NISHAT

LALPIR POWER LIMITED

# ANNUAL REPORT

FOR THE YEAR ENDED
DECEMBER 31
2014

# CONTENTS

# THE COMPANY

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

# COMPANY PROFILE

## BOARD OF DIRECTORS

| | |
|---|---|
| Mian Hassan Mansha | Chairman |
| Mr. Aurangzeb Feroz | Chief Executive Officer |
| Mr. Kamran Rasool | |
| Mr. Khalid Qadeer Qureshi | |
| Mr. Mahmood Akhtar | |
| Mr. Jawaid Iqbal | |
| Mr. Saeed Ahmed Alvi | |

## AUDIT COMMITTEE

| | |
|---|---|
| Mr. Jawaid Iqbal | Chairman |
| Mr. Mahmood Akhtar | |
| Mr. Kamran Rasool | |

## CHIEF FINANCIAL OFFICER
Mr. Khalid Qadeer Qureshi

## COMPANY SECRETARY
Mr. Khalid Mahmood Chohan

## 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

## BANKERS OF THE COMPANY

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

## AUDITOR OF THE COMPANY

Riaz Ahmad & Co.
Chartered Accountants

## LEGAL ADVISOR OF THE COMPANY

Mr. M. Aurangzeb Khan
Advocate High Court

## SHARE REGISTRAR

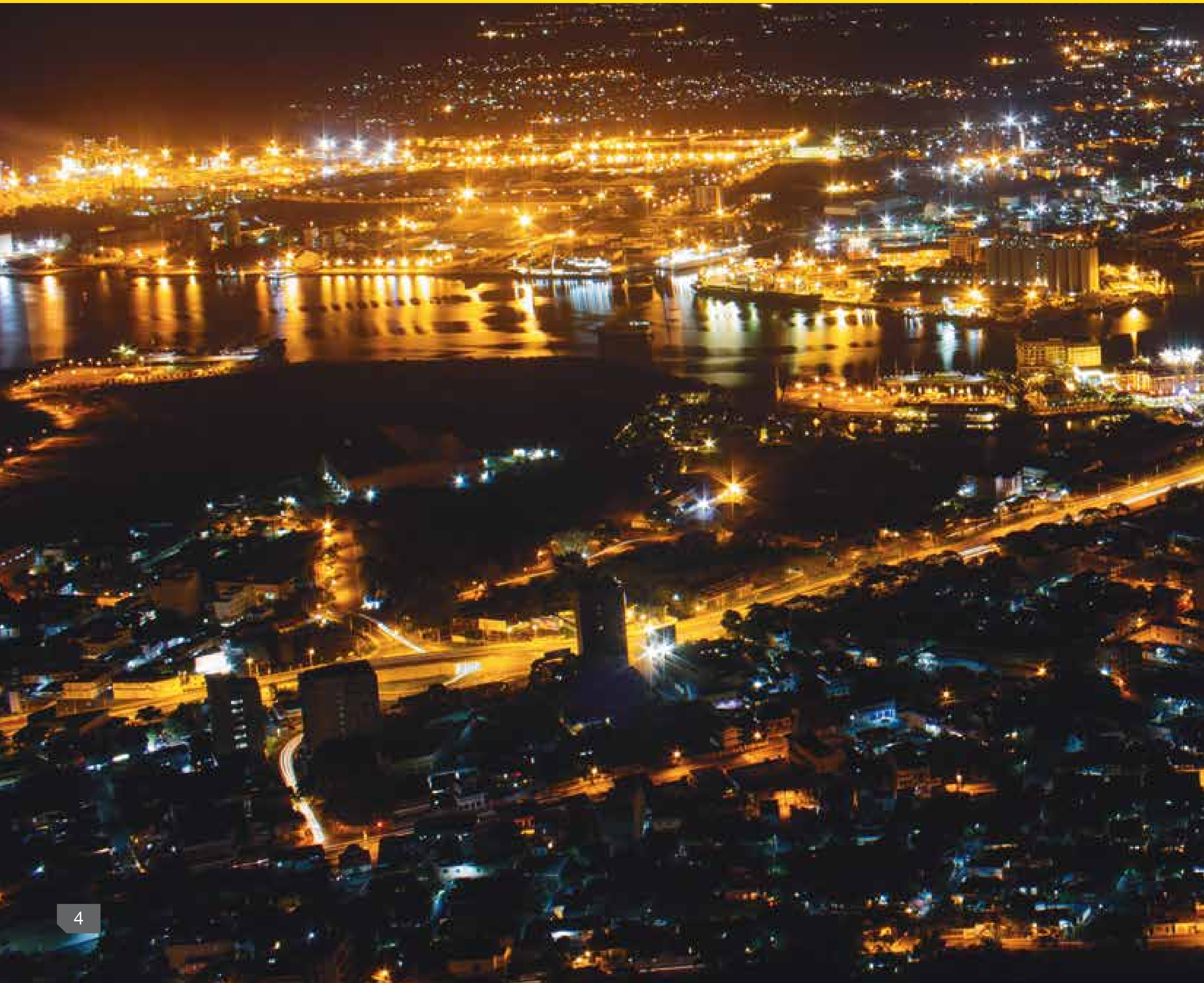
Central Depository Company of Pakistan Limited
CDC House,99-B, Block-B, S.M.C.H.S
Shahra-e-Faisal, Karachi – 74400
Tel: (92-21) 111-111-500
Fax: (92-21) 34326053

## PLANT

Mehmood Kot, Muzaffargarh,
Punjab – Pakistan.

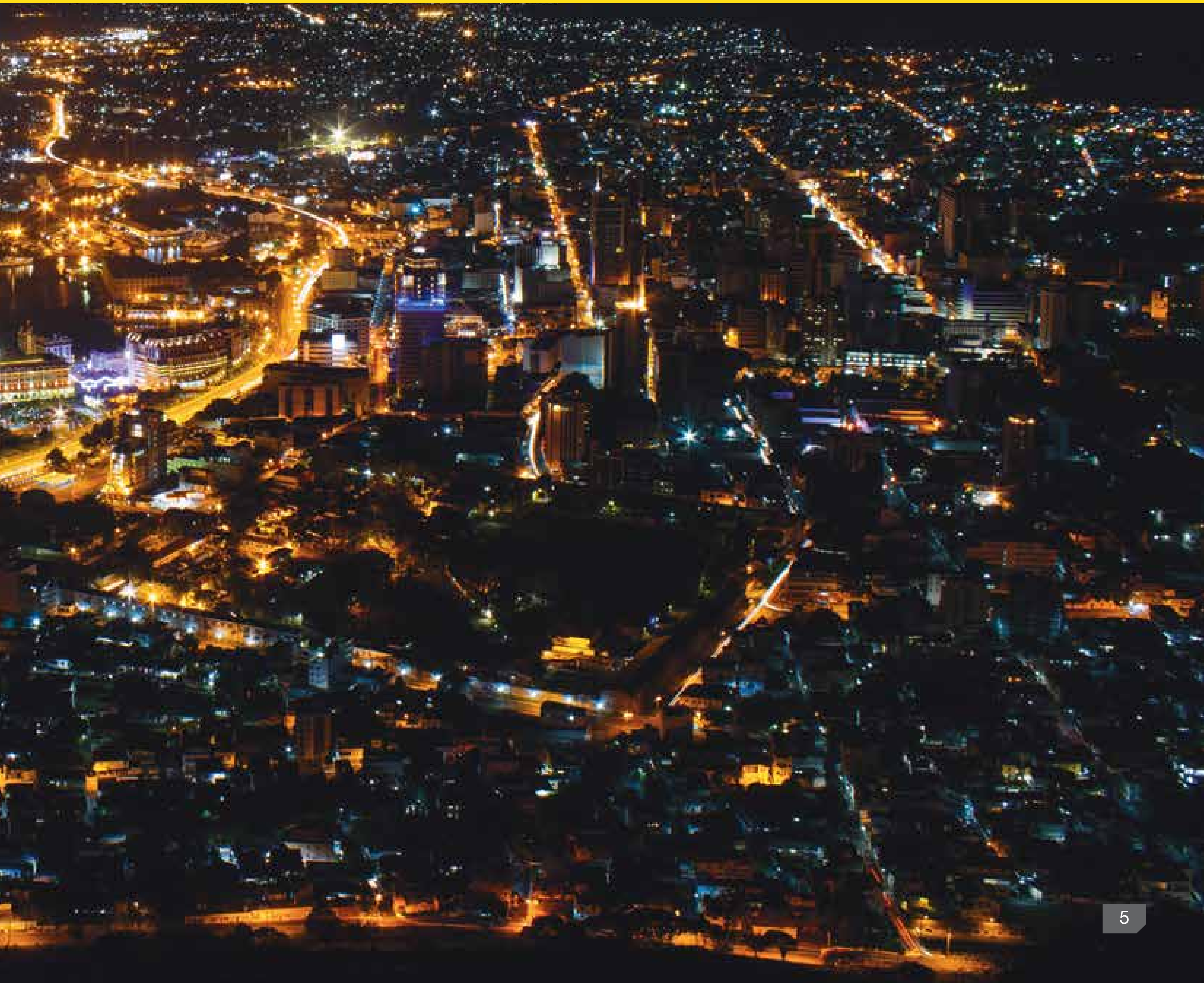
# VISION STATEMENT

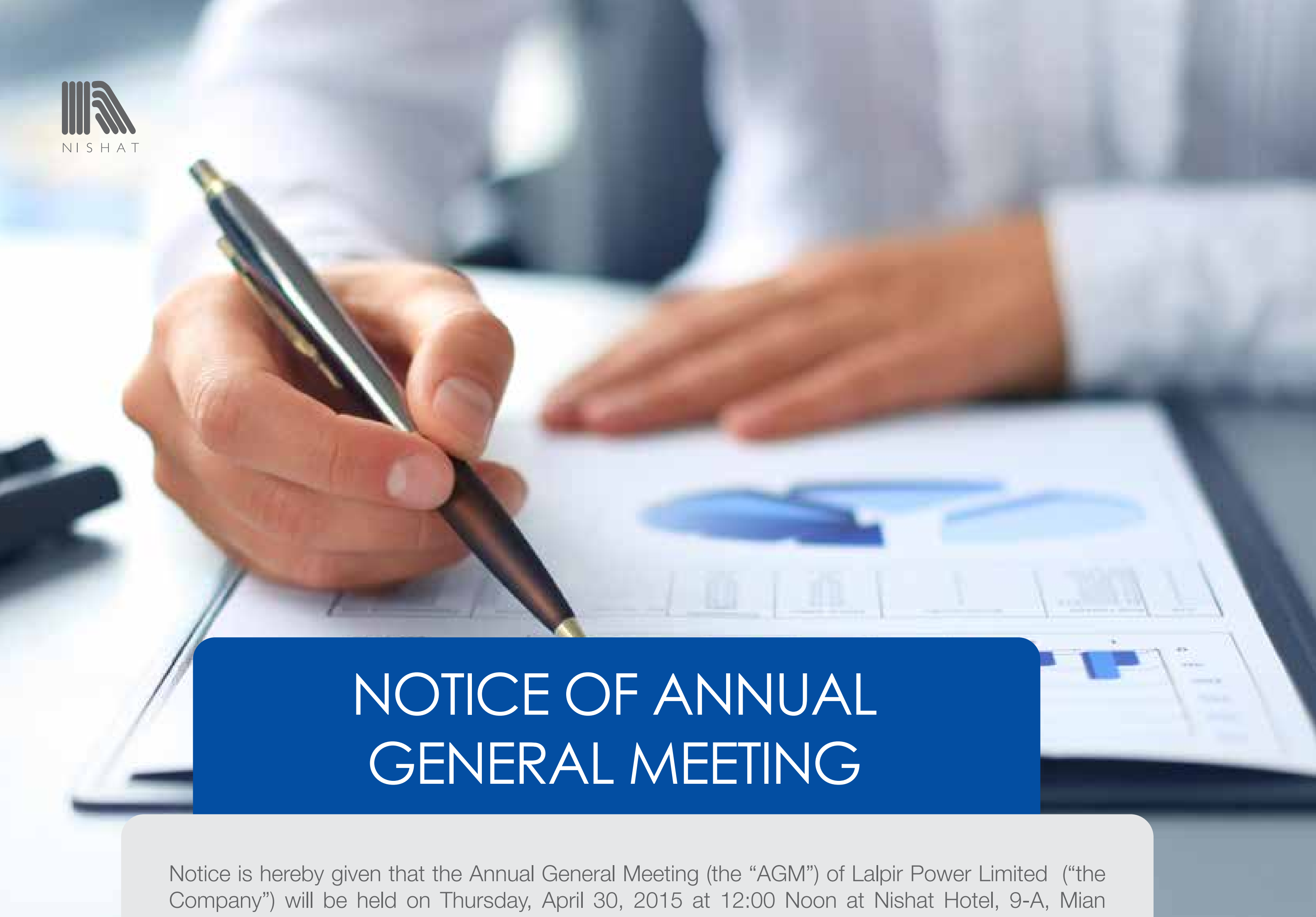
ENLIGHTEN THE FUTURE THROUGH EXCELLENCE, COMMITMENT, INTEGRITY AND HONESTY



# MISSION STATEMENT

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





# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (the "AGM") of Lalpir Power Limited ("the Company") will be held on Thursday, April 30, 2015 at 12:00 Noon at Nishat Hotel, 9-A, Mian Mahmood Ali Kasuri Road, Gulberg III, Lahore-Pakistan, to transact the following business:

1. To receive, consider and adopt the audited financial information of the Company for the year ended December 31, 2014 together with the Directors' and Auditors' reports thereon.

2. To approve Cash Dividend @ 10% ( i.e. Rs. 1.00 Per Ordinary Share ) as recommended by the Board.

3. To appoint statutory Auditors for the year 2015 and fix their remuneration.

By order of the Board

(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

LAHORE
March 16, 2015

## NOTES:

### 1. BOOK CLOSURE NOTICE:-

The Share Transfer Books of Ordinary Shares of the Company will remain closed from 23-04-2015 to 30-04-2015 (both days inclusive) for entitlement of 10% Final Cash Dividend ( i.e. Rs. 1.00 Per Ordinary Share ) and attending of Annual General Meeting. Physical transfers / CDS Transactions IDs received in order up to 1:00 p.m. on 22-04-2015 at Share Registrar Office, Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi, will be considered in time for entitlement of 10% Final Cash Dividend and attending of meeting.

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

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

### 4. SUBMISSION OF COPY OF CNIC (MANDATORY):

The Securities and Exchange Commission of Pakistan (SECP) vide their S.R.O. 779 (i) 2011 dated August 18, 2011 has directed the company to print your Computerized National Identity Card (CNIC) number on your dividend warrants and if your CNIC number is not available in our records, your dividend warrant will not be issued / dispatched to you. In order to comply with this regulatory requirement, you are requested to kindly send immediately photocopy of your CNIC to your Participant / Investor Account Services or in case of physical shareholding tothe Company's Share Registrar Office, Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi.

### 5. DIVIDEND MANDATE (OPTIONAL):

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

## BANK ACCOUNT DETAILS OF SHAREHOLDER

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

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

____________________________________________________

Name, signature, folio # and CNIC number of shareholder

**Notes:**

(1) Those shareholders, who hold shares in book entry form in their CDS accounts, will provide the above dividend mandate information directly to their respective Participant / CDC Investor Account Services Department.

(2) If dividend mandate information has already been provided by you, ignore this request.

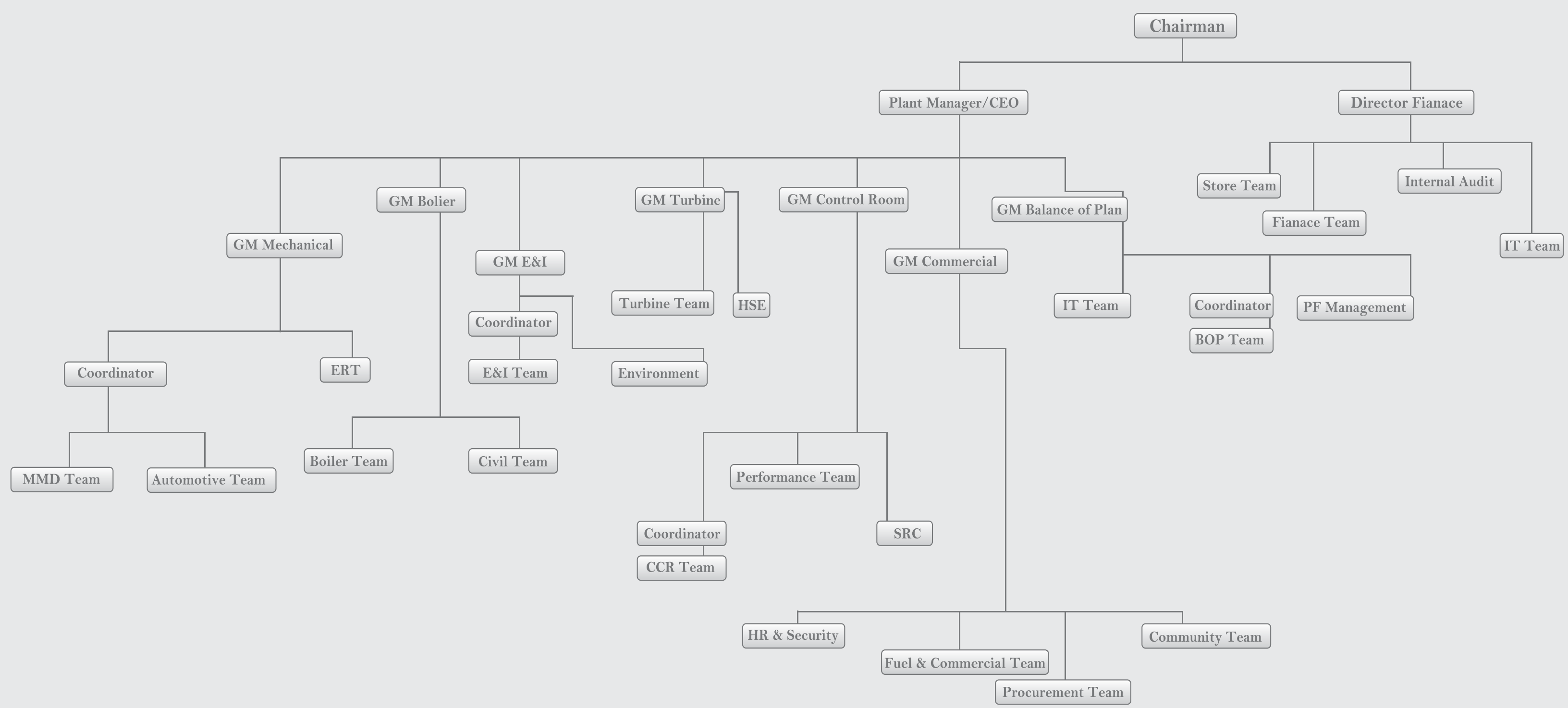
## 6. TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH EMAIL:

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

## STATEMENT UNDER RULE 4(2) OF THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2012

| NAME OF INVESTEE COMPANY | PAKGEN POWER LIMITED | NISHAT ENERGY LIMITED |
|---|---|---|
| Total Investment Approved | PKR 1,000,000,000 (Rupees One Billion Only) by way of loans and advances was approved by members in AGM held on April 26, 2014 for the period of three (3) years. | PKR 4,875,000,000 (Rupees Four Billion Eight Hundred Seventy Five Million Only) by way of acquisition of 487,500,000 ordinary shares of Rs. 10/- each was approved by members in EOGM held on December 15, 2014 for the period of three (3) years. |
| Amount of Investment Made to date | NIL | PKR 2,500,000 |
| Reason for not having made complete Investment so far where resolution Required to be implemented in Specified time. | The approval was not for long term debts. The companies have expense share agreement between them. Whenever expenses are incurred by one company, the other company's account is debited and subsequently clear the account after receiving the payment. | The LP investment in Nishat Energy is based on certain milestone which are not achieved yet, and the first of such is conducting feasibility study. Proposals have sought from various European consultants and its evaluation is underway. |
| Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company. | At the time of approval, as per then available latest financial statements for the year ended December 31, 2013, the basic Earnings per Share was Rs. 2.98 and Break-up Value per Share was Rs. 38.58. As per Latest available financial statements for the year ended 31 December 2014, the Basic Earnings per share is Rs. 1.65 and Break-up Value per Share is Rs. 38.72. | Loss from the date of approval upto 31 Dec 2014 Rs.442,410 Loss per share is Rs.0.44 and break up value per share is Rs. 9.56. |

# ORGANIZATION CHART



# DIRECTOR'S PROFILE

## MIAN HASSAN MANSHA

Chairman

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

## MR. AURANGZEB FIROZ

Chief Executive Officer

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

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

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

## MR. KHALID QADEER QURESHI

Director Finance

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

## MR. KAMRAN RASOOL

Director

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

## MR. JAWAID IQBAL

Director

Mr. Jawaid Iqbal is a Bachelor of Science from University of Pennsylvania, USA. He has over 19 years of vast experience of working as Chief Executive/Director of various Listed and non-listed companies. He also serves as Chief Executive Officer of Gul Ahmed CBMC Glass Company Limited and Metro Property Network (Pvt) Limited and Director on the Boards of Gul Ahmed Bio Films Limited and Metro Estate (Pvt) Limited.

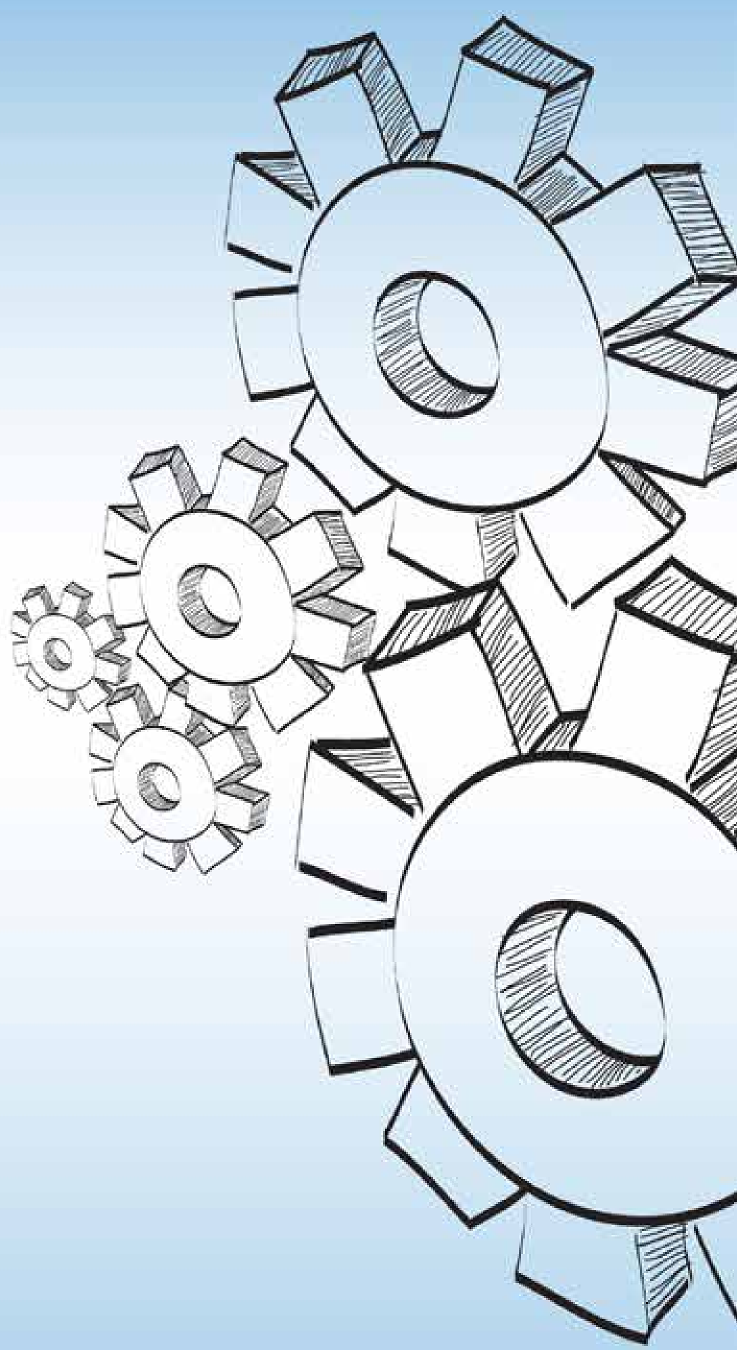
## MR. MEHMOOD AKHATR
Director

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

## MR. SAEED AHMED ALVI
Director

Mr. Saeed Ahmad Alvi has served over 36 years in the Pakistan Administrative Service (Ex-District Management Group) and retired as Federal Secretary. He brings with him vast experience of policy and program implementation working at the executive tiers at the Sub-Divisional, District, Divisional, Provincial and Federal levels. He has also served as ex-officio Director on some of the Boards of public sector companies and special institutions. He obtained Master's degree in Development Studies from UK in addition to Master's degrees in History and Pakistan Studies from Pakistan as also Bachelor's degree in Law.

Mr. Alvi is a Certified Director by completing Director's Training Program from ICMAP. He also serves on the Boards of Nishat Mills Limited, Nishat Power Limited, Nishat Hotels and Properties Limited, Nishat (Gulberg) Hotels and Properties Limited, Nishat (Raiwind) Hotels and Properties Limited, Nishat (Aziz Avenue) Hotels and Properties Limited and Nishat Real Estate Development Company
(Private) 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, 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON.

## GENERAL

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

## FINANCE

We report that during the year 2014 the total sales revenue of the Company was Rupees 30.917 billion (2013: Rupees 36.571 billion) and operating costs were Rupees 29.037 billion (2013: Rupees 34.791 billion), resulting in gross profit of Rupees 1.880 billion (2013: Rupees 1.780 billion). The Company earned a net profit of Rupees 793 Million resulting in earnings per share of Rupees 2.09 per share compared to a net profit of Rupees 645 Million and earnings per share of Rupees 1.70 last year.

Main reason for increase in net profit for year ended 31 December 2014 in Comparison with year ended 31 December 2013 is decrease in delta loss of Rupees 509.646 Million due to decrease of 1.39 Grams per kWh fuel consumption as compared to last year.

Our sole customer WAPDA remains unable to meet its obligations in accordance with the Power Purchase Agreement (PPA) which are secured under a sovereign guarantee of Government of Pakistan. As on 31 December 2014 an amount of Rupees 8.480 billion was outstanding against WAPDA of these Rupees 4.891 billion was classified overdue. Despite frequent follow-up with the concerned Ministry of Government of Pakistan it is regretted there has been no improvement in the situation and this has resulted in irregular supply of fuel which has affected Plant Operations. In addition, WAPDA has failed to provide its obligatory Letter of Credit for Rupees 4,595 billion as required under the PPA. The Company is persistently pursuing WAPDA/NTDC and the GOP for early retirement of the entire outstanding amounts. The Company is also pursuing WAPDA for establishing the letter of credit as required under its PPA.

With respect to auditor's comments in auditor's report we report that WAPDA has raised invoices for liquidate damages to the company on account of short supply of electricity by the company. Liquidate damages invoiced to the company amounts to rupees 3,296 Million. We are of the view that since technically the plant was available to deliver electricity as per WAPDA's requirement and the failure to deliver was consequential only to financial constrains caused by default in payments by WAPDA, therefore WAPDA cannot claim the liquidate damages which are triggered as a result of its own default.

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

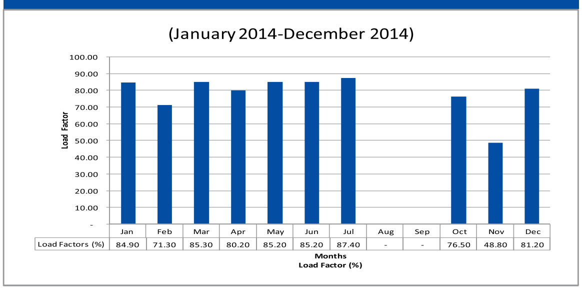
## OPERATIONS

In response to load demanded by WAPDA, the Lalpir plant operated at capacity factor of 55.2% with an average load factor of 80.6 % and an average complex availability of 97.5% and dispatched 1,680 GWh of electricity. The Company continues to allocate funds on various improvement projects towards the ongoing modernization of the plant in order to ensure its long term integrity and maximum availability for our customer WAPDA.

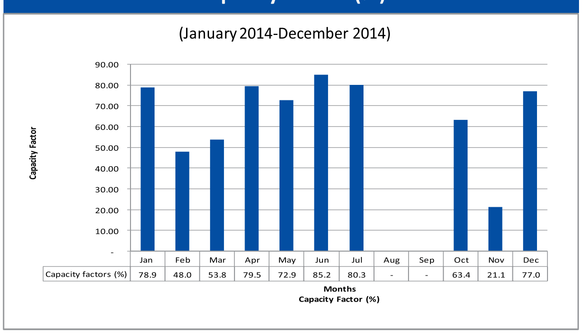
## OPERATIONAL PERFORMANCE

As per the requirement of Power Purchase Agreement (PPA), the Company conducted its Annual Capacity Test on June 11th 2014 whereby it successfully maintained the capacity of 350 MW.

**Load factors (%)**




**Capacity factors (%)**




## CORPORATE OBJECTIVE

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

## PROJECTS:

We would also like to inform you that in order to improve efficiency of the project, we have completed following projects in 2014:

**1. Turbine Retrofit:** The project successfully completed and commissioned in the 1st week of October 2014. Project activity includes the replacement of existing turbine rotor and blades with the improved design rotor, efficient blades and advanced seals. This will not only recover permanent aged deterioration but also bring the benefit of new technology. The Improvement in Heat Rate for HIP & LP Turbine efficiency by 1.5% was guaranteed by supplier. Actual efficiency is better than guaranteed efficiency.

**2. Cooling Tower Improvement Project:** This project was implemented at PakGen Power Limited last year. The project proved 1.2 $^{O}$C improvements in cooling water temperature. It has been replicated at LalPir Power Limited this year. Cooling towers fills has been replaced and Nozzle design changed as per SPIG (Supplier) proposal. The Project has potential of Rupees 71 million annual savings with a payback of 1.2 years.

**3. VVVF at Boiler Feed Pumps:** Boiler feed pumps at LalPir Power Limited was designed to run at fixed speed. To get the benefit of margin available in design and actual capacity especially at part load, company decided to put variable frequency drives at all boiler feed pumps. The project has 5,428 MWh saving of auxiliary load resulting $ 930,000 annual savings. Pay back of the project is about 2.5 years.

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

## CREDIT RATINGS

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

## HUMAN RESOURCES

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

## INTERNAL AUDIT AND CONTROL:

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

## ENVIRONMENT HEALTH AND SAFETY

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

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

Plant has zero LTA during 2014. Man-hours since last LTA have crossed to 1.9 million.

## SOCIAL RESPONSIBILITY AND COMMUNITY WELFARE

Company since inception has consistently worked for the uplift of communities that are influenced directly or indirectly by our business. The Corporate Social Responsibility (CSR) program is based on the principles of transparency, accountability, integrity and sustainability. Community and stakeholder needs are carefully assessed and strategic support is extended in line with the Company's Policies, Code of Business Ethics and business objectives. The Company takes its responsibilities to the society seriously. We want to be perceived as a good neighbor within the communities where we are present, and to contribute to worthy causes wherever and whenever we can.

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

## CSR INITIATIVES:

- The company is managing a clinic that is fully equipped with emergency facilities and diagnostics laboratory for the local community. Additionally company also arranges special eye camp for the local community on annual basis.

- Supporting operational expenses to CARE Foundation for the five adopted government schools of local community.

- Continuing support to TCF schools in local community, started from primary level and being upgraded to metric level.

- Company also running a little angle program for the free education to the house maids working in employee's community.

- The company has upgraded many local government institutions like Vocational Training Institute and higher secondary school.

- Extensive Plantation of trees. The Company has built/upgrade the infrastructure in the surrounding community like building houses damaged by flood, roads, bridges, drinking water etc. on as and when required basis.

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

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

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

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

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.

- The system of internal control is sound in design and has been effectively implemented and monitored.

- There are no doubts upon Company's ability to continue as going concern.

- 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.

- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

- The key operating and financial data of last six years is attached to the report.

- Value of investments of provident fund and gratuity scheme as at 31 December 2014 were as follows

  Provident fund: 31 December 2014 is Rupees: 205.672 Million

  Gratuity fund: 31 December 2014 is Rupees: 67.389 Million

During the year under review 6 meetings of the board of Directors were held, attendance position was as under:

| Sr. # | Name of Directors | | No. of Meetings Attended |
|---|---|---|---|
| 1 | Mian Hassan Mansha | (Director/Chairman) | 6 |
| 2 | Mr. Aurangzeb Firoz | (Director/CEO) | 6 |
| 3 | Mr. Kamran Rasool | | 5 |
| 4 | Mr. Khalid Qadeer Qureshi | | 6 |
| 5 | Mr. Mahmood Akhtar | | 5 |
| 6 | *Mr. Mark Nicholas Cutis | | 0 |
| 7 | *Mr. Omar Liaqat | | 0 |
| 8 | **Mr. Saeed Ahmad Alvi | | 4 |
| 9 | **Mr. Jawaid Iqbal | | 2 |

*Mr. Mark Nicholas Cutis & Mr. Omar Liaqat retired on April 26, 2014.
**Mr. Jawaid Iqbal & Mr. Saeed Ahmad Alvi elected as director in AGM held on April 26, 2014.

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

| Sr. # | Name of Directors | | No. of Meetings Attended |
|---|---|---|---|
| 1. | ***Mr. Aurangzeb Firoz | (Member) | 4 |
| 2. | Mr. Mahmood Akhtar | (Member) | 4 |
| 3. | **Mr. Jawaid Iqbal | (Member / Chairman) | 1 |
| 4. | *Mr. Mark Nicholas Cutis | (Member) | 0 |
| 5. | ****Mr. Kamran Rasool | (Member) | 0 |

* Mr. Mark Nicholas Cutis retired on April 26, 2014.
**Mr. Jawaid Iqbal appointed as member audit committee in place of Mr. Mark Nicholas Cutis.
***Mr. Aurangzeb Firoz resigned on November 28, 2014.
****Mr. Kamran Rasool appointed as member audit committee in place of Mr. Aurangzeb Firoz on November 28, 2014.

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

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

* Mr. Shahid Zulfiqar Khan resigned on August 06, 2014.
** Mr. Ghazanfar Hussain Mirza appointed as member HR & Remuneration Committee on August 27, 2014.

## CORPORATE GOVERNANCE

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

## PATTERN OF SHAREHOLDING

The statement of pattern of shareholding as on 31 December 2014 is attached.

## RELATED PARTIES

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

## DIVIDEND DISTRIBUTION

The Board of Directors take pleasure to recommend, to the shareholders of the Company for approval in the ensuing Annual General Meeting, a final dividend at the rate of Rupees 1 per ordinary share of Rupees 10/ each (i.e. @10%) which will be paid to those shareholders whose names would appear on members' register on the date as mentioned in the notice of AGM.

## AUDITORS

The present auditors M/s Riaz Ahmad and Company, Chartered Accountants retired and being eligible, offer themselves for re-appointment for the year 2015. The Audit Committee of the Board has recommended the reappointment of the retiring auditors.

## ACKNOWLEDGEMENT

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

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

For and on behalf of the Board of Directors

Mr. Aurangzeb Feroz
Chief Executive Officer
Lahore: 16 March 2015

# FINANCIAL DATA

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| Dispatch level % | 55.20 | 63.10 | 54.80 | 57.00 | 76.00 | 65.60 |
| Dispatch(GWH) | 1,680 | 1,925 | 1,685 | 1,768 | 1,387 | 2,144 |
| Revenue(000) | | | | | | |
| Revenue | 30,916,857 | 36,571,100 | 32,906,885 | 29,669,914 | 17,967,660 | 19,390,197 |
| Cost Of Sales | (29,041,534) | (34,773,224) | (30,415,938) | (27,283,667) | (16,317,534) | (16,756,388) |
| Gross Profit | 1,875,323 | 1,797,876 | 2,490,947 | 2,386,247 | 1,650,126 | 2,633,809 |
| Profitability (000) | | | | | | |
| profit/(loss) before tax | 788,696 | 644,691 | 1,446,258 | 1,431,684 | 1,478,175 | 1,839,605 |
| Provision for tax | - | - | - | - | 30,245 | (11,086) |
| profit/(loss) after tax | 788,696 | 644,691 | 1,446,258 | 1,431,684 | 1,508,420 | 1,828,519 |
| Financial position (000) | | | | | | |
| Non Current Assets | 11,100,713 | 8,406,498 | 8,393,893 | 7,872,095 | 7,623,513 | 7,544,130 |
| Current Assets | 12,522,547 | 13,943,942 | 14,439,681 | 11,639,766 | 9,868,069 | 8,281,191 |
| less: Current Liabilities | (9,493,110) | (10,264,135) | (10,628,890) | (7,531,720) | (5,219,656) | (4,754,191) |
| Net Working Capital | 33,116,370 | 32,614,575 | 33,462,464 | 27,043,581 | 22,711,238 | 20,579,512 |
| Capital Employed | 14,130,150 | 12,104,305 | 12,218,304 | 11,980,141 | 12,271,926 | 11,071,130 |
| less: Long trem financing | (1,813,876) | - | - | - | - | - |
| less: Deffered Liabilities | (17,937) | (20,222) | (16,416) | (13,137) | (10,066) | (21,112) |
| Share Holders Equity | 12,298,337 | 12,084,083 | 12,201,888 | 11,967,004 | 12,261,860 | 11,050,018 |
| Represented by (000) | | | | | | |
| Share Capital | 3,798,387 | 3,798,387 | 3,453,079 | 3,453,079 | 3,453,079 | 3,453,079 |
| Capital Reserve | 107,004 | 107,004 | 107,004 | 107,004 | 107,004 | 107,004 |
| Un-appropiated Profit | 8,392,946 | 8,178,692 | 8,641,805 | 8,406,921 | 8,701,777 | 7,489,935 |
| | 12,298,337 | 12,084,083 | 12,201,888 | 11,967,004 | 12,261,860 | 11,050,018 |
| Dividends (000) | - | (949,597) | (690,616) | (2,244,504) | (1,249,439) | (379,031) |
| Earning Per Share | 2.09 | 1.70 | 4.19 | 4.15 | 4.37 | 5.30 |
| P/E ratio | 4.78 | 5.88 | 2.39 | 2.41 | 2.29 | 1.89 |
| Delta Loss(000) | (1,461,527) | (1,971,173) | (1,342,229) | (1,282,053) | (788,945) | (1,754,918) |
| Ratio | | | | | | |
| Break up value per share of RS 10 Each share | 32.38 | 31.81 | 35.34 | 34.66 | 35.51 | 59.60 |
| current ratio | 1.32 | 1.36 | 1.36 | 1.55 | 1.89 | 1.74 |
| Net profit/(loss) to sales % | 2.55 | 1.76 | 4.40 | 4.83 | 8.40 | 9.43 |

NISHAT

# VERTICAL ANALYSIS

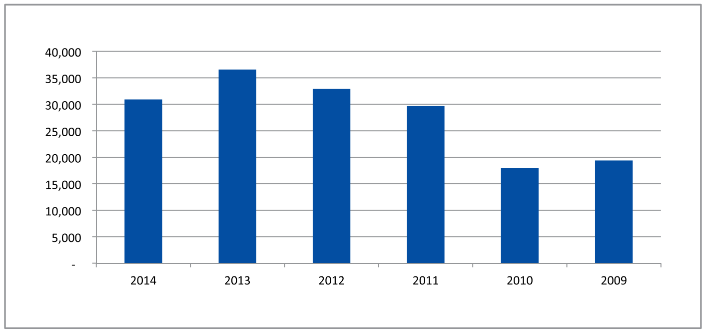
| | 2014 | % of Turnover | 2013 | % of Turnover | 2012 | % of Turnover |
|---|---|---|---|---|---|---|
| Revenue | 30,916,857 | 100 | 36,571,100 | 100 | 32,906,885 | 100 |
| Cost of Sales | (29,037,489) | (93.92) | (34,790,520) | (95.13) | (30,429,077) | (92.47) |
| Gross Profit | 1,879,368 | 6.08 | 1,780,580 | 4.87 | 2,477,808 | 7.53 |
| Administration Expenses | (132,789) | (0.43) | (154,706) | (0.42) | (149,779) | (0.46) |
| Other operating Expenses | (2,341) | (0.01) | (43,186) | (0.12) | (20,420) | (0.06) |
| Other income | 24,172 | 0.08 | 26,194 | 0.07 | 135,933 | 0.41 |
| Finance Cost. | (975,558) | (3.16) | (964,191) | (2.64) | (997,284) | (3.03) |
| Share of loss of associated company | (111) | - | - | - | - | - |
| Profit for the year | 792,741 | 2.56 | 644,691 | 1.76 | 1,446,258 | 4.40 |

# HORIZONTAL ANALYSIS

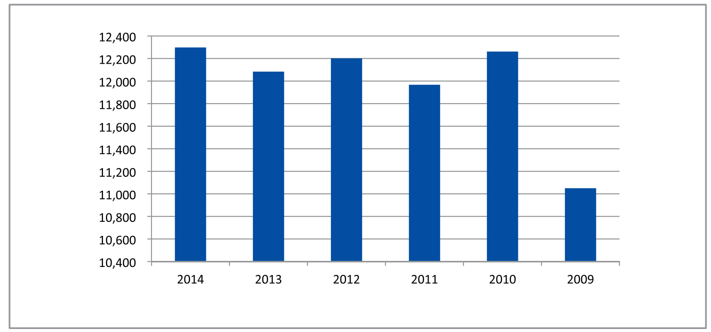
| | 2014 | % of Turnover | 2013 | % of Turnover | 2012 | % of Turnover |
|---|---|---|---|---|---|---|
| Horizontal Analysis | 2014 | 14 v 13 | 2013 | 13 v 12 | 2012 | 12 v 11 |
| Revenue | 30,916,857 | (15.46) | 36,571,100 | 11.14 | 32,906,885 | 10.91 |
| Cost of Sales | (29,037,489) | (16.54) | (34,790,520) | 14.33 | (30,429,077) | 11.60 |
| Gross Profit | 1,879,368 | 5.55 | 1,780,580 | (28.14) | 2,477,808 | 3.10 |
| Administration Expenses | (132,789) | (14.17) | (154,706) | 3.29 | (149,779) | 287.15 |
| Other operating Expenses | (2,341) | (94.58) | (43,186) | 111.49 | (20,420) | (47.22) |
| Other income | 24,172 | (7.72) | 26,194 | (80.73) | 135,933 | 69.69 |
| Finance Cost | (975,558) | 1.18 | (964,191) | (3.32) | (997,284) | 19.86 |
| Share of loss of associated company | (111) | - | - | - | - | - |
| Profit for the year | 792,741 | 22.96 | 644,691 | (55.34) | 1,443,534 | (4.30) |

# PERFORMANCE REVIEW

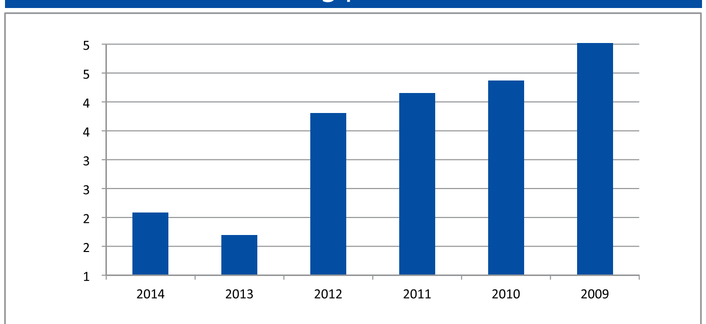
## Turnover



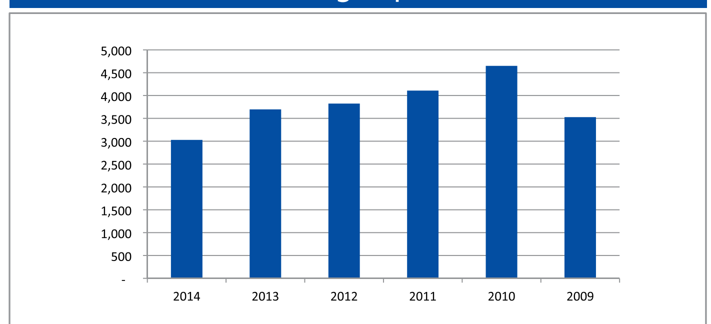

## Shareholder Equity




## Earning per Share




## Working Capital



NISHAT

# PATTERN OF SHAREHOLDINGS

As at December 31, 2014

| # of Shareholders | Shareholdings' Slab | | | Total Shares Held |
|---|---|---|---|---|
| 116 | 1 | to | 100 | 1,880 |
| 1018 | 101 | to | 500 | 504,129 |
| 349 | 501 | to | 1000 | 344,403 |
| 403 | 1001 | to | 5000 | 1,109,556 |
| 114 | 5001 | to | 10000 | 994,943 |
| 33 | 10001 | to | 15000 | 439,573 |
| 26 | 15001 | to | 20000 | 485,534 |
| 24 | 20001 | to | 25000 | 565,234 |
| 14 | 25001 | to | 30000 | 399,341 |
| 9 | 30001 | to | 35000 | 289,605 |
| 5 | 35001 | to | 40000 | 200,000 |
| 3 | 40001 | to | 45000 | 128,601 |
| 20 | 45001 | to | 50000 | 988,249 |
| 4 | 50001 | to | 55000 | 211,500 |
| 3 | 55001 | to | 60000 | 173,500 |
| 1 | 65001 | to | 70000 | 68,000 |
| 3 | 70001 | to | 75000 | 219,711 |
| 1 | 75001 | to | 80000 | 80,000 |
| 4 | 80001 | to | 85000 | 335,090 |
| 2 | 85001 | to | 90000 | 178,000 |
| 7 | 95001 | to | 100000 | 700,000 |
| 1 | 100001 | to | 105000 | 104,000 |
| 1 | 105001 | to | 110000 | 109,000 |
| 2 | 110001 | to | 115000 | 230,000 |
| 1 | 115001 | to | 120000 | 120,000 |
| 2 | 120001 | to | 125000 | 247,500 |
| 2 | 135001 | to | 140000 | 278,000 |
| 1 | 155001 | to | 160000 | 160,000 |
| 1 | 175001 | to | 180000 | 180,000 |
| 2 | 180001 | to | 185000 | 368,000 |
| 1 | 190001 | to | 195000 | 192,500 |
| 2 | 195001 | to | 200000 | 400,000 |
| 1 | 200001 | to | 205000 | 204,000 |
| 1 | 215001 | to | 220000 | 215,500 |
| 1 | 225001 | to | 230000 | 227,000 |
| 2 | 235001 | to | 240000 | 476,500 |
| 1 | 245001 | to | 250000 | 250,000 |
| 1 | 285001 | to | 290000 | 290,000 |
| 2 | 295001 | to | 300000 | 600,000 |
| 1 | 375001 | to | 380000 | 379,500 |
| 1 | 415001 | to | 420000 | 416,849 |
| 5 | 495001 | to | 500000 | 2,499,500 |
| 1 | 585001 | to | 590000 | 587,000 |
| 2 | 595001 | to | 600000 | 1,196,000 |
| 1 | 735001 | to | 740000 | 736,000 |
| 1 | 795001 | to | 800000 | 800,000 |
| 1 | 800001 | to | 805000 | 805,000 |
| 1 | 810001 | to | 815000 | 814,500 |
| 1 | 870001 | to | 875000 | 871,000 |
| 1 | 900001 | to | 905000 | 905,000 |
| 1 | 935001 | to | 940000 | 940,000 |
| 2 | 995001 | to | 1000000 | 2,000,000 |
| 1 | 1020001 | to | 1025000 | 1,024,055 |
| 1 | 1120001 | to | 1125000 | 1,125,000 |
| 1 | 1230001 | to | 1235000 | 1,230,500 |
| 1 | 1260001 | to | 1265000 | 1,264,000 |
| 1 | 1275001 | to | 1280000 | 1,275,555 |

| # of Shareholders | Shareholdings' Slab | | | Total Shares Held |
|---|---|---|---|---|
| 1 | 1285001 | to | 1290000 | 1,287,000 |
| 1 | 1590001 | to | 1595000 | 1,594,500 |
| 1 | 1745001 | to | 1750000 | 1,750,000 |
| 1 | 1995001 | to | 2000000 | 2,000,000 |
| 1 | 2070001 | to | 2075000 | 2,071,402 |
| 1 | 2135001 | to | 2140000 | 2,135,500 |
| 1 | 2385001 | to | 2390000 | 2,386,000 |
| 1 | 2680001 | to | 2685000 | 2,685,000 |
| 1 | 2940001 | to | 2945000 | 2,941,500 |
| 2 | 3995001 | to | 4000000 | 8,000,000 |
| 1 | 4290001 | to | 4295000 | 4,291,000 |
| 1 | 4375001 | to | 4380000 | 4,376,000 |
| 1 | 4495001 | to | 4500000 | 4,500,000 |
| 1 | 4560001 | to | 4565000 | 4,563,500 |
| 2 | 4995001 | to | 5000000 | 10,000,000 |
| 1 | 5995001 | to | 6000000 | 6,000,000 |
| 1 | 6510001 | to | 6515000 | 6,513,000 |
| 1 | 6835001 | to | 6840000 | 6,836,547 |
| 1 | 8915001 | to | 8920000 | 8,920,000 |
| 1 | 8935001 | to | 8940000 | 8,938,000 |
| 1 | 9995001 | to | 10000000 | 10,000,000 |
| 1 | 14015001 | to | 14020000 | 14,017,000 |
| 1 | 26840001 | to | 26845000 | 26,841,711 |
| 1 | 27345001 | to | 27350000 | 27,348,388 |
| 1 | 68510001 | to | 68515000 | 68,511,371 |
| 1 | 109390001 | to | 109395000 | 109,393,005 |
| 2236 | | | | 379,838,732 |

# CATEGORIES OF SHAREHOLDERS

## As at December 2014

| Categories of Shareholders | Shareholders | Shares Held | Percentage |
|---|---|---|---|
| **Directors and their spouse(s) and minor children** | | | |
| MIAN HASSAN MANSHA | 2 | 26,841,762 | 7.07 |
| MAHMOOD AKHTAR | 1 | 550 | - |
| KHALID QADEER QURESHI | 1 | 550 | - |
| KAMRAN RASOOL | 1 | 500 | - |
| AURANGZEB FIROZ | 1 | 550 | - |
| SAEED AHMAD ALVI | 1 | 10,000 | - |
| JAWAID IQBAL | 1 | 500 | - |
| **Associated Companies, undertakings and related parties** | | | |
| ENGEN (PRIVATE) LIMITED | 3 | 69,011,922 | 18.17 |
| SECURITY GENERAL INSURANCE COMPANY LIMITED | 2 | 6,836,548 | 1.80 |
| NISHAT MILLS LIMITED | 1 | 109,393,005 | 28.80 |
| ADAMJEE INSURANCE COMPANY LIMITED | 1 | 27,348,388 | 7.20 |
| **Executives** | - | - | - |
| **Public Sector Companies and Corporations** | 2 | 300,000 | 0.08 |

| Categories of Shareholders | Shareholders | Shares Held | Percentage |
|---|---|---|---|
| **Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds** | 9 | 17,101,000 | 4.50 |
| **Mutual Funds** | | | |
| CDC - TRUSTEE ATLAS STOCK MARKET FUND | 1 | 1,750,000 | 0.46 |
| CDC - TRUSTEE MEEZAN BALANCED FUND | 1 | 237,000 | 0.06 |
| CDC - TRUSTEE PICIC ENERGY FUND | 1 | 5,000,000 | 1.32 |
| CDC - TRUSTEE AL MEEZAN MUTUAL FUND | 1 | 587,000 | 0.15 |
| CDC - TRUSTEE MEEZAN ISLAMIC FUND | 1 | 4,376,000 | 1.15 |
| CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND | 1 | 500,000 | 0.13 |
| CDC - TRUSTEE NAFA STOCK FUND | 1 | 2,386,000 | 0.63 |
| CDC - TRUSTEE NAFA MULTI ASSET FUND | 1 | 499,500 | 0.13 |
| CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND | 1 | 596,000 | 0.16 |
| CDC - TRUSTEE APF-EQUITY SUB FUND | 1 | 180,000 | 0.05 |
| CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND | 1 | 871,000 | 0.23 |
| CDC - TRUSTEE APIF - EQUITY SUB FUND | 1 | 192,500 | 0.05 |
| CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND | 1 | 1,275,555 | 0.34 |
| CDC - TRUSTEE ABL STOCK FUND | 1 | 736,000 | 0.19 |
| CDC-TRUSTEE NAFA ASSET ALLOCATION FUND | 1 | 814,500 | 0.21 |
| MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND | 1 | 940,000 | 0.25 |
| CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I | 1 | 1,000,000 | 0.26 |
| CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | 1 | 1,024,055 | 0.27 |
| CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II | 1 | 805,000 | 0.21 |
| **General Public** | | | |
| a. Local | 2137 | 36,743,163 | 9.67 |
| b. Foreign | - | - | - |
| **Foreign Companies** | 4 | 206,500 | 0.05 |
| **Others** | 51 | 62,869,684 | 16.55 |
| **Totals** | 2237 | 380,434,732 | 100.16 |

| Share holders holding 5% or more | Shares Held | Percentage |
|---|---|---|
| NISHAT MILLS LIMITED | 109,393,005 | 28.80 |
| ENGEN (PRIVATE) LIMITED | 69,011,922 | 18.17 |
| ADAMJEE INSURANCE COMPANY LIMITED | 27,348,388 | 7.20 |
| MIAN HASSAN MANSHA | 26,841,762 | 7.07 |

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

| Name | Status | No. of Shares | Purchase/ Sale |
|---|---|---|---|
| Mian Hassan Mansha | Director/ Chairman | 506,000 | Sale |

# PATTERN OF SHAREHOLDERS

As at December 31, 2014

| S.No. | Folio # | Name of shareholder | Number of shares | Percentage % |
|---|---|---|---|---|
| **Directors and their spouse(s) and minor children** | | | | |
| 1 | 9 | MIAN HASSAN MANSHA | 51 | 0.00 |
| 2 | 03525-5745 | MIAN HASSAN MANSHA | 26,841,711 | 7.07 |
| 3 | 6 | MAHMOOD AKHTAR | 550 | 0.00 |
| 4 | 7 | KHALID QADEER QURESHI | 550 | 0.00 |
| 5 | 11 | KAMRAN RASOOL | 500 | 0.00 |
| 6 | 03525-3993 | AURANGZEB FIROZ | 550 | 0.00 |
| 7 | 05264-47972 | SAEED AHMAD ALVI | 10,000 | 0.00 |
| 8 | 00620-39896 | JAWAID IQBAL | 500 | 0.00 |
| | | 8 | 26,854,412 | 7.07 |
| **Associated companies, undertakings and related parties** | | | | |
| 1 | 5 | ENGEN (PRIVATE) LIMITED | 551 | 0.00 |
| 2 | 03525-75375 | ENGEN (PRIVATE) LTD | 68,511,371 | 18.04 |
| 3 | 04481-27649 | Engen (Private) Limited | 500,000 | 0.13 |
| 4 | 12 | SECURITY GENERAL INSURANCE COMPANY LIMITED | 1 | 0.00 |
| 5 | 03525-8082 | SECURITY GENERAL INSURANCE CO LTD | 6,836,547 | 1.80 |
| 6 | 03525-35171 | NISHAT MILLS LIMITED | 109,393,005 | 28.80 |
| 7 | 13755-21 | ADAMJEE INSURANCE COMPANY LIMITED | 27,348,388 | 7.20 |
| | | 7 | 212,589,863 | 55.97 |
| **Executive** | | NIL | | |
| | | 0 | 0 | - |
| **Public sector companies and corporations** | | | | |
| 1 | 04812-24 | PAK-OMAN INVESTMENT COMPANY LTD. | 200,000 | 0.05 |
| 2 | 10819-26 | PAK BRUNEI INVESTMENT COMPANY LIMITED | 100,000 | 0.03 |
| | | 2 | 300,000 | 0.08 |

| S.No. | Folio # | Name of shareholder | Number of shares | Percentage % |
|---|---|---|---|---|
| **Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds** | | | | |
| 1 | 02246-42 | HABIB BANK LIMITED-TREASURY DIVISION | 8,938,000 | 2.35 |
| 2 | 02626-37 | BANK AL HABIB LIMITED | 1,594,500 | 0.42 |
| 3 | 05132-26 | ASKARI BANK LIMITED | 4,291,000 | 1.13 |
| 4 | 03277-2538 | EFU LIFE ASSURANCE LTD | 1,125,000 | 0.30 |
| 5 | 13748-592 | TRUSTEE-MILLAT TRACTORS LTD. EMPLOYEES PENSION FUND | 239,500 | 0.06 |
| 6 | 13748-667 | TRUSTEE-THE KOT ADDU POWER CO. LTD. EMPLOYEES PENSION FUND | 73,000 | 0.02 |
| 7 | 14415-21 | CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT | 140,000 | 0.04 |
| 8 | 10397-29 | CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND | 596,000 | 0.16 |
| 9 | 14431-29 | CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT | 104,000 | 0.03 |
| | | 9 | 17,101,000 | 4.50 |
| **Mutual Funds** | | | | |
| 1 | 05959-27 | CDC - TRUSTEE ATLAS STOCK MARKET FUND | 1,750,000 | 0.46 |
| 2 | 05991-23 | CDC - TRUSTEE MEEZAN BALANCED FUND | 237,000 | 0.06 |
| 3 | 06437-29 | CDC - TRUSTEE PICIC ENERGY FUND | 5,000,000 | 1.32 |
| 4 | 07062-23 | CDC - TRUSTEE AL MEEZAN MUTUAL FUND | 587,000 | 0.15 |
| 5 | 07070-22 | CDC - TRUSTEE MEEZAN ISLAMIC FUND | 4,376,000 | 1.15 |
| 6 | 09449-25 | CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND | 500,000 | 0.13 |
| 7 | 09480-21 | CDC - TRUSTEE NAFA STOCK FUND | 2,386,000 | 0.63 |
| 8 | 09506-26 | CDC - TRUSTEE NAFA MULTI ASSET FUND | 499,500 | 0.13 |
| 9 | 10603-21 | CDC - TRUSTEE APF-EQUITY SUB FUND | 180,000 | 0.05 |
| 10 | 10801-27 | CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND | 871,000 | 0.23 |
| 11 | 10900-25 | CDC - TRUSTEE APIF - EQUITY SUB FUND | 192,500 | 0.05 |
| 12 | 12120-28 | CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND | 1,275,555 | 0.34 |
| 13 | 12195-21 | CDC - TRUSTEE ABL STOCK FUND | 736,000 | 0.19 |
| 14 | 12625-27 | CDC-TRUSTEE NAFA ASSET ALLOCATION FUND | 814,500 | 0.21 |
| 15 | 14373-27 | MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND | 940,000 | 0.25 |
| 16 | 14704-25 | CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I | 1,000,000 | 0.26 |
| 17 | 14902-21 | CDC - TRUSTEE NATIONAL INVESTMEN T (UNIT) TRUST | 1,024,055 | 0.27 |
| 18 | 14977-24 | CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II | 805,000 | 0.21 |
| | | 18 | 23,174,110 | 6.10 |

| S.No. | Folio # | Name of shareholder | Number of shares | Percentage % |
|---|---|---|---|---|
| **General Public Foreign** | | | | |
| | | NIL | | |
| | | 0 | 0 | - |
| **Foreign Companies** | | | | |
| 1 | 02832-2764 | H.E. SH. EBRAHIM KHALIFA ALI AL KHALIFA | 56,500 | 0.01 |
| 2 | 03533-698 | Habib Bank AG Zurich, Zurich,Switzerland | 50,000 | 0.01 |
| 3 | 03533-722 | HABIB BANK AG ZURICH, DEIRA DUBAI | 50,000 | 0.01 |
| 4 | 06502-5283 | TARIIC HOLDING COMPANY BSC (CLOSED) | 50,000 | 0.01 |
| | | 4 | 206,500 | 0.05 |
| **Others** | | | | |
| 1 | 11544-3816 | Pak Asian Fund Limited | 2,500 | 0.00 |
| 2 | 13904-22 | Cyan Limited | 4,000,000 | 1.05 |
| 3 | 00935-10734 | Yousuf Yaqoob Kolia And Company (Pvt) Limited | 55,000 | 0.01 |
| 4 | 00992-3345 | F & B Bulk Storage (Ptivate) Limited | 10,000 | 0.00 |
| 5 | 01446-874 | Trustee - Mcb Provident Fund Pak Staff | 2,071,402 | 0.55 |
| 6 | 01826-76133 | Trustee-Gul Ahmad Textile Mills Employee Providentfund Trust | 290,000 | 0.08 |
| 7 | 03277-226 | Roomi Enterprises (Pvt) Limited. | 8,920,000 | 2.35 |
| 8 | 03277-1017 | Sapphire Fibres Limited | 52,000 | 0.01 |
| 9 | 03277-1018 | Sapphire Textile Mills Limited | 2,000,000 | 0.53 |
| 10 | 03277-4841 | Bulk Management Pakistan (Pvt.) Ltd. | 953 | 0.00 |
| 11 | 03277-4865 | Shakoo (Pvt) Ltd. | 1,264,000 | 0.33 |
| 12 | 03277-6166 | Masood Fabrics Ltd | 4,500,000 | 1.18 |
| 13 | 03277-7041 | Habib Sugar Mills Ltd | 115,000 | 0.03 |
| 14 | 03277-7421 | Trustees Saeeda Amin Wakf | 25,000 | 0.01 |
| 15 | 03277-7633 | Trustees Mohamad Amin Wakf Estate | 80,000 | 0.02 |
| 16 | 03277-7652 | Ismailia Youth Services | 43,480 | 0.01 |
| 17 | 03277-11924 | Amir Fine Exports (Pvt) Ltd. | 6,513,000 | 1.71 |
| 18 | 03277-14891 | Mahmood Textile Mills Ltd. | 4,563,500 | 1.20 |
| 19 | 03277-26972 | Westbury (Private) Ltd | 416,849 | 0.11 |
| 20 | 03277-30088 | Roomi Fabrics Ltd | 5,000,000 | 1.32 |
| 21 | 03277-45542 | Naveena Exports (Pvt) Ltd | 115,000 | 0.03 |
| 22 | 03277-50851 | Masood Spinning Mills Limited | 14,017,000 | 3.69 |
| 23 | 03277-50852 | Trustees Of Far Eastern Impex (Pvt) Ltd. Emp. Provident Fund | 1,000 | 0.00 |
| 24 | 03277-61170 | Habib Safe Deposit Vault (Pvt) Ltd | 500,000 | 0.13 |
| 25 | 03277-61171 | Pakistan Warranted Warehouse (Pvt)Ltd | 125,000 | 0.03 |
| 26 | 03277-61348 | Polypropylene Products Ltd | 500,000 | 0.13 |
| 27 | 03277-64506 | Alliance Investment Management Limited | 100,000 | 0.03 |

| S.No. | Folio # | Name of shareholder | Number of shares | Percentage % |
|---|---|---|---|---|
| 28 | 03277-67767 | Anam Fabrics (Pvt) Ltd. 50,000 | 0.01 | |
| 29 | 03277-76635 | Trustees Of The General Tyre & Rubber Co. - Local Staff P.f. | 184,000 | 0.05 |
| 30 | 03277-78616 | Trustees The General Tyre&Rubber Co Of Pakistan Ltd Empl G.f | 184,000 | 0.05 |
| 31 | 03277-80323 | Ellahi Capital (Private) Limited | 2,941,500 | 0.77 |
| 32 | 03277-82754 | Sapphire Holding Limited | 200,000 | 0.05 |
| 33 | 03525-63817 | Nh Securities (Pvt) Limited. | 500 | 0.00 |
| 34 | 04184-22 | Azee Securities (Private) Limited | 3,000 | 0.00 |
| 35 | 04432-21 | Adam Securities (Pvt) Ltd. | 25,500 | 0.01 |
| 36 | 04457-45 | Fdm Capital Securities (Pvt) Limited | 2,500 | 0.00 |
| 37 | 05116-28 | Time Securities (Pvt.) Ltd. | 5,000 | 0.00 |
| 38 | 05264-55173 | Trustee - Nishat Power Limited-Employees Provident Fund | 1,500 | 0.00 |
| 39 | 05660-22 | Abbasi Securities (Private) Limited | 32,000 | 0.01 |
| 40 | 05736-15 | Ncc - Pre Settlement Delivery Account | 21,000 | 0.01 |
| 41 | 06122-47191 | Trustee- Hi-Tech Lubricants Ltd- Employees Provident Fund | 15,000 | 0.00 |
| 42 | 06445-28 | Darson Securities (Pvt) Limited | 2,500 | 0.00 |
| 43 | 06452-24159 | Ellahi Capital (Private) Limited | 2,685,000 | 0.71 |
| 44 | 06650-22 | Saao Capital (Pvt) Limited | 10,000 | 0.00 |
| 45 | 06684-117146 | Trust Iqbal Adamjee | 45,000 | 0.01 |
| 46 | 11072-7641 | Pak Asian Fund Limited | 3,500 | 0.00 |
| 47 | 11692-21 | Aba Ali Habib Securities (Pvt) Limited | 50,000 | 0.01 |
| 48 | 12732-4794 | Naseem Enterprises & Trading (Pvt) Ltd | 600,000 | 0.16 |
| 49 | 13748-691 | Akhuwat | 138,000 | 0.04 |
| 50 | 14241-22 | Fikree's (Smc-Pvt) Ltd. | 10,000 | 0.00 |
| 51 | 14753-20 | Arif Habib Limited - Mf | 379,500 | 0.10 |
| | | 51 | 62,869,684 | 16.55 |
| Total | | 2236 | 379,838,732 | 100.00 |
| General Public Local | | 2137 | 36,743,163 | 9.67 |

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE (CCG 2012) [SEE CLAUSE (XL)]

## NAME OF COMPANY: LALPIR POWER LIMITED

## YEAR ENDED: DECEMBER 31, 2014.

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

| CATEGORY | NAMES |
|---|---|
| Independent Directors | Mr. Jawaid Iqbal |
| Executive Directors | Mr. Khalid Qadeer Quershi |
| | Mr. Aurangzab Firoz - CEO |
| Non Executive Directors | Mian Hassan Mansha |
| | Mr.Saeed Ahmad Alvi |
| | Mr.Kamran Rasool |
| | Mr.Mahmood Akhtar |

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

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

3. The directors have confirmed that they are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the board during the year.

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

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

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

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

9. The board arranged followings for its directors during the year.

   Orientation Course: -

   All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The directors were apprised of their duties and responsibilities through orientation courses.

   Directors' Training Programme: -

   (i) One ( 1 ) Director of the Company is exempt due to 14 years of education and 15 years of experience on the board of a listed company.

   (ii) Three Directors, Mr. Aurangzeb Firoz, Mr. Saeed Ahmad Alvi and Mr. Mahmood Akhtar have completed the directors training programme.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made during the year. The remuneration of CFO was revised during the year after due approval of the Board.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG 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 two are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed Human Resource and Remuneration Committee. It comprises 3 members of whom 2 are non-executive directors and the chairman of the committee is also non executive director.

18. The board has set up an effective internal audit function, and the members of internal audit function are considered suitably qualified and experienced for the purpose and are conversant with the policies and the procedures of the Company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The ‘closed period’, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company’s securities, was determined and intimated to directors, employees and stock exchange(s).

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

23. We confirm that all other material requirements of the CCG 2012 have been complied.

(AURANGZEB FEROZ)
CHIEF EXECUTIVE
CNIC Number:42301-0959716-1

# 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 LALPIR POWER LIMITED ("the Company") for the year ended 31 December 2014 to comply with the requirements of Listing Regulation No. 35 of Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company personnel and reviews of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2014.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Atif Mirza

Date: March 16, 2015

LAHORE

# FINANCIAL HIGHLIGHTS

NISHAT

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of LALPIR POWER LIMITED as at 31 December 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

    i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
    ii) the expenditure incurred during the year was for the purpose of the company's business; and
    iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 31 December 2014 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to note 10.1.3 to the financial statements which explains the uncertainty regarding outcome of claims lodged by Water and Power Development Authority (WAPDA), which have been disputed by the company. Our opinion is not qualified in respect of this matter.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Atif Mirza

Date: March 16, 2015

LAHORE

# BALANCE SHEET
As at 31 December 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorised share capital<br>500,000,000 (2013: 500,000,000)<br>ordinary shares of Rupees 10 each | | 5,000,000 | 5,000,000 |
| Issued, subscribed and paid-up share capital | 3 | 3,798,387 | 3,798,387 |
| Capital reserve | 4 | 107,004 | 107,004 |
| Revenue reserve - un-appropriated profit | | 8,392,946 | 8,178,692 |
| Total equity | | 12,298,337 | 12,084,083 |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term financing | 5 | 1,813,876 | - |
| Employee benefit - gratuity | 6 | 17,937 | 20,222 |
| | | 1,831,813 | 20,222 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 7 | 1,203,913 | 518,297 |
| Accrued mark-up / profit | 8 | 193,634 | 183,054 |
| Short-term borrowings | 9 | 7,918,600 | 9,544,784 |
| Current portion of long-term financing | 5 | 176,963 | - |
| | | 9,493,110 | 10,246,135 |
| Total liabilities | | 11,324,923 | 10,266,357 |
| **CONTINGENCIES AND COMMITMENTS** | 10 | | |
| **TOTAL EQUITY AND LIABILITIES** | | 23,623,260 | 22,350,440 |

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

CHIEF EXECUTIVE

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 11 | 11,048,768 | 8,363,469 |
| Long term investment | 12 | 2,389 | - |
| Long-term loans to employees | 13 | 49,256 | 43,029 |
| Long term security deposit | | 300 | - |
| | | 11,100,713 | 8,406,498 |
| **CURRENT ASSETS** | | | |
| Stores, spare parts and other consumables | 14 | 881,470 | 809,593 |
| Fuel stock | 15 | 337,226 | 455,110 |
| Trade debts | 16 | 8,480,277 | 10,190,266 |
| Loans, advances and short-term prepayments | 17 | 482,249 | 776,199 |
| Other receivables | 18 | 145,329 | 343,175 |
| Sales tax recoverable | | 1,563,648 | 1,364,722 |
| Cash and bank balances | 19 | 632,348 | 4,877 |
| | | 12,522,547 | 13,943,942 |
| **TOTAL ASSETS** | | 23,623,260 | 22,350,440 |

DIRECTOR

NISHAT

# PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| REVENUE | 20 | 30,916,857 | 36,571,100 |
| COST OF SALES | 21 | (29,037,489) | (34,790,520) |
| GROSS PROFIT | | 1,879,368 | 1,780,580 |
| ADMINISTRATIVE EXPENSES | 22 | (132,789) | (154,706) |
| OTHER EXPENSES | 23 | (2,341) | (43,186) |
| OTHER INCOME | 24 | 24,172 | 26,194 |
| PROFIT FROM OPERATIONS | | 1,768,410 | 1,608,882 |
| FINANCE COST | 25 | (975,558) | (964,191) |
| SHARE OF LOSS OF ASSOCIATED COMPANY | 12 | (111) | - |
| PROFIT BEFORE TAXATION | | 792,741 | 644,691 |
| TAXATION | 26 | - | - |
| PROFIT AFTER TAXATION | | 792,741 | 644,691 |
| ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS ACCOUNT | | - | - |
| ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS ACCOUNT: | | | |
| LOSS ON REMEASUREMENTS OF DEFINED BENEFIT PLAN | | (8,729) | (2,818) |
| OTHER COMPREHENSIVE LOSS | | (8,729) | (2,818) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 784,012 | 641,873 |
| EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES) | 27 | 2.09 | 1.70 |

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

CHIEF EXECUTIVE

DIRECTOR

# CASH FLOW STATEMENT
for the year ended 31 December 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 28 | 5,170,916 | 1,483,613 |
| Finance cost paid | | (1,108,821) | (1,040,749) |
| Gratuity paid | | (21,415) | (8,203) |
| Net increase in long-term loans to employees | | (9,030) | (1,362) |
| Long-term security deposit paid | | (300) | - |
| Interest income received | | 528 | 7,922 |
| Income tax paid | | (146,166) | (21,672) |
| Net cash generated from operating activities | | 3,885,712 | 419,549 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capital expenditure on property, plant and equipment | | (3,063,159) | (449,009) |
| Proceeds from disposal of operating fixed assets | | 11,913 | 705 |
| Long term investment made | | (2,500) | - |
| Net cash used in investing activities | | (3,053,746) | (448,304) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from long-term financing | | 1,990,839 | - |
| Dividend paid | | (569,150) | (759,114) |
| Net cash from / (used in) financing activities | | 1,421,689 | (759,114) |
| Net increase / (decrease) in cash and cash equivalents | | 2,253,655 | (787,869) |
| Cash and cash equivalents at beginning of the year | | (9,539,907) | (8,752,038) |
| Cash and cash equivalents at end of the year | | (7,286,252) | (9,539,907) |
| **CASH AND CASH EQUIVALENTS** | | | |
| Cash in hand | | 254 | 174 |
| Cash at banks | | 632,094 | 4,703 |
| Short-term borrowings | | (7,918,600) | (9,544,784) |
| | | (7,286,252) | (9,539,907) |

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

CHIEF EXECUTIVE

DIRECTOR

NISHAT

# STATEMENT OF CHANGES IN EQUITY

## For the year ended 31 December 2014

| | SHARE CAPITAL | RESERVES: Capital – Retained payments reserve | RESERVES: Revenue – Reserve for issuance of bonus shares | RESERVES: Revenue – Un-appropriated profit | TOTAL EQUITY |
|---|---|---|---|---|---|
| | ( - - - - - - - - - - - -Rupees in thousand | | | - - - - - - - - - - - - ) | |
| Balance as at 31 December 2012 | 3,453,079 | 107,004 | 345,308 | 8,296,497 | 12,201,888 |
| Profit for the year ended 31 December 2013 | - | - | - | 644,691 | 644,691 |
| Other comprehensive loss for the year ended 31 December 2013 | - | - | - | (2,818) | (2,818) |
| Total comprehensive income for the year ended 31 December 2013 | - | - | - | 641,873 | 641,873 |
| Transactions with owners: | | | | | |
| Bonus shares issued during the year | 345,308 | - | (345,308) | - | - |
| Final dividend for the year ended 31 December 2012 @ Rupee 1 per share | - | - | - | (379,839) | (379,839) |
| Interim dividend for the year ended 31 December 2013 @ Rupee 1 per share | - | - | - | (379,839) | (379,839) |
| Transactions with owners of the Company recognized directly in equity | 345,308 | - | (345,308) | (759,678) | (759,678) |
| Balance as at 31 December 2013 | 3,798,387 | 107,004 | - | 8,178,692 | 12,084,083 |
| Profit for the year ended 31 December 2014 | - | - | - | 792,741 | 792,741 |
| Other comprehensive loss for the year ended 31 December 2014 | - | - | - | (8,729) | (8,729) |
| Total comprehensive income for the year ended 31 December 2014 | - | - | - | 784,012 | 784,012 |
| Transactions with owners - final dividend for the year ended 31 December 2013 @ Rupees 1.5 per share | - | - | - | (569,758) | (569,758) |
| Balance as at 31 December 2014 | 3,798,387 | 107,004 | - | 8,392,946 | 12,298,337 |

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

CHIEF EXECUTIVE

DIRECTOR

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

## 1. THE COMPANY AND ITS OPERATIONS

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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

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

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| De-recognition of property, plant and equipment | (10,860,891) | (8,180,202) |
| Recognition of lease debtor | 4,304,134 | 4,341,566 |
| | (6,556,757) | (3,838,636) |
| Decrease in un-appropriated profit at the beginning of the year | (3,838,636) | (3,459,520) |
| Decrease in profit for the year | (2,718,121) | (379,116) |
| Decrease in un-appropriated profit at the end of the year | (6,556,757) | (3,838,636) |

## b) Accounting convention

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

## c) Critical accounting estimates and judgments

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

### Taxation

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

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

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

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

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

### Provisions for doubtful debts

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

### Retirement benefit

The cost of defined benefit retirement plan is determined using actuarial valuation. The actuarial valuation is based on the assumptions as mentioned in Note 6.13.

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

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

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

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

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

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

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

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

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

IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2015). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

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

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

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

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

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

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

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

IAS 19 (Amendments), 'Employee benefits' (effective for annual periods beginning on or after 01 July 2014). The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives.

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

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

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

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

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

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

There are other standard and amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2015 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

## 2.2 Property, plant and equipment

### 2.2.1 Operating fixed assets

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

Depreciation is charged to income applying the straight line method whereby cost of an asset less its residual value is written off over its estimated useful life at the rates given in Note 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 investments accounted for under equity method for associates, which are tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

### 2.4.1 Investment at fair value through profit or loss

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

### 2.4.2 Held-to-maturity

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

### 2.4.3 Investment in associates - (with significant influence)

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

### 2.4.4 Available-for-sale

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

#### Quoted

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

#### Unquoted

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

### 2.5 Foreign currency translation

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Transactions in foreign currency are converted in Pak Rupees at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies at the reporting date are translated into Pak Rupees at the rate of exchange prevailing on that date. Net exchange differences are recognized as income or expense in the period in which they arise.

### 2.6 Employee benefits

#### 2.6.1 Defined contribution plan

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

#### 2.6.2 Defined benefit plan

The Company operates a funded gratuity scheme for all of its employees who have completed the qualifying period as defined under the scheme. As per gratuity scheme, employees of the Company are entitled to gratuity equivalent to last drawn salary multiplied by the numbers of year of service up to the date of leaving the Company. The liability recognised in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The charge for the year is based on actuarial valuation. The latest actuarial valuation was carried out as at 31 December 2014 using projected unit credit method. The amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur. Past-service costs are recognised immediately in income.

### 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 long term loans to employees, deposits, trade debts, accrued mark-up / profit, other receivables, cash and bank balances, long-term financing, short-term borrowings and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

### 2.8.2 Offsetting

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

## 2.9 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 loans, deposits, trade debts, other receivables and cash and bank balances in the balance sheet.

## 2.17 Impairment

### 2.17.1 Financial assets

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

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

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

### 2.17.2 Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

## 2.18 Revenue

### 2.18.1 Sale of electricity

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

### 2.18.2 Interest income

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

### 2.18.3 Rental income

Rental income is recognized on accrual basis.

## 2.19 Dividend and other appropriations

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

## 2.20 Share capital

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

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

| 2014 | 2013 | | 2014 | 2013 |
|---|---|---|---|---|
| (Number of Shares) | | | (Rupees in thousand) | |
| 342,458,215 | 342,458,215 | Ordinary shares of Rupees 10 each fully paid-up in cash | 3,424,582 | 3,424,582 |
| 2,849,724 | 2,849,724 | Ordinary shares of Rupees 10 each issued as fully paid-up for consideration other than cash | 28,497 | 28,497 |
| 34,530,794 | 34,530,794 | Ordinary shares of Rupees 10 each issued as fully paid-up bonus shares | 345,308 | 345,308 |
| 379,838,733 | 379,838,733 | | 3,798,387 | 3,798,387 |

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

| | 2014 | 2013 |
|---|---|---|
| | (Number of shares) | |
| Nishat Mills Limited | 109,393,005 | 109,393,005 |
| Adamjee Insurance Company Limited | 27,348,388 | 27,348,388 |
| Security General Insurance Company Limited | 6,836,548 | 6,836,548 |
| Stanhope Investments | - | 102,556,457 |
| Engen (Private) Limited | 69,011,922 | 68,369,871 |
| | 212,589,863 | 314,504,269 |

### 3.2 Movement during the year

| 2014 | 2013 | | 2014 | 2013 |
|---|---|---|---|---|
| (Number of Shares) | | | (Rupees in thousand) | |
| 379,838,733 | 345,307,939 | At 01 January | 3,798,387 | 3,453,079 |
| - | 34,530,794 | Ordinary shares of Rupees 10 each issued as fully paid-up bonus shares | - | 345,308 |
| 379,838,733 | 379,838,733 | At 31 December | 3,798,387 | 3,798,387 |

### 3.3 Capital risk management

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

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| Long-term financing | 1,990,839 | - |
| Short-term borrowings | 7,918,600 | 9,544,784 |
| Cash and bank balances | (632,348) | (4,877) |
| Net debt | 9,277,091 | 9,539,907 |
| Equity | 12,298,337 | 12,084,083 |
| Capital and net debt | 21,575,428 | 21,623,990 |
| Gearing ratio | 43.00% | 44.12% |

## 4. CAPITAL RESERVE

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

## 5. LONG TERM FINANCING

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| **From banking company - secured** | | |
| Long term loan (Note 5.1) | 1,990,839 | - |
| Less: Current portion shown under current liabilities | 176,963 | - |
| | 1,813,876 | - |

### 5.1 Long term loan

This represents syndicated medium term finance facility obtained through Standard Chartered Bank (Pakistan) Limited (lead arranger) for the purpose to finance the change of turbine rotors for the Complex. This facility consists of two parts, Rupees 207.047 million on mark-up basis whereas remaining Rupees 1,783.792 million represents Islamic facility (Diminishing Musharaka Finance). This carries mark-up at the rate of one month KIBOR plus 2.75% per annum payable monthly. This finance is repayable in forty five equal monthly installments with a grace period of fifteen months and is secured by the way of parri passu charge over present and future fixed assets (excluding land and buildings) of the Company amounting to Rupees 4,000 million.

## 6. EMPLOYEE BENEFIT - GRATUITY

The latest actuarial valuation of the defined benefit plan as at 31 December 2014 was carried out using the Projected Unit Credit Method. Details of the plan as per the actuarial valuation are as follows:

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| **6.1 Balance sheet reconciliation:** | | |
| Present value of defined benefit obligation (Note 6.2) | 85,326 | 63,011 |
| Fair value of plan assets (Note 6.3) | (67,389) | (42,789) |
| Liability recognized at balance sheet date | 17,937 | 20,222 |
| **6.2 Movement in present value of the defined benefit obligation:** | | |
| Present value of obligation at beginning of the year | 63,011 | 42,246 |
| Current service cost | 20,242 | 17,494 |
| Interest cost | 7,438 | 4,641 |
| Benefits paid | (11,594) | (3,773) |
| Remeasurement | 6,229 | 2,403 |
| Present value of obligation at end of the year | 85,326 | 63,011 |
| **6.3 Movement in fair value of plan assets:** | | |
| Fair value of plan assets at the beginning of the year | 42,789 | 25,830 |
| Contributions | 20,223 | 13,620 |
| Interest income | 6,877 | 3,754 |
| Benefits paid on behalf of fund | 11,594 | 3,773 |
| Benefits paid by fund | (11,594) | (3,773) |
| Remeasurement | (2,500) | (415) |
| Fair value of plan assets at the end of the year | 67,389 | 42,789 |
| **6.4 Actual return on plan assets** | 4,377 | 3,339 |
| **6.5 Plan assets consist of the followings:** | | |
| Term deposit receipts | 38,916 | 37,122 |
| Units of mutual fund | 6,114 | 5,535 |
| Cash at banks | 22,359 | 132 |
| | 67,389 | 42,789 |

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| **6.6 Net movement in liability:** | | |
| Opening liability | 20,222 | 16,416 |
| Charge for the year (Note 6.7) | 20,803 | 18,381 |
| Remeasurements recognized in other comprehensive income (Note 6.9) | 8,729 | 2,818 |
| Contributions | (20,223) | (13,620) |
| Benefits paid on behalf of fund | (11,594) | (3,773) |
| Closing liability | 17,937 | 20,222 |
| **6.7 Charge for the year recognized in profit and loss account:** | | |
| Current service cost | 20,242 | 17,494 |
| Interest cost - net | 561 | 887 |
| Charge for the year | 20,803 | 18,381 |

6.8 The charge for the year is shared with Pakgen Power Limited - associated company on fifty-fifty basis in accordance with “Shared Facilities Agreement”.

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| **6.9 Remeasurements recognised in other comprehensive income:** | | |
| Experience losses | 6,229 | 2,403 |
| Remeasurement of fair value of plan assets | 2,500 | 415 |
| Remeasurements | 8,729 | 2,818 |

6.10 Mortality was assumed to be based on SLIC 2001-05 ultimate mortality rates, rated down by one year.

6.11 Plan assets held in the trust are governed by local regulations which mainly includes the Trust Act, 1882, the Companies Ordinance, 1984, the Income Tax Rules, 2002 and Rules under the Trust deed of the plan. Responsibility for governance of the plan, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the trustees and all trustees are employees of the Company.

6.12 Amounts for the current and previous four years:

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | ( - - - - - | Rupees in thousand | - - - - - ) | | |
| Present value of defined benefit obligation | 85,326 | 63,011 | 42,246 | 23,877 | 10,780 |
| Fair value of plan assets | (67,389) | (42,789) | (25,830) | (10,668) | - |
| Deficit | 17,937 | 20,222 | 16,416 | 13,209 | 10,780 |
| Remeasurement gain / (loss) on obligation | (6,229) | (2,403) | (2,595) | 640 | (5,327) |
| Remeasurement gain / (loss) on plan assets | (2,500) | (415) | (129) | 2 | 2,710 |

6.13 Principal actuarial assumptions used:

| | 2014 | 2013 |
|---|---|---|
| | ( % per | annum ) |
| Discount rate | 10.50 | 13.0 |
| Expected rate of increase in salary | 10.50 | 13.0 |
| Expected rate of return on plan assets | 10.50 | 13.0 |

6.14 The expected charge to profit and loss account of the Company for defined benefit plan obligation for the next year is Rupees 21.924 million.

6.15 The Company ensures that the investment positions are managed within an Asset - Liability Matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the benefit plan. Within this framework, the Company's ALM objective is to match assets to the plan obligations by investing in term deposits with maturities that match the benefit payments as they fall due. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the plan obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in year 2014 consists of term deposits. The Company believes that term deposits offer the best returns over the long term with an acceptable level of risk.

6.16 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on term deposits are based on gross redemption yields as at the balance sheet date.

The Company's contribution to defined benefit plan in 2015 is expected to amount to Rupees 21.104 million. There are no minimum funding requirements to the defined benefit plan.

The actuary conducts separate valuations for calculating contribution rates and the Company contributes to the gratuity fund according to the actuary's advice. Expense of the defined benefit plan is calculated by the actuary.

## 6.17 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit plan as at reporting date to changes in the weighted principal assumption is:

| | Impact on defined benefit plan | | |
|---|---|---|---|
| | Changes in assumption | Increase in assumption | Decrease in assumption |
| | (Rupees in thousand) | | |
| Discount rate at 31 December | 1.00% | (9,616) | 9,480 |
| Future salary increases | 1.00% | 6,169 | (6,006) |

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit plan to significant actuarial assumptions the same method (present value of the defined benefit plan calculated with the projected unit credit method at the end of the reporting period) has been applied.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

6.18 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the plan, at the beginning of the period, for returns over the entire life of related obligation.

6.19 The weighted average duration of the defined benefit plan is 8.06 years.

6.20 Expected maturity profile of undiscounted defined benefit plan:

| Less than a year | Between 1 - 2 years | Between 2 - 5 years | Between 6 - 10 years | Over 11 Years | Total |
|---|---|---|---|---|---|
| ( - - - - - - - - - - - - - - - | Rupees in thousand | - - - - - - - - - - - -- - - - - ) | | | |
| 8,409 | 9,606 | 33,666 | 34,766 | 214,070 | 300,517 |

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |

## 7. TRADE AND OTHER PAYABLES

| | 2014 | 2013 |
|---|---|---|
| Creditors | 1,021,674 | 290,869 |
| Accrued liabilities | 108,762 | 106,340 |
| Workers' profit participation fund payable (Note 7.1) | 39,637 | 104,548 |
| Unclaimed dividend | 1,172 | 564 |
| Others | 32,668 | 15,976 |
| | 1,203,913 | 518,297 |

### 7.1 Workers' profit participation fund payable

| | 2014 | 2013 |
|---|---|---|
| Opening balance | 104,548 | 72,313 |
| Allocation for the year (Note 23.2) | 39,637 | 32,235 |
| Payments made to the fund during the year | (104,548) | - |
| Closing balance | 39,637 | 104,548 |

## 8. ACCRUED MARK-UP / PROFIT

| | 2014 | 2013 |
|---|---|---|
| Long-term financing | 2,268 | - |
| Short term borrowings | 191,366 | 183,054 |
| | 193,634 | 183,054 |

## 9. SHORT-TERM BORROWINGS

From banking companies and financial institution:

| | 2014 | 2013 |
|---|---|---|
| Working capital finances - secured (Note 9.1) | 5,918,601 | 7,802,065 |
| Syndicated bridge finance - secured (Note 9.2) | - | 242,319 |
| Privately placed short term Islamic CP Sukuk - secured (Note 9.3) | 1,999,999 | 1,499,997 |
| Temporary overdraft - unsecured | - | 403 |
| | 7,918,600 | 9,544,784 |

9.1 The Company has total working capital finance facilities of Rupees 11,493 million (2013: Rupees 11,115 million) available from commercial banks and financial institution out of which Rupees 5,574 million (2013: Rupees 3,313 million) remained unutilized at year end. These facilities carry mark-up at average offer rate for 1 month to 6 months KIBOR plus 0.45% to 2.50% (2013: 1 month to 6 months KIBOR plus 0.75% to 2.50%) per annum payable quarterly / semi-annually (2013: quarterly / semi-annually). The effective mark-up rate charged during the year ranges from 10.75% to 11.54% (2013: from 10.24% to 14.20%) per annum. These facilities are secured by way of charge to the extent of Rupees 16,607 million (2013: Rupees 16,006 million) on the present and future current assets of the Company.

9.2 This represented syndicated bridge finance facility of Rupees 1,500 million was obtained from Standard Chartered Bank (Pakistan) Limited for advance payment to supplier against import of turbine rotors. This facility carried mark-up at the rate of 1 month KIBOR plus 2.25% (2013: 1 month KIBOR plus 2.25%) per annum payable monthly. The effective mark-up rate charged during the year ranges from 11.27% to 12.40% (2013: from 11.27% to 12.40%) per annum. This has been fully repaid through disbursement of syndicated medium term finance facility (Note 5) for retirement of letter of credit of turbine rotors. This facility was secured by way of ranking charge over all present and future fixed assets (excluding land and building) amounting to Rupees 3,520 million (2013: Rupees 3,520 million).

9.3 This represents Islamic CP Sukuk certificates of Rupees 2,000 million (2013: Rupees 1,500 million) obtained from Meezan Bank Limited to meet short term working capital requirements. This facility carries profit at the rate of 6 month KIBOR plus 0.55% (2013: 6 month KIBOR plus 1.15%) per annum payable on redemption. The effective profit rate is 10.72% (2013: 10.72%) per annum. This facility is secured by way of first charge on trade debts and stock-in-trade amounting to Rupees 2,500 million (2013: Rupees 2,000 million). This facility will be redeemed in lump sum at the expiry of the tenor.

## 10. CONTINGENCIES AND COMMITMENTS

### 10.1 Contingencies

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

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

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

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 Inspecting Additional Commissioner of Income Tax (IACIT) passed reassessment orders under section 66A of the Income Tax Ordinance, 1979 (ITO, 79) for the assessment years 1995-1996, 1996-1997 and 1997-1998 creating tax demands aggregating of Rupees 781 million by treating the assessment orders earlier passed by the Deputy Commissioner of Income Tax (DCIT), as erroneous and prejudicial to the interest of Federal Board of Revenue (FBR). Completed assessments were reopened on the ground that while framing the assessments under section 52/86, the assessing officer failed to take cognizance of the fact that the Company failed to withhold tax, as required under section 50(3) of the ITO, 79, at the time of issuance of the shares to its parent company against project development expenditure incurred by parent company. The said reassessments made by IACIT were contested by the Company in Appellate Tribunal Inland Revenue (ATIR), Lahore. The ATIR remanded back the case to the IACIT for re-examination with specific directions which was decided against the Company. The Company filed reference applications against the decisions of ATIR which are still pending. No provision is required as per legal advice which states that department has acted against the explicit provisions of law. Accordingly, the management is confident for favourable outcome.

10.1.3 WAPDA has raised invoices for liquidated damages to the Company from 11th to 17th (up to November 2014) agreement year (after taking into account forced outage allowance stipulated under the terms of Power Purchase Agreement) on account of short supply of electricity by the Company, which was due to cash constraints of the Company as a result of default by WAPDA in making timely payments. Liquidated damages invoiced to the Company amounts to Rupees 3,296 million (2013: Rupees 3,046 million). Out of these the Company has accepted and paid Rupees 19.86 million (2013: Rupees 19.188 million). The Company disputes and rejects balance claims on account of liquidated damages that are raised by WAPDA on the premise that its failure to despatch electricity was due to WAPDA's non-payment of dues on timely basis to the Company and consequential inability of the Company to make timely payments to its fuel suppliers that resulted in inadequate level of electricity production owing to shortage of fuel. Against these the Company has raised invoice dispute notices to WAPDA. During the year, the management of the Company initiated the expert mediation with WAPDA. Currently, the Company has finalised the expert appointment under the mechanism given in the PPA. Further, according to legal advice available with the Company, there are adequate grounds to defend any claim by WAPDA for such liquidated damages since these conditions were imposed on the Company due to circumstances beyond its control. The ultimate outcome of the matter cannot presently be determined, and consequently, no provision for such liquidated damages has been made in these financial statements.

10.1.4 Deputy Commissioner Inland Revenue (DCIR) issued order to the Company in which sales tax refund claims amounting to Rupees 910.122 million for the tax periods from November 2008 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 order, the Company filed appeal before Commissioner Inland Revenue [CIR(A)] which was decided in favour of the Company. Against this order, tax department has filed appeal before ATIR where it is still pending. Subsequent to that, during the year, DCIR has issued show cause notice to the Company for the tax periods from August 2009 to December 2012 declaring refund claims amounting to Rupees 1,971.516 million being inadmissible on aforesaid grounds. The Company has challenged the notice before honourable Lahore High Court, Lahore, along with reply of the show cause notice to DCIR, where it is still pending. The management is of the view that there are meritorious grounds available to defend the foregoing rejection. Consequently, no provision for such rejection has been made in these financial statements.

10.1.5 Subsequent to year end, income tax department has completed assessment proceedings under section 122(5A) of the Income Tax Ordinance, 2001 for the tax years 2009, 2010, 2012 and 2013 creating a demand of Rupees 575.301 million on account of interest on delayed payments by WAPDA not been offered for tax and clubbed with capacity and energy purchase price under the head income from business. As per tax department, this interest falls under the head income from other sources and is not exempt from tax as the same is not covered under clause 132, Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Company has filed appeals against foregoing assessment proceedings along with applications for stay of tax demand before Commissioner Inland Revenue [CIR(A)]. CIR(A) has granted stay for the same. However, appeals have not been heared yet. Further, during the year Deputy Commissioner Inland Revenue (DCIR) has issued assessment order under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2011 which included among others tax demand of Rupees 215.250 million relating to interest on delayed payment by WAPDA. The Company filed appeal with CIR(A) against this order which has been decided in favour of the Company. Based on management assessment and on tax advisor's opinion and prior 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.

10.1.6 The banks of the Company has issued a letter of credit in favour of Water and Power Development Authority (WAPDA) for an amount of Rupees 596 million (2013: Rupees 596 million) to meet its obligations under the Power Purchase Agreement (PPA).

10.1.7 Post dated cheques amounting to Rupees 164 million (2013: Rupees 706 million) were issued in favour of Attock Petroleum Limited 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 Pakistan State Oil Company Limited (PSO). Under the terms of Fuel Supply Agreement (FSA), the Company is not required to buy any minimum quantity of fuel from PSO.

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| 10.2.2 Commitments in respect of letters of credit for capital expenditure | 97,700 | 1,925,627 |

## 11. PROPERTY, PLANT AND EQUIPMENT

| | 2014 | 2013 |
|---|---|---|
| Operating fixed assets (Note 11.1) | 10,231,231 | 7,732,229 |
| Capital work-in-progress (Note 11.2) | 817,537 | 631,240 |
| | 11,048,768 | 8,363,469 |

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

| Description | Freehold land | Buildings on freehold land | Improvements on leasehold property | Plant and machinery | Furniture and fittings | Vehicles | Office equipment | Electric equipment and appliances | Telephone installations | Clinical equipment | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | ----- | ----- | ----- | ----- | ----- | Rupees in thousand | ----- | ----- | ----- | ----- | ----- |
| **At 01 January 2013** | | | | | | | | | | | |
| Cost | 10,399 | 926,983 | 41,342 | 10,061,822 | 17,094 | 49,865 | 49,507 | 81,234 | 1,084 | 1,393 | 11,240,723 |
| Accumulated depreciation | - | (371,437) | (5,474) | (3,707,258) | (11,116) | (29,998) | (33,195) | (35,621) | (1,071) | (1,279) | (4,196,449) |
| Net book value | 10,399 | 555,546 | 35,868 | 6,354,564 | 5,978 | 19,867 | 16,312 | 45,613 | 13 | 114 | 7,044,274 |
| **Year ended 31 December 2013** | | | | | | | | | | | |
| Opening net book value | 10,399 | 555,546 | 35,868 | 6,354,564 | 5,978 | 19,867 | 16,312 | 45,613 | 13 | 114 | 7,044,274 |
| Additions | - | 295,857 | - | 744,388 | 2,910 | 31,772 | 10,623 | 40,482 | - | - | 1,126,032 |
| Disposals / derecognitions: | | | | | | | | | | | |
| Cost | - | - | - | (43,184) | - | (1,664) | - | (1,867) | - | - | (46,715) |
| Accumulated depreciation | - | - | - | 43,184 | - | 1,609 | - | 1,867 | - | - | 46,660 |
| | - | - | - | - | - | (55) | - | - | - | - | (55) |
| Depreciation charge | - | (36,597) | (4,134) | (375,195) | (1,546) | (11,175) | (2,783) | (6,533) | (2) | (57) | (438,022) |
| Closing net book value | 10,399 | 814,806 | 31,734 | 6,723,757 | 7,342 | 40,409 | 24,152 | 79,562 | 11 | 57 | 7,732,229 |
| **At 31 December 2013** | | | | | | | | | | | |
| Cost | 10,399 | 1,222,840 | 41,342 | 10,763,026 | 20,004 | 79,973 | 60,130 | 119,849 | 1,084 | 1,393 | 12,320,040 |
| Accumulated depreciation | - | (408,034) | (9,608) | (4,039,269) | (12,662) | (39,564) | (35,978) | (40,287) | (1,073) | (1,336) | (4,587,811) |
| Net book value | 10,399 | 814,806 | 31,734 | 6,723,757 | 7,342 | 40,409 | 24,152 | 79,562 | 11 | 57 | 7,732,229 |
| **Year ended 31 December 2014** | | | | | | | | | | | |
| Opening net book value | 10,399 | 814,806 | 31,734 | 6,723,757 | 7,342 | 40,409 | 24,152 | 79,562 | 11 | 57 | 7,732,229 |
| Additions | - | 2,728 | - | 2,975,575 | 1,113 | 29,061 | 5,060 | 7,168 | - | - | 3,020,705 |
| Disposals / derecognitions: | | | | | | | | | | | |
| Cost | - | - | - | (41,990) | - | (14,754) | - | - | - | - | (56,744) |
| Accumulated depreciation | - | - | - | 41,990 | - | 10,273 | - | - | - | - | 52,263 |
| | - | - | - | - | - | (4,481) | - | - | - | - | (4,481) |
| Depreciation charge | - | (42,078) | (4,134) | (441,833) | (1,745) | (13,941) | (3,779) | (9,653) | (2) | (57) | (517,222) |
| Closing net book value | 10,399 | 775,456 | 27,600 | 9,257,499 | 6,710 | 51,048 | 25,433 | 77,077 | 9 | - | 10,231,231 |
| **At 31 December 2014** | | | | | | | | | | | |
| Cost | 10,399 | 1,225,568 | 41,342 | 13,696,611 | 21,117 | 94,280 | 65,190 | 127,017 | 1,084 | 1,393 | 15,284,001 |
| Accumulated depreciation | - | (450,112) | (13,742) | (4,439,112) | (14,407) | (43,232) | (39,757) | (49,940) | (1,075) | (1,393) | (5,052,770) |
| Net book value | 10,399 | 775,456 | 27,600 | 9,257,499 | 6,710 | 51,048 | 25,433 | 77,077 | 9 | - | 10,231,231 |
| Annual rate of depreciation (%) | | 2.5-20 | 10 | 2.5-33 | 10-20 | 20 | 10-50 | 6.67-33 | 10 | 10 | |

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

2014

| Description | Cost | Accumulated depreciation | Net book value | Sale proceeds | Gain | Mode of disposal | Particulars of purchasers |
|---|---|---|---|---|---|---|---|
| | ------------- Rupees in thousand --------------- | | | | | | |
| **Vehicles** | | | | | | | |
| Land Cruiser LE-10-2228 | 13,441 | 8,960 | 4,481 | 11,000 | 6,519 | Insurance Claim | Adamjee Insurance Company Limited |
| Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50,000 | 43,303 | 43,303 | - | 913 | 913 | (Note 11.1.4) | |
| | 56,744 | 52,263 | 4,481 | 11,913 | 7,432 | | |

2013

| Description | Cost | Accumulated depreciation | Net book value | Sale proceeds | Gain | Mode of disposal | Particulars of purchasers |
|---|---|---|---|---|---|---|---|
| | ------------- Rupees in thousand --------------- | | | | | | |
| **Vehicles** | | | | | | | |
| Mitshubishi 4X2 D-Cab MNA-08-2033 | 1,664 | 1,609 | 55 | 705 | 650 | Negotiation | Mr. Muhammad Waheed, Lahore. |
| Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50,000 | 45,051 | 45,051 | - | - | - | Derecognition (Note 11.1.4) | |
| | 46,715 | 46,660 | 55 | 705 | 650 | | |

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| 11.1.2 The depreciation charge for the year has been allocated as follows: | | |
| Cost of sales (Note 21) | 483,911 | 411,792 |
| Administrative expenses (Note 22) | 33,311 | 26,230 |
| | 517,222 | 438,022 |

NISHAT

11.1.3 Property, plant and equipment include operating fixed assets costing Rupees 165.033 million (2013: Rupees 157.828 million) which are fully depreciated but still in the use of the Company.

11.1.4 This includes operating fixed assets costing Rupees 41.990 million (2013: Rupees 45.051 million) derecognized during the year due to replacement of assets as per requirement of IAS 16 "Property, Plant and Equipment".

11.1.5 Improvements on leasehold property represent costs of improvements incurred on rented property which is owned by Nishat (Aziz Avenue) Hotels and Properties Limited - associated company.

### 11.2 Capital work-in-progress

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| Civil works | - | 49,221 |
| Plant and machinery (Note 11.2.1) | 816,932 | 577,557 |
| Others | 605 | 4,462 |
| | 817,537 | 631,240 |

11.2.1 It includes borrowings cost amounting to Rupees 143.843 million (2013: Rupees 28.382 million) capitalized during the year using capitalization rates ranging from 12.46% to 13.13% (2013: 11.27% to 12.40%) per annum.

## 12. LONG TERM INVESTMENT

### Associated company - under equity method

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| Nishat Energy Limited - unquoted | | |
| 250,000 (2013: Nil) fully paid ordinary shares of Rupees 10 each | | |
| Equity held 25% (2013: Nil) at cost | 2,500 | - |
| Less: Share of loss after income tax | 111 | - |
| Carrying amount under equity method | 2,389 | - |

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

| | | |
|---|---|---|
| Assets | 9,558 | - |
| Liabilities | - | - |
| Net assets | 9,558 | - |
| Loss for the period | 442 | - |

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| **13. LONG-TERM LOANS TO EMPLOYEES** | | |
| **Considered good:** | | |
| Executives (Note 13.1) | 71,151 | 61,243 |
| Other employees | 465 | 1,343 |
| | 71,616 | 62,586 |
| Current portion shown under current assets (Note 17) | | |
| Executives | (22,102) | (19,139) |
| Other employees | (258) | (418) |
| | (22,360) | (19,557) |
| | 49,256 | 43,029 |

13.1 Reconciliation of carrying amount of loans to executives:

| | 2014 | 2013 |
|---|---|---|
| Opening balance | 61,243 | 60,356 |
| Add: Disbursements | 55,277 | 39,903 |
| Add: Transferred from others employees | 585 | - |
| | 117,105 | 100,259 |
| Less: Repayments | 45,954 | 39,016 |
| Closing balance | 71,151 | 61,243 |

13.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 71.151 million (2013: Rupees 72.909 million).

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

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

NISHAT

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |

## 14. STORES, SPARE PARTS AND OTHER CONSUMABLES

| | 2014 | 2013 |
|---|---|---|
| Stores, spare parts and other consumables | 946,523 | 874,646 |
| Provision for slow moving / obsolete items | (65,053) | (65,053) |
| | 881,470 | 809,593 |

## 15. FUEL STOCK

| | 2014 | 2013 |
|---|---|---|
| Furnace oil | 325,622 | 438,569 |
| Diesel | 11,604 | 16,541 |
| | 337,226 | 455,110 |

## 16. TRADE DEBTS

| | 2014 | 2013 |
|---|---|---|
| Considered good | 8,480,277 | 10,190,266 |
| Considered doubtful (Note 16.3) | - | 40,396 |
| | 8,480,277 | 10,230,662 |
| Written off during the year (Note 23) | - | (40,396) |
| | 8,480,277 | 10,190,266 |

16.1 These represent receivables from Water and Power Development Authority (WAPDA), the Company's sole customer, and are backed by sovereign guarantee of Government of Pakistan. This includes an overdue amount of Rupees 3,375 million (2013: Rupees 5,016 million) on which a penal mark-up at the rate of State Bank of Pakistan (SBP) discount rate plus 2% per annum compounded semi-annually is charged in case the amounts are not paid within due dates. The penal mark-up rate charged during the year ranges from 11.5% to 12% (2013: 11% to 12%) per annum.

### 16.2 As at 31 December, age analysis of trade debts is as follows:

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| Neither past due nor impaired | 4,886,163 | 4,400,521 |
| Past due but not impaired: | | |
| - 26 to 90 days | 2,585,890 | 4,270,347 |
| - 91 to 180 days | 758,583 | 1,348,983 |
| - 181 to 365 days | 249,641 | 170,415 |
| | 3,594,114 | 5,789,745 |
| | 8,480,277 | 10,190,266 |

16.3 These represented amounts not acknowledged by WAPDA.

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |

### 16.4 Provision for doubtful trade debts

| | 2014 | 2013 |
|---|---|---|
| Opening balance | - | 113,713 |
| Trade debts written off during the year against provision | - | (113,713) |
| Closing balance | - | - |

### 17. LOANS, ADVANCES AND SHORT-TERM PREPAYMENTS

| | 2014 | 2013 |
|---|---|---|
| Current maturity of long-term loans to employees (Note 13) | 22,360 | 19,557 |
| Advances - considered good, unsecured | | |
| - to employees for expenses | 1,573 | 1,415 |
| - to suppliers | 122,196 | 564,937 |
| Advance income tax - net | 333,535 | 187,369 |
| Short-term prepayments | 2,585 | 2,921 |
| | 482,249 | 776,199 |

### 18. OTHER RECEIVABLES

| | 2014 | 2013 |
|---|---|---|
| Recoverable from WAPDA as pass through item: | | |
| Workers' profit participation fund (Note 18.1) | 144,185 | 342,021 |
| Workers' welfare fund (Note 18.2) | - | - |
| Others | 1,144 | 1,154 |
| | 145,329 | 343,175 |

#### 18.1 Workers' profit participation fund

| | 2014 | 2013 |
|---|---|---|
| Opening balance | 342,021 | 367,574 |
| Allocation for the year (Note 23.2) | 39,637 | 32,235 |
| Amount received during the year | (237,473) | (57,788) |
| Closing balance | 144,185 | 342,021 |

#### 18.2 Workers' welfare fund

| | 2014 | 2013 |
|---|---|---|
| Opening balance | 13,216 | 13,216 |
| Provision for doubtful receivable | (13,216) | (13,216) |
| Closing balance | - | - |

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

NISHAT

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| **19. CASH AND BANK BALANCES** | | |
| Cash in hand | 254 | 174 |
| Cash at banks - saving accounts (Note 19.1) | 632,094 | 4,703 |
| | 632,348 | 4,877 |

19.1 Saving accounts carry mark-up at the rates ranging from 6% to 6.50% (2013: from 6% to 7%) per annum.

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| **20. REVENUE** | | |
| Energy | 31,391,790 | 37,473,929 |
| Less: Sales tax | (4,495,697) | (5,290,241) |
| | 26,896,093 | 32,183,688 |
| Capacity | 4,020,764 | 4,387,412 |
| | 30,916,857 | 36,571,100 |
| **21. COST OF SALES** | | |
| Fuel cost (Note 21.1) | 27,693,343 | 33,597,741 |
| Operation and maintenance costs (Note 21.2) | 542,597 | 449,246 |
| Insurance | 312,809 | 310,718 |
| Depreciation (Note 11.1.2) | 483,911 | 411,792 |
| Liquidated damages to WAPDA | 380 | 17,296 |
| Others | 4,449 | 3,727 |
| | 29,037,489 | 34,790,520 |
| **21.1 Fuel consumed** | | |
| Opening stock | 455,110 | 363,927 |
| Purchased during the year | 27,575,459 | 33,688,924 |
| | 28,030,569 | 34,052,851 |
| Closing stock | (337,226) | (455,110) |
| | 27,693,343 | 33,597,741 |

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| **21.2 Operation and maintenance costs** | | |
| Salaries, wages and other benefits (Note 21.2.1) | 164,699 | 150,904 |
| Repair and maintenance | 124,663 | 79,303 |
| Fee and subscription | 4,606 | 4,179 |
| Stores and spare parts consumed | 196,493 | 158,192 |
| Electricity consumed in-house | 52,136 | 56,668 |
| | 542,597 | 449,246 |

21.2.1 Salaries, wages and other benefits include provident fund contribution and provision for gratuity of Rupees 9.474 million (2013: Rupees 8.444 million) and Rupees 8.122 million (2013: Rupees 7.007 million) respectively.

## 22. ADMINISTRATIVE EXPENSES

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| Salaries and other benefits (Note 22.1) | 46,207 | 47,033 |
| Travelling, conveyance and entertainment | 7,778 | 10,940 |
| Office rent | 6,280 | 6,280 |
| Communication and utilities | 1,323 | 1,487 |
| Insurance | 6,758 | 6,518 |
| Repair and maintenance | 4,425 | 4,609 |
| Printing and stationery | 1,538 | 1,278 |
| Advertisement and publicity | 149 | 78 |
| Legal and professional charges | 10,179 | 17,622 |
| Depreciation (Note 11.1.2) | 33,311 | 26,230 |
| Community welfare | 5,196 | 6,919 |
| Security services | 310 | 89 |
| General expenses | 9,335 | 25,623 |
| | 132,789 | 154,706 |

22.1 Salaries and other benefits include provident fund contribution and provision for gratuity of Rupees 2.658 million (2013: Rupees 2.478 million) and Rupees 2.279 million (2013: Rupees 2.184 million) respectively.

## 23. OTHER EXPENSES

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| Auditors' remuneration (Note 23.1) | 2,341 | 2,790 |
| Workers' profit participation fund (Note 23.2) | - | - |
| Trade debts written off (Note 16) | - | 40,396 |
| | 2,341 | 43,186 |

NISHAT

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| **23.1 Auditors' remuneration** | | |
| Statutory audit | 1,733 | 1,575 |
| Half yearly review | 500 | 400 |
| Other certifications and reporting | 25 | 740 |
| Out of pocket expenses | 83 | 75 |
| | 2,341 | 2,790 |
| **23.2 Workers' profit participation fund** | | |
| Allocation for workers' profit participation fund (Note 7.1 and 10.1.1) | 39,637 | 32,235 |
| Allocation to workers' profit participation fund recoverable from WAPDA (Note 18.1) | (39,637) | (32,235) |
| | - | - |

## 24. OTHER INCOME

| | 2014 | 2013 |
|---|---|---|
| **Income from financial assets** | | |
| Interest income | 528 | 7,922 |
| **Income from assets other than financial assets** | | |
| Rental income | 3,978 | 3,524 |
| Gain on disposal of operating fixed assets | 7,432 | 650 |
| Scrap sales | 12,234 | 14,098 |
| | 24,172 | 26,194 |

## 25. FINANCE COST

| | 2014 | 2013 |
|---|---|---|
| Mark-up / profit on: | | |
| Long-term financing | 21,249 | - |
| Short-term borrowings | 949,023 | 958,579 |
| Bank charges and commission | 5,286 | 5,612 |
| | 975,558 | 964,191 |

## 26. 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.

## 27. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share which is based on:

| | 2014 | 2013 |
|---|---|---|
| Profit after taxation attributable to ordinary shareholders (Rupees in thousand) | 792,741 | 644,691 |
| Weighted average number of shares (Number) | 379,838,733 | 379,838,733 |
| Earnings per share - basic (Rupees) | 2.09 | 1.70 |

## 28. CASH GENERATED FROM OPERATIONS

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| Profit before taxation | 792,741 | 644,691 |
| **Adjustments for non-cash charges and other items:** | | |
| Depreciation | 517,222 | 438,022 |
| Provision for gratuity | 10,401 | 9,191 |
| Trade debts written off | - | 40,396 |
| Gain on disposal of operating fixed assets | (7,432) | (650) |
| Share of loss from associated company | 111 | - |
| Interest income | (528) | (7,922) |
| Finance cost | 975,558 | 964,191 |
| Cash flows from operating activities before working capital changes | 2,288,073 | 2,087,919 |
| (Increase) / decrease in current assets: | | |
| Stores, spare parts and other consumables | (71,877) | (112,773) |
| Fuel stock | 117,884 | (91,183) |
| Trade debts | 1,709,989 | 359,873 |
| Loans, advances and short-term prepayments | 442,919 | (159,047) |
| Other receivables | 197,846 | 25,699 |
| Sales tax recoverable | (198,926) | (226,729) |
| | 2,197,835 | (204,160) |
| Increase / (decrease) in trade and other payables | 685,008 | (400,146) |
| | 5,170,916 | 1,483,613 |

## 29. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, key management personnel and staff retirement benefit plans. Transactions with related parties include expenses charged between these companies. The Company in the normal course of business carries out transactions with various related parties. Remuneration to key management personnel is disclosed in note 30 and other significant transactions with related parties are as follows:

| Associated company | Nature of transaction | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Nishat Mills Limited | Dividend | 164,090 | 230,941 |
| Adamjee Insurance Company Limited | Dividend | 41,023 | 57,735 |
| | Insurance premium | 15,338 | 222,981 |
| | Purchase of operating fixed assets | - | 2,620 |
| | Insurance claim received | 11,033 | - |
| Security General Insurance Company Limited | Dividend | 10,255 | 14,433 |
| | Insurance premium | 362,461 | 179,266 |
| Nishat Hospitality (Private) Limited | Boarding lodging services | 1,216 | 145 |
| Stanhope Investments | Dividend | 101,335 | 216,508 |
| Engen (Private) Limited | Dividend | 102,555 | 144,338 |
| Pakgen Power Limited | Share of expenses | 306,890 | 272,292 |
| | Share of rental income | 1,585 | 1,549 |
| Pakistan Aviators and Aviation (Private) Limited | Flying services | 2,388 | 7,109 |
| Nishat Hotels and Properties Limited | Rent expense | - | 3,140 |
| Nishat (Aziz Avenue) Hotels and Properties Limited | Rent expense | 6,280 | 3,140 |
| Nishat Energy Limited | Investment made | 2,500 | - |
| Nishat Power Limited | Purchase of operating fixed assets | 83 | - |
| **Staff retirement benefit plans** | | | |
| Provident fund | Contributions | 24,263 | 21,843 |
| Gratuity fund | Contributions | 20,223 | 13,620 |

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

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

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Executive Director | Executives | Executive Director | Executives |
| | (- - - - - - - Rupees in thousand - - - - - - - ) | | | |
| Managerial remuneration | 4,854 | 128,872 | 4,623 | 159,261 |
| Medical expenses | 70 | 3,754 | 56 | 5,094 |
| Bonus | 971 | 24,788 | 971 | 25,682 |
| Retirement benefits | 441 | 11,315 | 421 | 15,195 |
| | 6,336 | 168,729 | 6,071 | 205,232 |
| Number of persons | 1 | 129 | 1 | 127 |

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

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

## 31. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the provident fund for the year ended 31 December 2014 and audited financial statements of the provident fund for the year ended 31 December 2013:

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| Size of the fund - total assets | 302,403 | 280,711 |
| Cost of investments | 205,672 | 211,064 |
| Percentage of investments made | 68.01% | 75.19% |
| Fair value of investments | 219,477 | 222,286 |

31.1 The break-up of cost of investments is as follows:

| | 2014 | 2013 | 2014 | 2013 |
|---|---|---|---|---|
| | Percentage | | (Rupees in thousand) | |
| Units of mutual funds | 12% | 10% | 25,672 | 21,064 |
| Term deposit receipts and certificate of investment of scheduled banks | 78% | 78% | 160,000 | 165,000 |
| Term finance certificate - listed | - | 2% | - | 5,000 |
| Preference shares - unlisted (Note 31.2) | 10% | 10% | 20,000 | 20,000 |
| | 100% | 100% | 205,672 | 211,064 |

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

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

## 32. NUMBER OF EMPLOYEES

| | 2014 | 2013 |
|---|---|---|
| Number of employees as on December 31 | 166 | 168 |
| Average number of employees during the year | 167 | 162 |

## 33. 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 Euro, United States Dollar (USD) and Great Britain Pound (GBP). As on reporting date, the Company's foreign exchange risk exposure is restricted to payables only. The Company's exposure to currency risk was as follows:

| | 2014 | 2013 |
|---|---|---|
| Trade and other payables | | |
| - USD | - | (28,806) |
| - GBP | - | (15,492) |
| - Euro | (231,908) | - |
| | | |
| Net exposure - USD | - | (28,806) |
| Net exposure - GBP | - | (15,492) |
| Net exposure - Euro | (231,908) | - |
| | | |
| The following significant exchange rates were applicable during the year: | | |
| | | |
| **Rupees per US Dollar** | | |
| Average rate | 100.92 | 101.75 |
| Reporting date rate | 100.60 | 105.20 |
| | | |
| **Rupees per GBP** | | |
| Average rate | 166.15 | 159.49 |
| Reporting date rate | 156.63 | 173.36 |
| | | |
| **Rupees per Euro** | | |
| Average rate | 133.43 | 135.64 |
| Reporting date rate | 122.37 | 145.10 |

### Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the Euro (2013: USD and GBP) with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 1.419 million (2013: Rupees 0.286 million) respectively lower / higher, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. The sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

### (ii) Other price risk

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

### (iii) Interest rate risk

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

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

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

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| **Floating rate instruments** | | |
| **Financial assets** | | |
| Bank balances- saving accounts | 632,094 | 4,703 |
| Trade debts - past due | 3,374,664 | 5,016,454 |
| **Financial liabilities** | | |
| Long-term financing | 1,990,839 | - |
| Short-term borrowings | 7,918,600 | 9,544,784 |

### 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 59.027 million (2013: Rupees 45.236 million) lower / higher, mainly as a result of higher / lower interest income and as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of assets and liabilities outstanding at reporting dates were outstanding for the whole year.

## (b) Credit risk

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

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| Long-term loans to employees | 71,616 | 62,586 |
| Long term security deposit | 300 | - |
| Trade debts | 8,480,277 | 10,190,266 |
| Other receivables | 145,329 | 343,175 |
| Bank balances | 632,094 | 4,703 |
| | 9,329,616 | 10,600,730 |

Age analysis of trade debts as at reporting date is given in note 16.2.

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

| | Rating | | | 2014 | 2013 |
|---|---|---|---|---|---|
| | Short Term | Long Term | Agency | (Rupees in thousand) | |
| WAPDA | | Not available | | 4,886,163 | 4,400,521 |
| National Bank of Pakistan | A-1+ | AAA | JCR-VIS | 2,500 | 893 |
| Habib Bank Limited | A-1+ | AAA | JCR-VIS | 1 | 1 |
| MCB Bank Limited | A1+ | AAA | PACRA | 1,439 | 3,520 |
| United Bank Limited | A-1+ | AA+ | JCR-VIS | 1 | 1 |
| The Bank of Punjab | A1+ | AA- | PACRA | 34 | 32 |
| Allied Bank Limited | A1+ | AA+ | PACRA | 1 | 1 |
| Standard Chartered Bank (Pakistan) Limited | A1+ | AAA | PACRA | 628,118 | - |
| NIB Bank Limited | A1+ | AA - | PACRA | - | 255 |
| | | | | 5,518,257 | 4,405,224 |

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

## (c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As 31 December 2014, the Company had Rupees 5,574 million (2013: Rupees 4,571 million) available borrowing limits from financial institutions and Rupees 632.348 million (2013: Rupees 4.877 million) cash and bank balances to meet the short-term funding requirements due to delay in payments by WAPDA. Management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including mark-up / profit payments. The amounts disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 31 December 2014:

| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 Years | More than 2 Years |
|---|---|---|---|---|---|---|
| | ( --------- ------ Rupees in thousand -------------- ) | | | | | |
| **Non-derivative financial liabilities:** | | | | | | |
| Long-term financing | 1,990,839 | 2,571,533 | 125,405 | 302,369 | 719,778 | 1,423,981 |
| Trade and other payables | 1,164,276 | 1,164,276 | 1,164,276 | - | - | - |
| Accrued mark-up / profit | 193,634 | 193,634 | 193,634 | - | - | - |
| Short-term borrowings | 7,918,600 | 8,038,423 | 8,038,423 | - | - | - |
| | 11,267,349 | 11,967,866 | 9,521,738 | 302,369 | 719,778 | 1,423,981 |

Contractual maturities of financial liabilities as at 31 December 2013:

| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 Years | More than 2 Years |
|---|---|---|---|---|---|---|
| | ( --------- ------ Rupees in thousand -------------- ) | | | | | |
| Non-derivative financial liabilities: | | | | | | |
| Trade and other payables | 413,749 | 413,749 | 413,749 | - | - | - |
| Accrued interest / profit | 183,054 | 183,054 | 183,054 | - | - | - |
| Short-term borrowings | 9,544,784 | 9,824,931 | 9,162,282 | 662,649 | - | - |
| | 10,141,587 | 10,421,734 | 9,759,085 | 662,649 | - | - |

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 mark-up / profit have been disclosed in note 5 and 9 to these financial statements.

## 33.2 Fair values of financial assets and liabilities

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

## 33.3 Financial instruments by categories

### Assets as per balance sheet

| | Loans and receivables | |
|---|---|---|
| | 2014 | 2013 |
| | (Rupees in thousand) | |
| Long-term loans to employees | 71,616 | 62,586 |
| Long term security deposit | 300 | - |
| Trade debts | 8,480,277 | 10,190,266 |
| Other receivables | 145,329 | 343,175 |
| Cash and bank balances | 632,348 | 4,877 |
| | 9,329,870 | 10,600,904 |

| | Financial liabilities at amortized cost | |
|---|---|---|
| | 2014 | 2013 |
| | (Rupees in thousand) | |
| **Liabilities as per balance sheet** | | |
| Long-term financing | 1,990,839 | - |
| Trade and other payables | 1,164,276 | 413,749 |
| Accrued mark-up / profit | 193,634 | 183,054 |
| Short-term borrowings | 7,918,600 | 9,544,784 |
| | 11,267,349 | 10,141,587 |

## 34. CAPACITY AND ACTUAL PRODUCTION

| | 2014 MWH | 2013 MWH |
|---|---|---|
| Installed capacity based on 8,760 (2013: 8,760) hours | 3,171,120 | 3,171,120 |
| Actual energy delivered | 1,680,499 | 1,925,480 |

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

## 35. UNUTILIZED CREDIT FACILITIES

The Company has total funded and unfunded credit facilities of Rupees 13,493 million (2013: Rupees 14,115 million) and Rupees 2,154 million (2013: Rupees 2,396 million) out of which Rupees 5,574 million (2013: Rupees 4,571 million) and Rupees 983 million (2013: Rupees 300 million) respectively remained unutilized at the end of the year.

## 36. SEGMENT INFORMATION

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

## 37. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company has proposed final cash dividend for the year ended 31 December 2014 of Rupees 1 per share (2013: Rupees 1.5 per share). However, this event has been considered as non-adjusting event under IAS 10 'Event after Reporting Period' and has not been recognized in these financial statements.

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## 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 except for reclassification of salaries and other benefits amounting to Rupees 23.142 million from administrative expenses to cost of sales.

## 39. DATE OF AUTHORIZATION FOR ISSUE

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

## 40. GENERAL

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

CHIEF EXECUTIVE

DIRECTOR

# FORM OF PROXY

I/We, ________________________________________________________________________

of______________________________CDCA/CNO./FOLIONO.______________________________

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

Mr./Miss/Ms. ____________________________________________________________________

of________________________________CDCA/CNO./FOLIONO.____________________________and

or failing him/her __________________________________of ___________________________________
who is/are also a shareholder of the said Company, as my/our proxy in my/our absence and to vote for me/us at the Annual General Meeting of the Company to be held on 30th April 2015 (Thursday) at 12:00 Noon at Nishat Hotel, 9-A, Mian Mahmood Ali Kasuri Road, Gulberg III, Lahore and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.

As witness my/our hands in this day of______________2015.

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

Signature ______________________________

Address _______________________________

______________________________________

No. of shares held _______________________

Witness:-

Name _________________________________

Address _______________________________

______________________________________

## IMPORTANT:

a. This instrument appointing a proxy, duly completed, must be received at the registered Office of the Company at Nishat House, 53- A, Lawrence Road, Lahore not later than 48 hours before the time of holding the Annual General Meeting. For Appointing Proxies

b. Attested copies of the CNIC or the passport of beneficial owners shall be furnished with the proxy form.

c. The proxy shall produce his original CNIC or original passport at the time of the Meeting.

d. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished along with proxy form to the Company.

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AFFIX
CORRECT
POSTAGE

The Company Secretary
LALPIR POWER LIMITED
53 - A, Lawrence Road, Lahore.
Tel : 042 - 736367812 - 16  Fax: 042 - 736367414

NISHAT

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