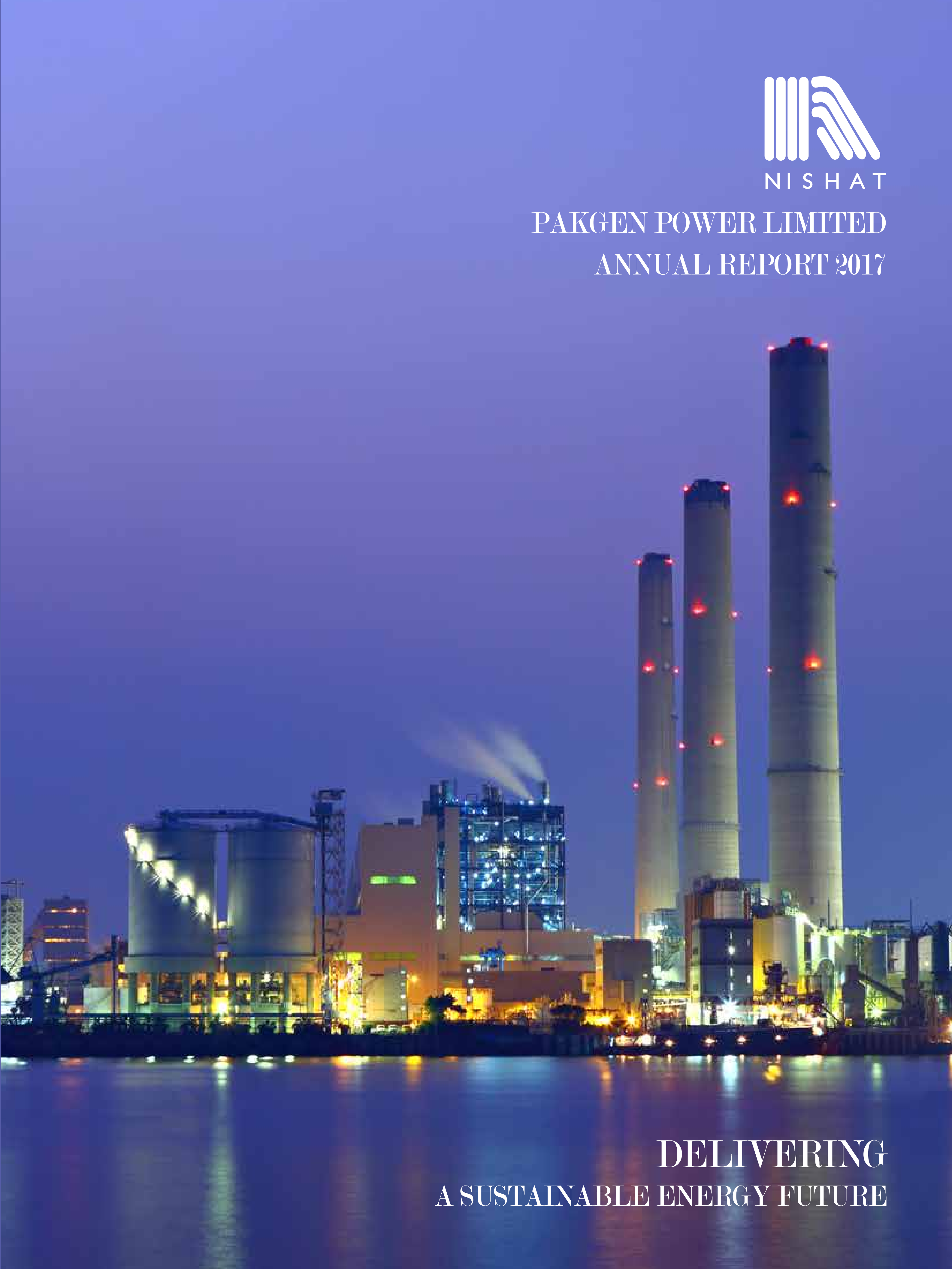
NISHAT

PAKGEN POWER LIMITED
ANNUAL REPORT 2017



DELIVERING
A SUSTAINABLE ENERGY FUTURE

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COMPANY PROFILE

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

BOARD OF DIRECTORS
Mian Hassan Mansha	Chairman
Mr. Aurangzeb Firoz	
Mr. Shahid Malik	
Dr. Arif Bashir	
Mr. Farrukh Ifzal	
Mr. Hassan Nawaz Tarar	
Mr. Badar Ul Hassan	

CHIEF EXECUTIVE OFFICER
Mr. Ghazanfar Hussain Mirza

AUDIT COMMITTEE
Mr. Farrukh Ifzal	Chairman
Mr. Aurangzeb Firoz	
Mr. Shahid Malik	

HUMAN RESOURCE & REMUNERATION(HR &R) COMMITTEE
Mr. Farrukh Ifzal	Chairman
Mian Hassan Mansha	
Mr. Badar Ul Hassan	

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
MCB Bank Limited(Formerly NIB Bank Limited)
Bank Islamic Pakistan 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 SATEMENT

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 of the members of Pakgen Power Limited (the "Company") will be held on April 30, 2018 (Monday) at 3:30 P.M. at The Nishat Hotel (Emporium Mall), Trade and Finance Centre Block, Near Expo Centre, Abdul Haq Road, Johar Town, Lahore to transact the following business:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2017 together with the Directors' and Auditors' reports.

2. To approve Final Cash Dividend @ 10% [i.e. Re. 1/- (Rupee One Only) per Ordinary Share as recommended by the Board of Directors, in addition to the 10% interim cash dividend already paid.

3. To appoint statutory Auditors and fix their remuneration. The audit committee and the board have recommended the name of retiring auditors M/s Riaz Ahmad & Co., Chartered Accountants for re-appointment as auditors of the company.

4. Special Business:

   To consider and if deemed fit, to pass the following resolutions as Special Resolutions under Section 199 of the Companies Act, 2017, as recommended by the Board of Directors with or without modification, addition(s) or deletion(s).

   RESOLVED that approval of the members of Pakgen Power Limited (the "Company") be and is hereby accorded in terms of Section 199 of the Companies Act, 2017 for investment upto PKR 1,000,000,000/- (Rupees One Billion Only) in the form of loan / advance to Lalpir Power Limited ("Lalpir"), an associated company, for a period of one year starting from the date of approval by the members, at the mark up rate of 1 Month KIBOR plus 0.50% (which shall not be less than the average borrowing cost of the Company) and as per other terms and conditions of loan agreement in writing and as disclosed to the members.

   FURTHER RESOLVED the Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby singly empowered and authorized to do all acts, matters, deeds and things and take any or all necessary steps and actions to complete all legal formalities including signing of agreement and other documents and file all necessary documents as may be necessary or incidental for the purpose of implementing the aforesaid resolutions.

By order of the Board

(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

LAHORE
March 22, 2018

NOTES:

1. BOOK CLOSURE NOTICE:-

The Ordinary Shares Transfer Books of the Company will remain closed from 20-04-2018 to 30-04-2018 (both days inclusive) for entitlement of 10% Final Cash Dividend [i.e. Rs. 1/- (Rupees One Only) Per Ordinary Share] and attending and voting at Annual General Meeting. Physical transfers/ CDS Transactions IDs received in order in all respect up to 1:00 p.m. on April 19, 2018 at Share Registrar, 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. ATTENDANCE AT MEETING

A member entitled to attend and vote at this meeting may appoint any other member as his/ her proxy to attend and vote. The Instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. A proxy must be a member of the company. The proxy form is available on the Company's website: http://www.Pakgenpower.com/.

Members, who have deposited their shares into Central Depositary Company of Pakistan Limited, are being advised to bring their original National Identity Cards along with CDC Participant ID and account number at the meeting venue.

Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan under Circular No.1 of 2000:

A. For Attending the Meeting

a. In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.
b. In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
e. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

Members are requested to timely notify any change in their addresses.

Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the meeting. The demand for video-link facility shall be received by the Share Registrar at the address given hereinabove at least 07 days prior to the date of the meeting on the Standard Form which can be downloaded from the company's website: www.Pakgenpower.com

3. EXEMPTION OF WITHOLDING TAX:

Withholding tax exemption from dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrar Office, Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi, up to April 18, 2018.

4. SUBMISSION OF COPY OF CNIC (MANDATORY):

Individuals including all joint holders holding physical share certificates are requested to submit a copy of their valid CNIC to the Company or the Company's Share Registrar. All shareholders are once again requested to send a copy of their valid CNIC to our Share Registrar, Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi. The Shareholders while sending CNIC must quote their respective folio numbers and name of the Company.

5. ZAKAT DECLRATION (CZ-50):

Zakat will be deducted from the dividends at source under the Zakat & Usher Laws and will be deposited within the prescribed period with the relevant authority.

In case you want to claim exemption from compulsory deduction of Zakat, please submit your Zakat declarations under Zakat and Usher Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund) Rules, 1981 CZ-50 Form with Share Registrar, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi. The Shareholders while sending the Zakat Declarations, as the case may be, must quote company name and their respective Folio numbers/CDC Account numbers.

6. MANDATORY PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE:

The provisions of Section 242 of the Companies Act, 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Accordingly, the shareholders holding physical shares are requested to provide the following information to the Company's Share Registrar at the address given herein above. In the case of shares held in CDC, the same information should be provided directly to the CDS participants for updating and forwarding to the Company.

Folio No. / Investor Account Number / CDC Sub Account No.	
Title of Account	
IBAN Number	
Bank Name	
Branch	
Branch Address	
Mobile Number	
Name of Network (if ported)	
Email Address	

Signature of shareholder

7. TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH EMAIL:

In terms of the provisions of the companies Act, 2017, the Company can send financial statements electronically to its members. In this regard, the members may send their email information on a standard form which is available at the Company's website i.e. www.Pakgenpower.com and send the form, duly signed, along with copy of his/her CNIC to the Company's Share Registrar M/s Central Depository Company of Pakistan Limited.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017.

This Statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on April 30, 2018.

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

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

Considering the average borrowing rate of the Company and the return offered by Banks on term deposits, the Directors of the Company has recommended loan / advance in the form working capital loan up to Rs. 1 billion to Pakgen at the interest rate of 1 Months KIBOR plus 0.5% which shall not be less than borrowing cost of the Company. Repayment of the principle amount of loan/advance shall be made within one year from the date of approval by the members while payment of interest due shall be made on monthly basis. The Management expects the transaction to be beneficial for the Company and its shareholders as this will enhance the return on surplus funds available with the Company.

The Directors have certified that they have carried out necessary due diligence for the proposed investment before making recommendation for approval of the members and duly signed recommendation of the due diligence report shall be made available for inspection of members in the general meeting along with latest financial statements of Pakgen.

Pakgen is not a member of the Company. Its sponsors/directors are directors/members of the Company. They have no interest except their directorship and to the extent of their shareholding in the Company which is as follows:

Name	% of Shareholding
Mian Hassan Mansha	3.93
Mr. Aurangzeb Firoz	0.03

Information under Regulation 3 of The Companies' (Investment in Associated Companies or Associated Undertakings) Regulations, 2017.

(a) Disclosure for all types of investments:		
(A) Disclosure regarding associated company		
i	Name of Associated Company or Associated Undertaking	Lalpir Power Limited (Lalpir)
ii	Basis of Relationship	Common Directorship
iii	Earnings / (Loss) per Share for the last three years	Year — Earnings per Share (Rs.) 2017 — 2.56 2016 — 2.62 2015 — 2.24
iv	Break-up value per Share, based on last audited financial statements	PKR 33.71 per share as at 31 December 2017.

v	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	**Assets as at 31 December 2017 (Rupees '000)** Non-current assets – 9,093,329 Current assets – 14,580,099 Total assets – 23,673,428 **Total Current Liabilities – (Rupees '000)** Net equity – 12,804,303 Revenue 2017 – 18,313,076 Expenses (CGS+Admin) – 16,712,831 Other income – 111,321 Profit/(Loss) after tax- 972,340
vi	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely	N/A
	I Description of the project and its history since conceptualization	N/A
	II Starting date and expected date of completion of work	N/A
	III Time by which such project shall become commercially operational	N/A
	IV Expected time by which the project shall start paying return on investment	N/A
	V Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	N/A
(B) General Disclosures:		
(i)	Maximum amount if investment to be made	PKR 1,000,000,000/- (Rupees One Billion Only).
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	The Company will earn income on its surplus funds which will add to profitability of the Company.
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds:	Surplus funds of the Company
	(I) Justification for investment through borrowings	N/A
	(II) Detail of Collateral, guarantees provided and assets pledged for obtaining such funds	N/A
	(III) Cost of benefit analysis	N/A

(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Agreement will be signed after approval by the members. Other significant terms and conditions are as under: 1. Interest due on outstanding amount of loan shall be paid by the associated company on monthly basis on 20thtof every month starting from the next month of the disbursement of loan. 2. In case of delay in re-payment principal and interest, an additional sum equivalent to 2% per annum on the unpaid amount for the period for which the payment is delayed, shall be paid by associated company to the Company in addition to the agreed interest amount. 3. All payments under the loan agreement shall be made through crossed cheques. 4. The associated company shall provide a corporate guarantee to secure the loan.
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	The interest, direct or indirect in the associated company and the transaction under consideration is detailed as under: Two Directors of Pakgen Power Limited, Mian Hassan Mansha currently holds 6.84% shares, Mr. Aurangzeb Firoz currently holds 0.00% shares in Lalpir Power Limited. The Companies holding shares of Pakgen Power Limited are interested in Lalpir Power Limited to the extent of their shareholding as follows: **%** Nishat Mills Limited 27.55 Security General Insurance Co. Ltd. 1.72 Adamjee Insurance Co. Ltd. 6.89 Engen (Pvt) Limited 17.33 The Companies holding shares of Lalpir Power Limited are interested in Pakgen Power Limited to the extent of their shareholding as follows:- % Nishat Mills Limited 28.80 Security General Insurance Co. Ltd. 1.80 Adamjee Insurance Co. Ltd. 7.20 Engen (Pvt) Limited 18.17
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/ justification for any impairment or write offs	NA

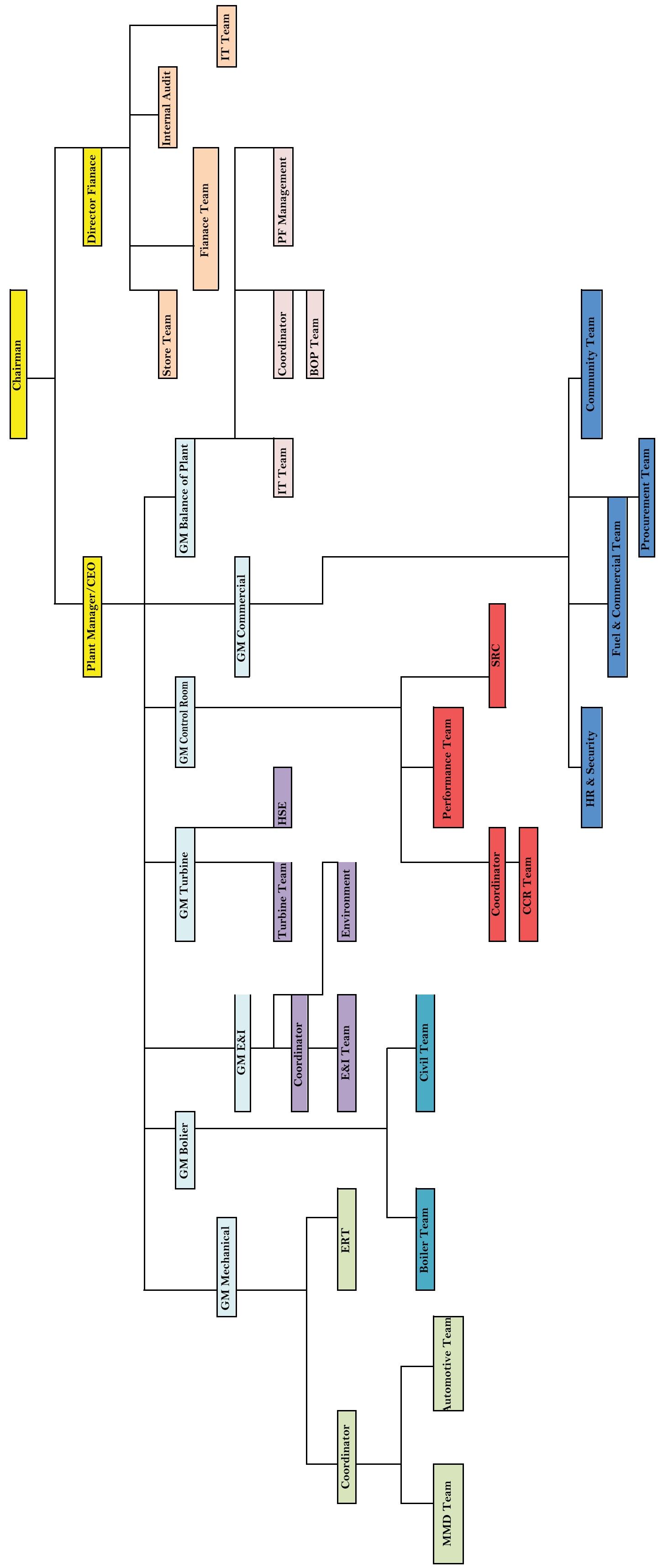
(vii)	Any other important details necessary for the members to understand the transaction	None
Additional disclosure regarding investment in the form of Loan / Advance		
(i)	Category-wise amount of investment	PKR 1,000,000,000 (Rupees One Billion Only) in the form of working capital loan.
	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return unfunded facilities, as the case may be, for the relevant period	The current average borrowing cost of the Investing Company for the year ended 31 December, 2017 was 6.46%. 1 Month KIBOR as on March 22, 2018 was 6.51%
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company.	The investing Company shall charge mark up at the rate of 1 Month KIBOR plus 0.50% (which shall not be less than the average borrowing cost of the Company).
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment	The associated company shall provide a corporate guarantee to secure the loan.
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable.	Not applicable
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	Repayment of principal will be made within one year with payment of interest due on monthly basis

Statement under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

Name of Investee Company	Lalpir Solar (Pvt) Limited	Nishat Hotels and Properties Ltd.
Total Investment Approved:	Equity investment of Rs 270,270,000 (Rupees Two Hundred Seventy Million Two Hundred Seventy Thousand Only) was approved by members in AGM held on April 30, 2016 for the period of (3) years.	Investment by way of loan/advance of Rs 1,000,000,000 (Rupees One Billion Only) was approved by members in EOGM held on October 26, 2017 for the period of 1 year from the date of approval by members.
Amount of Investment Made to date:	Nil	Nil

Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time:	No deviation from approved timeline.	No deviation from approve timeline.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company:	Lalpir Solar Power (Pvt) Limited has issued paid-up share capital of 50,000 shares of Rs 10 each amounting to Rs 500,000 (Rupees five hundred thousand only). As per latest available financial statements for the half year ended December 31, 2017, the profit per share is Rs. 0.05 for the half year ended.	Nishat Hotels & Properties Limited has issued paid-up share capital of 960,000,000 shares of Rs 10 each amounting to Rs 9600,000,000 (Rupees nine billion six hundred million only) and loss per share was Rupees (0.23). As per latest available financial statements for the half year ended December 31, 2017, the Loss is of rupees (171,458,988) for the half year ended and loss per share was Rupees (0.18).

ORGANIZATION CHART



DIRECTOR'S PROFILE

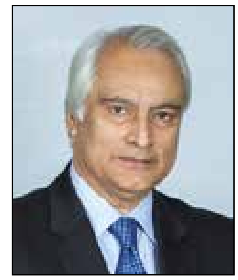
Mian Hassan Mansha

Mian Hassan Mansha has been serving on the Board of various listed companies for several years. He also serves on the Board of Nishat Power Limited, Security General Insurance Company Limited, Nishat Mills Limited, Lalpir Power Limited, Nishat Hotels and Properties Limited, Nishat (Aziz Avenue) Hotels and Properties Limited, Nishat (Raiwind) Hotels and Properties Limited, Nishat (Gulberg) Hotels and Properties Limited, Nishat Hospitality (Private) Limited, Nishat Dairy (Private) Limited, Pakistan Aviators and Aviation (Private) Limited, Nishat Automobiles (Private) Limited, Nishat Real Estate Development Company (Private) Limited and Nishat Agriculture Farming (Private) Limited, Nishat Farm Supplies (Pvt) Limited and Hyundai Nishat Motor (Pvt) Limited.

Mr. Aurangzeb Firoz

Mr. Aurangzeb Firoz is a graduate from the Lahore American School and of the University of London. He has recently completed his MBA from Cornell University, USA. His prime experience is focused in the areas of finance, business strategy and operation management. He is a director of City Schools Group and has been instrumental in providing strategic and operational support in driving business expansion into Arab States for City Schools' (Pvt) Limited.

Mr. Aurangzeb Firoz holds directorships of Lalpir Power Limited, Engen (Pvt) Limited, Educational System (Pvt) Limited, City APIIT (Pakistan) (Pvt) Limited, City School (Pvt) Ltd, Smart Education System (Pvt) Ltd, The Smart School (Pvt) Ltd, City Schools (Pakisstan) Limited, City Education System (Pvt) Ltd, City APIIT (Pvt) Ltd, Premier Realities (Pvt) Ltd and Remington Realities (Pvt) Ltd, his primary interest remains in the development of the new projects, especially in power and Energy and Educational Sector of Pakistan.



Mr. Shahid Malik

Shahid Malik is a seasoned professional with over 38 years of experience in the Diplomatic Service of Pakistan. He held key assignments as High Commissioner of Pakistan to India (2007-2013) and Canada (2002-2006), with concurrent accreditation as Ambassador to Venezuela and High Commissioner to Trinidad and Guyana. His other diplomatic assignments include Washington (as Minister), Rome (as Charge d' Affaires), and Tokyo. Mr. Malik has also served as Director General and Additional Foreign Secretary in the Ministry of Foreign Affairs. He also brings with him diversified academic experience being part of the faculty at various universities worldwide, and has represented Pakistan at international forums including the UN (United Nations), Commonwealth, OIC (Organization of Islamic Countries), NAM (Non-Aligned Movement) and SAARC (South Asian Association for Regional Cooperation).

Mr. Hassan Nawaz Tarar

Mr. Hassan Nawaz Tarar is a seasoned civil servant having 34 years of rich administrative experience in a broad range of public services. He has held key assignments in the areas of district administration, public security, finance, international development cooperation, taxation, urban management, planning and HR development among others. He retired as the Federal Secretary Planning, Development & Reform in 2015. He has served on the Boards of corporate bodies including CAA, PSO, PASSCO, MCBESSS, as well as national policy and planning platforms. He has attended several national and international conferences and training modules, including executive development programmes in the John F. Kennedy School of Government at Harvard University and Lee Kuan Yew School of Public Policy, Singapore. Mr. Tarar obtained his Master's in Development Administration from Birmingham University, UK and also holds Master's Degrees in Political Science and Journalism in addition to a LLB from the University of Punjab. He works at MCB Bank Ltd.

Dr. Arif Bashir

Dr. Arif Bashir holds PhD degree in Chemical Engineering and has over 34 years of experience in the fields of project planning and execution; operation and maintenance of Cement Plant, power plants, paper plant etc. Currently, he is working as Director (Technical and Operations) of D. G. Khan Cement Company Limited (DGKCC) and responsible for the smooth operation and maintenance of cement production lines having capacity over 4.8 million tons/ year. Captive Power Plants of about 100 MW capacity. Paper Sack plant having production capacity of 500,000 bags/day. Also responsible for Captive Coal based Power Plant, Alternate Fuels, Waste Heat Recovery projects of DGKCC. He also serves on the board of Nishat Paper Products Co. Limited.

Mr. Badar Ul Hassan

Mr. Badar is a dynamic finance professional with exceptional analytical and management skills for developing and implementing financial systems, strategies, processes and controls that significantly improve organizational functions and systems leading to cost-reduction, automation and goal-surpassing strategies.

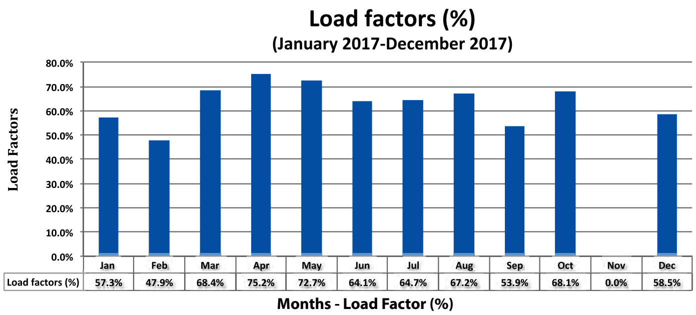
He also serves on the Board of Security General Insurance Company Limited and Nishat Paper Products Limited he is also Chief Financial Officer of Nishat Mills Limited, Nishat Dairy (Pvt) Limited, Nishat Hospitality (Pvt) Limited, Nishat Linen (Pvt) Limited, Nishat Agricultural Farming (Pvt) Ltd, and Nishat Farm Suppliers (Pvt) Ltd.

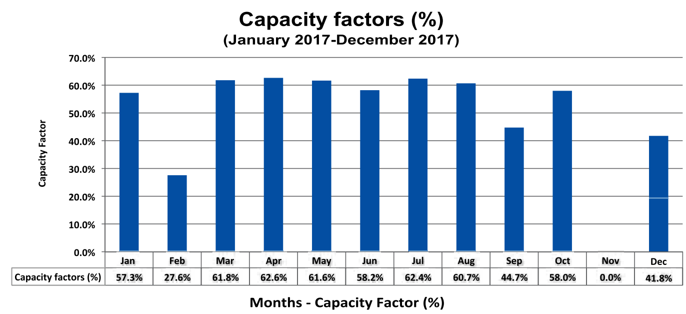
Mr. Farrukh Ifzal

Mr. Farrukh Ifzal is a Fellow Member of The Institute of Chartered Accountants of Pakistan. He has over 33 years of diversified experience in the field of Accounts, Finance, Legal and General Management. He also served in Punjab Industrial Development Board. He is currently serving as Managing Director of Nishat Chunian Power Limited.

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, 2017 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 Pakistan Stock Exchange. 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 Central Power Purchasing Agency (CPPA).

FINANCE

We report that during the year 2017 the total sales revenue of the Company was Rupees 19.755 billion (2016: Rupees 16.044 billion) and operating costs were Rupees 17.772 billion (2016: Rupees 14.728 billion), resulting in gross profit of Rupees 1.983 billion (2016: Rupees 1.316 billion). The Company earned a net profit of Rupees 1.314 billion resulting in earnings per share of Rupees 3.53 per share as compared to a net profit of Rupees 516.890 million and earnings per share of Rupees 1.39 last year.

Other reason for variation in net profit for period ended 31st Dec, 2017 in Comparison with period ended 31st Dec, 2016 is increase in delta loss by Rupees 154.029 Million.

OPERATIONS AND SIGNIFICATE EVENTS:

In response to load demanded by CPPA, the Pakgen plant operated at capacity factor of 50.0% with an average load factor of 64.0% and an average complex availability of 99.4% and dispatched 1,523.441GWh 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 CPPA.

Due to induction of new power generation plants based on hydel energy, coal and RLNG at a lower price, it is expected that Lalpir will be dispatched in peak demand seasons and in case of interruption of supply of RLNG, low water months only. This will help Company reduce its fuel losses.

OPERATIONS AND SIGNIFICATE EVENTS:

Our sole customer CPPA Central Power Purchasing Agency 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 2017 an amount of Rupees 13.992 billion was outstanding against CPPA of this Rupees 325.344 Million 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, CPPA has failed to provide its obligatory Letter of Credit for Rupees 62.307 Million as required under the PPA. The Company is persistently pursuing CPPA/NTDC and the Government of Pakistan for early retirement of the entire outstanding amounts. The Company is also pursuing CPPA for establishing the letter of credit as required under its Power Purchase Agreement.

OTHER SIGNIFICANT MATTERS

The Company and CPPA-G appointed former Chief Justice of Pakistan, Justice Tassaduq Husain Jillani as The Expert, under the mechanism given in the PPA. After a comprehensive process including written statements and arguments, The Honourable Expert, on 22 June 2017, issued his conclusions and recommendations. The conclusion upheld Company's position that CPPA-G cannot claim liquidated damages for a caused by CPPA-G. Company has requested CPPA-G to withdraw its invoices for liquidated damages and waiting for a formal response.

ANNUAL CAPACITY TEST

As per the requirement of Power Purchase Agreement (PPA), the Company conducted its Annual Capacity Test on July 21, 2017 whereby it successfully maintained the capacity of 350 MW.

PERFORMANCE IMPROVEMENT

On 30 September 2016, Company had entered into an agreement with General Electric (GE) for their assistance in improvement in plant performance. Due to complexity of the project, progress has been slow. However, Company and General Electric continue to work on possible solutions to achieve the project goals.

CONVERSION TO COAL

There has been no further on converting the existing technology from oil fired to coal fired boiler. Main reason has been government policy to restrict use of imported coal on certain projects only e.g. CPEC. There is recent SBP restriction on local financing for import of large project machinery.

LALPIR SOLAR POWER (PVT) LIMITED:

The planned 20MWIPP is still on hold for change of financial outlook. However, the approval of the Interconnection Study by NTDC and MEPCO is being followed up.

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

During the year, the company approved and implemented revisions in its HR Policy and Service Rules. These were aimed to provide a competence and career management framework to attract and retain high quality human capital. Behavioral conduct was included in annual performance evaluation to encourage positive attitudes and behavior.

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.

During the year, there was no time lost due to any injury

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND COMMUNITY WELFARE

The Corporate Social Responsibility (CSR) program is an integral part of the Company's business since inception. It revolves around the focused objective to improve the lives of our neighboring communities through direct and indirect programs in the field of health, education, entrepreneurship and skills development partnering with nonprofit organizations and government. As a company, we strive to inspire, enable, and invest in opportunities that accelerate the process of empowering people to work towards eradicating poverty and unemployment.

CSR INITIATIVES:

- The company is managing a basic health unit 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 in collaboration with LRBT.
- Supporting operational expenses to 'CARE Foundation' for the five adopted government schools of local community.
- The Company donated a primary school building to 'The Citizens Foundation (TCF)' and continued its support to upgrade it to metric level.
- The Company is also running a 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.

The Company has built/upgraded the infrastructure in the surrounding community like building houses damaged by flood, roads, bridges, drinking water filtration plant etc. on as and when required basis.

- The Company is awarding the scholarships to the deserving students of local community to pursue their professional education.
- Extensive plantation of trees in the surrounding areas.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE 2012

During election of directors held on June 30, 2017 in Extra Ordinary General Meeting, compliance with clause of CGS 2012 relating to composition of the board was ensured. Detail is provided in forthcoming headings.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- The financial statements, prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- Proper books of account of the Company have been maintained.

- 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 directors 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)	5
2	Mr. Aurangzeb Firoz		6
3	Mr. Shahid Malik		5
4	Mr. Khawaja Mohammad Younus*		2
4	Mr. Hassan Nawaz Tarar		6
5	Dr. Arif Bashir		6
6	Mr. Badar-ul Hassan		6
7	Mr. Farrukh Afzal **		3
8	Mr. Ghazanfar Hussain Mirza	(CEO)	6
9	Mr. Mahmood Akhtar ***		0
10	Mr. Kamran Rasool ****		0

* Mr. Khawaja Mohammad Younus retired on June 30, 2017.

** Mr. Farrukh Afzal elected as director on June 30, 2017.

*** Mr. Mahmood Akhtar Resigned on 08-02-2017 and Mr. Badar ul Hassan appointed in his place on same day.

**** Mr. Kamran Rasool Resigned on 08-02-2017 and Mr. Hassan Nawaz Tarar appointed in his place on same day.

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. Farrukh Ifzal*	(Member/ Chairman)	2
2	Mr. Shahid Malik	(Member)	2
3	Mr. Aurangzeb Firoz	(Member)	4
4	Mr. Khawaja Mohammad Younus* *	(Member)	2

* Mr. Farrukh Ifzal appointed as member of Audit Committee on July 10, 2017 and Chairman Audit Committee with effect from January 01, 2018 in place of Mr. Aurangzeb Firoz.

**Mr. Khawaja Mohammad Younus retired on June 30, 2017.

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

Sr. #	Name of Directors		No. of Meetings Attended
1	Mr. Farrukh Ifzal *	Member/Chairman	0
2	Mian Hassan Mansha	Member	2
3	Mr. Badar-ul-Hassan	Member	2
4	Mr. Ghazanfar Hussain Mirza ** (Resigned)	Member	2
5	Dr. Arif Bashir (Resigned)	Member	0

* Mr. Farrukh Ifzal appointed as a member in place of Dr. Arif Bashir and Chairman of HR&R Committee in place of Mian Hassan Mansha with effect from January 01, 2018.

**Dr. Arif Bashir appointed on July 10, 2017 in place of Mr. Ghazanfar Hussain Mirza and ceased to be a member with effect from January 01, 2018.

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 2017 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, 2017 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 Rupees 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 2018. The Audit Committee of the Board has recommended the reappointment of the retiring auditors.

ACKNOWLEDGEMENT

We wish to thank our valuable shareholders, CPPA, 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 H. Mirza

(Ghazanfar Hussain Mirza)
Chief Executive Officer
Lahore: 22 March 2018

ڈائریکٹرز رپورٹ پاک جن پاور لمیٹڈ

پاک جن پاور لمیٹڈ ''کمپنی'' کے ڈائریکٹرز 31 دسمبر 2017 مختتمہ مدت کے لئے آپ کی کمپنی کی سالانہ رپورٹ اور نظرثانی شدہ مالی حسابات پر مشتمل اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کررہے ہیں۔

عام معلومات

پاک جن پاور لمیٹڈ (''کمپنی'') کمپنیز آرڈیننس 1984ء کے تحت 22 جون 1995 کو پاکستان میں قائم ہوئی۔ کمپنی کے حصص پاکستان سٹاک ایکسچینج میں درج ہیں۔ کمپنی کی اہم سرگرمیاں، محمود کوٹ، مظفر گڑھ، پنجاب، پاکستان میں 365 میگاواٹ کی مجموعی گنجائش کے مقابل 350 میگاواٹ کی ایک قابل اعتماد صلاحیت کے ساتھ تیل پر چلنے والا ایک بجلی گھر (''دی کمپلیکس'') کا مالک، چلانا اور برقرار رکھنا ہیں۔ بجلی کا واحد خریدار سنٹرل پاور پرچیزنگ ایجنسی (CPPA) ہے۔

مالی نتائج

ہم بیان کرتے ہیں کہ سال 2017 کے دوران کمپنی کی فروخت کی کل آمدنی 19.755 بلین روپے (2016 16.044 بلین روپے) اور آپریٹنگ اخراجات 17.772 بلین روپے (2016 14.728 بلین روپے) جس کے نتیجے میں 1.983 بلین روپے کا مجموعی منافع (2016 1.316 بلین روپے) حاصل ہوا تھا۔ کمپنی نے گزشتہ سال 516.890 ملین روپے خالص منافع اور 1.39 روپے فی شیئر آمدنی کے مقابلے میں 1.314 بلین روپے خالص منافع کمایا جس کے نتیجے میں 3.53 روپے فی شیئر آمدنی حاصل ہوئی۔

31 دسمبر 2016 مختتمہ مدت کے موازنہ میں 31 دسمبر 2017 مختتمہ مدت کے خالص منافع میں فرق کی دوسری بڑی وجہ 154.029 ملین روپے کے ڈیلٹا نقصان میں اضافہ ہے۔

آپریشنز اور اہم واقعات

واپڈا کی طرف سے مطلوبہ لوڈ کے جواب میں پاک جن پلانٹ 64.0 فیصد اوسط لوڈ فیکٹر اور 99.4 فیصد اوسط کمپلیکس کی دستیابی کے ساتھ 50.0 فیصد کے صلاحیتی عنصر پر چلایا اور 1,523.441 GWh بجلی ترسیل کی گئی۔ کمپنی ہمارے صارف CPPA کے لئے اپنی طویل مدتی سالمیت اور زیادہ سے زیادہ دستیابی کو یقینی بنانے کے لئے پلانٹ کی جدت طرازی کی خاطر مختلف بہتری کے منصوبوں پر فنڈز مختص کرتی رہتی ہے۔

کم قیمت میں ہائیڈل انرجی، کوئلہ اور آر ایل این جی پر مبنی نئے پاور جنریشن پلانٹس کی تنصیب کی بدولت یہ امید کی جاتی ہے کہ بہت زیادہ طلب کے موسم میں اور آر ایل این جی کی عدم فراہمی کی صورت، پانی کی کمی کے مہینوں میں پاک جن بجلی کی ترسیل کے قابل ہوگا۔ اس سے کمپنی کو اپنے ایندھن کے نقصان کو کم سے کم کرنے میں مدد ملے گی۔

آپریشنز اور اہم واقعات

ہماری واحد صارف CPPA سینٹرل پاور پرچیزنگ ایجنسی بجلی کی خریداری کے معاہدے (PPA) جو حکومت پاکستان کی ایک خودمختار ضمانت کے تحت حاصل کیا گیا کے مطابق اپنی ذمہ داریوں کو پورا کرنے کے قابل نہیں رہا۔ 31 دسمبر 2017 کو CPPA کے ذمہ بقایا رقم 13.992 بلین روپے تھے جس میں سے 325.344 ملین روپے کی رقم زائد المیعاد تھی۔ حکومت پاکستان کی متعلقہ وزارت کے ہاں بار ہا مرتبہ معاملہ اجاگر کرنے کے باوجود صورت حال میں کوئی بہتری نہیں ہوئی ہے جس کے نتیجہ میں ایندھن کی فراہمی بے قاعدہ ہوئی جس نے پلانٹ کی کارروائیوں کو متاثر کیا ہے۔ اس کے علاوہ، CPPA بجلی کی خریداری کے معاہدہ PPA کے تحت درکار 62.307 ملین روپے کے لئے واجب کریڈٹ فراہم کرنے میں ناکام رہی ہے۔ کمپنی مسلسل CPPA / این ٹی ڈی سی اور حکومت پاکستان سے تمام بقایا جات کی رقم فی الفور ادا کرنے کا مطالبہ کررہی ہے۔ کمپنی بجلی کی خریداری کے معاہدے کے تحت درکار کریڈٹ خط کے قیام کے لئے بھی CPPA کا مواخذہ کررہی ہے۔

دیگر اہم معاملات

کمپنی اور CPPA-G نے سابق چیف جسٹس پاکستان جسٹس تصدق حسین جیلانی کو PPA میں دیئے گئے میکانزم کے تحت ثالث مقرر کیا ہے۔ تحریری بیانات اور دلائلوں سمیت ایک جامع عمل کے بعد، معزز ثالث نے 22 جون 2017 کو اپنے نتائج اور سفارشات جاری کیں۔ نتیجہ کمپنی کمپنی کے مؤقف کی حمایت کرتا ہے کہ

CPPA-G کو پہنچنے والے اپنے لیکویڈیٹی نقصانات کا دعویٰ نہیں کرسکتا۔ کمپنی نے CPPA-G سے لیکویڈیٹی نقصانات کے لئے اپنی انوائس واپس لینے کی درخواست کی ہے اور رسمی ردعمل کا انتظار کررہے ہیں۔

سالانہ صلاحیتی ٹیسٹ

بجلی کی خریداری کے معاہدے (پی پی اے) کی ضروریات کے مطابق، کمپنی نے 21 جولائی، 2017 کو اپنے سالانہ صلاحیتی ٹیسٹ کا انعقاد کیا جس میں کامیابی سے 350 میگاواٹ کی صلاحیت برقرار رہی۔

کارکردگی میں بہتری

30 ستمبر 2016 کو، کمپنی پلانٹ کی کارکردگی کی بہتری میں ان کی مدد کے لئے جنرل الیکٹرک (جی ای) کے ساتھ ایک معاہدہ کیا تھا۔ منصوبے کی پیچیدگی کی وجہ سے، ترقی سست ہوگئی ہے۔ تاہم، کمپنی اور جنرل الیکٹرک منصوبے کی اہداف کو حاصل کرنے کے لئے ممکنہ حل پر کام جاری رکھیں گے۔

کوئلہ پر منتقلی

موجودہ ٹیکنالوجی کو تیل سے چلانے کی بجائے کوئلہ پر چلنے والے بوائلر پر مزید منتقلی نہیں کی جارہی ہے۔ جس کی بنیادی وجہ یہ ہے کہ سرکاری پالیسی کے مطابق درآمد شدہ کوئلے کا استعمال بعض مخصوص منصوبوں مثلاً سی پیک پر محدود کرنا ہے۔ بڑے پراجیکٹ کی مشینری کے درآمد کے لئے مقامی فنانسنگ پر حالیہ ایس بی پی کی طرف سے پابندی لگائی گئی ہے۔

لال پیر سولر پاور (پرائیویٹ) لمیٹڈ:

مالی نقطہ نظر کی تبدیلی کے لئے MWIPP 20 کا منصوبہ ابھی زیرِ غور ہے۔ تاہم NTDC اور MEPCO کی طرف سے انٹر کنکشن مطالعہ کی منظوری کی کوشش کی جارہی ہے۔

کریڈٹ ریٹنگ

کمپنی PACRA سے مسلسل "AA" (ڈبل اے) طویل مدتی ریٹنگ اور "A1+" (اے ون پلس) مختصر مدتی ریٹنگ وصول کررہی ہے۔ یہ ریٹنگز کمپنی کے مالی انتظامات کی طاقت کی عکاسی اور مالیاتی وعدوں کی بروقت ادائیگی کے لئے ایک بہت مضبوط صلاحیت سے کریڈٹ خطرات کے بہت کم امکان کو ظاہر کرتی ہے۔

انسانی وسائل

سال کے دوران، کمپنی نے اپنی ایچ آر پالیسی اور سروس رولز میں نظر ثانی کو منظور اور نافذ کیا ہے۔ ان کا مقصد اعلیٰ معیار کے انسانی سرمایہ کو اپنی طرف متوجہ اور برقرار رکھنے کے لئے صلاحیت اور کیریئر مینجمنٹ فریم ورک فراہم کرنا تھا۔ مثبت رویوں اور سلوک کو فروغ دینے کے لئے سالانہ کارکردگی کی تشخیص میں طرز عمل کو شامل کیا گیا تھا۔

اندرونی آڈٹ اور کنٹرول:

بورڈ نے آڈٹ کمیٹی کو رپورٹنگ کے لئے ایک تعلیم یافتہ شخص کی سربراہی میں ایک آزاد آڈٹ قائم کیا ہے۔ کمپنی کے اندر اندرونی آڈیٹنگ کا دائرہ کار واضح طور پر بیان کیا جاتا ہے جو اندرونی کنٹرول کے نظام کا جائزہ اور تشخیص کرتا ہے۔

صحت اور سیفٹی کا ماحول

پاک جن پاور لمیٹڈ کو ماحول کے تحفظ اور اپنے ملازمین کی صحت اور حفاظت کو بہتر بنانے کے عزم پر فخر ہے۔ ہم اپنی کارپوریٹ اقدار کے لئے صحت، تحفظ اور ماحولیات (HSE) کی برتری کو قائم رکھتے ہیں۔ ہم ماحول کی حفاظت اور صحت وسلامتی کو فروغ دینے کے لئے کام کرنے والے اپنے ملازمین کی غیر معمولی کوششوں کو تسلیم اور سراہتے ہیں۔

صحت اور حفاظت کی برتری، ہمارے کاروبار کے مقاصد کے ساتھ مربوط، قیادت اور مستقبل کی ترقی کے لئے ہماری کمپنی کی حیثیت قائم رکھتے ہیں۔ کمپنی تمام ملازمین کے لئے محفوظ کام کی جگہ برقرار رکھتی ہے۔ 'حفاظت پہلے رکھو' ہماری کمپنی کی انتظامیہ کی اعلیٰ ترین ترجیحات میں شامل ہے۔ ملازمین کا مکمل میڈیکل چیک اپ ہر سال کیا جاتا ہے اور جہاں مکمل ارتکاز کی ضرورت ہو کوئی بھی مطلوبہ طبی علاج کیا جاتا ہے۔ سال کے دوران کسی زخم کے باعث کوئی وقت ضائع نہیں ہوا۔

سماجی ذمہ داری اور کمیونٹی ویلفیئر

قیام کے آغاز سے کارپوریٹ سماجی ذمہ داری (CSR) پروگرام کمپنی کے کاروبار کا ایک لازمی حصہ ہے۔ یہ غیر منافع بخش تنظیموں اور حکومت کی شراکت سے صحت، تعلیم، کاروبار کے فروغ اور مہارتوں کی ترقی کے شعبہ میں بالواسطہ اور بلاواسطہ پروگراموں کے ذریعہ ہماری پڑوسی کمیونٹی کی زندگیوں کو بہتر بنانے کے لئے مرکوز توجہ کے مقصد کے گرد گھومتا ہے۔ ایک کمپنی کے طور پر، ہم ایسے مواقع میں حوصلہ افزائی، فعال اور سرمایہ کاری کرنے کی کوشش کرتے ہیں جو غربت اور بیروزگاری کو ختم کرنے کو شاں لوگوں کو بااختیار بنانے کے عمل کو تیز کریں۔

CSR اقدامات:

- کمپنی نے ایک کلینک کا انتظام کیا ہے جو مقامی کمیونٹی کے لئے ہنگامی سہولیات اور تشخیص کی لیبارٹری سے مکمل طور پر لیس کیا گیا ہے۔ اس کے علاوہ کمپنی سالانہ بنیاد پر مقامی کمیونٹی کے لئے ایل آر بی ٹی کے تعاون سے خصوصی آئی کیمپ کا بھی انتظام کرتی ہے۔
- مقامی کمیونٹی کے پانچ سرکاری اسکولوں کی سرپرستی کے لئے کیئر فاؤنڈیشن کی آپریشنل اخراجات میں تعاون کرتی ہے۔
- مقامی کمیونٹی میں TCF اسکولوں کی پرائمری سطح سے شروع اور میٹرک سطح تک اپ گریڈ کرنے میں تعاون کر رہی ہے۔
- کمپنی ملازمین کی کمیونٹی میں گھریلو کام کرنے والوں کو مفت تعلیم دینے کے لئے ایک چھوٹا زاویہ پروگرام بھی چلا رہی ہے۔
- کمپنی نے ووکیشنل ٹریننگ انسٹی ٹیوٹ اور ہائر سیکنڈری اسکول کی طرح کے بہت سے مقامی حکومتی اداروں کو اپ گریڈ کیا ہے۔
- کمپنی نے اردگرد کی کمیونٹی میں جب ضرورت ہوئی بنیاد پر سیلاب سے تباہ شدہ مکانات کی تعمیر، سڑکوں، پلوں اور پینے کے پانی وغیرہ کی تعمیر/بنیادی ڈھانچہ کو اپ گریڈ کیا ہے۔
- کمپنی مقامی کمیونٹی کے مستحق طلباء کو ان کی پیشہ ورانہ تعلیم کے لئے سکالرشپس دے رہی ہے۔
- وسیع پیمانے پر درختوں کی شجر کاری کی گئی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

کمپنی کی انتظامیہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کی طرف سے جاری کردہ کارپوریٹ گورننس کے ضابطہء اخلاق اور کمپنیز آرڈیننس کی دفعات کی منظوری کے مطابق اپنی ذمہ داریوں سے پوری طرح آگاہ ہے۔ حسبِ ذیل تبصرے کارپوریٹ گورننس اور مسلسل بہتری کے اعلیٰ معیارات ادارے کی وابستگی کا اعتراف ہے۔

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکوئٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS) کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔
- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- کمپنی کے گوئنگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔
- بورڈ کے تمام ڈائریکٹرز کارپوریٹ باڈیز کے ڈائریکٹرز کے طور پر اپنے فرائض اور ذمہ داریوں سے بخوبی واقف ہیں۔ ڈائریکٹرز کو اورینٹیشن کورسز کے ذریعے ان کے فرائض اور ذمہ داریوں کے بارے میں آگاہ کیا گیا تھا۔
- گذشتہ چھ سالوں کا کلیدی اور مالی اعدادوشمار رپورٹ کے ہمراہ منسلک ہے۔

زیر جائزہ سال کے دوران، بورڈ آف ڈائریکٹرز کے سات اجلاس منعقد ہوئے حاضری کی پوزیشن حسب ذیل تھی:-

نمبر شمار	نام ڈائریکٹر	تعداد اجلاس
1	میاں حسن منشا (چیئرمین/ڈائریکٹر)	5
2	جناب اورنگ زیب فیروز	6
3	جناب شاہد ملک	5
4	جناب خواجہ محمد یونس*	2
5	جناب حسن نواز تارڑ	6
6	ڈاکٹر عارف بشیر	6
7	جناب بدر الحسن	6
8	جناب فرخ افضل**	3
9	جناب غضنفر حسین مرزا (سی ای او)	6
10	جناب محمود اختر***	0
11	جناب کامران رسول****	0

* جناب خواجہ محمد یونس 30 جون 2017 کو ریٹائر ہو گئے۔

** جناب فرخ افضل 30 جون 2017 کو بطور ڈائریکٹر منتخب ہوئے۔

*** جناب محمود اختر 08 فروری 2017 کو مستعفی ہو گئے اور اسی روز ان کی جگہ جناب بدر الحسن کو مقرر کیا گیا۔

**** جناب کامران رسول 08 فروری 2017 کو مستعفی ہو گئے اور اسی روز ان کی جگہ جناب حسن نواز تارڑ کو مقرر کیا گیا۔

زیر جائزہ سال کے دوران، آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے، حاضری کی پوزیشن حسب ذیل تھی:-

نمبر شمار	نام رکن	تعداد اجلاس
1	جناب فرخ افضل* (ممبر/چیئرمین)	2
2	جناب شاہد ملک (ممبر)	2
3	جناب اورنگ زیب فیروز (ممبر)	4
4	جناب خواجہ محمد یونس** (ممبر)	2

* جناب فرخ افضل 10 جولائی 2017 کو آڈٹ کمیٹی کے رکن اور یکم جنوری 2018 سے مؤثر جناب اورنگ زیب فیروز کی جگہ آڈٹ کمیٹی کے چیئرمین مقرر ہوئے۔

** جناب خواجہ محمد یونس 30 جون 2017 کو ریٹائر ہو گئے۔

زیرجائزہ سال کے دوران، ہیومن ریسورس & ریمنریشن (R&HR) کمیٹی کے دو (2) اجلاس منعقد ہوئے، حاضری کی پوزیشن حسب ذیل تھی:-

نمبر شمار	نام رکن	تعداد اجلاس
1	جناب فرخ افضل* (ممبر / چیئرمین)	0
2	میاں حسن منشا (ممبر)	2
3	جناب بدرالحسن (ممبر)	2
4	جناب غضنفر حسین مرزا** (مستعفی) (ممبر)	2
5	ڈاکٹر عارف بشیر (مستعفی) (ممبر)	0

*جناب فرخ افضل یکم جنوری 2018 سے مؤثر ڈاکٹر بشیر کی جگہ بطور ممبر اور میاں حسن منشا کی جگہ HR&R کمیٹی کے چیئرمین مقرر ہوئے۔
**ڈاکٹر عارف بشیر یکم جولائی 2017 کو جناب غضنفر حسین مرزا کی جگہ مقرر ہوئے اور یکم جنوری 2018 سے مؤثر رکنیت ختم ہوگئی۔

کارپوریٹ گورننس:

کارپوریٹ گورننس کے ضابطہء اخلاق پر بہترین عمل کی وضاحت منسلک ہے۔

حصص داری کا نمونہ:

بمطابق 31 دسمبر 2017 نمونہء حصص داری منسلک ہے۔

کمپنی کے حصص میں ٹریڈنگ:

31 دسمبر 2017 کو ختم ہونے والے سال کے دوران ڈائریکٹرز، ایگزیکٹوز اور ان کے زوج اور نابالغ بچوں کی طرف سے لسٹڈ کمپنی کے حصص میں کی گئی تمام تجارت اس سالانہ رپورٹ کے ہمراہ منسلک ہے۔

متعلقہ پارٹیاں:

متعلقہ پارٹیوں کے درمیان لین دین آڈٹ کمیٹی کے سامنے پیش کیا گیا اور بورڈ نے منظور کیا۔ یہ لین دین IFRS اور کمپنیز آرڈیننس 1984 کی ضروریات کی لائن میں تھے۔ کمپنی ایسے تمام لین دین کا ریکارڈ برقرار رکھتی ہے۔

منافع منقسمہ کی تقسیم:

بورڈ آف ڈائریکٹرز کمپنی کے حصص یافتگان کو، /10 روپے ہر ایک (یعنی بشرح 10 فیصد) کے -/1 روپے فی عام شیئر کی شرح پر حتمی منافع منقسمہ سالانہ اجلاس عام میں منظور کرنے کی سفارش کرتے ہوئے خوشی محسوس کرتے ہیں جو ان حصص داران کو ادا کیا جائے گا جن کے نام سالانہ اجلاس عام میں مذکورہ تاریخ کو رجسٹر میں درج ہوں گے۔

محاسب:

موجودہ محاسب میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائر ہوگئے ہیں اور انہوں نے اہل ہونے کی بناء پر سال 2018 کے لئے دوبارہ تعیناتی کے لئے خود کو پیش کیا ہے بورڈ کی آڈٹ کمیٹی نے ریٹائر ہونے والے محاسب کی دوبارہ تقرری کی سفارش کی ہے۔

اظہار تشکر:

ہم اپنے قابل قدر حصص داران، CPPA، مالیاتی اداروں، قرض دہندگان، پاکستان اسٹیٹ آئل اور دیگر سپلائرز کے کمپنی پر اعتماد، یقین اور مسلسل حمایت کا شکریہ ادا کرتے ہیں جن کی بدولت کمپنی بہتر نتائج حاصل کرنے کے قابل ہوئی ہے۔

ہم ایک جدید اور حوصلہ افزاء کام کا ماحول قائم کرنے اور پاور پلانٹ کے تمام شعبوں میں کارکردگی کی اعلیٰ سطح کو فروغ دینے کے لئے انتظامیہ کی محنت کو سراہتے ہیں۔ ہم قابل ذکر نتائج کی فراہمی کے لئے ایگزیکٹوز اور عملے کے ارکان کی مسلسل حمایت، کوششوں اور عزم کے لئے بھی شکریہ ادا کرتے ہیں اور کمپنی کے ساتھ ان کے طویل تعلقات کے خواہش مند ہیں۔

منجانب مجلس نظماء

Ghazanfar H. Mirza

(غضنفر حسین مرزا)

چیف ایگزیکٹو آفیسر

لاہور: 22 مارچ 2018ء

FINANCIAL DATA

	2017	2016	2015	2014	2013	2012
Dispatch Level %	50.00%	53.00%	8.00%	63.00%	65.00%	56.00%
Dispatch (GWH)	1,523	1,603	245	1,906	1,981	1,725
Revenue (Rupees.000)						
Revenue	19,754,785	16,044,135	6,523,043	34,922,901	37,743,681	33,718,174
Cost of Sales	(17,771,748)	(14,728,099)	(4,543,926)	(33,607,721)	(35,611,924)	30,612,069
Gross Profit	**1,983,037**	**1,316,036**	**1,979,117**	**1,315,180**	**2,131,757**	**3,106,105**
Profitability (Rupees.000)						
Profit/(Loss) before Tax	1,313,977	516,890	1,597,726	612,110	1,109,735	2,030,910
Provision for Income Tax		-	-	-	-	-
Profit/(Loss) after Tax	**1,313,977**	**516,890**	**1,597,726**	**612,110**	**1,109,735**	**2,030,910**
Financial Position (Rupees.000)						
Non Current Assets	8,525,637	9,370,960	10,020,251	8,465,608	8,203,680	8,088,987
Current Assets	18,336,319	15,747,801	15,529,189	12,491,663	13,108,105	15,536,799
Less; Current Liabilities	10,923,397	9,304,190	9,061,770	6,549,182	6,957,684	9,637,256
Net Working Capital	7,412,922	6,443,611	6,467,419	5,942,481	6,150,421	5,899,543
Capital Employed	15,938,559	15,814,571	16,487,670	14,408,089	14,354,101	13,988,530
Less; Long Term Loans	334,369	780,194	1,226,019	-	-	-
Less; Differed Liabilities	-	-	-	-	-	-
Share Holders Equity	**15,604,190**	**15,034,377**	**15,261,651**	**14,408,089**	**14,354,101**	**13,988,530**
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	11,766,415	11,196,602	11,423,876	10,570,314	10,516,326	10,150,755
	15,604,190	**15,034,377**	**15,261,651**	**14,408,089**	**14,354,101**	**13,988,530**
Dividends (Rupees.000)	372,082	372,082	372,082	372,082	930,204	1,116,246
Earning Per Share (Rupees)	3.53	1.39	4.29	1.65	2.98	5.46
Delta Loss (Rupees.000)	907,800	753,770	93,205	2,100,494	1,689,168	1,038,203
Ratios:						
Return on assets	0.05	0.02	0.06	0.03	0.05	0.09
Break up value per share of Rs. 10 each- Rupees	41.94	40.41	41.02	38.72	38.58	37.60
Current Ratio	1.68	1.69	1.71	1.91	1.88	1.61
Net Profit / (Loss) to sales (%age)	6.65%	3.22%	24.49%	1.75%	2.94%	6.02%

Vertical Analysis – Profit and Loss Account

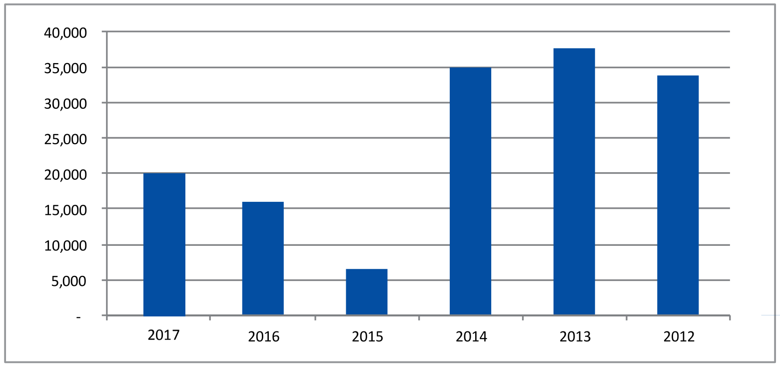
	2017	% of Turnover	2016	% of Turnover	2015	% of Turnover
Revenue	19,754,785	100	16,044,135	100	6,523,043	100
Cost of Sales	(17,771,748)	(89.96)	(14,728,099)	(91.80)	(4,543,926)	(69.66)
Gross Profit	1,983,037	10.04	1,316,036	8.20	1,979,117	30.34
Administration Expenses	(181,724)	(0.92)	(168,599)	(1.05)	(153,920)	(2.36)
Other operating Expenses	(14,249)	(0.07)	(30,944)	(0.19)	(2,569)	(0.04)
Other income	205,446	1.04	4,200	0.03	97,555	1.50
Finance Cost	(678,533)	(3.43)	(603,676)	(3.76)	(321,037)	(4.92)
Share of loss of associated compnay	-	-	(127)	(0.00)	(1,420)	(0.02)
Profit for the year	1,313,977	6.65	516,890	3.22	1,597,726	24.49

Horizantal Analysis – Profit and Loss Account

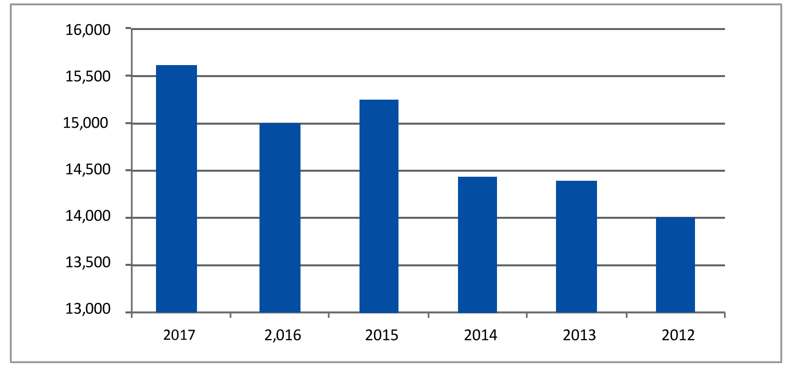
	2017	17 v 16	2016	16 v 16	2015	15 v 14
Revenue	19,754,785	23.13	16,044,135	145.96	6,523,043	(81.32)
Cost of Sales	(17,771,748)	20.67	(14,728,099)	224.13	(4,543,926)	(86.48)
Gross Profit	1,983,037	50.68	1,316,036	(33.50)	1,979,117	50.48
Administration Expenses	(181,724)	7.78	(168,599)	9.54	(153,920)	4.97
Other operating Expenses	(14,249)	(53.95)	(30,944)	1,104.52	(2,569)	9.74
Other income	205,446	4,791.57	4,200	(95.69)	97,555	299.05
Finance Cost.	(678,533)	12.40	(603,676)	88.04	(321,037)	(44.50)
Share of loss of associated compnay	-	-	(127)	-	(1,420)	-
Profit for the year	1,313,977	154.21	516,890	(67.65)	1,597,726	43.97

PERFORMANCE REVIEW

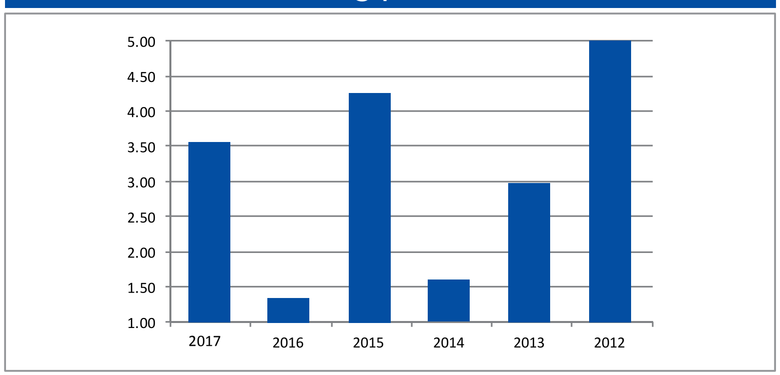
Sales



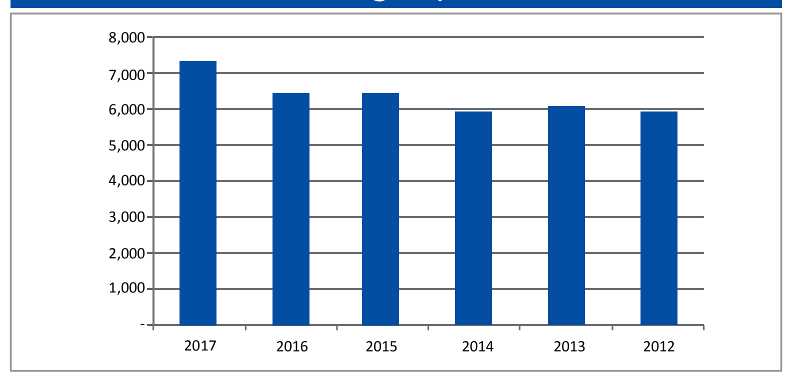
Shareholder Equity



Earning per Share



Working Capital



PATTERN OF SHAREHOLDINGS

As at December 31, 2017

# of Shareholders	Shareholdings' Slab			Total Shares Held
252	1	to	100	3,974
537	101	to	500	260,653
362	501	to	1000	356,793
551	1001	to	5000	1,659,055
220	5001	to	10000	1,864,030
66	10001	to	15000	862,736
62	15001	to	20000	1,161,500
49	20001	to	25000	1,177,121
27	25001	to	30000	767,500
9	30001	to	35000	304,000
12	35001	to	40000	462,000
9	40001	to	45000	392,000
26	45001	to	50000	1,295,500
2	50001	to	55000	107,000
5	55001	to	60000	292,500
8	60001	to	65000	511,500
4	65001	to	70000	269,504
9	70001	to	75000	663,500
3	75001	to	80000	231,500
5	80001	to	85000	415,500
3	85001	to	90000	267,500
5	90001	to	95000	465,000
23	95001	to	100000	2,298,500
3	100001	to	105000	307,000
3	110001	to	115000	340,500
1	115001	to	120000	116,500
2	120001	to	125000	246,500
1	135001	to	140000	140,000
1	140001	to	145000	145,000
1	145001	to	150000	149,500
1	150001	to	155000	155,000
2	155001	to	160000	315,000
3	160001	to	165000	491,500
2	170001	to	175000	347,500
1	175001	to	180000	180,000
1	180001	to	185000	185,000
2	190001	to	195000	385,500
6	195001	to	200000	1,200,000
2	200001	to	205000	410,000
1	205001	to	210000	206,000
1	210001	to	215000	211,000
1	225001	to	230000	226,500
1	235001	to	240000	240,000
1	240001	to	245000	243,000
1	245001	to	250000	250,000
2	250001	to	255000	502,500
1	255001	to	260000	256,500
2	265001	to	270000	533,000
1	295001	to	300000	300,000
1	300001	to	305000	303,000

# of Shareholders	Shareholdings' Slab			Total Shares Held
1	350001	to	355000	350,500
1	355001	to	360000	358,000
1	405001	to	410000	406,500
1	430001	to	435000	435,000
1	445001	to	450000	446,000
1	450001	to	455000	450,198
1	460001	to	465000	462,000
1	470001	to	475000	471,500
1	495001	to	500000	500,000
1	525001	to	530000	526,315
1	580001	to	585000	583,500
1	595001	to	600000	600,000
1	625001	to	630000	630,000
1	655001	to	660000	657,500
1	745001	to	750000	750,000
2	750001	to	755000	1,508,237
1	820001	to	825000	822,000
4	995001	to	1000000	4,000,000
1	1030001	to	1035000	1,035,000
1	1050001	to	1055000	1,052,631
1	1115001	to	1120000	1,115,500
2	1195001	to	1200000	2,400,000
1	1465001	to	1470000	1,466,000
1	1570001	to	1575000	1,575,000
1	1575001	to	1580000	1,580,000
1	1730001	to	1735000	1,732,500
1	1850001	to	1855000	1,854,000
1	2105001	to	2110000	2,108,500
1	2230001	to	2235000	2,230,500
1	2295001	to	2300000	2,300,000
1	2445001	to	2450000	2,450,000
1	2880001	to	2885000	2,883,000
1	3270001	to	3275000	3,270,845
1	3405001	to	3410000	3,406,500
1	3620001	to	3625000	3,624,000
1	4405001	to	4410000	4,407,500
1	6130001	to	6135000	6,132,000
1	6405001	to	6410000	6,407,296
1	9995001	to	10000000	10,000,000
1	13085001	to	13090000	13,086,000
1	14100001	to	14105000	14,100,500
1	14630001	to	14635000	14,631,340
1	15125001	to	15130000	15,130,000
1	21035001	to	21040000	21,039,000
1	25630001	to	25635000	25,631,181
1	64475001	to	64480000	64,476,454
1	102520001	to	102525000	102,524,228
2346				**372,081,591**

Categories of Shareholders

As at December 31, 2017

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MIAN HASSAN MANSHA	1	14,631,340	3.93
AURANGZEB FIROZ	2	100,000	0.03
Shahid Malik	1	500	0.00
Farrukh Ifzal	1	500	0.00
BADAR-UL-HASSAN	1	500	0.00
HASSAN NAWAZ TARAR	1	3,500	0.00
ARIF BASHIR	1	1,000	0.00
Associated Companies, undertakings and related parties			
NISHAT MILLS LIMITED	1	102,524,228	27.55
SECURITY GENERAL INSURANCE CO LTD	1	6,407,296	1.72
ADAMJEE INSURANCE COMPANY LIMITED	1	25,631,181	6.89
ENGEN (PRIVATE) LIMITED	2	64,476,954	17.33
CITY SCHOOLS (PVT) LTD	1	526,315	0.14
Executives			
KHALID QADEER QURESHI - CFO	1	500	0.00
Public Sector Companies and Corporations	3	3,891,000	1.05
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	14	25,056,500	6.73
Mutual Funds			
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	15,500	0.00
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	1	1,500	0.00
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	1	5,000	0.00
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	1	500	0.00
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	2,300,000	0.62
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	1,466,000	0.39
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	1,200,000	0.32
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1	1,854,000	0.50
CDC - TRUSTEE APF-EQUITY SUB FUND	1	165,000	0.04
CDC - TRUSTEE APIF - EQUITY SUB FUND	1	165,000	0.04
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	446,000	0.12
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	1	1,580,000	0.42
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	1	2,883,000	0.77
CDC - TRUSTEE NAFA ISLAMIC ENERGY FUND	1	71,000	0.02

General Public			
a. Local	2233	35,816,973	9.63
b. Foreign	1	9,500	0.00
Foreign Companies	4	5,295,500	1.42
OTHERS	62	76,082,119	20.45
Totals	**2346**	**372,081,591**	**100.00**

Share holders holding 5% or more	Shares Held	Percentage
ADAMJEE INSURANCE COMPANY LIMITED	25,631,181	6.89
ENGEN (PRIVATE) LTD	64,476,954	17.33
MASOOD FABRICS LTD	21,039,000	5.65
NISHAT MILLS LIMITED	102,524,228	27.55

INFORMATION UNDER LISTING REGULATION NO.5.19.11 (XII) OF PAKISTAN STOCK EXCHANGE LIMITED RULE BOOK AS ON DECEMBER 31, 2017

There is no trading in the shares of the Company, carried out by its Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer,Head of Internal Audit, Company Secretary, their spouses and minor children and other employees of the Company for whom the Board of Directors have set the threshold except following purchases by the new Directors as qualification shares.

Name of Directors	No. of Shares	Date
Mr. Hassan Nawaz Tarrar	3,500	14-02-2017
Mr. Badar Ul Hassan	500	13-02-2017

Statement of Compliance with the Code of Corporate Governance

Name of company: Pakgen Power Limited

Year ended December 31, 2017

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19 of listing regulations of Pakistan 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	Mr. Farrukh Ifzal
Executive Directors	Mr. Ghazanfar Hussain Mirza
Non Executive Directors	Mian Hassan Mansha Mr. Aurangzeb Firoz Mr. Shahid Malik Mr. Hassan Nawaz Tarar Dr. Arif Bashir Mr. Badar-ul-Hassan

   The independent director meets the criteria of independence under clause 5.19.1.(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancies occurred on the Board on February 08, 2017 and were filled up by the Directors on the same day.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged following 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: -

   All Directors on the Board of Directors have completed the Directors Training Programme, except Mian Hassan Mansha and Mr. Badar-ul-Hassan.

10. The Board has approved appointment of Miss Hina Rauf as Head of Internal Audit including the remuneration and terms and conditions of her employment in place of Syed Arshad Ali Zaidi. The remuneration of CFO was revised during the year after due approval of the Board. Subsequent to the year end, the Board has approved appointment of Miss Zeenat Salam as Head of Internal Audit in place of Miss Hina Rauf including terms and conditions of her employment with effect from February 01, 2018.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises of 3 members of whom 2 are non-executive directors and one is independent director. The Chairman of Audit Committee is a non-executive 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 all of whom are non-executive directors and the chairman of the committee is a non-executive director.

18. The Board has set up an effective internal audit function, 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 financial 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.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. We confirm that all other material principles enshrined in the CCG have been complied with. Further, the Company has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval. The definition of related party used is in accordance with repealed Companies Ordinance, 1984 and applicable financial reporting framework as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.

Ghazanfer H. Mirza

GHAZANFER HUSSAIN MIRZA
CHIEF EXECUTIVE OFFICER
CNIC # 35201-1478495-9

DR. ARIF BASHIR
DIRECTOR
CNIC # 35202-3023904-9

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 2017 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited, 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 2017.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Mubashar Mehmood

Date: 22 March 2018
LAHORE

FINANCIAL HIGHLIGHTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **PAKGEN POWER LIMITED** as at 31 December 2017 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 repealed 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 repealed 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 repealed 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 repealed 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 2017 and of the profit, its cash flows and changes in equity for the year then ended; and

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

We draw attention to note 10.1.3 to the financial statements which explains the uncertainty regarding outcome of claims lodged by Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), which have been disputed by the company. Our opinion is not modified in respect of this matter.

RIAZ AHMAD & COMPANY
Chartered Accountants

Date: 22 March 2018
LAHORE

Name of engagement partner:
Mubashar Mehmood

BALANCE SHEET
As at 31 December 2017

	Note	2017	2016
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 400,000,000 (2016: 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	5	116,959	116,959
Revenue reserve - un-appropriated profit		11,766,415	11,196,602
Total equity		15,604,190	15,034,377
LIABILITIES			
NON-CURRENT LIABILITY			
Long term finance - secured	6	334,369	780,194
CURRENT LIABILITIES			
Trade and other payables	7	1,174,937	1,521,863
Accrued mark-up / interest	8	108,124	87,211
Short term borrowings	9	9,194,511	7,249,291
Current portion of long term finance	6	445,825	445,825
		10,923,397	9,304,190
Total liabilities		11,257,766	10,084,384
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		26,861,956	25,118,761

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

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

	Note	2017	2016
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	8,525,337	9,369,818
Long term investment	12	-	842
Long term security deposit		300	300
		8,525,637	9,370,960
CURRENT ASSETS			
Stores, spare parts and other consumables		813,425	836,954
Fuel stock	13	420,331	319,573
Trade debts	14	14,166,522	11,634,502
Advances and short term prepayments	15	351,244	349,090
Other receivables	16	359,198	293,319
Sales tax recoverable		2,163,910	1,723,285
Cash and bank balances	17	61,689	591,078
		18,336,319	15,747,801
TOTAL ASSETS		26,861,956	25,118,761

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2017

	Note	2017	2016
		(Rupees in thousand)	
REVENUE	18	19,754,785	16,044,135
COST OF SALES	19	(17,771,748)	(14,728,099)
GROSS PROFIT		1,983,037	1,316,036
ADMINISTRATIVE EXPENSES	20	(181,724)	(168,599)
OTHER EXPENSES	21	(14,249)	(30,944)
OTHER INCOME	22	205,446	4,200
PROFIT FROM OPERATIONS		1,992,510	1,120,693
FINANCE COST	23	(678,533)	(603,676)
SHARE OF LOSS FROM ASSOCIATED COMPANY	12	-	(127)
PROFIT BEFORE TAXATION		1,313,977	516,890
TAXATION	24	-	-
PROFIT AFTER TAXATION		1,313,977	516,890
OTHER COMPREHENSIVE INCOME:			
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS ACCOUNT		-	-
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS ACCOUNT		-	-
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,313,977	516,890
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	25	3.53	1.39

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

CHIEF EXECUTIVE | **DIRECTOR** | **CHIEF FINANCIAL OFFICER**

CASH FLOW STATEMENT
for the year ended 31 December 2017

	Note	2017	2016
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	26	(523,118)	409,724
Finance cost paid		(657,620)	(576,954)
Interest income received		5,286	2,032
Income tax paid		(11,156)	(13,897)
Gratuity paid		(11,929)	(11,045)
Net cash used in operating activities		(1,198,537)	(190,140)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(83,888)	(199,549)
Net cash used in investing activities		(83,888)	(199,549)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term finance		(445,825)	(445,825)
Dividend paid		(746,359)	(742,643)
Net cash used in financing activities		(1,192,184)	(1,188,468)
Net decrease in cash and cash equivalents		(2,474,609)	(1,578,157)
Cash and cash equivalents at beginning of the year		(6,658,213)	(5,080,056)
Cash and cash equivalents at end of the year		(9,132,822)	(6,658,213)
CASH AND CASH EQUIVALENTS			
Cash in hand		237	238
Cash at banks		61,452	590,840
Short term borrowings		(9,194,511)	(7,249,291)
		(9,132,822)	(6,658,213)

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

CHIEF EXECUTIVE	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	SHARE CAPITAL	RESERVES		TOTAL EQUITY
		Capital	Revenue	
		Retained payments reserve	Un-appropriated profit	
	(- - - - - - - -Rupees in thousand - - - - - -)			
Balance as at 31 December 2015	3,720,816	116,959	11,423,876	15,261,651
Transactions with owners:				
Final dividend for the year ended 31 December 2015 @ Rupee 1 per share	-	-	(372,082)	(372,082)
Interim dividend for the year ended 31 December 2016 @ Rupee 1 per share	-	-	(372,082)	(372,082)
Transactions with owners of the Company recognised directly in equity	-	-	(744,164)	(744,164)
Profit for the year ended 31 December 2016	-	-	516,890	516,890
Other comprehensive income for the year ended 31 December 2016	-	-	-	-
Total comprehensive income for the year ended 31 December 2016	-	-	516,890	516,890
Balance as at 31 December 2016	3,720,816	116,959	11,196,602	15,034,377
Transactions with owners:				
Final dividend for the year ended 31 December 2016 @ Rupee 1 per share	-	-	(372,082)	(372,082)
Interim dividend for the year ended 31 December 2017 @ Rupee 1 per share	-	-	(372,082)	(372,082)
Transactions with owners of the Company recognised directly in equity	-	-	(744,164)	(744,164)
Profit for the year ended 31 December 2017	-	-	1,313,977	1,313,977
Other comprehensive income for the year ended 31 December 2017	-	-	-	-
Total comprehensive income for the year ended 31 December 2017	-	-	1,313,977	1,313,977
	3,720,816	116,959	11,766,415	15,604,190

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

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

1. THE COMPANY AND ITS OPERATIONS

Pakgen Power Limited ("the Company") was incorporated in Pakistan on 22 June 1995 under the Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the Company is situated at 53-A, Lawrence Road, Lahore. The ordinary shares of the Company are listed on Pakistan Stock Exchange Limited. 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. The Company has a Power Purchase Agreement (PPA) with its sole customer, Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for 30 years which commenced from 01 February 1998.

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 repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 on 30 May 2017. However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 23 of 2017 dated 04 October 2017 has advised the Companies whose financial year closes on or before 31 December 2017 to prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures about Company's operations and has also enhanced the definition of related parties.

Securities and Exchange Commission of Pakistan (SECP) 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 Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) 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:

	2017	2016
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(8,517,568)	(9,358,649)
Recognition of lease debtor	4,278,263	4,363,590
	(4,239,305)	(4,995,059)
Decrease in un-appropriated profit at the beginning of the year	(4,995,059)	(5,575,188)
Increase / (decrease) in profit for the year	755,754	580,129
Decrease in un-appropriated profit at the end of the year	(4,239,305)	(4,995,059)

b) Accounting convention

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

c) Critical accounting estimates and judgments

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

Taxation

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

Useful lives, pattern of economic benefits and impairment

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

Provisions for doubtful debts

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

Provision for obsolescence of stores, spares parts and other consumables

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

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

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 January 2017:

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments have resulted in certain additional disclosures in the Company's financial statements.

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments have no significant impact on Company's financial statements.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

There are other amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2017 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 2018 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 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). 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 aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases–Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 40 (Amendments), 'Investment Property' (effective for annual periods beginning on or after 01 January 2018). The amendments clarify that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendment is not likely to have a significant impact on the Company's financial statements.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendment is not likely to have significant impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

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

There are other standard and amendments to published approved standards that are mandatory for accounting periods beginning on or after 01 January 2018 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. The Company has reviewed the useful lives of its operating fixed assets and, as the expectations differed from previous estimates, the change has been accounted for as a change in an accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in the accounting estimate, the profit after tax for the year ended 31 December 2017 would have been higher by Rupees 119.808 million and carrying value of operating fixed assets as at that date would have been higher by the same amount.

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 11.1. 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 investment accounted for under equity method for associate, which is 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 associate - (with significant influence)

Investment in associate is valued using equity method in accordance with the IAS 28 "Investments in Associates and Joint Ventures".

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, other receivables, cash and bank balances, long-term finance, short-term borrowings, accrued mark-up / interest 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 mark-up / profit 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 CPPA-G, 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

2017	2016		2017	2016
(Number of Shares)			(Rupees in thousand)	
370,586,125	370,586,125	Ordinary shares of Rupees 10 each fully paid-up in cash	3,705,861	3,705,861
1,495,466	1,495,466	Ordinary shares of Rupees 10 each issued as fully paid-up for consideration other than cash	14,955	14,955
372,081,591	372,081,591		3,720,816	3,720,816

3.1 Ordinary shares of the Company held by associated companies:

	2017	2016
	(Number of shares)	
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
Engen (Private) Limited	64,476,954	64,476,954
City Schools (Private) Limited	526,315	-
	199,565,974	199,039,659

4. 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 long term finance, short term borrowings, less cash and bank balances. Capital includes equity attributable to the equity holders.

	2017	2016
	(Rupees in thousand)	
Long term finance	780,194	1,226,019
Short term borrowings	9,194,511	7,249,291
Cash and bank balances	(61,689)	(591,078)
Net debt	9,913,016	7,884,232
Equity	15,604,190	15,034,377
Equity and net debt	25,517,206	22,918,609
Gearing ratio	38.85%	34.40%%

5. 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.

	2017	2016
	(Rupees in thousand)	
6. LONG TERM FINANCE		
From banking company - secured		
Long term loan (Note 6.1)	780,194	1,226,019
Less: Current portion shown under current liabilities	445,825	445,825
	334,369	780,194

6.1 This represents syndicated term finance facility obtained from MCB Bank Limited (NIB Bank Limited merged into MCB Bank Limited) (Lead Arranger / Agent) to finance the replacement of turbine rotors of the Complex against sanctioned limit of Rupees 3,000 million (2016: Rupees 3,000 million). This facility carries mark-up at the rate of three months KIBOR plus 0.5% per annum (2016: three months KIBOR plus 2.25% per annum) payable quarterly. The effective mark-up rate charged during the year ranged from 6.59% to 8.36% (2016: 8.28% to 8.75%) per annum. This facility is repayable in sixteen equal quarterly instalments with a grace period of six months and is secured by the way of first pari passu charge over present and future plant and machinery of the Company amounting to Rupees 4,000 million and first pari passu hypothecation charge over present and future current assets amounting to Rupees 4,000 million.

	2017	2016
	(Rupees in thousand)	
7. TRADE AND OTHER PAYABLES		
Creditors	1,014,495	722,492
Accrued liabilities (Note 7.1)	88,529	765,051
Workers' profit participation fund payable (Note 7.2)	65,699	25,845
Unclaimed dividend	5,337	7,532
Income tax deducted at source	494	391
Others	383	552
	1,174,937	1,521,863

7.1 These include liquidated damages of Rupees Nil (2016: Rupees 718.620 million) imposed by CPPA-G on account of forced outage.

	2017	2016
	(Rupees in thousand)	

7.2 Workers' profit participation fund payable

	2017	2016
Opening balance	25,845	79,886
Allocation for the year (Note 21.2)	65,699	25,845
Payments made during the year	(25,845)	(79,886)
Closing balance	65,699	25,845

8. ACCRUED MARK-UP / PROFIT

	2017	2016
Long term finance	712	1,406
Short term borrowings	107,412	85,805
	108,124	87,211

9. SHORT TERM BORROWINGS

	2017	2016
From banking companies		
Working capital finances - secured (Note 9.1)	9,194,511	6,592,791
From related party		
Lalpir Power Limited (Note 9.2)	-	656,500
	9,194,511	7,249,291

9.1 The Company has total working capital finance facilities of Rupees 12,668 million (2016: Rupees 10,368 million) available from commercial banks out of which Rupees 3,473 million (2016: Rupees 3,775 million) remained unutilized at year end. These facilities carry mark-up at average offer rate for 1 month to 6 months KIBOR plus 0.18% to 2.00% (2016: 1 month to 6 months KIBOR plus 0.25% to 2.50%) per annum payable monthly / quarterly / semi annually (2016: monthly / quarterly / semi annually). The effective interest rate charged during the year ranged from 6.31% to 8.29% (2016: from 6.31% to 8.52%) per annum. These facilities are secured by way of charge to the extent of Rupees 17,914 million (2016: Rupees 14,946 million) on the present and future current assets of the Company.

9.2 The loan obtained from Lalpir Power Limited, an associated company has been fully repaid during the year. This loan carried mark-up equivalent to the average borrowing cost of Lalpir Power Limited for each month with minimum rate of average offer rate for 1 month KIBOR plus 0.50% per annum payable on monthly basis. This was unscured loan and for a period of one year renewable by members of the Company. The effective interest rate charged during the year ranged from 6.75% to 6.78% (2016: 6.72% to 7.00%) per annum.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 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 Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) 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.

10.1.2 The banks of the Company have issued letters of credit in favour of Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for amount of Rupees 651 million (2015: Rupees 651 million) to meet its obligations under the Power Purchase Agreement (PPA).

10.1.3 Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) has raised invoices for liquidated damages to the Company from 11th to 20th (up to December 2017) 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 CPPA-G in making timely payments. Liquidated damages invoiced to the Company amounts to Rupees 6,266 million (2016: Rupees 6,443 million). Out of these, the Company has accepted and paid Rupees 4,006 million (2016: Rupees 3,485 million). The Company disputes and rejects balance claims on account of liquidated damages that are raised by CPPA-G on the premise that its failure to dispatch electricity was due to CPPA-G'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 that resulted in inadequate level of electricity production owing to shortage of fuel. Against these the Company has raised invoice dispute notices to CPPA-G. The Company appointed mediation expert under the mechanism given in the PPA. On 22 June 2017, the mediation expert gave his decision in favour of the Company. However, this decision is not binding on either party. The Company is in the process of negotiation with CPPA-G to settle the issue. 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.

10.1.4 During the period, CPPA-G issued a notice on 20 March 2017, disputing all the invoices of the Company on the grounds that the Company was in default of its obligations under the PPA and accordingly not eligible for the cost of working capital claimed and adjustment on account of heat rate savings. The Company challenged the dispute notice in the Honourable Lahore High Court ("the Court"). The Court issued a stay order restraining CPPA-G from disputing any invoice of the Company. The management is of the view that there are meritorious grounds available to defend the dispute notice and consequently, no provision has been made in these financial statements.

10.1.5 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 (Appeals) [CIR(A)], which were decided in favour of the Company. Against the orders CIR(A), tax department has filed appeals before Appellate Tribunal Inland Revenue (ATIR). ATIR decided the case in favour of tax department and vacated the order passed by CIR(A). Against the decision of ATIR, the Company has filed reference application in the Honourable Lahore High Court ("the Court") which has been decided in favour of the Company by the Court. However, department has filed petition for leave to appeal before Supreme Court of Pakistan. Further, DCIR issued show cause notice to the Company for the tax periods from July 2009 to December 2012 declaring refund claims being inadmissible amounting to Rupees 2,374.766 million on aforesaid grounds. The Company challenged the notice before the Court along with reply of the show cause notice to DCIR. The Court has decided the case in favour of the Company. However, tax department has filed petition for leave to appeal before Supreme Court of Pakistan, as well as review application before the Court. 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.

10.1.6 The tax authorities have carried out assessment proceedings under section 122(5A) of the Income Tax Ordinance, 2001 for the tax years 2012 and 2014 by creating (among others) a demand of Rupees 708.184 million on account of interest on delayed payments by CPPA-G not been offered for tax. As per tax authorities, interest on delayed payments 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 filed appeals against foregoing assessment proceedings before Commissioner Inland Revenue (Appeals) [CIR(A)], which were decided in favour of the Company. Against the decisions of CIR(A), tax authorities have filed appeals before ATIR which are in the process of hearings. Based on tax advisor's opinion and CIR(A)'s decision in favour of the Company, the management is confident that the matter will be decided in favour of the Company and accordingly no provision has been made in these financial statements.

10.1.7 The Deputy Commissioner Inland Revenue (DCIR), through an assessment order, rejected the deferred sales tax refund claims of different tax periods amounting to Rupees 44.816 million on the grounds that the Company has failed to prove admissibility of refund claims in the light of objection raised by Sales Tax Automated Refund Repository (STARR). The Company filed an appeal before CIR(A) whereby CIR(A) has granted relief to the Company and directed the department to allow Company's refund claim after proper verification of underlying documents and refund should be curtailed if the Company failed to provide the proof. The management is of the view that there are meritorious grounds available to prove the genuineness of the refund claims. Consequently, no provision has been made in these financial statements.

10.1.8 The banks of the Company have issued letters of guarantee in favour of Pakistan State Oil Company Limited (PSO) - fuel supplier for an amount of Rupees 1,500 million (2016: Rupees 1,000 million) against purchase of fuel.

10.2 Commitments

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

	2017	2016
	(Rupees in thousand)	
10.2.2 Commitments in respect of letters of credit for capital expenditure	46,324	43,832
10.2.3 Commitments in respect of other than capital expenditure	15,984	279,302

11. PROPERTY, PLANT AND EQUIPMENT

	2017	2016
Operating fixed assets (Note 11.1)	8,482,603	9,298,612
Capital work-in-progress (Note 11.2)	42,734	71,206
	8,525,337	9,369,818

11.1 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 - - - -								
As at 31 December 2015									
Cost	251,772	953,700	23,807	13,455,937	4,465	7,598	26,796	6,412	14,730,487
Accumulated depreciation	-	(355,194)	(20,457)	(5,098,166)	(2,763)	(6,596)	(17,754)	(6,220)	(5,507,150)
Net book value	251,772	598,506	3,350	8,357,771	1,702	1,002	9,042	192	9,223,337
Year ended 31 December 2016									
Opening net book value	251,772	598,506	3,350	8,357,771	1,702	1,002	9,042	192	9,223,337
Additions	-	-	-	920,993	595	-	1,186	1,214	923,988
Derecognitions:									
Cost	-	-	-	(64,660)	-	-	-	-	(64,660)
Accumulated depreciation	-	-	-	36,310	-	-	-	-	36,310
	-	-	-	(28,350)	-	-	-	-	(28,350)
Depreciation charge	-	(29,188)	(1,190)	(786,221)	(419)	(452)	(2,810)	(83)	(820,363)
Closing net book value	251,772	569,318	2,160	8,464,193	1,878	550	7,418	1,323	9,298,612
At 31 December 2016									
Cost	251,772	953,700	23,807	14,312,270	5,060	7,598	27,982	7,626	15,589,815
Accumulated depreciation	-	(384,382)	(21,647)	(5,848,077)	(3,182)	(7,048)	(20,564)	(6,303)	(6,291,203)
Net book value	251,772	569,318	2,160	8,464,193	1,878	550	7,418	1,323	9,298,612
Year ended 31 December 2017									
Opening net book value	251,772	569,318	2,160	8,464,193	1,878	550	7,418	1,323	9,298,612
Additions	-	7,844	-	103,914	-	-	122	480	112,360
Derecognitions:									
Cost	-	-	-	(49,451)	-	-	-	-	(49,451)
Accumulated depreciation	-	-	-	38,638	-	-	-	-	38,638
	-	-	-	(10,813)	-	-	-	-	(10,813)
Depreciation charge	-	(51,603)	(1,190)	(860,761)	(451)	(452)	(2,950)	(149)	(917,556)
Closing net book value	251,772	525,559	970	7,696,533	1,427	98	4,590	1,654	8,482,603
At 31 December 2017									
Cost	251,772	961,544	23,807	14,366,733	5,060	7,598	28,104	8,106	15,652,724
Accumulated depreciation	-	(435,985)	(22,837)	(6,670,200)	(3,633)	(7,500)	(23,514)	(6,452)	(7,170,121)
Net book value	251,772	525,559	970	7,696,533	1,427	98	4,590	1,654	8,482,603
Annual rate of depreciation (%)		3.29-11.1	5	2.59-33.3	10	20	10-33.3	9.13-20	

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Loss	Mode of disposal
	2017					
	------------- Rupees in thousand ---------------					
Plant and machinery						
CWP with motor	76	39	37	-	(37)	(Note 11.1.4)
BFPS with booster pumps and motors	4,943	2,368	2,575	-	(2,575)	(Note 11.1.4)
Neutralization and blow down pit	1,125	859	266	-	(266)	(Note 11.1.4)
11 kv switches gear bus	2,535	1,269	1,266	-	(1,266)	(Note 11.1.4)
Acid regeneration skid including stroke controllers	67	35	32	-	(32)	(Note 11.1.4)
FDF with motors and combustion air	720	576	144	-	(144)	(Note 11.1.4)
HFO discharge heater skid including gauges	128	60	68	-	(68)	(Note 11.1.4)
CWP with motor	76	42	34	-	(34)	(Note 11.1.4)
GRF with motors	2509	848	1,661	-	(1,661)	(Note 11.1.4)
BCP with motors including guages	8,023	4,038	3,985	-	(3,985)	(Note 11.1.4)
GAH with motor including SOVs	1,158	1,158	-	-	-	(Note 11.1.4)
BCP with motors including guages	1,636	892	744	-	(744)	(Note 11.1.4)
GAH with motor including SOVs	1,427	1,427	-	-	-	(Note 11.1.4)
GAH with motor including SOVs	9,551	9,551	-	-	-	(Note 11.1.4)
GAH with motor including SOVs	3,956	3,956	-	-	-	(Note 11.1.4)
GAH with motor including SOVs	9,840	9,840	-	-	-	(Note 11.1.4)
GAH with motor including SOVs	1,681	1,680	1	-	(1)	(Note 11.1.4)
	49,451	38,638	10,813	-	(10,813)	

	2017	2016
	(Rupees in thousand)	
11.1.2 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 19)	913,554	816,599
Administrative expenses (Note 20)	4,002	3,764
	917,556	820,363

11.1.3 Property, plant and equipment include operating fixed assets costing Rupees 262.766 million (2016: Rupees 68.815 million) which are fully depreciated but still in the use of the Company.

11.1.4 These represent operating fixed assets derecognized during the year due to replacement of assets as per requirement of IAS 16 “Property, Plant and Equipment”.

	2017	2016
	(Rupees in thousand)	
11.2 Capital work-in-progress		
Plant and machinery	42,162	71,206
Others	572	-
	42,734	71,206

12. LONG-TERM INVESTMENT

	2017	2016
Associated company - under equity method		
Nishat Energy Limited - unquoted 250,000 (2016: 250,000) fully paid ordinary shares of Rupees 10 each Equity held 25% (2016: 25%) at cost	2,500	2,500
Share of reserve		
As at 01 January	(1,658)	(1,531)
Less: Share of loss	-	(127)
As at 31 December	(1,658)	(1,658)
Less: Impairment loss (Note 21)	(842)	-
Carrying amount under equity method	-	842

12.1 Summary of financial information of associated company as per un-audited financial statements for the year:

	2017	2016
	(Rupees in thousand)	
Non-current assets	12	3,037
Current assets	454	474
Total assets	466	3,511
Liabilities	2,574	146
Net assets	(2,108)	3,365
Loss for the year	5,473	508

12.2 Nishat Energy Limited (NEL) is a public limited company incorporated in Pakistan. The principal activity of NEL was to build, own, operate and maintain coal power station. NEL had submitted an upfront tariff petition which was pending for receipt of Purchase Acquisition Request from Central Power Purchasing Agency (Guarantee) Limited (CPPA-G). On 14 October 2016, existing upfront tariff for power generation on imported / local coal expired and National Electric Power Regulatory Authority (NEPRA) has decided not to extend the existing upfront tariff beyond 14 October 2016. In view of the aforesaid reasons, NEL is not considered a going concern. Therefore, investment of the Company in NEL has been fully impaired in these financial statements.

12.3 NEL is an unlisted company therefore, no quoted market price is available for its shares.

12.4 There are no contingent liabilities relating to the Company's interest in NEL.

12.5 Provision for taxation is Rupees Nil in the financial statements of NEL.

	2017	2016
	(Rupees in thousand)	
13. FUEL STOCK		
Furnace oil	407,657	315,106
Diesel	12,674	4,467
	420,331	319,573
14. TRADE DEBTS		
Other than related parties - considered good	14,166,522	11,634,502

14.1 These represent receivables from Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), the Company's sole customer, and are backed by sovereign guarantee of Government of Pakistan. This includes an overdue amount of Rupees 9,926 million (2016: Rupees 7,613 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 is 6.25% (2016: 6.25% to 6.50%) per annum.

	2017	2016
	(Rupees in thousand)	
14.2 As at 31 December, age analysis of trade debts was as follows:		
Neither past due nor impaired	2,541,792	2,197,421
Past due but not impaired:		
- 26 to 90 days	4,230,465	3,745,207
- 91 to 180 days	4,927,144	1,465,874
- 181 to 365 days	1,645,139	1,622,515
- above 365 days	821,982	2,603,485
	11,624,730	9,437,081
	14,166,522	11,634,502

15. ADVANCES AND SHORT TERM PREPAYMENTS

	2017	2016
	(Rupees in thousand)	
Advances to suppliers - considered good	40,801	50,917
Advance income tax - net	306,834	295,678
Short term prepayments	3,609	2,495
	351,244	349,090

16. OTHER RECEIVABLES

	2017	2016
Recoverable from CPPA-G as pass through item:		
Workers' profit participation fund (Note 16.1)	358,865	293,166
Workers' welfare fund (Note 16.2)	-	-
Others	333	153
	359,198	293,319

16.1 Workers' profit participation fund

	2017	2016
Opening balance	293,166	267,321
Allocation for the year (Note 21.2)	65,699	25,845
Amount received during the year	-	-
Closing balance	358,865	293,166

16.2 Workers' welfare fund

	2017	2016
Considered doubtful	5,135	5,135
Provision for doubtful receivable	(5,135)	(5,135)
	-	-

16.2.1 Provision for Workers' Welfare Fund (WWF) has not been made in these financial statements based on the advice of legal counsel of the Company. However, in case the Company pays WWF, the same is recoverable from CPPA-G as a pass through item under PPA with CPPA-G.

17. CASH AND BANK BALANCES

	2017	2016
	(Rupees in thousand)	
Cash in hand	237	238
Cash with banks on:		
Saving accounts (Note 17.1)	61,339	590,840
Current accounts	113	-
	61,452	590,840
	61,689	591,078

17.1 Saving accounts carry mark-up at the rates ranging from 3.75% to 4.00% (2016: from 3.75% to 4.00%) per annum.

	2017	2016
	(Rupees in thousand)	
18. REVENUE		
Energy	18,047,125	13,935,680
Sales tax	(2,561,343)	(1,980,536)
	15,485,782	11,955,144
Capacity	4,269,003	4,088,991
	19,754,785	16,044,135
19. COST OF SALES		
Fuel cost (Note 19.1)	15,747,159	12,172,440
Operation and maintenance costs (Note 19.2)	657,221	504,357
Insurance	453,661	449,174
Depreciation (Note 11.1.2)	913,554	816,599
Liquidated damages to CPPA-G	153	785,529
	17,771,748	14,728,099
19.1 Fuel cost		
Opening stock	319,573	186,875
Purchased during the year	15,847,917	12,305,138
	16,167,490	12,492,013
Closing stock	(420,331)	(319,573)
	15,747,159	12,172,440
19.2 Operation and maintenance costs		
Salaries, wages and other benefits (Note 19.2.1)	226,760	212,979
Repair and maintenance	207,409	105,721
Stores and spare parts consumed	181,881	159,801
Fee and subscription	5,257	4,928
Electricity consumed in-house	35,914	20,928
	657,221	504,357

19.2.1 Salaries, wages and other benefits include provident fund contribution and provision for gratuity of Rupees 12.723 million (2016: Rupees 11.590 million) and Rupees 9.323 million (2016: Rupees 9.085 million) respectively charged by Lalpir Power Limited - associated company in accordance with "Shared Facilities Agreement".

20. ADMINISTRATIVE EXPENSES

	2017	2016
	(Rupees in thousand)	
Salaries and other benefits (Note 20.1)	65,060	55,492
Travelling, conveyance and entertainment	63,098	62,904
Communication and utilities	1,236	1,238
Insurance	5,366	5,147
Legal and professional charges	22,201	12,457
Printing and stationery	2,873	2,652
Office rent	6,278	6,432
Depreciation (Note 11.1.2)	4,002	3,764
Community welfare	4,291	4,955
Security services	130	222
General expenses	7,189	13,336
	181,724	168,599

20.1 Salaries and other benefits include provident fund contribution and provision for gratuity of Rupees 3.555 million (2016: Rupees 3.393 million) and Rupees 2.605 million (2016: Rupees 2.660 million) respectively charged by Lalpir Power Limited - associated company in accordance with "Shared Facilities Agreement".

21. OTHER EXPENSES

	2017	2016
	(Rupees in thousand)	
Auditors' remuneration (Note 21.1)	2,594	2,594
Workers' profit participation fund (Note 21.2)	-	-
Loss on derecognition of operating fixed assets (Note 11.1.1)	10,813	28,350
Impairment loss on long term investment in associated company (Note 12)	842	-
	14,249	30,944

21.1 Auditors' remuneration

	2017	2016
Statutory audit	1,906	1,906
Half yearly review	550	550
Other certifications and reporting	50	50
Out of pocket expenses	88	88
	2,594	2,594

	2017	2016
	(Rupees in thousand)	
21.2 Workers' profit participation fund		
Allocation for workers' profit participation fund (Note 7.2)	65,699	25,845
Allocation to workers' profit participation fund recoverable from CPPA-G (Note 16.1)	(65,699)	(25,845)
	-	-

22. OTHER INCOME

	2017	2016
Income from financial assets		
Interest income	5,286	2,032
Reversal of liquidated damages (Note 22.1)	198,355	-
Income from non-financial assets		
Rental income	1,689	1,688
Scrap sales	116	480
	205,446	4,200

22.1 During the year ended 31 December 2015, the Complex tripped due to failure of main station transformer on 07 February 2015. After installation of new transformer, the Complex resumed its normal operations from 29 January 2016. Under the terms of PPA, the Company intimated to CPPA-G about the forced outage. After the above referred event, the Company raised invoices for capacity purchase price only. CPPA-G suspended the payments of these invoices and imposed liquidated damages to the Company for the forced outage period. On resumption of the Complex operations, capacity payments of the aforesaid invoices were acknowledged by CPPA-G but the Company had to pay liquidated damages to CPPA-G for the forced outage period. During the current year, the Company approached CPPA-G for reduction in liquidated damages and resultantly, unpaid capacity payments for the period from 07 February 2015 to 29 January 2016 have been first adjusted by CPPA-G towards revised and reduced liquidated damages. Hence, the Company has reversed excess liquidated damages which were previously invoiced by CPPA-G pertaining to the 17th agreement year.

	2017	2016
	(Rupees in thousand)	
23. FINANCE COST		
Mark-up on long term finance	70,112	127,653
Mark-up on short term borrowings	592,590	466,821
Bank charges and commission	15,831	9,202
	678,533	603,676

24. 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.

25. EARNINGS PER SHARE - BASIC AND DILUTED

	2017	2016
There is no dilutive effect on the basic earnings per share which is based on:		
Profit attributable to ordinary shareholders (Rupees in thousand)	1,313,977	516,890
Weighted average number of shares (Number)	372,081,591	372,081,591
Earnings per share - basic (Rupees)	3.53	1.39

26. CASH GENERATED FROM OPERATIONS

	2017	2016
	(Rupees in thousand)	
Profit before taxation	1,313,977	516,890
Adjustments for non-cash charges and other items:		
Depreciation	917,556	820,363
Provision for gratuity	11,929	11,045
Loss on derecognition of operating fixed assets	10,813	28,350
Share of loss from associated company	-	127
Impairment loss on investment in associated company	842	-
Interest income	(5,286)	(2,032)
Finance cost	678,533	603,676
Cash flows from operating activities before working capital changes	2,928,364	1,978,419
Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and other consumables	23,529	(793)
Fuel stock	(100,758)	(132,698)
Trade debts	(2,532,020)	(800,702)
Advances and short term prepayments	9,002	(37,628)
Other receivables	(65,879)	1,992,696
Sales tax recoverable	(440,625)	(635,657)
	(3,106,751)	385,218
Decrease in trade and other payables	(344,731)	(1,953,913)
	(523,118)	409,724

26.1 There are no non-cash investing and financing activities during the year.

26.2 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities from financing activities		Total
	Long term finance	Unclaimed dividend	
	…….. (Rupees in thousand) ……..		
Balance as at 01 January 2017	1,226,019	7,532	1,233,551
Repayment of long term finance	(445,825)	-	(445,825)
Dividend declared	-	744,164	744,164
Dividend paid	-	(746,359)	(746,359)
Balance as at 31 December 2017	780,194	5,337	785,531

27. PROVIDENT FUND RELATED DISCLOSURES

The Company shares employees and other common costs including expense of provident fund with its associated company, Lalpir Power Limited on fifty-fifty basis in accordance with "Shared Facilities Agreement". The Company contributes to provident fund maintained by Lalpir Power Limited - associated company as disclosed in note 2.6.1. 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.

28. NUMBER OF EMPLOYEES

	2017	2016
Number of employees as on 31 December	199	196
Average number of employees during the year	198	192

29. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated companies and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of significant transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements, except for remuneration to key management personnel as disclosed in note 30, are as follows:

Associated company	Nature of transaction	2017	2016
		(Rupees in thousand)	
Nishat Mills Limited	Dividend	205,048	205,048
Adamjee Insurance Company Limited	Dividend	51,262	51,262
	Insurance premium	236	328
	Insurance claim received	-	1,514
Security General Insurance Company Limited	Dividend	12,815	12,815
	Insurance premium	525,541	546,400
	Insurance claim received	-	2,046,833
Engen (Private) Limited	Dividend	128,954	128,954
Lalpir Power Limited	Share of expenses	329,290	356,171
	Share of rental income	1,688	1,688
	Stores and spare parts transferred to	8,539	6,595
	Stores and spare parts transferred from	25,963	11,987
	Loan received	1,000,000	656,500
	Loan repaid to Lalpir Power Limited	1,656,500	-
	Interest paid	55,846	20,378
Pakistan Aviators and Aviation (Private) Limited	Flying services	54,896	47,458
Nishat (Aziz Avenue) Hotels and Properties Limited	Rent expense	6,278	6,278
Nishat Hospitality (Private) Limited	Boarding and lodging services	362	-
Nishat Hotels and Properties Limited	Boarding and lodging services	571	-

29.1 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”.

30. 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 are as follows:

	2017			2016		
	Chief Executive	Executive Director	Executives	Chief Executive	Executive Director	Executives
	(- - - - - - - -- - - - Rupees in thousand - - - - - - - - - - - -)					
Managerial remuneration	10,017	5,650	169,456	10,017	5,403	149,478
Medical expenses	-	80	5,751	21	75	4,367
Bonus	6,010	1,702	36,557	3,022	1,530	38,667
Retirement benefits	911	514	30,558	910	491	13,172
	16,938	7,946	242,322	13,970	7,499	205,684
Number of persons	1	1	146	1	1	139

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

30.2 Meeting fee of Rupees 725,000 (2016: Rupees 400,000) was paid to non-executive directors of the Company during the year.

31. FINANCIAL RISK MANAGEMENT

31.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

	2017	2016
Trade and other payables		
- USD	(111,773)	(29,231)
- GBP	(7,866)	-
- JPY	(6,168,709)	-
Net exposure - USD	(111,773)	(29,231)
Net exposure - GBP	(7,866)	-
Net exposure - JPY	(6,168,709)	-
The following significant exchange rates were applied during the year:		
Rupees per US Dollar		
Average rate	105.58	104.69
Reporting date rate	110.50	104.80
Rupees per GBP		
Average rate	136.92	-
Reporting date rate	148.72	-
Rupees per JPY		
Average rate	0.94	-
Reporting date rate	0.98	-

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, GBP and JPY with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 0.978 million (2016: Rupees 0.153 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 traded in the market at the reporting date. 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, long term finance 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:

	2017	2016
	(Rupees in thousand)	
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	61,339	590,840
Trade debts - past due	9,925,960	7,613,532
	9,987,299	8,204,372
Financial liabilities		
Long term finance	(780,194)	(1,226,019)
Short term borrowings	(9,194,511)	(7,249,291)
	(9,974,705)	(8,475,310)
Net exposure	12,594	(270,938)

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 0.13 million (2016: Rupees 2.71 million lower / higher) higher / lower, mainly as a result of higher / lower interest income / expense on floating rate instruments. 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:

	2017	2016
	(Rupees in thousand)	
Long term security deposit	300	300
Trade debts	14,166,522	11,634,502
Other receivables	359,198	293,319
Bank balances	61,452	590,840
	14,587,472	12,518,961

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

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

	Rating			2017	2016
	Short Term	Long Term	Agency	(Rupees in thousand)	
CPPA-G		Not available		2,541,792	2,197,421
National Bank of Pakistan	A1+	AAA	PACRA	306	173,526
Habib Bank Limited	A-1+	AAA	JCR-VIS	201	50,153
MCB Bank Limited	A1+	AAA	PACRA	65	4
United Bank Limited	A-1+	AAA	JCR-VIS	52,466	177,517
The Bank of Punjab	A1+	AA	PACRA	197	512
Allied Bank Limited	A1+	AA+	PACRA	8,166	188,987
Al Baraka Bank (Pakistan) Limited	A1	A	PACRA	42	46
Askari Bank Limited	A1+	AA+	PACRA	-	95
Faysal Bank Limited	A1+	AA	PACRA	9	-
				2,603,244	2,788,261

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 2017, the Company had Rupees 3,473 million (2016: Rupees 3,775 million) available borrowing limits from financial institutions and Rupees 61.689 million (2016: Rupees 591.078 million) cash and bank balances to meet the short term funding requirements due to delay in payments by CPPA-G. 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 2017:

	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:						
Long term finance	780,194	832,012	246,971	239,568	345,473	-
Trade and other payables	1,108,744	1,108,744	1,108,744	-	-	-
Accrued mark-up / interest	108,124	108,124	108,124	-	-	-
Short term borrowings	9,194,511	9,297,008	9,297,008	-	-	-
	11,191,573	11,345,888	10,760,847	239,568	345,473	-

Contractual maturities of financial liabilities as at 31 December 2016:

	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:						
Long-term finance	1,226,019	1,379,524	271,755	262,452	496,993	348,324
Trade and other payables	1,495,627	1,495,627	1,495,627	-	-	-
Accrued mark-up / interest	87,211	87,211	87,211	-	-	-
Short-term borrowings	7,249,291	7,362,786	7,348,711	14,075	-	-
	10,058,148	10,325,148	9,203,304	276,527	496,993	348,324

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 and note 9 to these financial statements.

31.2 Offsetting financial assets and financial liabilities

As on balance sheet date, recognized financial instruments are not subject to off setting as there are no enforceable master netting arrangements and similar agreements.

31.3 Financial instruments by categories

	Loans and receivables	
	2017	2016
	(Rupees in thousand)	
Assets as per balance sheet		
Long term security deposit	300	300
Trade debts	14,166,522	11,634,502
Other receivables	359,198	293,319
Cash and bank balances	61,689	591,078
	14,587,709	12,519,199

	Financial liabilities at amortized cost	
	2017	2016
	(Rupees in thousand)	
Liabilities as per balance sheet		
Long term finance	780,194	1,226,019
Trade and other payables	1,108,744	1,495,627
Accrued mark-up / interest	108,124	87,211
Short term borrowings	9,194,511	7,249,291
	11,191,573	10,058,148

32. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classify its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities..

33. CAPACITY AND ACTUAL PRODUCTION

	2017 MWH	2016 MWH
Installed capacity based on 8,760 (2016: 8,760) hours	3,197,400	3,197,400
Actual energy delivered	1,523,441	1,603,952

Output produced by the Complex is dependent on the load demanded by CPPA-G and Complex availability. During the year, energy delivery was low due to forced outage.

34. UNUTILIZED CREDIT FACILITIES

	Non-funded		Funded	
	2017	2016	2017	2016
	(Rupees in thousand)		(Rupees in thousand)	
Total facilities	4,971,441	4,058,253	12,667,720	11,367,720
Utilized at the end of the year	2,213,485	1,708,646	9,194,511	7,249,291
Unutilized at the end of the year	2,757,956	2,349,607	3,473,209	4,118,429

35. SEGMENT INFORMATION

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

36. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors have proposed final cash dividend for the year ended 31 December 2017 of Rupees 1 per share (2016: Rupee 1 per share). However, this event has been considered as non-adjusting event under IAS 10 'Events after Reporting Period' and has not been recognized in these financial statements.

37. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 22 March 2018 by the Board of Directors of the Company.

38. 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.

39. GENERAL

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

CHIEF EXECUTIVE	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

FORM OF PROXY

I/We, ____ of

______________________________ CDC A/C NO. /FOLIO NO. ______________________________

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 April 30, 2018 (Monday) at 3:30 P.M. at The Nishat Hotel (Emporium Mall), Trade and Finance Centre Block, Near Expo Centre, Abdul Haq Road, Johar Town, 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____________2018.

Revenue Stamp of Rs. 5/-

Signature ___________________________

Address ____________________________

____

No. of shares held ____________________

Witnesses:-

Name ______________________________

Address ____________________________

____

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

نمائندگی کا فارم (پراکسی فارم)

میں / ہم --

ساکن -- سی ڈی سی اکاؤنٹ نمبر / فولیو نمبر --------

بحیثیت رکن پاک جن پاور لمیٹڈ (کمپنی) اور حامل عام حصص بذریعہ ہذا محترم / محترمہ ---------------------------

ساکن -- سی ڈی سی اکاؤنٹ نمبر / فولیو

نمبر ------ اور یا اسکی غیر موجودگی کی صورت میں ------------------------------------

ساکن --

جو مذکورہ کمپنی کا حصص دار بھی ہے کو اپنے / ہمارے ایماء پر: 30 اپریل 2018ء (پیر) کو سہ پہر 3:30 بجے نشاط ہوٹل، (ایمپوریم مال)، ٹریڈ اینڈ فنانس سنٹر بلاک نزد ایکسپو سنٹر، عبدالحق روڈ، جوہر ٹاؤن، لاہور پر منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں میری / ہماری غیر موجودگی میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور نمائندہ (پراکسی) مقرر کرتا / کرتے ہیں۔

آج بروز .... بتاریخ .... 2018ء کو میرے / ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔

دستخط: ______________________

پتہ: ______________________

تعداد ملکیتی حصص: ______________

-/5 روپے کا رسیدی ٹکٹ یہاں چسپاں کریں

گواہان:

نام: ______________________ نام: ______________________

پتہ: ______________________ پتہ: ______________________

اہم نوٹ:

a۔ پراکسی تقرری کے یہ آلات، باقاعدہ مکمل سالانہ اجلاس عام کے انعقاد سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ دفتر نشاط ہاؤس، 53-A، لارنس روڈ، لاہور میں لازماً وصول ہو جانے چاہئیں۔

پراکسی کے تقرر کے لئے

b۔ بینیفشل اونر کی CNIC یا پاسپورٹ کی مصدقہ نقول پراکسی فارم کے ہمراہ لازماً جمع کرانا ہونگی۔

c۔ پراکسی اجلاس کے وقت اپنا اصل CNIC یا اصل پاسپورٹ مہیا کرے گا۔

d۔ کارپوریٹ اینٹٹی کی صورت میں بورڈ کی قرارداد / مختار نامہ معہ نمونہ دستخط پراکسی فارم کے ہمراہ کمپنی کو جمع کرانا ہوگا۔

AFFIX
CORRECT
POSTAGE

The Company Secretary

PAKGEN POWER LIMITED

53 - A, Lawrence Road, Lahore.

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

NISHAT

PAKGEN POWER LIMITED

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