

ENGRO POWERGEN QADIRPUR LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

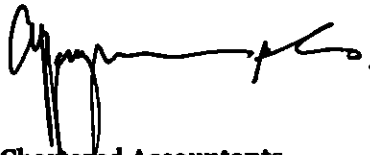
AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Engro Powergen Qadirpur Limited as at December 31, 2013 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows 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 statement of comprehensive income, 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 except for the changes resulted on initial application of standards, amendments or an interpretation to existing standards, as stated in note 2.1.4 (a) to the financial statements, with which we concur;
 - (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, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 December 31, 2013 and of the profit, total comprehensive income, changes in equity and its cash flows 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).



**Chartered Accountants
Karachi
Date: February 27, 2014**

Engagement Partner: Waqas A. Sheikh

ENGRO POWERGEN QADIRPUR LIMITED
BALANCE SHEET AS AT DECEMBER 31, 2013

(Amounts in thousand)

	Note	2013	2012
Rupees			
ASSETS			
Non-current assets			
Property, plant and equipment	5	15,233,998	14,860,750
Intangible assets	6	83,967	93,098
Long term deposits		2,491	2,491
Long term loans and advances	8	16,941	13,153
		<u>15,337,397</u>	<u>14,969,492</u>
Current assets			
Inventories	9	366,431	375,073
Stores and spares	10	367,678	285,222
Trade debts	11	476,333	7,300,126
Loans, advances, deposits, prepayments and other receivables	12	2,223,730	1,306,758
Taxes recoverable		43,901	28,430
Balances with banks	13	217,674	100,200
		<u>3,695,747</u>	<u>9,395,809</u>
TOTAL ASSETS		<u>19,033,144</u>	<u>24,365,301</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	14	3,238,000	3,238,000
Share premium	15	80,777	80,777
Maintenance reserve	16	227,182	227,182
Unappropriated profit		1,976,627	3,212,299
Remeasurement of retirement benefit obligation - Actuarial gain	3	723	-
Total equity		<u>5,523,309</u>	<u>6,758,258</u>
Liabilities			
Non-current liability			
Borrowing	17	9,586,454	10,133,340
Current liabilities			
Creditors, accrued and other liabilities	18	1,591,890	3,841,314
Accrued interest / mark-up		41,792	74,990
Current portion of long term borrowing	17	1,405,632	1,194,923
Short term borrowings	19	882,469	2,362,476
Retirement and other service benefits obligations	29	1,598	-
		<u>3,923,381</u>	<u>7,473,703</u>
Total liabilities		<u>13,509,835</u>	<u>17,607,043</u>
Contingencies and Commitments	20		
TOTAL EQUITY AND LIABILITIES		<u>19,033,144</u>	<u>24,365,301</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

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Chief Executive Officer


Director

ENGRO POWERGEN QADIRPUR LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts in thousand except for earnings per share)

	Note	2013	2012
		Rupees	
Sales	21	8,665,433	11,665,605
Cost of sales	22	(7,013,708)	(9,032,855)
Gross profit		1,651,725	2,632,750
Administrative expenses	23	(127,990)	(122,562)
Other expenses		-	(3,844)
Other income	24	410,430	3,342
Profit from operations		1,934,165	2,509,686
Finance cost	25	(475,688)	(404,272)
Workers' profits participation fund and Workers' welfare fund	26	-	-
Profit before taxation		1,458,477	2,105,414
Taxation	27	(133)	(4,695)
Profit for the year		1,458,344	2,100,719
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
- Remeasurement of retirement benefit obligation - Actuarial gain	3	723	-
Total comprehensive income for the year		1,459,067	2,100,719
Earnings per share - basic and diluted	28	4.50	6.49

The annexed notes from 1 to 40 form an integral part of these financial statements.


Chief Executive Officer


Director

ENGRO POWERGEN QADIRPUR LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts in thousand)

	Reserves					Remeasurement of retirement benefit obligation - Actuarial gain (note 3)	Total
	Share capital	Capital		Maintenance reserve (note 16)	Revenue		
Share premium		Employees' share compensation reserve	Unappropriated profit				
	Rupees						
Balance as at January 1, 2012	3,236,000	79,120	2,381	207,975	1,584,037	-	5,109,513
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	2,100,719	-	2,100,719
Allocation to maintenance reserve	-	-	-	19,207	(19,207)	-	-
Transactions with owners							
Shares issued during the year under employee share option scheme	2,000	1,659	(259)	-	-	-	3,400
Shares issuance cost	-	(2)	-	-	-	-	(2)
Share options lapsed during the year	-	-	(2,122)	-	-	-	(2,122)
Interim dividend @ Rs. 1.40 per share	-	-	-	-	(453,250)	-	(453,250)
	2,000	1,657	(2,381)	-	(453,250)	-	(451,974)
Balance as at December 31, 2012	3,238,000	80,777	-	227,182	3,212,299	-	6,758,258
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	1,458,344	-	1,458,344
Remeasurement of retirement benefit obligation - Actuarial gain (note 3)	-	-	-	-	-	723	723
Transactions with owners							
Final dividend for the year ended December 31, 2012 @ Rs. 2.15 per share	-	-	-	-	(696,170)	-	(696,170)
Interim dividend @ Rs. 6.17 per share	-	-	-	-	(1,997,846)	-	(1,997,846)
	-	-	-	-	(2,694,016)	-	(2,694,016)
Balance as at December 31, 2013	3,238,000	80,777	-	227,182	1,976,627	723	5,523,309

The annexed notes from 1 to 40 form an integral part of these financial statements.


Chief Executive Officer


Director

ENGRO POWERGEN QADIRPUR LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts in thousand)

	Note	2013	2012
Rupees			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	6,355,017	2,845,867
Taxes paid		(15,604)	(8,874)
Long term loans and advances - net		(3,788)	(2,454)
Net cash generated from operating activities		6,335,625	2,834,539
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangibles		(231,888)	(88,995)
Sale proceeds from disposal of property, plant and equipment		90,403	10,759
Investments made during the year		(3,680,000)	(100,000)
Proceeds from encashment of short term investments		3,700,664	100,678
Net cash used in investing activities		(120,821)	(77,558)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowing		(1,261,061)	(1,087,125)
Proceeds from subordinated loan		-	100,000
Repayment of subordinated loan		-	(100,000)
Proceeds from short term finance		-	500,000
Repayment of short term finance		(500,000)	(500,000)
Proceeds from issuance of shares - net of cost		-	3,398
Finance cost paid		(662,246)	(805,981)
Dividends paid		(2,694,016)	(453,250)
Net cash used in financing activities		(5,117,323)	(2,342,958)
Net increase in cash and cash equivalents		1,097,481	414,023
Cash and cash equivalents at beginning of the year		(1,762,276)	(2,176,299)
Cash and cash equivalents at end of the year	31	(664,795)	(1,762,276)

The annexed notes from 1 to 40 form an integral part of these financial statements.


Chief Executive Officer


Director

**ENGRO POWERGEN QADIRPUR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

- 1.1 The Company is an unlisted public limited company and was incorporated in Pakistan on February 28, 2006 under the Companies Ordinance, 1984. The Company is a subsidiary of Engro Powergen Limited which in turn is a wholly owned subsidiary of Engro Corporation Limited. The Company's registered office is located at 4th floor, Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.
- 1.2 The Company was established with the primary objective to undertake the business of power generation and sale. The Company has a 217.3 MW combine cycle power plant and commenced commercial operations on March 27, 2010. The electricity generated is transmitted to the National Transmission and Despatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007. This agreement is for a period of 25 years.

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 periods presented, unless otherwise stated.

2.1 Basis of preparation

- 2.1.1 These financial statements have been prepared under the historical cost convention as modified by remeasurement of certain financial assets and financial liabilities at fair value and recognition of certain staff retirement and other service benefits at present value.
- 2.1.2 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance and the requirements of the said directives have been followed.
- 2.1.3 The preparation of financial statements in conformity with the above requirements 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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(Amounts in thousand)

- IAS 36 (Amendment) 'Impairment of assets' (effective for the periods beginning on or after January 1, 2014). These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment will only affect the disclosures in the Company's financial statements.
- IFRS 9 'Financial instruments' (effective for periods beginning on or after January 1, 2015). This standard is yet to be notified by the SECP. IFRS 9 replaces the parts of IAS 39, 'Financial instruments: recognition and measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case the fair value option is taken for financial liabilities, the part of a fair value change due to entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess of IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS when completed by the Board, however, the initial indications are that it may not affect the Company's financial statements significantly.
- IFRS 13 'Fair value measurement'. This standard is yet to be notified by the SECP. The 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 IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company is yet to assess the full impact of the amendments.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

2.2 Property, plant and equipment

Except for freehold land, capital work in progress and capital spares, all assets are stated at cost less accumulated depreciation and impairment, if any. Freehold land and capital spares are stated at cost. Capital work in progress is stated at cost less impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs. Self constructed assets include the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, costs of dismantling and removing the items and restoring of the site on which they are located and exchange losses as referred to in note 7. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Major components of an item of property, plant and equipment having different useful lives are accounted for as separate items of property, plant and equipment.

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(Amounts in thousand)

Subsequent costs are included in the asset's carrying amount or recognised 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 repairs and maintenance are recognised in profit or loss.

Disposal of assets is recognised when significant risk and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals or retirement of an asset are recognised in profit or loss.

Depreciation is charged to profit or loss using the straight line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life at rates given in note 5.1. Depreciation on additions is charged from the month following the month in which the asset is available for use and on disposals upto the month the asset was in use.

Assets residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

2.3 Intangible assets

a) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense in profit or loss when incurred. Costs directly attributable to identifiable software having probable economic benefits exceeding one year, are recognised as intangible assets. Direct costs include purchase costs (license fee) and related overheads.

Expenditure which enhances or extends the performance of the software programme beyond its original specification and useful life is capitalised.

Software costs and license fees capitalised as intangible assets are amortised to profit or loss from the date of use on a straight-line basis over a period of 4 years.

b) Right to use infrastructure facilities

Costs representing the right to use various infrastructure facilities are stated at historical cost. These costs are amortised to profit or loss over a period of 25 years.

2.4 Impairment of non-financial assets

Property, plant and equipment's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value in use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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(Amounts in thousand)

2.5 Financial assets

2.5.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

b) 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 12 months after the end of the reporting period which are classified as non-current assets. The Company's loans and receivable comprise trade debts, loans, advances, other receivables and cash and cash equivalent in the balance sheet.

c) Held to maturity financial assets

Held to maturity financial assets are non derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. There were no held to maturity financial assets at the balance sheet date.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting date. There were no 'available-for-sale' financial assets at the balance sheet date.

2.5.2 Recognition and measurement

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed to profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are subsequently carried at amortised cost.

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- (Amounts in thousand)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognised in profit or loss.

Gains and losses except impairment losses and foreign exchange gains and losses arising from changes in fair value of assets classified as available-for-sale are recognised in other comprehensive income until the financial asset is derecognised. When securities classified as available-for-sale are sold, the accumulated gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Interest on available-for-sale assets calculated using the effective interest method is recognised in profit or loss. Dividends on available for sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for assets carried at amortised cost, the loss is recognised in profit or loss. For available-for-sale financial assets, the cumulative loss is reclassified from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available for sale are not reversed.

2.6 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument at their fair value and in the case of a financial liability carried at fair value through profit or loss, the transaction cost incurred thereagainst is also charged to profit or loss. After initial recognition financial liabilities are measured at amortised cost using the effective interest method except financial liabilities at fair value through profit or loss which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

2.7 Offsetting of financial assets and liabilities

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

2.8 Derivative financial instruments

Derivatives, except a derivative that is a financial guarantee contract or a designated and effective hedging instrument, are classified as a financial asset or liability measured at fair value through profit or loss. Derivative financial instruments are initially recognised at fair value on the date derivative contract is entered into and subsequently re-measured at their fair value. Derivatives are carried as assets where fair value is positive and as liabilities where fair value is negative.

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(Amounts in thousand)

Fair value of derivatives embedded in financial instruments or non-derivative host contracts are separated from the host contract if the risks and economic characteristics of the embedded derivative are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

If the fair value of an embedded derivative that is required to be separated cannot be reliably measured, the entire combined contract is measured at fair value through profit or loss.

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss together with any changes in the fair value of the hedged asset or liability.

Changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income to the extent that the hedge is effective. The gain or loss relating to the ineffective portion is recognised in profit or loss on an on going basis. The company assesses whether each derivative continues to be highly effective in offsetting changes in cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, cash flow hedge accounting is discontinued.

However, for the reasons explained in note 7 derivatives embedded in the Power Purchase Agreement have not been separated from the host contract and recognised accordingly in these financial statements.

2.9 Inventory of fuel oil

This is valued at the lower of cost and net realisable value. Cost is determined using the weighted average method.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.10 Stores and spares

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the balance sheet date. For items which are slow moving and/ or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated residual value.

The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence, if any.

2.11 Trade debts

Trade receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method less provision for impairment. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written-off.

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(Amounts in thousand)

2.12 Cash and cash equivalents

Cash and cash equivalent in the statement of cash flows includes cash in hand and in transit, balances with banks on current, deposit and saving accounts, other short term highly liquid investments with original maturities of three months or less and short term borrowings other than term finance.

2.13 Share capital

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

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is amortised over the period of the borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Creditors, accrued and other liabilities

These are recognised initially at fair value and subsequently measured at amortised cost. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

Creditors, accrued and other liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.16 Provisions

Provisions are recognised 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 can be made of the amount of obligation. Provisions are not recognised for future operating losses. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.17 Taxation

The Company's profits and gains from power generation are exempt from tax under clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Company is also exempt from minimum tax on turnover under clause 11 A of part IV of the Second Schedule to the Income Tax Ordinance, 2001. However, the Company's income from other sources is subject to taxation.

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(Amounts in thousand)

2.18 Retirement and other service benefits obligations

2.18.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company operates a defined contribution provident fund for its permanent employees. Monthly contributions are made both by the Company and employees to the fund at the rate of 10% of basic salary. The Company is in the process of transfer of assets and liabilities of its provident fund to the defined contribution provident fund maintained and operated by its Ultimate Holding Company - Engro Corporation Limited, and close its own provident fund.

2.18.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan, other than the defined contribution plan under which the Company has an obligation to provide the agreed benefits to its entitled employees. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method, related details of which are given in note 29. Actuarial valuation requires assumptions to be made of future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

The Company operates defined benefit funded gratuity scheme for its management and non-management employees.

During the year, the Company has given an option to its permanent employees to transfer from defined benefit gratuity fund to defined contribution gratuity fund maintained and operated by the Ultimate Holding Company - Engro Corporation Limited. Out of total 106 employees who were the members of defined benefit gratuity fund, 90 employees have opted for transfer of their balances and accordingly their balances have been transferred to the defined contribution gratuity fund (note 29).

2.18.3 Compensated absences

The Company accounts for compensated absences on the basis of unavailed leave balance of each employee at the end of the reporting period.



(Amounts in thousand)

2.19 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupees, which is Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except as referred to in note 2.22 and note 7.

2.20 Revenue recognition on supply of electricity

Revenue from the sale of electricity to National Transmission and Despatch Company (NTDC), the sole customer of the Company, is recorded on the following basis:

- Capacity revenue is recognised based on the capacity made available to NTDC; and
- Energy revenue is recognised based on the Net Electrical Output (NEO) delivered to NTDC.

Capacity and Energy revenue is recognised based on the rates determined under the mechanism laid down in the PPA.

2.21 Interest on bank deposits and delayed payment income

Interest income on bank deposits and delayed payment income on overdue trade receivables is recognised on accrual basis.

2.22 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

2.23 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.24 Transactions with related parties

Sales, purchases and other transactions with related parties are carried out on terms and conditions agreed between the parties.

2.25 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

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(Amounts in thousand)

3. CHANGE IN ACCOUNTING POLICY

As stated in note 2.1.4 (a), IAS 19 (Revised) is applicable for the first time and amends the accounting for the Company's defined benefit plan. Since the effect of such a change in policy on the Company's equity, retirement benefits obligation and profit and loss for the prior years is immaterial, the Company has not re-stated prior year's financial statements and has recognised prior year effects (unrecognised portion) in the current year financial statements as follows:

	Retirement and other service benefits obligations	Profit or Loss	Other Comprehensive income
	Rupees		
Effects of recognition of remeasurement of retirement benefit obligation			
- For current period (note 29.1.6)	(548)	-	548
- For prior years (note 29.1.1)	(175)	-	175
	<u>(723)</u>	<u>-</u>	<u>723</u>
Past service cost - prior years (note 29.1.5)	<u>392</u>	<u>(392)</u>	<u>-</u>

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

4.1 Property, plant and equipment and intangible assets

The Company reviews appropriateness of the rate of depreciation / amortisation, useful life and residual value used in the calculation of depreciation / amortisation. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

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(Amounts in thousand)

Change in estimate

During the year, the Company has revised the estimates for the useful lives of certain assets under the category of Plant and machinery resulting in change in the depreciation rate from 3.6% to 14.2% per annum.

This change in accounting estimate has been accounted for prospectively by adjusting the depreciation charge for current year. Had there been no change in the accounting estimate the Property, plant and equipment as at December 31, 2013 and profit after tax for the year would have been higher by Rs. 66,951.

4.2 Inventory of fuel oil and stores and spares

The Company reviews the net realisable value of inventory of fuel oil and stores and spares to assess any diminution in the respective carrying value. Net realisable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

4.3 Provision for retirement and other service benefit obligations

The present value of the retirement and other service benefit obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligations and the underlying assumptions are disclosed in notes 29.1.3 and 29.1.8 respectively.

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book value (note 5.1)

Capital work-in-progress (note 5.3)
Capital spares (note 5.4)

	2013	2012
	Rupees	
	14,206,132	13,876,653
	106,293	57,158
	921,573	926,939
	<u>15,233,998</u>	<u>14,860,750</u>

Appa

(Amounts in thousand)

5.1 Operating assets

	Freehold land	Plant & machinery	Buildings	Furniture, fixtures and equipments	Vehicles	Total
	Rupees					
As at January 1, 2012						
Cost	83,127	11,756,776	2,409,890	32,484	162,491	14,444,568
Accumulated depreciation	-	(763,175)	(130,818)	(14,308)	(37,173)	(945,472)
Net book value	<u>83,127</u>	<u>10,993,601</u>	<u>2,278,874</u>	<u>18,176</u>	<u>125,318</u>	<u>13,499,096</u>
Year ended December 31, 2012						
Opening net book value	83,127	10,993,601	2,278,874	18,176	125,318	13,499,096
Transfers from capital						
work-in-progress (note 5.3)	-	11,770	5,633	10,724	23,052	51,179
Capitalisation of exchange loss (note 7)	-	925,772	-	-	-	925,772
Disposals						
Cost	-	-	-	-	(17,950)	(17,950)
Accumulated depreciation	-	-	-	-	9,483	9,483
	-	-	-	-	(8,467)	(8,467)
Depreciation charge (note 5.2)	-	(484,212)	(74,704)	(6,722)	(25,289)	(590,927)
Net book value	<u>83,127</u>	<u>11,446,931</u>	<u>2,209,803</u>	<u>22,178</u>	<u>114,614</u>	<u>13,876,653</u>
As at January 01, 2013						
Cost	83,127	12,694,318	2,415,323	43,208	167,593	15,403,569
Accumulated depreciation	-	(1,247,387)	(205,520)	(21,030)	(52,979)	(1,526,916)
Net book value	<u>83,127</u>	<u>11,446,931</u>	<u>2,209,803</u>	<u>22,178</u>	<u>114,614</u>	<u>13,876,653</u>
Year ended December 31, 2013						
Opening net book value	83,127	11,446,931	2,209,803	22,178	114,614	13,876,653
Transfers from capital						
work-in-progress (note 5.3)	-	125,001	2,001	58,319	-	185,321
Capitalisation of exchange loss (note 7)	-	922,426	-	-	-	922,426
Disposals (note 5.1.1)						
Cost	-	(88,878)	-	(103)	(25,566)	(114,547)
Accumulated depreciation	-	13,126	-	32	14,535	27,693
	-	(75,752)	-	(71)	(11,031)	(86,854)
Depreciation charge (note 5.2)	-	(591,168)	(74,835)	(13,649)	(11,762)	(691,414)
Net book value	<u>83,127</u>	<u>11,827,438</u>	<u>2,136,969</u>	<u>66,777</u>	<u>91,821</u>	<u>14,206,132</u>
As at December 31, 2013						
Cost	83,127	13,652,867	2,417,324	101,424	142,027	16,398,769
Accumulated depreciation	-	(1,825,429)	(280,355)	(34,647)	(50,206)	(2,190,637)
Net book value	<u>83,127</u>	<u>11,827,438</u>	<u>2,136,969</u>	<u>66,777</u>	<u>91,821</u>	<u>14,206,132</u>
Annual rate of depreciation		<u>3.6% - 14.2%</u>	<u>2.5% - 8%</u>	<u>15% - 25%</u>	<u>12% - 22.5%</u>	
		(note 4)				

(Amounts in thousand)

5.1.1 The details of assets disposed off during the year are as follows:

Sold to	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds
Vehicles					
Mr. Aftab	Sale through bid	1,039	935	104	866
Mr. Speen Gul	"	2,488	2,240	248	1,587
Mr. Sultan Jan Niazi	"	2,538	2,284	254	1,703
Mr. Shahab Qadir	Under Company's policy	843	632	211	211
Mr. Zia Haider	"	1,389	1,042	347	347
Mr. Suleman Malik	"	1,389	1,042	347	347
Mr. Kaleem Khan	"	900	675	225	225
Syed Shahid Ali	"	1,357	1,241	116	115
Mr. Bakhtiar Ahmed Uqaili	"	1,418	805	613	613
Mr. Kaleem Khan	"	1,941	1,183	758	758
Mr. Shahid Mehmmod	"	7,105	1,717	5,388	5,388
Mr. Zulfqar Ilyas	"	1,554	413	1,141	1,141
Mr. Atif Kaludi	"	1,605	326	1,279	1,279
Office equipment					
Adamjee Insurance Co. Ltd	Insurance claim	103	32	71	71
Plant and machinery					
GE Energy Parts International	Exchange transaction	88,878	13,126	75,752	75,752
		<u>114,547</u>	<u>27,693</u>	<u>86,854</u>	<u>90,403</u>

2013

2012

Rupees

5.2 The depreciation charge for the year has been allocated as follows:

Cost of sales (note 22)	685,190	585,629
Administrative expenses (note 23)	6,224	5,298
	<u>691,414</u>	<u>590,927</u>



(Amounts in thousand)

5.3 Capital work-in-progress

	Plant & machinery	Buildings & civil works	Furniture, fixtures and equipments	Vehicles	Intangibles	Total
	Rupees					
Year ended December 31, 2012						
Balance as at January 1, 2012	4,431	7,512	4,974	2,321	-	19,238
Additions / reclassifications during the year	12,469	(1,063)	53,948	20,731	3,441	89,526
Transferred to intangibles (note 6)	-	-	-	-	(427)	(427)
Transferred to operating assets (note 5.1)	(11,770)	(5,633)	(10,724)	(23,052)	-	(51,179)
Balance as at December 31, 2012	<u>5,130</u>	<u>816</u>	<u>48,198</u>	<u>-</u>	<u>3,014</u>	<u>57,158</u>
Year ended December 31, 2013						
Balance as at January 1, 2013	5,130	816	48,198	-	3,014	57,158
Additions / reclassifications during the year	209,896	1,604	11,006	-	14,748	237,254
Transferred to intangibles (note 6)	-	-	-	-	(2,798)	(2,798)
Transferred to operating assets (note 5.1)	(125,001)	(2,001)	(58,319)	-	-	(185,321)
Balance as at December 31, 2013	<u>90,025</u>	<u>419</u>	<u>885</u>	<u>-</u>	<u>14,964</u>	<u>106,293</u>

5.4 Capital spares

These include capital spares issued for refurbishment / returned for replacement to third parties amounting to Rs. 238,404 (2012: Rs. 128,538).

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(Amounts in thousand)

	Computer software	Right to use infrastructure facilities (note 6.2)	Total
	Rupees		
6. INTANGIBLE ASSETS			
As at January 1, 2012			
Cost	33,167	96,627	129,794
Accumulated amortisation	(15,511)	(9,743)	(25,254)
Net book value	<u>17,656</u>	<u>86,884</u>	<u>104,540</u>
Year ended December 31, 2012			
Opening net book value	17,656	86,884	104,540
Additions during the year (note 5.3)	427	-	427
Amortisation for the year (note 6.1)	(8,004)	(3,865)	(11,869)
Closing net book value	<u>10,079</u>	<u>83,019</u>	<u>93,098</u>
As at January 1, 2013			
Cost	33,594	96,627	130,221
Accumulated amortisation	(23,515)	(13,608)	(37,123)
Net book value	<u>10,079</u>	<u>83,019</u>	<u>93,098</u>
Year ended December 31, 2013			
Opening net book value	10,079	83,019	93,098
Additions during the year (note 5.3)	2,798	-	2,798
Amortisation for the year (note 6.1)	(8,064)	(3,865)	(11,929)
Closing net book value	<u>4,813</u>	<u>79,154</u>	<u>83,967</u>
As at December 31, 2013			
Cost	36,392	96,627	133,019
Accumulated amortisation	(31,579)	(17,473)	(49,052)
Net book value	<u>4,813</u>	<u>79,154</u>	<u>83,967</u>

2013

2012

Rupees

6.1 Amortisation charge for the year has been allocated as follows:

Cost of sales (note 22)	7,191	7,236
Administrative expenses (note 23)	4,738	4,633
	<u>11,929</u>	<u>11,869</u>

- (Amounts in thousand)

- 6.2 The Company, instead of constructing its own facilities and in order to realise economies of scale has opted to obtain right to use Engro Fertilizers Limited's (an associated undertaking) various infrastructure facilities. This entitles the employees of the Company to full use of the Engro Fertilizers Limited's facilities, which are adjacent to the Company's Housing Colony in Dharki. The amount paid by the Company is being amortised over 25 years.

7. EMBEDDED DERIVATIVES

The Company's tariff, like other power companies, comprises of various price components with indexations falling within the ambit of embedded derivatives. Such embedded derivative as per International Accounting Standard (IAS) 39, 'Financial Instrument: Recognition and Measurement' need to be separated from the host contract and accounted for as derivative if economic characteristics and risks of the embedded derivatives are not closely related to the host contract.

The Company, had sought clarification from the Institute of Chartered Accountants of Pakistan (ICAP) in respect of the indexations pertaining to (i) US\$/PKR exchange rate (applicable to Company's price components of debt, return on equity, return on equity during construction); and (ii) US CPI & US\$/PKR exchange rate (applicable to Company's price components of fixed and variable operations and maintenance – foreign) whether these derivatives were closely or not closely related to the host contract.

In addition, the Company had also requested ICAP to prescribe a definite basis or guidelines for the valuation of such embedded derivatives considering the subjectivity involved therein if these were considered to be not closely related to the host contract. Further, as indexation of US\$/PKR exchange rate related to debt component being not recognised separately as embedded derivative, the Company taking cognizance of the 'matching principle' requested the Securities and Exchange Commission of Pakistan (SECP) to allow deferment of recognising exchange loss on translation of borrowings under IAS 21 - Foreign Currency Transactions in the profit or loss till the clarification sought on the recognition of the foreign currency indexations from ICAP had been received.

On January 16, 2012, SECP vide SRO 24 (I) 2012 had granted waivers to all IPPs from the requirement of IFRIC 4 "Determining whether an arrangement contains a lease" and IFRIC 12 "Service Concession Agreements". Further, SECP through the aforementioned SRO has also allowed the IPPs to continue capitalising the exchange differences, and not to recognise embedded derivatives under IAS 39 where these are not closely related to the host contract. However, in the case of such derivatives, for periods beginning on or after January 1, 2013, the companies are required to give "Additional Disclosure" as if the accounting for embedded derivatives had been adopted in preparing the financial statements.

In view of the above S.R.O, the Company has therefore capitalised exchange loss aggregating to Rs. 2,662,771 (2012: Rs.1,740,345) as at December 31, 2013, which includes Rs. 922,426 pertaining to current year (2012: Rs.925,772) in property, plant and equipment (note 5.1).

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(Amounts in thousand)

7.1 Additional Disclosure under SRO 24 (1) 2012

If the Company were to account for embedded derivatives as per the requirements of IAS 39 and had not capitalised the exchange loss on translation of foreign currency borrowing, the effect on the relevant financial statements line items would be as follows:

	Unappropriated profit (Increase) / Decrease	Property, plant and equipment Increase / (Decrease) Rupees	Derivative financial asset Increase / (Decrease)
As at January 1, 2012			
Adjustment on initial recognition of derivatives and non-capitalisation of exchange loss			
- Reclassification of exchange loss	781,990	(781,990)	-
- Recognition of derivatives	(2,117,798)	-	2,117,798
Change due to recognition of derivatives and non-capitalisation of exchange loss	(1,335,808)	(781,990)	2,117,798
For the year ended December 31, 2012			
- Recognition of exchange loss	854,622	(854,622)	-
- Change in fair value of derivatives	(3,406,759)	-	3,406,759
	(2,552,137)	(854,622)	3,406,759
For the year ended December 31, 2013			
- Recognition of exchange loss	825,514	(825,514)	-
- Change in fair value of derivatives	3,820,881	-	(3,820,881)
	4,646,395	(825,514)	(3,820,881)
As at December 31, 2013			
Change due to recognition of derivatives and non-capitalisation of exchange loss	758,450	(2,462,126)	1,703,676

8. LONG TERM LOANS AND ADVANCES
- Considered good

	2013	2012
	Rupees	
Executives (notes 8.1 and 8.2)	26,781	23,179
Less: Current portion shown under current assets (note 12)	(9,840)	(10,026)
Balance as at end of the year	<u>16,941</u>	<u>13,153</u>

8.1 Reconciliation of the carrying amount of loans and advances

Balance as at beginning of the year	23,179	16,827
Add: Disbursements	17,567	20,024
Less: Repayments/amortisation	(13,965)	(13,672)
Balance as at end of the year	<u>26,781</u>	<u>23,179</u>

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(Amounts in thousand)

8.2 Loans and advances include interest free investment loan plan to executives amounting to Rs. 18,926 (2012: Rs. 10,345) repayable in equal monthly instalments over a three year period or in one lump sum at the end of such period. It also includes advances amounting to Rs. 7,855 (2012: Rs. 12,834) for car earn out assistance, house rent, long term incentive and compensation car.

8.3 The maximum amount outstanding at the end of any month amounted to Rs. 24,625 (2012: Rs. 24,634).

9. INVENTORIES

This comprises of High Speed Diesel (HSD) inventory required to be maintained for operating the power plant in case supply of gas is unavailable to the Company. As per clause (b) of section 5.14 of the Power Purchase Agreement (PPA), the Company is required to maintain HSD at a level sufficient for operating the power plant at full load for seven days. However, due to non payment of dues in full by NTDC, the Company is maintaining HSD inventory at a level sufficient for operating the power plant at full load for around five days.

	2013	2012
	Rupees	
10. STORES AND SPARES		
Consumable stores	37,504	29,342
Spares (note 10.1)	330,174	255,880
	<u>367,678</u>	<u>285,222</u>

10.1 These include spares issued for refurbishment / returned for replacement to third parties amounting to Rs. 18,747 (2012: Rs. 18,931).

	2013	2012
	Rupees	
11. TRADE DEBTS - secured		
Considered good	<u>476,333</u>	<u>7,300,126</u>

11.1 Trade debts, including delayed payment charges (note 12.1), are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and as such are considered good.

11.2 Trade debts include:

- an amount of Nil (2012: Rs. 34,199) which will be invoiced after the revised tariff has been notified in the official Gazette of Government of Pakistan;
- an amount of Rs. 151,445 (2012: Rs. 2,078,305) which is neither past due nor impaired; and
- an amount of Rs. 324,888 (2012: Rs. 5,187,622) which is overdue but not impaired. The overdue receivables carry mark-up at the rate of KIBOR plus 4.5% per annum. The aging of such overdue receivables is as follows:

	2013	2012
	Rupees	
Upto 3 months	324,888	3,334,328
3 to 6 months	-	1,635,603
More than 6 months	-	217,691
	<u>324,888</u>	<u>5,187,622</u>

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(Amounts in thousand)

- 11.3 During the year, the Government of Pakistan announced a bail out package for the power sector to reduce the circular debt. Accordingly, the Company received Rs. 8,974,000 from NTDC in respect of amount due as at May 31, 2013.

	2013	2012
	Rupees	
12. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES - considered good		
Current portion of long term loans and advances to executives and other employees - considered good (note 8)	9,840	10,026
Advances and deposits	11,683	237
Prepayments	63,852	46,123
Delayed payment charges (notes 12.1 and 12.2)	729,986	894,659
Sales tax refundable (note 12.3)	30,043	-
Receivable from associated undertakings:		
- Engro Powergen Limited	8,821	-
- Engro Fertilizers Limited	-	2,567
- Engro Polymer & Chemicals Limited	6	114
- Engro Foundation	-	26
- Engro Corporation Limited	442	2,603
- Sindh Engro Coal Mining Company Limited	906	143
Others (note 12.4)	590,870	-
Insurance claim receivable (note 24.1)	380,512	-
Reimbursable cost from NEPRA in respect of		
- Workers' profits participation fund (note 12.5)	267,525	250,186
- Workers' welfare fund (note 18.4)	129,244	100,074
	<u>2,223,730</u>	<u>1,306,758</u>

- 12.1 This represents mark-up on overdue trade debts, as referred to in note 11.2, of which Rs. 684,508 (2012: Rs. 599,682) is overdue.

	2013	2012
	Rupees	
12.2 The aging of over due delayed payment charges is as follows:		
Upto 3 months	40,929	227,121
3 to 6 months	580,029	121,608
More than 6 months	63,550	250,953
	<u>684,508</u>	<u>599,682</u>

- 12.3 This includes Rs. 22,820 relating to provincial input tax paid on services claimed for the period from July 2013 to December 2013. Adjustment of provincial input tax has been disallowed by the Federal Board of Revenue (FBR), subsequent to changes made through Finance Act, 2013. However, the Company has filed constitution petition in this respect before the Honourable Sindh High Court, where interim relief has been granted to the Company. Based on the interim order, the Company has claimed the adjustment of provincial sales tax on services till the final decision of the Court. The Company based on the interpretation of law and advice of its tax consultant is confident of its recovery.

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(Amounts in thousand)

12.4 The Company is required to pay for a minimum quantity of gas agreed under section 3.3 of the Gas Supply Agreement (GSA). However, the amount paid is adjustable against gas purchased subsequent to the payment made.

12.5 This includes invoiced amount of Rs. 194,601 (2012: Rs. 55,585).

	2013	2012
	Rupees	
13. BALANCES WITH BANKS		
Deposit accounts		
Foreign currency (note 13.1)	2,816	2,774
Local currency (notes 13.2 and 13.3)	214,858	97,426
	<u>217,674</u>	<u>100,200</u>

13.1 Foreign currency deposits carry return at the rate of 0.25% (2012: 0.25%) per annum.

13.2 Local currency deposits carry return at the rate of 7% (2012: 10%) per annum.

13.3 Includes Rs. 50,606 (2012: Rs. 52,673) deposited in a schedule bank in respect of maintenance reserve (note 16).

14. SHARE CAPITAL

Authorized capital

2013	2012	2013	2012
(Number of shares)		Rupees	
<u>330,000,000</u>	<u>330,000,000</u>	<u>3,300,000</u>	<u>3,300,000</u>

Ordinary shares of Rs. 10 each

Issued, subscribed and paid-up capital

2013	2012	2013	2012
(Number of shares)		Rupees	
<u>323,800,000</u>	<u>323,800,000</u>	<u>3,238,000</u>	<u>3,238,000</u>

Ordinary shares of Rs. 10 each, fully paid in cash

14.1 As at December 31, 2013, associated undertakings comprising Engro Corporation Limited and Engro Powergen Limited held 32,000,000 (2012: 32,000,000) and 272,000,000 (2012: 272,000,000) ordinary shares respectively. Further 16,000,000 (2012: 16,000,000) ordinary shares are held by International Finance Corporation. The remaining 3,800,000 shares (2012: 3,800,000) are held by individuals who have been issued shares under the employees' share option scheme.

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(Amounts in thousand)

15. SHARE PREMIUM

This represents the net share premium on issue of shares of the Company to International Finance Corporation in 2008 and to employees under the employees' share option scheme.

16. MAINTENANCE RESERVE

In accordance with the Power Purchase Agreement (PPA), the Company is required to establish and maintain a separate reserve fund (the Fund) with a depository institution for payment of major maintenance expenses. Any interest income resulting from the depository arrangements of the Fund is to remain in the Fund to the extent of any short fall from the contractual limit.

Under the PPA, 1/24th of the annual operating and maintenance budget of the Power Plant less fuel expenses is required to be deposited into the Fund on each capacity payment date until such reserve equals to nine such deposits. After the second agreement year and thereafter the Fund may be re-established at such other level that the Company and NTDC mutually agree.

Last year, the Company due to uncertain cash flows resulting from delayed payments by NTDC has, as per flexibility available under the PPA, reduced the amount deposited in a schedule bank to Rs. 50,000. Till such time the amount is deposited again to the required level, the Company has unutilised short term financing available to meet any unexpected maintenance requirement that may arise in the foreseeable future.

	<u>2013</u>	<u>2012</u>
	Rupees	
17. BORROWING, secured		
Long term borrowing	10,992,086	11,328,263
Less: Current portion shown under current liabilities	<u>1,405,632</u>	<u>1,194,923</u>
	<u><u>9,586,454</u></u>	<u><u>10,133,340</u></u>

17.1 The Company entered into a financing agreement with a consortium comprising of International Finance Corporation, DEG, FMO, Proparco, Swed Fund and OFID amounting to US\$ 144,000. The finance carry markup at the rate of six months LIBOR plus 3% payable semi-annually over a period of twelve years. The principal is repayable in twenty semi-annual payments/instalments commencing from December 15, 2010. As at December 31, 2013, the outstanding balance of the borrowing was US\$ 105,015 (2012: US\$ 117,321).

The borrowing is secured by an equitable mortgage on the immovable property and the hypothecation of current and future assets of the Company, except receivables from NTDC in respect of Energy Purchase Price. Further, the Company has also extended a letter of credit in favour of the senior lenders, as referred to in note 20.

App.

(Amounts in thousand)

		2013	2012
		Rupees	
18.	CREDITORS, ACCRUED AND OTHER LIABILITIES		
	Creditors (note 18.1)	294,178	2,675,494
	Accrued liabilities (note 18.2)	1,142,526	946,912
	Security deposits	566	240
	Payable to associated undertaking		
	- Retirement benefit fund	3,923	-
	- Engro Powergen Limited	-	347
	Provision against sales tax recoverable	3,810	3,810
	Provision against HSD tariff adjustments	5,000	-
	Sales tax payable	-	9,563
	Withholding tax payable	4,719	144
	Workers' profits participation fund (note 18.3)	7,924	104,730
	Workers' welfare fund (note 18.4)	129,244	100,074
		<u>1,591,890</u>	<u>3,841,314</u>
18.1	Amount due to Sui Northern Gas Pipeline Limited (SNGPL) as at December 31, 2012 has been paid subsequent to receipt of funds from NTDC, as referred to in note 11.3.		
18.2	Includes accrual in respect of payment against minimum quantity of gas to be purchased under GSA (note 12.4) amounting to Rs. 590,870 (2012: Nil) and gas charges amounting to Rs. 94,116 (2012: Rs. 725,931).		
		2013	2012
		Rupees	
18.3	Workers' profits participation fund		
	Payable at the beginning of the year	104,730	94,744
	Allocation for the year (note 26)	72,924	105,271
		<u>177,654</u>	<u>200,015</u>
	Interest (note 25.1)	1,621	345
	Payment during the year	(171,351)	(95,630)
	Payable at the end of the year	<u>7,924</u>	<u>104,730</u>
18.4	Workers' welfare fund		
	Payable at the beginning of the year	100,074	57,966
	Allocation for the year (note 26)	29,170	42,108
	Payable at the end of the year	<u>129,244</u>	<u>100,074</u>
19.	SHORT TERM BORROWINGS, secured		
	Running finance utilised under mark-up arrangements	882,469	1,862,476
	Short term finance	-	500,000
		<u>882,469</u>	<u>2,362,476</u>

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(Amounts in thousand)

- 19.1 The Company has Working Capital/Running Finance Facility Agreements with Allied Bank Limited, NIB Bank Limited, KASB Bank Limited, The Bank of Punjab, Habib Metropolitan Bank Limited, Soneri Bank Limited and Bank Al-Falah. In addition, the Company also has a Term Loan Agreement with Pak Kuwait Investment Company for a period of one year.

The available facilities under these mark-up arrangements aggregates to Rs. 3,150,000 (2012: Rs. 2,950,000). The facilities carry mark-up at the rate of 3 months KIBOR plus 2% (2012: 3 months KIBOR plus 2%). The facilities are secured by (i) lien over Energy Purchase Price (EPP) account and charge over present and future receivables from the Power Purchaser in respect of EPP; and (ii) first charge over current assets of the Company and subordinated charge over present and future plant, machinery, equipments and other movable assets and immovable properties of the Company. The use of these facilities are restricted for payments of operations and maintenance cost of the Power Plant and payments to fuel suppliers against purchase of fuel.

	2013	2012
	Rupees	
20. CONTINGENCIES AND COMMITMENTS		
Contingent liabilities - guarantees (note 20.1)	<u>2,496,126</u>	<u>1,596,126</u>
Commitments in respect of :		
- letter of credit in favour of Company's senior lenders (note 17.1)	843,872	778,897
- others	<u>133,271</u>	<u>16,560</u>
	<u>977,143</u>	<u>795,457</u>

- 20.1 The current balance represents bank guarantee given to Sui Northern Gas Pipelines Limited (SNGPL) representing an amount equivalent to three months contractual quantities of gas in accordance with the terms of Gas Supply Agreement between the Company and the SNGPL.

- 20.2 A Corporate Guarantee amounting to US\$ 10,000 has been issued by Engro Corporation Limited in favour of the Company's bank to secure the repayment of foreign loan installment to its senior lenders.

- 20.3 Gas Infrastructure Development Cess (GIDC), which was enacted under the GIDC Act, 2011 on December 15, 2011, was not charged during the year by SNGPL subsequent to the decision of the Peshawar High Court and Islamabad High Court, which had declared the levy of GIDC as unconstitutional. However, on December 30, 2013, the Honourable Supreme Court suspended the earlier decision of the Peshawar High Court. As a result, SNGPL subsequent to year end on January 1, 2014 has invoiced to the Company the entire GIDC for the year ended December 31, 2013 amounting to Rs. 1,462,315.

The Company thereagainst filed a writ petition before the Lahore High Court for stay order against recovery, where interim relief has been granted and recovery of GIDC has been suspended. Further, the Company through its writ petition has also challenged the levy of GIDC on various legal and constitutional ground. Based on advice of its legal advisor, the Company expects that the ultimate decision of this matter will be in its favour and no GIDC will be levied. However, GIDC, if charged, will be recovered by the Company as pass-through item from NTDC under the approved tariff.

21/2/14

(Amounts in thousand)

	2013	2012
	Rupees	
21. SALES		
Capacity purchase price	2,712,852	3,122,375
Energy purchase price (note 21.1)	5,952,581	8,543,230
	<u>8,665,433</u>	<u>11,665,605</u>

21.1 Energy purchase price is exclusive of sales tax of Rs. 962,055 (2012: Rs. 1,237,006) for current year sales invoices and Rs. 129,730 (2012: Rs. 3,817) in respect of prior period sales invoiced during the current year.

	2013	2012
	Rupees	
22. COST OF SALES		
Gas and fuel oil consumed	5,443,490	7,867,654
Depreciation (notes 5.2)	685,190	585,629
Amortisation (note 6.1)	7,191	7,236
Salaries, wages and staff welfare (note 22.1)	316,660	285,391
Insurance	130,591	122,571
Traveling expenses	10,485	7,875
Repairs and maintenance	295,474	42,595
Purchased services (note 22.2)	17,143	10,598
Legal and professional services	1,199	12,729
Stores and spares consumed	30,065	32,045
Security	23,295	19,669
Communication and other office expenses	52,925	38,863
	<u>7,013,708</u>	<u>9,032,855</u>

22.1 Salaries, wages and staff welfare include Rs. 12,264 (2012: Rs. 12,616) in respect of staff retirement benefits.

22.2 This represents charges for services rendered by Engro Corporation Limited, Engro Fertilizers Limited and other associated undertakings, under respective service agreements.

	2013	2012
	Rupees	
23. ADMINISTRATIVE EXPENSES		
Salaries, wages and staff welfare (note 23.1)	60,079	58,898
Legal and professional services	6,988	13,771
Purchased services (note 23.2)	6,842	5,578
Communication and other office expenses	17,320	15,278
Contributions for corporate social responsibilities (note 23.3)	18,902	12,524
Depreciation (notes 5.2)	6,224	5,298
Amortisation (note 6.1)	4,738	4,633
Traveling expenses	5,074	4,752
Auditors' remuneration (note 23.4)	1,823	1,830
	<u>127,990</u>	<u>122,562</u>

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(Amounts in thousand)

- 23.1 Salaries, wages and staff welfare include Rs. 2,442 (2012: Rs. 2,604) in respect of staff retirement benefits.
- 23.2 This represents charges for services rendered by Engro Corporation Limited, Engro Fertilizers Limited and other associated undertakings, under respective service agreements.
- 23.3 This includes Rs. 11,100 (2012: Rs. 9,400) paid to Engro Foundation and Rs. 5,440 (2012: Rs. 2,635) to Engro Corporation Limited.

	2013	2012
	Rupees	
23.4 Auditors' remuneration		
Fee for:		
- annual statutory audit	275	265
- half yearly audit / review	75	70
- other advisory services	349	799
- taxation services	800	561
- audit of retirement benefit funds	250	-
Reimbursement of expenses	74	135
	<u>1,823</u>	<u>1,830</u>

24. OTHER INCOME

Financial assets:

Gain on redemption of investments	20,664	678
Gain on forward contracts	5,664	-
Exchange gain	41	372

Non financial assets:

Insurance claim (note 24.1)	380,512	-
Gain on disposal of property, plant and equipment	3,549	2,292
	<u>410,430</u>	<u>3,342</u>

- 24.1 During the year, on October 12, 2013, the plant was shutdown due to breakdown in a machinery, which was critical to the operations of plant. After a series of repair activities the plant operations were resumed on December 27, 2013.

The repairs expenditure due to machinery breakdown and loss of profit due to business interruption are covered under the Company's insurance policy. The Insurance company has principally agreed to the settlement of repairs expenditure and business interruption loss suffered by the Company, upon submission of the claim alongwith necessary supports, and, accordingly being virtually certain the Company has recorded the insurance claim receivable.

4/1/13

(Amounts in thousand)

	2013	2012
	Rupees	
25. FINANCE COST		
Interest / markup on:		
- long term borrowing	411,280	457,969
- short term borrowings (note 25.1)	217,768	334,872
Financial / bank charges	<u>469,518</u>	<u>377,946</u>
	1,098,566	1,170,787
Less:		
Interest income on bank deposits	(19,497)	(56,531)
Delayed payment charges - overdue trade debts	<u>(603,381)</u>	<u>(709,984)</u>
	<u>475,688</u>	<u>404,272</u>

25.1 Includes interest charged amounting to Nil (2012: Rs. 2,801) in respect of facility availed from Engro Powergen Limited (Holding Company) and Rs. 1,621 (2012: Rs. 345) charged on payment to Workers' profits participation fund.

	2013	2012
	Rupees	
26. WORKERS' PROFITS PARTICIPATION FUND AND WORKERS' WELFARE FUND		
Provision for :		
- Workers' profits participation fund	72,924	105,271
- Workers' welfare fund	29,170	42,108
	102,094	147,379
Recoverable from NTDC	<u>(102,094)</u>	<u>(147,379)</u>
	<u>-</u>	<u>-</u>

26.1 The Company is required to pay 5% of its profit to the Workers' profits participation fund and 2% of its profit to the Workers' welfare fund. However, such payment will not effect the Company's overall profitability as they are recoverable from NTDC as pass through items under the terms of the Power Purchase Agreement (PPA). The Company is currently contesting the applicability of Workers' Welfare Fund on its income at Sindh High Court and Appellate Tribunal Inland Revenue.

	2013	2012
	Rupees	
27. TAXATION - current		
For the year (note 27.1)	133	283
For prior years (note 27.2)	-	4,412
	<u>133</u>	<u>4,695</u>

27.1 Represents minimum tax charged at the rate of 1% (2012: 0.5%) on profit on bank deposits in accordance with Section 113 of the Income Tax Ordinance, 2001.

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(Amounts in thousand except for earnings per share)

27.2 Represents tax charged due to revision of prior periods tax returns. The charge mainly pertains to change in treatment of pre-commencement expenditure and borrowing costs incurred before commencement of operations.

	2013	2012
	Rupees	
27.3 Reconciliation of tax charge for the period is as follows:		
Profit before taxation	1,458,477	2,105,414
Tax calculated at the applicable rate of 34% (2012: 35%)	495,882	736,895
Effect of exempt income (note 2.17)	(489,253)	(717,109)
Minimum tax on interest income	133	283
Prior year tax charge	-	4,412
Effect of losses utilised against income from other sources	(6,629)	(19,786)
Tax charge for the year	133	4,695

27.4 As at December 31, 2013, the Company has losses available for carry forward amounting to Rs. 3,084,660 (2012: Rs. 3,926,908), representing unabsorbed tax depreciation.

	2013	2012
	Rupees	
28. EARNINGS PER SHARE		
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
Profit for the year	1,458,344	2,100,719
	Number of shares	
Weighted average number of ordinary shares (in thousand)	323,800	323,677
	Rupees	
Earnings per share - basic and diluted	4.50	6.49

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(Amounts in thousand)

29. RETIREMENT AND OTHER SERVICE BENEFITS OBLIGATIONS**29.1 Defined benefit plan**

The latest actuarial valuation of the defined benefit plans in respect of funded defined benefit gratuity scheme was carried out as at December 31, 2013, using the Projected Unit Credit Method. Details of the defined benefit plan as updated, are as follows:

	2013	2012
	Rupees	
29.1.1 Balance sheet reconciliation		
Present value of defined benefit obligation	500	11,642
Fair value of plan assets	(1,393)	(11,425)
Deficit / (Surplus)	(893)	217
Receivable from other Engro group funds	(56)	-
Payable to outgoing members	2,547	-
Unrecognised actuarial gain (note 3)	-	175
Unrecognised past service cost	-	(392)
Net liability at end of the year	<u>1,598</u>	<u>-</u>
29.1.2 Movement in net liability recognized		
Net liability at beginning of the year	-	1,846
Expense recognised	2,321	2,896
Net contribution paid	-	(4,742)
Remeasurements recognised in		
Other comprehensive income	(723)	-
Net liability at end of the year	<u>1,598</u>	<u>-</u>
29.1.3 Movement in defined benefit obligation		
Defined benefit obligation at beginning of the year	11,642	9,912
Current service cost	1,708	2,288
Interest cost	777	1,377
Actuarial (gain) / loss on obligation	-	(967)
Liability transferred in respect of		
Fund curtailment (note 29.1.7)	(9,193)	(968)
Remeasurements of liability -		
Other comprehensive income (note 29.1.6)	(1,887)	-
Payable to outgoing members	(2,547)	-
Defined benefit obligation at end of the year	<u>500</u>	<u>11,642</u>

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(Amounts in thousand)

	2013	2012
	Rupees	
29.1.4 Movement in fair value of plan assets		
Plan assets at beginning of the year	11,425	5,667
Expected return on plan assets	556	884
Contributions by the Company	-	4,742
Actuarial gain / (loss) on assets	-	1,100
Remeasurements of Assets -		
Other comprehensive income (note 29.1.6)	(1,339)	-
Asset transferred in respect of		
Fund curtailment (note 29.1.7)	(9,249)	(968)
Plan assets at end of the year	<u>1,393</u>	<u>11,425</u>
29.1.5 Cost charged for the year		
Current service cost	1,708	2,288
Net interest cost	221	493
Recognition of past service cost (note 3)	392	31
Net actuarial loss recognised for the year	-	84
	<u>2,321</u>	<u>2,896</u>
29.1.6 Remeasurements recognised in OCI		
On defined benefit obligation (note 29.1.3)	(1,887)	-
On fair value of plan assets (note 29.1.4)	1,339	-
Total remeasurement gain recognised in OCI (note 3)	<u>(548)</u>	<u>-</u>
29.1.7	The Company's obligation has been settled in respect of employees who have opted for the transfer option mentioned in note 2.18.2. The obligations of these employees as at June 30, 2013 alongwith the matching plan assets have been transferred to defined contribution gratuity fund maintained and operated by the Ultimate Holding Company - Engro Corporation Limited.	
29.1.8	Principal actuarial assumptions used in the actuarial valuation are as follows:	
	2013	2012
	_____	_____
	%	
Discount rate	13.0	12.0
Expected per annum rate of return on plan assets	13.0	12.0
Expected per annum rate of increase in future salaries	13.0	12.0
	2013	2012
	Rupees	
29.1.9 Actual return on plan assets	<u>534</u>	<u>368</u>

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(Amounts in thousand)

29.1.10 Plan assets comprise of the following:

	2013		2012	
	Rupees	%	Rupees	%
Cash and cash equivalent	1,337	96	11,115	97
Others	56	4	310	3
	<u>1,393</u>	<u>100</u>	<u>11,425</u>	<u>100</u>

29.1.11 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 fixed interest investments are based on gross redemption yields as at the balance sheet date.

29.1.12 Historical information of staff retirement benefits:

	2013	2012	2011	2010	2009
	Rupees				
Present value of defined benefit obligation	500	11,642	9,912	7,514	3,742
Fair value of plan assets	(1,393)	(11,425)	(5,667)	(4,841)	(2,009)
Deficit / (Surplus)	<u>(893)</u>	<u>217</u>	<u>4,245</u>	<u>2,673</u>	<u>1,733</u>

29.1.13 Expected future cost for the year ending December 31, 2014 is Rs. 80,419.

29.2 Defined contribution plan

An amount of Rs. 10,071 (2012: Rs. 12,324) has been charged during the year in respect of defined contribution plan i.e. Provident Fund.

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(Amounts in thousand)

	2013	2012
	Rupees	
30. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,458,477	2,105,414
Adjustment for non-cash charges and other items:		
- Depreciation (note 5.2)	691,414	590,927
- Amortisation (note 6.1)	11,929	11,869
- Gain on disposal of property, plant and equipment (note 24)	(3,549)	(2,292)
- Gain on redemption of investments (note 24)	(20,664)	(678)
- Gain on forward contracts (note 24)	(5,664)	-
- Finance cost	637,170	800,962
- Deferred employee compensation expense	-	986
- Share options surrendered during the year	-	(2,122)
Working capital changes (note 30.1)	3,585,904	(659,199)
	<u>6,355,017</u>	<u>2,845,867</u>
30.1 Working capital changes		
Decrease/(Increase) in current assets:		
Inventory and stores & spares - net	(73,814)	32,192
Trade debts	6,823,793	(2,857,870)
Loans, advances, deposits, prepayments and other receivables - net	(916,972)	(706,219)
	<u>5,833,007</u>	<u>(3,531,897)</u>
(Decrease)/Increase in current liabilities		
Creditors, accrued and other liabilities	(2,249,424)	2,874,617
Retention money payable	-	(73)
Retirement and other service benefits obligations	2,321	(1,846)
	<u>3,585,904</u>	<u>(659,199)</u>
31. CASH AND CASH EQUIVALENTS		
Balances with banks (note 13)	217,674	100,200
Short term running finance (note 19)	(882,469)	(1,862,476)
	<u>(664,795)</u>	<u>(1,762,276)</u>

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(Amounts in thousand)

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration, including all benefits, to the chief executive, directors and executives of the Company are given below:

	2013		2012			
	Directors		Executives		Executives	
	Chief Executive	Others	Chief Executive	Others	Chief Executive	Others
Managerial remuneration	11,253	-	201,699	9,371	-	172,717
Contribution for staff retirement benefits	1,487	-	16,604	1,161	-	13,889
Provision for bonus	8,091	-	35,241	7,996	-	43,906
Employee share options	-	-	-	-	-	240
Other benefits	-	-	-	36	-	7,049
Fees	-	1,950	-	-	2,550	-
Total	20,831	1,950	253,544	18,564	2,550	237,801
Number of persons including those who worked part of the year	1	7	98	1	7	94

32.1 The Company also provides Company owned vehicles for the use of Chief Executive and certain executives of the Company.

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(Amounts in thousand)

	2013	2012
	Rupees	
33. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets as per balance sheet		
- Loans and receivables		
Long term deposits	2,491	2,491
Loans, deposits and other receivables	1,536,386	1,259,631
Trade debts	476,333	7,300,126
Balances with banks	217,674	100,200
	<u>2,232,884</u>	<u>8,662,448</u>
Financial liabilities as per balance sheet		
- Financial liabilities measured at amortised cost		
Borrowings	11,874,555	13,690,739
Creditors, accrued and other liabilities	1,441,193	3,622,993
Accrued interest/mark-up	41,792	74,990
Retirement and other service benefit obligations	1,598	-
	<u>13,359,138</u>	<u>17,388,722</u>

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

34.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Company's Finance and Planning department under policies approved by the Board of Directors.

a) Market risk

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risks exists due to the Company's exposure resulting from outstanding import payments, foreign currency loan liabilities and related interest payments.

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(Amounts in thousand)

The Company's exposure to currency risk is limited as the fluctuation in foreign exchange rates are recovered through adjustment in tariff as per the Power Purchase Agreement.

ii) Interest rate risk

Interest rate risk is 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 borrowings. These are benchmarked to variable rates which expose the Company to interest rate risk. The Company's exposure to interest rate risk is limited as the unfavourable fluctuation in the interest rates of long term borrowings are recovered through adjustment in tariff as per the Power Purchase Agreement.

iii) Other price risk

Other price risk is 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 currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Company's exposure to other price risk is not significant as at December 31, 2013.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings or mutual funds which in turn are deposited in financial institutions with high credit ratings. The maximum exposure to credit risk is equal to the carrying amount of financial assets. The Company maintains an internal policy to place funds with commercial banks having a minimum short term credit rating of A1+. The Company accepts bank guarantees of banks of reasonably high credit ratings as approved by the management. Trade debts are secured by a sovereign guarantee from the Government of Pakistan.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

	2013	2012
	Rupees	
Trade debts	151,554	2,112,504
Long term deposits	2,491	2,491
Loans, deposits and other receivables	851,878	659,949
Balances with banks	217,674	100,200
	<u>1,223,597</u>	<u>2,875,144</u>

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(Amounts in thousand)

The credit quality of receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history, however, no losses incurred. The credit quality of Company's bank balances and short term investments can be assessed with reference to external credit ratings as follows:

Name of bank/financial institutions	Rating agency	Rating	
		Short term	Long term
Allied Bank Limited	PACRA	A1+	AA+
Burj Bank Limited	JCR-VIS	A1	A
National Bank of Pakistan	JCR-VIS	A1+	AAA

c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available.

The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

All the financial liabilities of the Company except for long term portion of borrowings are payable in one year from the balance sheet date.

34.2 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for share holders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital.

The regulatory regime in which the Company operates, renders the value of the equity to a bond given the guaranteed IRR of 15% with an indexation allowed under the Power Purchase Agreement for changes in US \$ / PKR exchange rate.

The Company manages its capital structure and make adjustments to it in the light of changes in economic conditions. To manage its capital structure, the Company may issue shares or use dividend policy to influence the retention rate.

The management at all times seeks to earn returns higher than its weighted average cost of capital, by increasing efficiencies in operations, so as to increase profitability.

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(Amounts in thousand)

	2013	2012
	Rupees	
The proportion of debt to equity at the year end was:		
Total borrowings (note 17, 19)	11,874,555	13,690,739
Less: Balances with banks (note 13)	217,674	100,200
Net Debt	11,656,881	13,590,539
Total Equity	5,523,309	6,758,258
Total Capital	17,180,190	20,348,797
Gearing ratio	0.68	0.67

34.3 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

35. NUMBER OF EMPLOYEES

	Number of employees		Average number of employees	
	2013	2012	2013	2012
Management employees	72	71	72	71
Non- management employees	38	33	36	33
	<u>110</u>	<u>104</u>	<u>108</u>	<u>104</u>

36. PROVIDENT FUND

The Company operates defined contribution provident fund for its permanent employees. The following information is based upon the latest audited financial statements of the Provident Fund as June 30, 2013 and June 30, 2012.

	2013	2012
	Rupees	
Size of the fund - Total assets	87,483	66,706
Cost of investments made	70,500	34,362
Percentage of investments made	81%	52%
Fair value of investments	70,824	36,876

The break-up of fair value of investments is as follows:

	2013		2012	
	Rupees	%	Rupees	%
Bank deposits	62,266	88	-	-
Government securities	-	-	27,276	74
Debt securities	4,508	6	5,000	14
National savings scheme	4,050	6	4,600	12
	<u>70,824</u>		<u>36,876</u>	

The investment out of the fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

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(Amounts in thousand)

	2013	2012
	(MWh)	
37. CAPACITY AND PRODUCTION		
Maximum generation possible	1,861,134	1,881,296
Declared capacity billed	1,546,652	1,891,214
Net electrical output	1,333,619	1,767,038

Actual energy delivered by the plant is dependent on the load demanded by WAPDA and plant availability. The shortfall is primarily due to shutdown of plant during the year for 76 days.

38. TRANSACTIONS WITH RELATED PARTIES

Related parties comprises of Engro Corporation Limited, Engro Powergen Limited and their associated undertakings. Related parties also includes directors, retirement benefits funds and key management personnel. Details of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2013	2012
	Rupees	
Nature of relationship	Nature of transactions	
<i>Holding Company</i>		
	Purchase of services	48,294
	Services rendered	51,073
	Receipt and repayment of loan	47,360
	Markup payment on loan	-
		100,000
		28,358
<i>Associated undertakings</i>		
	Purchase of services	60,987
	Services rendered	32,291
<i>Key management personnel</i>		
	Managerial remuneration (including bonus)	41,163
	Retirement benefit schemes	3,339
	Other benefits	150
<i>Staff retirement benefits</i>		
	Contribution	32,931
		33,450

APPS.

(Amounts in thousand)

39. CORRESPONDING FIGURES

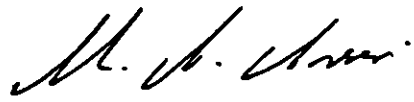
Corresponding figures have been reclassified for better presentation, wherever considered necessary, the effects of which are not material.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 30 JAN 2014 by the Board of Directors of the Company.

M.S.


Chief Executive Officer
(SFC)


Director
(AA)