NISHAT

PAKGEN POWER LIMITED

THIRD QUARTERLY REPORT

FOR THE PERIOD ENDED SEPTEMBER 30

2013

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COMPANY PROFILE

THE COMPANY	Pakgen Power Limited ("the Company") was incorporated in Pakistan on 22 September 1995 under the Companies Ordinance, 1984. The registered office is situated at 53-A, Lawrence Road, Lahore. The principal activities of the Company are to own, operate and maintain an oil fired power station ("the Complex") having gross capacity of 365 MW in Mehmood Kot, Muzaffargarh, Punjab, Pakistan.	
BOARD OF DIRECTORS	Mian Hassan Mansha Mr. Shahid Zulfiqar Khan Mr. Aurangzeb Feroz Mr. Kamran Rasool Mr. Khalid Qadeer Qureshi Mr. Mahmood Akhtar Mr. Shahid Malik Dr. Arif Bashir Mr. Samir Hammami	Chairman Chief Executive Officer Alternate Director
AUDIT COMMITTEE	Mr. Aurangzeb Feroz Mr. Mark Nicholas Cutis Mr. Mahmood Akhtar	Chairman
CHIEF FINANCIAL OFFICER	Mr. Khalid Qadeer Qureshi	
COMPANY SECRETARY	Mr. Khalid Mahmood Chohan	
BANKERS OF THE COMPANY	Habib Bank Limited The Bank of Punjab Silk Bank Limited United Bank Limited Allied Bank Limited National Bank of Pakistan Bank Alfalah Limited Faysal Bank Limited Askari Bank Limited Habib Metropolitan Bank Limited NIB Bank Limited MCB Bank Limited Bank Islami Pakistan Limited KASB Bank Limited Al Baraka Bank (Pakistan) Limited	
AUDITOR OF THE COMPANY	Riaz Ahmad & Co. Chartered Accountants	
LEGAL ADVISOR OF THE COMPANY	Mr. M. Aurangzeb Khan Advocate High Court	
REGISTERED OFFICE	53-A, Lawrence Road, Lahore-Pakistan UAN: 042-111-11-33-33	
HEAD OFFICE	1-B, Aziz Avenue, Gulberg-V, Lahore- Pakistan Tel: 042-35717090-96 Fax: 042-35717239	
SHARE REGISTRAR	Central Depository Company of Pakistan Limited CDC House, 99-B, Block-B, S.M.C.H.S Shahra-e-Faisal, Karachi-74400 Tel: (92-21) 111-111-500 Fax: (92-21) 34326053	
PLANT	Mehmood Kot, Muzaffargarh, Punjab - Pakistan.	

DIRECTORS' REPORT

The Directors of **Pakgen Power Limited "the Company"** are pleased to present their report together with operational and financial results of your Company for the period ended 30 September 2013.

Your Company is engaged in power generation with a dependable capacity of 350.00 MW furnace oil fired power plant against a gross capacity of 365 MW. Its shares are listed on the Karachi and Lahore Stock Exchanges. The Sole purchaser of the power is Water and Power Development Authority (WAPDA). We report that during the period under review power plant by achieving all the operating standards dispatched 1,409,840 MWH of electricity as compared with 1,186,047 MWH dispatched during the corresponding nine months of the previous financial year. Resultantly the capacity factor remained at 61.50% as against 51.70% demonstrated in the comparable nine months of the previous financial year.

Operation Financial Results:

The financial results of the Company for period ended 30 September 2013 are as follows:

Financial Highlights	PERIOD ENDED	
	30 September 2013	30 September 2012
Revenue (Rs '000')	26,778,790	23,611,379
Gross profit (Rs '000')	1,858,941	2,352,931
Gross profit ratio to revenue (%)	6.94	9.97
Pre-tax profit (Rs '000')	1,106,109	1,604,508
After tax profit (Rs '000')	1,106,109	1,604,508
After tax profit ratio to revenue (%)	4.13	6.80
Earnings per share (Rs)	2.97	4.31

The Company has posted after tax profit of Rs.1, 106.109 million as against Rs.1, 604.508 million earned in the comparative period. The net profits of the Company demonstrated the Earnings Per Share of Rs. 2.97 as against Rs 4.31 earned per share in the previous period because of several negative factors effecting profitability.

Main reason for variation in net profit for period ended 30th Sep 2013 in Comparison with period ended 30th Sep 2012 is increase in delta loss by Rupees 378.988 Million due to increase in net electricity supplied to WAPDA by 223,792,425 KWH and increase in fuel consumption by 2.51 grams per kwh.

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.

Acknowledgement

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

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

For and on behalf of the Board of Directors



(Shahid Zulifiqar Khan)
Chief Executive Officer
Lahore: October 24, 2013

CONDENSED INTERIM BALANCE SHEET
As at 30 September 2013

	Note	Un-audited 30 September 2013	Audited 31 December 2012
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 400,000,000 (31 December 2012: 400,000,000) ordinary shares of Rupees 10 each		4,000,000	4,000,000
Issued, subscribed and paid up share capital 372,081,591 (31 December 2012: 372,081,591) ordinary shares of Rupees 10 each		3,720,816	3,720,816
Capital reserve		116,959	116,959
Un-appropriated profit		10,512,710	10,150,755
Total equity		14,350,485	13,988,530
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		477,975	649,710
Accrued mark-up		130,789	276,682
Short-term borrowings		5,298,427	8,710,864
		5,907,191	9,637,256
Total liabilities		5,907,191	9,637,256
CONTINGENCIES AND COMMITMENTS	5		
TOTAL EQUITY AND LIABILITIES		20,257,676	23,625,786

The annexed notes form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE

	Note	Un-audited 30 September 2013	Audited 31 December 2012
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	8,114,633	8,088,972
Long-term security deposit		15	15
		8,114,648	8,088,987
CURRENT ASSETS			
Stores, spare parts and other consumables		599,996	570,800
Fuel stock		769,120	312,842
Trade debts		9,071,293	12,770,094
Advances and short-term prepayments		500,783	561,750
Other receivables		379,667	495,043
Sales tax recoverable		802,666	712,403
Cash and bank balances		19,503	113,867
		12,143,028	15,536,799
TOTAL ASSETS		20,257,676	23,625,786

DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 30 SEPTEMBER 2013 (UN-AUDITED)

	Note	Period Ended		Quarter Ended	
		30 September 2013	30 September 2012	**30 September 2013**	30 September 2012
		(Rupees in thousand)		**(Rupees in thousand)**	
REVENUE		26,778,790	23,611,379	9,889,025	9,612,970
COST OF SALES	7	(24,919,849)	(21,258,448)	(9,623,016)	(8,979,893)
GROSS PROFIT		1,858,941	2,352,931	266,009	633,077
ADMINISTRATIVE EXPENSES		(97,794)	(90,432)	(45,260)	(19,718)
OTHER OPERATING EXPENSES		(1,728)	(22,590)	(473)	(435)
		1,759,419	2,239,909	220,276	612,924
OTHER OPERATING INCOME		16,066	56,914	2,149	2,814
PROFIT FROM OPERATIONS		1,775,485	2,296,823	222,425	615,738
FINANCE COST		(669,366)	(692,315)	(138,829)	(236,987)
PROFIT BEFORE TAXATION		1,106,119	1,604,508	83,596	378,751
TAXATION		-	-	-	-
PROFIT AFTER TAXATION		1,106,119	1,604,508	83,596	378,751
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME		1,106,119	1,604,508	83,596	378,751
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)		2.97	4.31	0.22	1.02

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE **DIRECTOR**

CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2013 (UN-AUDITED)

	Note	30 September 2013	30 September 2012
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,106,119	1,604,508
Adjustment for non-cash charges and other items:			
Depreciation		393,231	273,408
Provision for gratuity		6,064	5,850
Provision for doubtful debts		-	20,993
Interest income		(13,996)	(55,559)
Finance cost		669,366	692,315
Cash flows from operating activities before working capital changes		2,160,784	2,541,515
(Increase) / decrease in current assets:			
Stores, spare parts and other consumables		(29,196)	265,827
Fuel stock		(456,278)	(27,650)
Trade debts		3,698,801	(983,918)
Advances and short-term prepayments		74,162	(232,810)
Other receivables		115,376	(203)
Sales tax recoverable		(90,263)	(163,001)
		3,312,602	(1,141,755)
Increase in trade and other payables		(417,643)	(40,528)
Cash generated from operations		5,055,743	1,359,232
Finance cost paid		(815,259)	(730,110)
Interest income received		13,996	55,559
Income tax paid		(13,195)	(28,460)
Gratuity paid		(6,064)	(5,850)
Net cash generated from operating activities		4,235,221	650,371
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(418,892)	(466,884)
Net cash used in investing activities		(418,892)	(466,884)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(498,256)	(557,874)
Net cash used in financing activities		(498,256)	(577,874)
Net increase / (decrease) in cash and cash equivalents		3,318,073	(374,387)
Cash and cash equivalents at beginning of the period		(8,596,997)	(6,844,780)
Cash and cash equivalents at end of the period	8	(5,278,924)	(7,219,167)

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE **DIRECTOR**

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2013 (UN-AUDITED)

	SHARE CAPITAL	RESERVES		TOTAL EQUITY
		Capital	Revenue	
		Retained payments reserve	Un-appropriated profit	
	(- - - - - - - - - - - -Rupees in thousand - - - - - - - - - - - -)			
Balance as at 31 December 2011 (audited)	3,720,816	116,959	9,422,131	13,259,906
Transaction with owners-Final dividend for the period ended 31 December 2011@ Rupee 1 per share	-	-	(558,122)	(558,122)
Profit for the period ended 30 September 2012	-	-	1,604,508	1,604,508
Other Comprehensive income for the period ended 30 September 2012	-	-	-	-
Total comprehensive income for the period ended 30 September 2012	-	-	1,604,508	1,604,508
Transaction with owners-Interim dividend @ rupee 1 per share			(372,082)	(372,082)
Balance as at 30 September 2012 (Un-audited)	3,720,816	116,959	10,096,435	13,934,210
Balance as at 31 December 2012 (audited)	3,720,816	116,959	10,150,755	13,988,530
Final dividend for the year ended 31 December 2012 @ Rupee 1 per share	-	-	(372,082)	(372,082)
Interim dividend @ Rupee 1 per share	-	-	(372,082)	(372,082)
Transaction with owners directly recognized in equity	-	-	(744,164)	(744,164)
Profit for the period ended 30 September 2013	-	-	1,106,119	1,106,119
Other Comprehensive income for the period ended 30 September 2013			-	-
Total comprehensive income for the period ended 30 September 2013	-	-	1,106,119	1,106,119
Balance as at 30 September 2013 (Un-audited)	3,720,816	116,959	10,512,710	14,350,485

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE **DIRECTOR**

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED 30 SEPTEMBER 2013 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

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

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This condensed interim financial information of the Company for the nine months period ended 30 September 2013 has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information should be read in conjunction with audited annual published financial statements of the Company for the year ended 31 December 2012 and interim financial statements for the period ended 30 June 2013.

3. ACCOUNTING POLICIES

The accounting policies and method of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding annual published financial statements of the company for the year ended 31 December 2012 and half yearly published financial statements of the Company for the period ended 30 June 2013.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the 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.

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 31 December 2012.

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

There is no change in the contingencies disclosed in the preceding audited annual published financial statements of the Company for the year ended 31 December 2012

5.2 Commitments

5.2.1 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.

	Un-audited 30 September 2013	Audited 31 December 2012
	(Rupees in thousand)	
6. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 6.1)	7,377,139	6,934,052
Capital work-in-progress (Note 6.2)	737,494	1,154,920
	8,114,633	8,088,972
6.1 Operating fixed assets		
Opening book value	6,934,052	7,272,877
Add: Cost of additions during the period / year (Note 6.1.1)	836,318	25,550
Less: Depreciation charged during the period / year	(393,231)	(364,375)
Closing book value	7,377,139	6,934,052
6.1.1 Cost of additions		
Electric equipment and appliances	34,104	4,997
Furniture and fixtures	1,523	977
Vehicle	2,260	-
Building	7,637	-
Plant and machinery	788,152	19,576
Office equipment	2,642	-
	836,318	25,550
6.2 Capital work-in-progress		
Civil work	205,278	26,406
Plant and machinery	531,380	1,126,706
Others	836	1,808
	737,494	1,154,920

7. COST OF SALES

	(Un-audited) Nine Months Ended		(Un-audited) Quarter Ended	
	30 September 2013	30 September 2012	**30 September 2013**	30 September 2012
	(Rupees in thousand)		**(Rupees in thousand)**	
Fuel consumed	23,951,645	20,511,353	9,308,453	8,719,504
Operation and maintenance costs	350,673	292,634	120,096	87,345
Insurance cost	233,039	181,053	79,536	76,752
Depreciation	384,378	273,408	114,817	96,292
Others	114	-	114	-
	24,919,849	21,258,448	9,623,016	8,979,893

8. CASH AND CASH EQUIVALENTS

	(Un-audited) Nine Months Ended	
	30 September 2013	30 September 2012
	(Rupees in thousand)	
Cash and bank balances	19,503	1,064,203
Short-term borrowings	(5,298,427)	(8,283,370)
	(5,278,924)	(7,219,167)

9. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise of associated undertakings and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties are as follows:

		(Un-audited) Nine Months Ended		(Un-audited) Quarter Ended	
		30 September 2013	30 September 2012	**30 September 2013**	30 September 2012
		(Rupees in thousand)		**(Rupees in thousand)**	
Relationship with the Company	**Nature of transaction**				
Associated undertakings	Insurance premium	298,331	213,995	93,668	89,044
	Share of expenses	171,819	162,023	61,069	53,194
	Dividend paid	670,338	442,136	102,524	-
	Rent Expense	4,709	4,709	1,570	1,570
Key management personnel	Remuneration	13,159	16,418	5,117	5,465

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

10. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors of the Company and authorized for issue on 24 October 2013.

11. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended 31 December 2012.

12. CORRESPONDING FIGURES

In order to comply with requirements of International Accounting Standard 34 "Interim Financial Reporting", the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of audited annual published financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.

13. GENERAL

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

CHIEF EXECUTIVE **DIRECTOR**

NISHAT

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