987	260,599
		12,491,663	13,108,105
TOTAL ASSETS		20,957,271	21,311,785



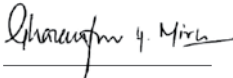
DIRECTOR

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

	Note	2014 (Rupees in thousand)	2013
REVENUE	15	34,922,901	37,743,681
COST OF SALES	16	(33,607,721)	(35,611,924)
GROSS PROFIT		1,315,180	2,131,757
ADMINISTRATIVE EXPENSES	17	(146,638)	(138,920)
OTHER EXPENSES	18	(2,341)	(66,838)
OTHER INCOME	19	24,447	18,403
PROFIT FROM OPERATIONS		1,190,648	1,944,402
FINANCE COST	20	(578,427)	(834,667)
SHARE OF LOSS OF ASSOCIATED COMPANY	9	(111)	-
PROFIT BEFORE TAXATION		612,110	1,109,735
TAXATION	21	-	-
PROFIT AFTER TAXATION		612,110	1,109,735
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		612,110	1,109,735
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	22	1.65	2.98

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


CHIEF EXECUTIVE

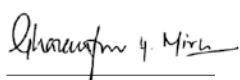

DIRECTOR

CASH FLOW STATEMENT

for the year ended 31 December 2014

	Note	2014 (Rupees in thousand)	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	23	4,446,522	5,086,467
Finance cost paid		(620,265)	(997,068)
Interest income received		13,848	15,941
Long-term security deposit made		(300)	-
Income tax paid		(31,132)	(23,454)
Gratuity paid		(10,401)	(9,191)
Net cash generated from operating activities		3,798,272	4,072,695
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(749,228)	(631,269)
Proceeds from disposal of operating fixed assets		5,430	-
Long-term investment made		(2,500)	-
Net cash used in investing activities		(746,298)	(631,269)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(557,991)	(1,113,762)
Net cash used in financing activities		(557,991)	(1,113,762)
Net increase in cash and cash equivalents		2,493,983	2,327,664
Cash and cash equivalents at beginning of the year		(6,269,333)	(8,596,997)
Cash and cash equivalents at end of the year		(3,775,350)	(6,269,333)
CASH AND CASH EQUIVALENTS			
Cash in hand		427	302
Cash at banks		1,494,560	260,297
Short-term borrowings		(5,270,337)	(6,529,932)
		(3,775,350)	(6,269,333)

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



CHIEF EXECUTIVE



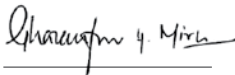
DIRECTOR

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	RESERVES		TOTAL EQUITY	
	Capital	Revenue		
	Retained payments reserve	Un-appropriated profit		
(-----Rupees in thousand-----)				
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 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
Profit for the year ended 31 December 2014	-	-	612,110	612,110
Other comprehensive income for the year ended 31 December 2014	-	-	-	-
Total comprehensive income for the year ended 31 December 2014	-	-	612,110	612,110
Transactions with owners - final dividend for the year ended 31 December 2013 @ Rupees 1.5 per share	-	-	(558,122)	(558,122)
Balance as at 31 December 2014	3,720,816	116,959	10,570,314	14,408,089

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 2014

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, 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:

	2014 (Rupees in thousand)	2013
De-recognition of property, plant and equipment	(8,384,782)	(8,117,626)
Recognition of lease debtor	4,486,472	4,574,038
	<u>(3,898,310)</u>	<u>(3,543,588)</u>
Decrease in un-appropriated profit at the beginning of the year	(3,543,588)	(2,876,401)
Decrease in profit for the year	(354,722)	(667,187)
Decrease in un-appropriated profit at the end of the year	<u>(3,898,310)</u>	<u>(3,543,588)</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) Interpretation and amendments to published approved standards that are effective in current year and are relevant to the Company

The following interpretation and amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 January 2014:

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, application of these amendments does not result any impact on the Company's financial statements.

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. However, application of this interpretation does not result any impact on the Company's financial statements.

e) Amendments to published standards that are effective in current year but not relevant to the Company

There are amendments to published standards 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.

f) Standards and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2015 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2015). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an

investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 01 January 2015) provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2015). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2015). 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 IFRSs. The requirements, which are largely aligned between IFRSs 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 IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 01 January 2015) provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that: an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss; requires additional disclosures; and require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements.

Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture (effective for annual periods beginning on or after 01 January 2016). These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 27 (Amendments), 'Separate Financial Statements' (effective for annual periods beginning on or after 01 January 2016). The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

IAS 32 (Amendments) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2012 Cycle, incorporating amendments to six IFRSs more specifically in IFRS 13 'Fair Value Measurement' and IAS 24 'Related Party Disclosures', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2013 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 13 'Fair Value Measurement', which is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 25 September 2014, IASB issued Annual Improvements to IFRSs: 2012 – 2014 Cycle, incorporating amendments to four IFRSs more specifically in IAS 19 'Employee Benefits' and IAS 34 'Interim Financial Reporting', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2016. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

g) Standard and amendments to published standards that are not yet and not considered relevant to the Company

There are other standard and amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2015 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 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for “Investment at fair value through profit or loss” which is initially measured at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 ‘Financial Instruments: Recognition and Measurement’ to all investments, except investments accounted for under equity method for associates, which are tested for impairment in accordance with the provisions of IAS 36 ‘Impairment of Assets’.

2.4.1 Investment at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

2.4.2 Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

2.4.3 Investment in associates - (with significant influence)

Investment in associates is valued using equity method in accordance with the IAS 28 “Investments in Associates”.

2.4.4 Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit and loss account. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date. Fair value of investments in open-end mutual funds is determined using redemption price.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'.

2.5 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.

2.6 Employee benefits

2.6.1 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.

2.6.2 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".

2.7 Inventories

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

2.7.1 Fuel stock

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

2.7.2 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.

2.8 Financial instruments

2.8.1 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.

2.8.2 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.

2.8.3 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.

2.9 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.

2.10 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.

2.11 Taxation

2.11.1 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.

2.11.2 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.

2.12 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.

2.13 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.

2.14 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.

2.15 Trade and other payables

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

2.16 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.

2.17 Impairment

2.17.1 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.

2.17.2 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.

2.18 Revenue

2.18.1 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.

2.18.2 Interest income

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

2.18.3 Rental income

Rental income is recognized on accrual basis.

2.19 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.

2.20 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

2014 (Number of Shares)		2013	2014 (Rupees in thousand)		2013
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
<u>372,081,591</u>	<u>372,081,591</u>		<u>3,720,816</u>		<u>3,720,816</u>

3.1 Ordinary shares of the Company held by associated companies:

	2014 (Number of shares)	2013
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
Engen (Private) Limited	64,388,454	64,077,454
	<u>198,951,159</u>	<u>209,920,477</u>

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.

	2014 (Rupees in thousand)	2013
Short-term borrowings	5,270,337	6,529,932
Cash and bank balances	(1,494,987)	(260,599)
Net debt	<u>3,775,350</u>	<u>6,269,333</u>
Equity	<u>14,408,089</u>	<u>14,354,101</u>
Equity and net debt	<u>18,183,439</u>	<u>20,623,434</u>
Gearing ratio	<u>20.76%</u>	<u>30.40%</u>

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

	2014 (Rupees in thousand)	2013
Creditors	1,094,768	105,740
Accrued liabilities	44,364	44,198
Workers’ profit participation fund payable (Note 5.1)	30,606	157,033
Unclaimed dividend	5,244	5,113
Others	1,169	1,387

1,176,151	313,471
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5.1 Workers’ profit participation fund payable

Opening balance	157,033	101,546
Allocation for the year (Note 18.2)	30,606	55,487
Payments made during the year	(157,033)	-
Closing balance	30,606	157,033

6. SHORT TERM BORROWINGS

From banking companies

Working capital finances - secured (Note 6.1)	5,026,037	6,284,746
Short term finance - secured (Note 6.2)	244,300	244,300
Temporary overdraft - unsecured	-	886
	5,270,337	6,529,932

6.1 The Company has total working capital finance facilities of Rupees 10,472 million (2013: Rupees 10,472 million) available from commercial banks out of which Rupees 5,446 million (2013: Rupees 4,187 million) remained unutilized at year end. These facilities carry mark-up at average offer rate for 1 month to 6 months KIBOR plus 0.45% to 2.50% (2013: 1 month to 6 months KIBOR plus 0.75% to 2.50%) per annum payable quarterly / semi-annually (2013: quarterly / semi-annually). The effective interest rate during the year ranges from 10.07% to 12.94% (2013: from 10.24 % to 14.53%) per annum. These facilities are secured by way of charge to the extent of Rupees 15,368 million (2013: Rupees 15,410 million) on the present and future current assets of the Company.

- 6.2** The Company obtained short term finance of Rupees 300 million (2013: Rupees 300 million) from NIB Bank Limited out of which Rupees 56 million (2013: 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% (2013: 3 month KIBOR plus 2.25%) per annum payable quarterly. The effective interest rate charged during the year is 12.32% to 12.43% (2013: 11.34% to 11.76%) per annum. This is repayable 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 (2013: 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 (2013: 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 17th (up to December 2014) 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 2,460 million (2013: Rupees 2,380 million). Out of these the Company has accepted and paid Rupees 220 million (2013: 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. During the year, the management of the Company initiated the expert mediation with WAPDA. Currently, the Company has finalised the expert appointment under the mechanism given in the PPA. Further, 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 Deputy Commissioner Inland Revenue (DCIR) issued orders to the Company in which sales tax refund claims amounting to Rupees 1,486.302 million for the tax periods July 2009 and January 2010 to July 2012 were rejected by apportioning input sales tax between capacity invoices and energy invoices and allowed input sales tax allocated to energy invoices only. Against aforesaid orders, the Company filed appeals before Commissioner Inland Revenue [CIR(A)] which were decided in favour of the Company. Against these orders, tax department has filed appeals before Appellate Tribunal Inland Revenue (ATIR) where these are still pending. Subsequent to that, during the year, DCIR has issued show cause notice to the Company for the tax periods from July 2009 to December 2012 declaring refund claims amounting to Rupees 2,374.766 million being inadmissible on same grounds. The Company has challenged the notice before honourable Lahore High Court, Lahore, along with reply of the show cause notice to DCIR, where it is still pending. The management is of the view that there are meritorious grounds available to defend the foregoing rejection. Consequently, no provision for such rejections has been made in these financial statements.

7.1.5 During the year, Additional Commissioner Inland Revenue (ACIR) has carried out assessment proceedings under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2013 by creating (among others) a demand of Rupees 286.756 million on account of interest on delayed payments by WAPDA not been offered for tax and clubbed with capacity and energy purchase price under the head income from business. As per tax department, this interest falls under the head income from other sources and is not exempt

from tax as the same is not covered under clause 132, Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Company has filed appeal against foregoing assessment proceedings before Commissioner Inland Revenue (Appeals) [CIR(A)]. Subsequent to the year end, CIR(A) disposed of the appeal in favour of the Company. However, tax department is entitled to file appeal against this order with ATIR. Based on management assessment and on tax advisor's opinion, the management is confident that the matter will be decided in favour of the Company in subsequent forums and accordingly no provision has been made in these financial statements.

7.1.6 Post dated cheques amounting to Rupees 455 million (2013: 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 1,514 million (2013: Rupees 1,901 million).

8. PROPERTY, PLANT AND EQUIPMENT

	2014 (Rupees in thousand)	2013
Operating fixed assets (Note 8.1)	7,358,455	6,934,052
Capital work-in-progress (Note 8.2)	1,104,464	689,298
	8,462,919	7,623,350

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 2013									
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:									
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
Year ended 31 December 2014									
Opening net book value	127,190	430,971	4,841	6,865,326	2,281	3,235	12,310	68,228	7,514,382
Additions	124,582	1,896	-	232,269	-	-	2,934	2,632	364,313
Disposal / Derecognitions (Note 8.1.3 and 8.1.4):									
Cost	-	(1,625)	-	(60,428)	-	-	-	-	(62,053)
Accumulated depreciation	-	1,035	-	60,428	-	-	-	-	61,463
Depreciation charge	-	(22,020)	(1,193)	(482,954)	(270)	(1,515)	(3,561)	(8,137)	(519,650)
Closing net book value	251,772	410,257	3,648	6,614,641	2,011	1,720	11,683	62,723	7,358,455
At 31 December 2014									
Cost	251,772	738,949	23,807	11,449,132	4,416	7,598	26,490	113,497	12,615,661
Accumulated depreciation	-	(328,692)	(20,159)	(4,834,491)	(2,405)	(5,878)	(14,807)	(50,774)	(5,257,206)
Net book value	251,772	410,257	3,648	6,614,641	2,011	1,720	11,683	62,723	7,358,455
Annual rate of depreciation (%)		2.5--10	5	2.5--33	10--33	20	6.67--33	6.25--33	

	2014 (Rupees in thousand)	2013
8.1.1 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 16)	504,974	504,273
Administrative expenses (Note 17)	14,676	12,288
	519,650	516,561

8.1.2 Property, plant and equipment include operating fixed assets costing Rupees 76.401 million (2013: Rupees 49.878 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".

8.1.4 Disposal of buildings on freehold land represents sale of house to Mr. Bilal Ahmad Masood, Islamabad for Rupees 5.430 million. The cost and book value of the building were Rupees 1.625 million and Rupees 0.590 million respectively.

	2014 (Rupees in thousand)	2013
8.2 Capital work-in-progress		
Civil works	212,253	207,901
Plant and machinery (Note 8.2.1)	892,162	479,159
Others	49	2,238
	1,104,464	689,298

8.2.1 It includes borrowing cost amounting to Rupees 30.251 million (2013: Rupees 28.313 million) capitalized during the year using capitalization rates ranging from 12.32% to 12.43% (2013: 11.34% to 11.76%) per annum.

9. LONG-TERM INVESTMENT

Associated company - under equity method

Nishat Energy Limited - unquoted 250,000 (2013: Nil) fully paid ordinary shares of Rupees 10 each		
Equity held 25% (2013: Nil) at cost	2,500	-
Less: Share of loss after income tax	111	-
	2,389	-
Carrying amount under equity method	2,389	-

9.1 Summary of financial information of associated company as per un-audited financial statements for the period ended 31 December 2014:

	2014 (Rupees in thousand)	2013
Assets	9,558	-
Liabilities	-	-
Net assets	<u>9,558</u>	<u>-</u>
Loss for the period	<u>442</u>	<u>-</u>
10. FUEL STOCK		
Furnace oil	458,612	329,941
Diesel	11,509	7,575
	<u>470,121</u>	<u>337,516</u>
11. TRADE DEBTS		
Considered good	8,009,287	10,046,693
Considered doubtful (Note 11.3)	-	64,423
	<u>8,009,287</u>	<u>10,111,116</u>
Written off during the year (Note 18)	-	(64,423)
	<u>8,009,287</u>	<u>10,046,693</u>

11.1 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 2,437 million (2013: Rupees 5,006 million) on which a penal mark-up at the rate of State Bank of Pakistan (SBP) discount rate plus 2% per annum compounded semi-annually is charged in case the amounts are not paid within due dates. The penal mark-up rate charged during the year ranges from 11.50% to 12% (2013: 11% to 12%) per annum.

	2014 (Rupees in thousand)	2013
11.2 As at 31 December, age analysis of trade debts was as follows:		
Neither past due nor impaired	5,087,247	4,344,863
Past due but not impaired:		
- 26 to 90 days	1,595,964	4,186,893
- 91 to 180 days	682,148	1,391,876
- 181 to 365 days	605,476	123,061
- above 365 days	38,452	-
	<u>2,922,040</u>	<u>5,701,830</u>
	<u>8,009,287</u>	<u>10,046,693</u>

11.3 These represented amounts not acknowledged by WAPDA.

	2014 (Rupees in thousand)	2013
11.4 Provision for doubtful trade debts		
Opening balance	-	145,712
Trade debts written off during the year against provision	-	(145,712)
Closing balance	-	-
12. ADVANCES AND SHORT-TERM PREPAYMENTS		
Advances to suppliers - considered good	371,217	593,433
Advance income tax - net	165,224	134,092
Short-term prepayments	2,344	2,678
	<u>538,785</u>	<u>730,203</u>
13. OTHER RECEIVABLES		
Recoverable from WAPDA as pass through item:		
Workers' profit participation fund (Note 13.1 and 7.1.1)	187,435	434,798
Workers' welfare fund (Note 13.2)	-	-
Others	182	182
	<u>187,617</u>	<u>434,980</u>
13.1 Workers' profit participation fund		
Opening balance	434,798	494,861
Allocation for the year (Note 18.2)	30,606	55,487
Amount received during the year	(277,969)	(115,550)
Closing balance	<u>187,435</u>	<u>434,798</u>
13.2 Workers' welfare fund		
Opening balance	5,135	5,135
Provision for doubtful receivable	(5,135)	(5,135)
Closing balance	<u>-</u>	<u>-</u>
13.2.1 Provision for Workers' Welfare Fund has not been made in these financial statements based on the advice of legal counsel of the Company.		
14. CASH AND BANK BALANCES		
Cash in hand	427	302
Cash at banks - saving accounts (Note 14.1)	1,494,560	260,297
	<u>1,494,987</u>	<u>260,599</u>
14.1 Saving accounts carry mark-up at the rates ranging from 6% to 6.50% (2013: from 6% to 7%) per annum.		

	2014 (Rupees in thousand)	2013
15. REVENUE		
Energy	35,996,915	38,576,400
Sales tax	(5,178,093)	(5,463,672)
	<u>30,818,822</u>	<u>33,112,728</u>
Capacity	4,104,079	4,630,953
	<u>34,922,901</u>	<u>37,743,681</u>
16. COST OF SALES		
Fuel consumed (Note 16.1)	32,292,584	34,306,941
Operation and maintenance costs (Note 16.2)	488,222	486,696
Insurance	321,030	312,566
Depreciation (Note 8.1.1)	504,974	504,273
Others	514	628
Liquidated damages to WAPDA	397	820
	<u>33,607,721</u>	<u>35,611,924</u>
16.1 Fuel consumed		
Opening stock	337,516	312,842
Purchased during the year	32,425,189	34,331,615
	<u>32,762,705</u>	<u>34,644,457</u>
Closing stock	(470,121)	(337,516)
	<u>32,292,584</u>	<u>34,306,941</u>
16.2 Operation and maintenance costs		
Salaries, wages and other benefits (Note 16.2.1)	164,667	150,877
Repair and maintenance	116,547	125,873
Stores and spare parts consumed	160,421	158,881
Fee and subscription	4,518	4,406
Electricity consumed in-house	42,069	46,659
	<u>488,222</u>	<u>486,696</u>

16.2.1 Salaries, wages and other benefits include provident fund contribution and provision for gratuity of Rupees 9.456 million (2013: Rupees 8.312 million) and Rupees 8.107 million (2013: Rupees 6.994 million) respectively charged by Lalpir Power Limited - associated company in accordance with "Shared Facilities Agreement".

17. ADMINISTRATIVE EXPENSES

	2014 (Rupees in thousand)	2013
Salaries and other benefits (Note 17.1)	46,590	47,387
Travelling, conveyance and entertainment	54,623	16,173
Communication and utilities	1,336	1,573
Insurance	4,864	5,969
Legal and professional charges	5,575	18,280
Printing and stationery	3,102	2,680
Office rent	6,278	6,278
Depreciation (Note 8.1.1)	14,676	12,288
Community welfare	6,562	7,248
Security services	310	102
General expenses	2,722	20,942
	<u>146,638</u>	<u>138,920</u>

17.1 Salaries and other benefits include provident fund contribution and provision for gratuity of Rupees 2.675 million (2013: Rupees 2.610 million) and Rupees 2.294 million (2013: Rupees 2.197 million) respectively charged by Lalpir Power Limited - associated company in accordance with "Shared Facilities Agreement".

18. OTHER EXPENSES

Auditors' remuneration (Note 18.1)	2,341	2,400
Workers' profit participation fund (Note 18.2)	-	-
Long term security deposit written off	-	15
Trade debts written off (Note 11)	-	64,423
	<u>2,341</u>	<u>66,838</u>

18.1 Auditors' remuneration

Statutory audit	1,733	1,575
Half yearly review	500	400
Other certifications and reporting	25	350
Out of pocket expenses	83	75
	<u>2,341</u>	<u>2,400</u>

18.2 Workers' profit participation fund

Allocation for workers' profit participation fund (Note 5.1 and 7.1.1)	30,606	55,487
Allocation to workers' profit participation fund recoverable from WAPDA (Note 13.1)	(30,606)	(55,487)
	<u>-</u>	<u>-</u>

19. OTHER INCOME

Income from financial assets

Interest income	13,848	15,941
-----------------	--------	--------

Income from assets other than financial assets

Gain on disposal of operating fixed assets	4,840	-
Rental income	1,585	1,549
Scrap sales	4,174	913
	<u>24,447</u>	<u>18,403</u>

20. FINANCE COST

Mark-up / interest on short-term borrowings	573,772	828,910
Bank charges and commission	4,655	5,757
	<u>578,427</u>	<u>834,667</u>

21. 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.

22. 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)	612,110	1,109,735
Weighted average number of shares (Number)	<u>372,081,591</u>	<u>372,081,591</u>
Earnings per share - basic (Rupees)	<u>1.65</u>	<u>2.98</u>

23. CASH GENERATED FROM OPERATIONS

	2014 (Rupees in thousand)	2013
Profit before taxation	612,110	1,109,735
Adjustments for non-cash charges and other items:		
Depreciation	519,650	516,561
Long-term security deposit written off	-	15
Provision for gratuity	10,401	9,191
Gain on disposal of operating fixed assets	(4,840)	-
Share of loss from associated company	111	-
Trade debts written off	-	64,423
Interest income	(13,848)	(15,941)
Finance cost	578,427	834,667
Cash flows from operating activities before working capital changes	<u>1,702,011</u>	<u>2,518,651</u>
(Increase) / decrease in current assets:		
Stores, spare parts and other consumables	(52,200)	(173,713)
Fuel stock	(132,605)	(24,674)
Trade debts	2,037,406	2,658,978
Advances and short-term prepayments	222,550	(144,999)
Other receivables	247,363	60,063
Sales tax recoverable	(440,552)	158,802
	<u>1,881,962</u>	<u>2,534,457</u>
Increase in trade and other payables	862,549	33,359
	<u><u>4,446,522</u></u>	<u><u>5,086,467</u></u>

24. PROVIDENT FUND RELATED PARTIES

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 2.6.1. 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.

25. NUMBER OF EMPLOYEES

	2014	2013
Number of employees as on December 31	<u>166</u>	<u>168</u>
Average number of employees during the year	<u>167</u>	<u>162</u>

26. 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 27 and other significant transactions with related parties are as follows:

Associated company	Nature of transaction	2014 (Rupees in thousand)	2013
Nishat Mills Limited	Dividend	153,786	205,048
	Purchase of stores	311	-
Adamjee Insurance Company Limited	Dividend	38,447	51,262
	Insurance premium	1,931	205,252
	Insurance claim received	-	1,193
Security General Insurance Company Limited	Dividend	9,611	12,815
	Insurance premium	371,887	184,260
Stanhope Investments	Dividend	-	105,908
Engen (Private) Limited	Dividend	96,115	128,155
Lalpir Power Limited	Share of expenses	306,890	272,292
	Share of rental income	1,585	1,549
Pakistan Aviators and Aviation (Private) Limited	Flying services	50,755	187
Nishat Hotels and Properties Limited	Rent expense	-	3,139
Nishat (Aziz Avenue) Hotels and Properties Limited	Rent expense	6,278	3,139
Nishat Hospitality (Private) Limited	Boarding lodging services	172	-
Nishat Energy Limited	Investment made	2,500	-

26.1 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”.

27. 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:

	2014			2013		
	Chief Executive	Executive Director	Executives	Chief Executive	Executive Director	Executives
	(----- Rupees in thousand -----)					
Managerial remuneration	10,395	4,854	118,477	10,418	4,623	148,843
Medical expenses	35	70	3,718	1,080	56	4,014
Bonus	742	971	24,046	4,011	971	21,671
Retirement benefits	945	441	10,370	1,042	421	14,153
	12,117	6,336	156,611	16,551	6,071	188,681
Number of persons	2	1	128	1	1	126

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

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

27.3 Chief executive remuneration includes remuneration of outgoing chief executive till July 2014.

28. FINANCIAL RISK MANAGEMENT

28.1 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, there was no foreign exchange risk exposure of the Company:

	2014	2013
Trade and other payable		
- USD	-	(76,402)
- Euro	-	(11,300)
Net exposure - USD	-	(76,402)
Net exposure - Euro	-	(11,300)

The following significant exchange rates were applied during the year:

Rupees per US Dollar

Average rate	100.92	101.75
Reporting date rate	100.60	105.20

Rupees per Euro

Average rate	133.43	135.64
Reporting date rate	122.37	145.10

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 Nil (2013: Rupees 0.484 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 except for investment in associate accounted for under equity method. 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::

	2014 (Rupees in thousand)	2013
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	1,494,560	260,297
Trade debts - past due	2,436,583	5,006,182
Financial liabilities		
Short-term borrowings	5,270,337	6,529,932

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 13.392 million (2013: Rupees 12.635 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of assets and liabilities outstanding at reporting dates were outstanding for the whole year.

(b) Credit risk

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

	2014 (Rupees in thousand)	2013
Long-term security deposit	300	-
Trade debts	8,009,287	10,046,693
Other receivables	187,617	434,980
Bank balances	1,494,560	260,297
	<u>9,691,764</u>	<u>10,741,970</u>

Age analysis of trade debts as at reporting date is given in note 11.2.

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			2014	2013
	Short Term	Long Term	Agency	(Rupees in thousand)	
WAPDA		Not available		5,087,247	4,344,863
National Bank of Pakistan	A-1+	AAA	JCR-VIS	377	157
Habib Bank Limited	A-1+	AAA	JCR-VIS	1,171	256
MCB Bank Limited	A1+	AAA	PACRA	1,107,305	507
United Bank Limited	A-1+	AA+	JCR-VIS	341	16
The Bank of Punjab	A1+	AA-	PACRA	385,311	259,332
Allied Bank Limited	A1+	AA+	PACRA	55	29
				<u>6,581,807</u>	<u>4,605,160</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 2014, the Company had Rupees 5,502 million (2013: Rupees 4,243 million) available borrowing limits from financial institutions and Rupees 1.495 million (2013: Rupees 261 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 2014:

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	1,145,545	1,145,545	1,145,545	-	-	-
Accrued mark-up / interest	102,694	102,694	102,694	-	-	-
Short-term borrowings	5,270,337	6,010,794	5,966,916	43,878	-	-
	<u>6,518,576</u>	<u>7,259,033</u>	<u>7,215,155</u>	<u>43,878</u>	<u>-</u>	<u>-</u>

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>

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.

28.2 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.

28.3 Financial instruments by categories

Assets as per balance sheet

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

Loans and receivables	
2014 (Rupees in thousand)	2013
300	-
8,009,287	10,046,693
187,617	434,980
1,494,987	260,599
<u>9,692,191</u>	<u>10,742,272</u>

Liabilities as per balance sheet

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

Financial liabilities at amortized cost	
2014 (Rupees in thousand)	2013
1,145,545	156,438
102,694	114,281
5,270,337	6,529,932
<u>6,518,576</u>	<u>6,800,651</u>

29. CAPACITY AND ACTUAL PRODUCTION

	2014 MWH	2013 MWH
Installed capacity based on 8,760 (2013: 8,760) hours	3,197,400	3,197,400
Actual energy delivered	1,906,961	1,981,073

Output produced by the Complex is dependent on the load demanded by WAPDA and Complex availability.

30. UNUTILIZED CREDIT FACILITIES

The Company has total funded and unfunded credit facilities of Rupees 10,772 million (2013: Rupees 10,772 million) and Rupees 3,994 million (2013: Rupees 4,243 million) out of which Rupees 5,502 million (2013: Rupees 4,243 million) and Rupees 281 million (2013: Rupees 300 million) respectively remained unavailed at the end of the year.

31. 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.

32. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors have proposed final cash dividend for the year ended 31 December 2014 of Rupee 1 per share (2013: Rupees 1.5 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.

Subsequent to balance sheet date, the Complex has tripped on failure of main station transformers which is being shifted to WAPDA's transfers repairing workshop in Lahore for inspection and repair. The repairing timeline will be available after getting WAPDA's inspection report. The management is currently making estimation for costs of the Complex closure due to afforsaid event. The management believe that any losses due to closure are ediquately covered under insurance polices of the Company.

33. DATE OF AUTHORIZATION FOR ISSUE

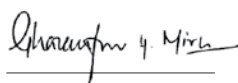
These financial statements were authorized for issue on 16 March 2015 by the Board of Directors of the Company.

34. 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 except for reclassification of salaries and other benefits amounting to Rupees 23.115 million from administrative expenses to cost of sales.

35. 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 30th April 2015 (Thursday) at 11:30 a.m. at Nishat Hotel, 9-A, Mian Mahmood Ali Kasuri Road, Gulberg III, 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 _____ 2015.

Revenue
Stamp
of Rs. 5/-

Signature _____

Address _____

No. of shares held _____

Witness:-

Name _____

Address _____

IMPORTANT:

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

AFFIX
CORRECT
POSTAGE

The Company Secretary

PAKGEN POWER LIMITED

53 - A, Lawrence Road, Lahore.

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



53-A, Lawrence Road, Lahore
Tel: 042-36367812-16
Fax: 042-36367414
UAN: 042-111-11-33-33

