ANNUAL REPORT 2012-13

PRIVATE POWER &
INFRASTRUCTURE BOARD

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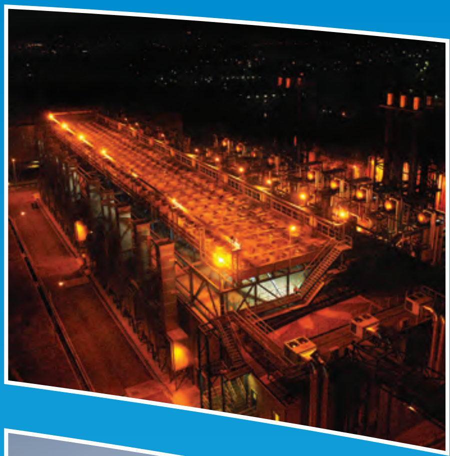
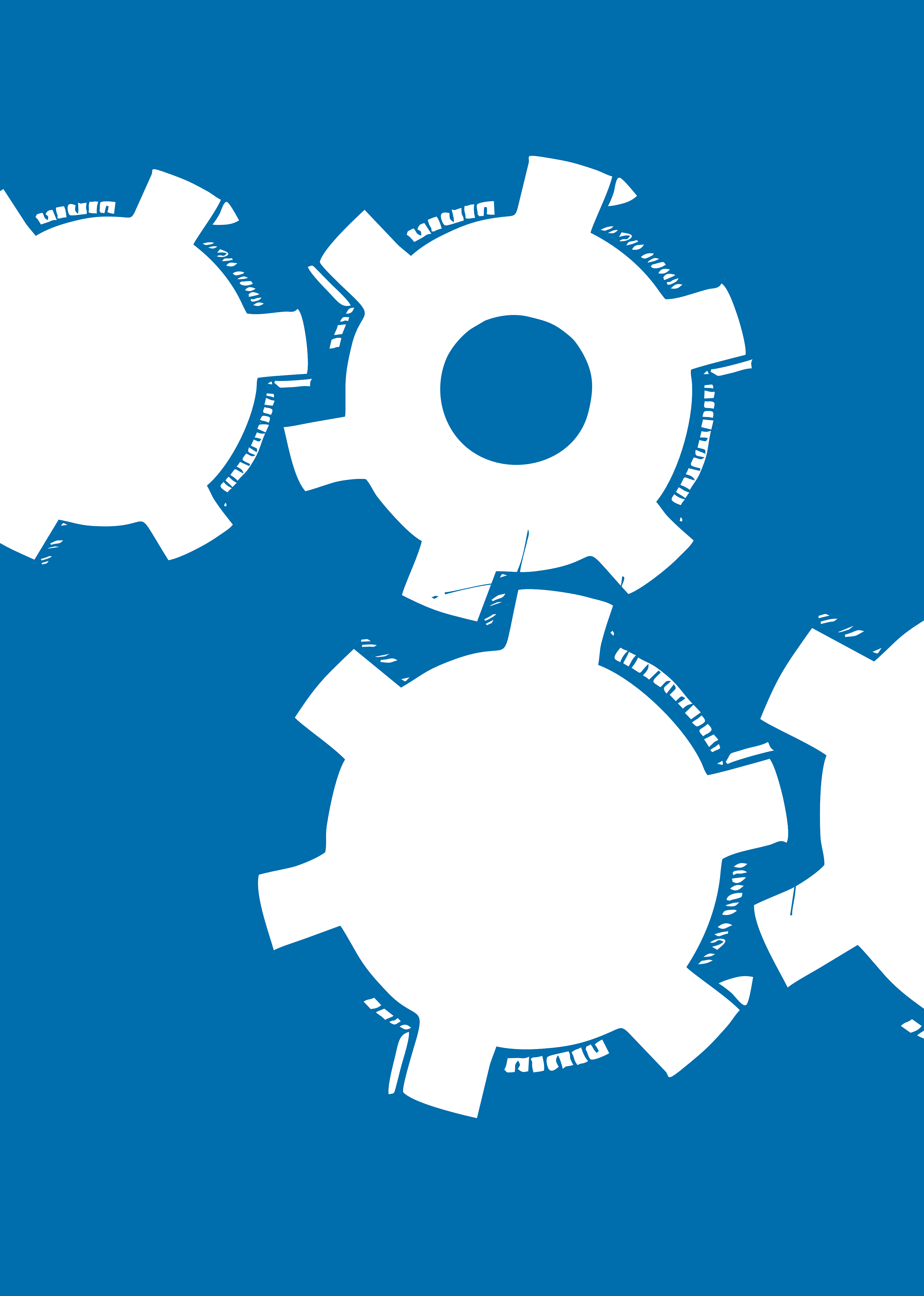






MISSION STATEMENT

To promote, encourage, facilitate private sector investment in the power sector, to safeguard the investments already made therein and to provide one window facility to investors

CONTENTS

GLOSSARY

ADB	Asian Development Bank
ADRC	Alternate Dispute Resolution Committee
AEDB	Alternative Energy Development Board
BOO	Build, Own & Operate
BOOT	Build, Own, Operate & Transfer
CCI	Council of Common Interests
DISCOs	Distribution Companies
ECC	Economic Coordination Committee of the Cabinet
EOI	Expression of Interest
FBR	Federal Board of Revenue
FSA	Fuel Supply Agreement
FS	Feasibility Study
FC	Financial Close
GoP	Government of Pakistan
GoS	Government of Sindh
GoKP	Government of Khyber Pakhtunkhwa
GoAJ&K	Government of Azad Jammu & Kashmir
GSA	Gas Supply Agreement
GENCOs	Generation Companies
IPPs	Independent Power Producers

ICB	International Competitive Bidding
IA	Implementation Agreement
JDA	Joint Development Agreement
LOI	Letter of Interest
LOS	Letter of Support
MoW&P	Ministry of Water & Power
MoF	Ministry of Finance
MoP&NR	Ministry of Petroleum & Natural Resources
MW	Mega Watts
MOU	Memorandum of Understanding
NEPRA	National Electric Power Regulatory Authority
NTDC	National Transmission and Despatch Company
OGDCL	Oil and Gas Development Company Limited
O&M	Operation & Maintenance
PPIB	Private Power and Infrastructure Board
PEPCO	Pakistan Electric Power Company
PPDB	Punjab Power Development Board
PPA	Power Purchase Agreement
PPC	Private Power Cell
PG	Performance Guarantee
PQD	Pre-Qualification Document
PPP	Public Private Partnership
PPRA	Public Procurement Regulatory Authority
RFP	Request for Proposal
SNGPL	Sui Northern Gas Pipelines Limited
PHYDO	Pakhtunkhwa Hydel Development Organization
TCEB	Thar Coal & Energy Board
TOR	Terms of Reference
WAPDA	Water and Power Development Authority
WUL	Water Use License

CHAIRMAN'S MESSAGE

The country has been experiencing one of the worst electric power crises of its history. Lengthy power outages have threatened to derail economic and industrial growth. An unprecedented growth has been seen in the demand of electricity during the last decade, but the gap between demand and supply has widened due to various reasons including lack of proper planning, insufficient capacity additions both from the private and public sectors, non-performance of power related public sector entities, non-payment to power producers resulting in circular debt accumulation, and unbalanced fuel mix.

The need of the hour is a multi-pronged strategy to mitigate the situation by providing an enabling environment for investment in the power sector and adopting fuel diversity as well as energy conservation. The government has plans to convert the existing thermal plants to coal. Imported coal-fired projects have also been planned for electricity generation for meeting future demands. Hydel projects are a priority for the government. Likewise, increased attention is being given to nuclear, wind and solar energy sectors. From large projects to small and medium sized power projects, the opportunities for investment are wide-ranging. Transmission and distribution losses are being reduced. A plan to provide targeted subsidy to the poor has been initiated by the government.

A key feature of the current government's policies is encouraging foreign investment, which is aimed at developing the power projects and related infrastructure in Pakistan. We are providing competitive incentives and opportunities to foreign and local investors and trying to remove bureaucratic obstacles as well as improving the investment climate in the country. The economic achievements of the current government are clearly visible in terms of growth and a sharp increase in foreign exchange reserves from previously precarious levels.

The Annual Report of Private Power and Infrastructure Board relates to the contributions made by PPIB to help the economy by adding electricity to the national grid through the private sector. PPIB has added more than 8500 MW of electricity in the system through private sector, which is around 45 % of the total power generation of the country. Completion of the first private sector hydropower project of 84 MW is a glorious achievement by PPIB in 2012-13. We wish to further strengthen PPIB as a one-window facilitator and to make the procedures easier and investor-friendly for encouraging further investments in the private power sector. Our future vision focuses on good governance and cheaper power generation. Since electricity is the wheel of the economy, the motion of which powers economic and industrial growth, we look forward to reducing poverty by generating employment and business opportunities.

Khawaja Muhammad Asif
Minister for Water & Power/
Chairman PPIB

FOREWORD

It gives me great pleasure to present the first Annual Report of the Private Power and Infrastructure Board (PPIB) for the year ending June 30, 2013 in the light of provision of Part-V, Section 21 of the PPIB Act, 2012.

Private Power & Infrastructure Board (PPIB) has been working to attract and facilitate foreign direct investment as well as local in Pakistan's power sector and related infrastructure. PPIB also provides technical and legal support to the provinces, AJ&K and Gilgit Baltistan, and monitors and assists Independent Power Producers (IPP).

PPIB was created in 1994 by revamping the Private Power Cell of the Government of Pakistan, and since its inception has managed to attract a huge investment of more than nine billion US dollars in the power sector by establishing 29 power projects with a cumulative power generation capacity of 8600 MW. These IPPs have an important role in reducing the gap between demand and supply. More importantly, the completion of Pakistan's and Azad Jammu Kashmir's first hydro IPP, 84 MW New Bong Escape of Laraib Energy Limited (with major shareholding of HUBCO) is a major achievement by PPIB during the period covered by this Annual Report. Since the project is located in AJ&K, PPIB has made extensive efforts in the development of legal framework and project agreements to make the project bankable. Another hydropower IPP, the147 MW Patrind Hydrpower Project being sponsored by Korea's K-Water, Daewoo and Sambu achieved its financial close on 20th December 2012. Construction activities on site have been started and are expected to be completed in 2017. The project is located at Kunhar River (a tributary of River Jhelum) in Muzaffarabad, AJ&K.

PPIB has taken several new initiatives like preparation of initial upfront tariff for projects based on various technologies, developing simplified framework for fast track implementation of hydropower projects, formulating guidelines for conversion of existing thermal power plants to cheaper fuels and initiating a comprehensive plan for hydropower development in the country with the support of Three Gorges International, China. PPIB has completed feasibility studies of various hydropower projects, and has also offered new hydropower projects for investment by the private sector. Currently, 20 projects of 9000 MW are being processed by PPIB out of which 7800 MW are hydropower projects. These are expected to reach completion between five to eight years.

The Annual Report 2012-13 covers an overview of PPIB achievements and activities for the year under consideration, support extended to the provinces, details of the projects under 1994 policy, 1995 and 2002 power policies, PPIB's new initiatives, future plans, and audited accounts. The same is being presented to the Council of Common Interests and both houses of the Majlis-e-Shoora (Parliament) in the light of provision of Part-V, Section 21 of the Private Power and Infrastructure Board Act, 2012.

Shah Jahan Mirza
Managing Director, PPIB

Private Power and Infrastructure Board (PPIB)

1.1 Background

Private Power Cell

From the onset of the decade of 1980, both WAPDA and KESC began to experience difficulties in coping with the surge in demand for electric power in Pakistan. In 1985, the Government of Pakistan (GoP) decided for the first time to bring the private sector into the area of electric power generation. In 1988, the USAID through its Power Development Project provided a special grant to the GoP for encouraging the private sector to develop power infrastructure in Pakistan. This included creation of a Private Power Cell in the Ministry of Water & Power.

It was in 1986 that the 1292 MW Hub Power Project, Pakistan's first IPP, was initiated reaching maturity when its Security Package Agreements (IA, PPA and FSA) were signed in August 1992. Subsequently, a ground breaking ceremony was held on site in September 1992. This project also, paved the way for other investors attracting interest from several prominent private sector players who were drawn to establishing power plants in the country.

Creation of Private Power and Infrastructure Board (PPIB)

In October 1993, a Task Force on Energy was created to draw up the power and petroleum policies. The "Policy Framework and Package of Incentives for Private Sector Power Generation Projects in Pakistan 1994" (1994 Power Policy) was announced as a result of the recommendations of this Task Force on Energy.

Under the 1994 Power Policy, the Private Power and Infrastructure Board (PPIB) was created in August 1994 through the revamping and reorganization of the Private Power Cell. The basic functions given to PPIB interalia are to promote private investments in the power sector and to act as a One-Window facilitator on behalf of the GoP and its Ministries/Departments as well as to execute IA and provide GoP guarantees on behalf of President of Pakistan. It is also tasked with facilitating IPPs in executing PPA, FSA, GSA, WUL with relevant GoP agencies. Additionally, it provides technical, financial and legal support to Ministry of Water & Power, the provinces/AJK, and coordinates with local and multinational development Finance Institutions.

- To promote private investments in the power sector
- To act as a One-Window facilitator on behalf of GoP, its Ministries/ Departments
- To execute IA and provide the GoP guarantees on behalf of the President of Pakistan
- To monitor and facilitate IPPs in executing PPA, FSA, GSA, WUL with relevant GOP agencies
- To provide technical, financial and legal support

1.2 Private Power and Infrastructure Board Act 2012

In view of the greatly expanded role of PPIB, it was felt that PPIB needed to be re-established under a new statute, which would reiterate its existing functions and elaborate upon its new role.

Providing PPIB with a statutory status was required not only to improve its overall functioning but also to provide it with legal support for carrying out its functions while implementing the power policies of the government.

Some broad reasons that a statute was required are outlined below:

- To inspire private sector and public sector confidence in the authority, credibility, efficiency and permanence of PPIB.

- To establish its legal status. In litigation cases, the Supreme Court of Pakistan had shown serious concern as to PPIB's legal status and its powers to sue and be sued in its own name as well as for and on behalf of the President of the Islamic Republic of Pakistan.

- To pre-empt legal complications resulting from large-scale reforms over private sector participation in power generation and related infrastructure. In order to avoid such complications, it was imperative to give PPIB a legal status.

- To meet the need for a statutory body that would fill in the pre-existing legal and administrative vacuum spawning technical, legal and administrative issues. The private power sector has been faced with the growing realization that a statutory body is essential for attracting, encouraging and facilitating private investment as well as for implementing the Power Policy.

- To provide a stronger platform for the PPIB to take up a more proactive role in the power sector. With the shift in emphasis from thermal to hydel and coal-based power generation drawing interest of the private sector, PPIB is required to play a more proactive role in the swiftly evolving and increasingly competitive power market in Pakistan.

- After due processing through the Cabinet, CCI, National Assembly and Senate, the process for transforming the PPIB into a legal entity was initiated. Subsequently, the "Private Power and Infrastructure Board Act, 2012" was passed by the Parliament, received assent of the President on the 2nd of March, 2012 and was published in the Gazette of Pakistan on 6th March, 2012.

The Private Power and Infrastructure Board Act 2012 (the "Act") is placed at **Appendix-I.**

1.3 Composition of the Board

Under Part-III Section 6 of the Act 2012, the Federal Minister for Water and Power heads the Board as Chairman with members drawn from the relevant ministries at secretary level, provincial representatives and also private members. The following list reflects the composition of the Board of PPIB:

I. Federal Government

1- Federal Minister for Water and Power, Government of Pakistan, Islamabad.
2- Secretary, Ministry of Water & Power, Government of Pakistan
3- Secretary, Ministry of Finance, Government of Pakistan or his nominee not below the rank of Additional Secretary or equivalent
4- Secretary, Ministry of Petroleum & Natural Resources, Government of Pakistan or his nominee not below the rank of Additional Secretary or equivalent
5- Secretary, Planning Commission, Government of Pakistan or his nominee not below the rank of Additional Secretary or equivalent
6- Chairman, Federal Board of Revenue
7- Chairman, WAPDA
8- Managing Director, PPIB

II. Chief Secretaries of Provinces and AJ&K or their nominees not below the rank of Additional Secretary or equivalent

9- Chief Secretary, Sindh
10- Mr. Khalid Awais Ranjha, Additional Secretary, Energy Department, Government of Punjab
11- Mr. Fawad Hashim Rabbani, Secretary Energy, Government of Balochistan
12- Chief Secretary, Khyber Pakhtunkhwa
13- Chief Secretary, Azad Jammu and Kashmir, Muzaffarabad

III. One representative from Gilgit Baltistan and FATA

14- Engr. Nasir Ali Shigri, Ex. Secretary, NAPWD, Gilgit-Baltistan
15- Secretary Administration, Infrastructure and Coordination (FATA), FATA Secretariat, Peshawar

IV. One private sector representative from each province

16- Mr. Muhammad Zubair Motiwala, Karachi (Sindh)
17- Mr. Manzoor A Sheikh, Lahore (Punjab)
18- Mr. Muhammad Naseem Bazai, Quetta (Balochistan)
19- Mr. Muhammad Younis Marwat, Peshawar Cantt (Khyber Pakhtunkhwa).

1.4 Meetings of the Board

The meetings of the PPIB Board are held regularly. Since its inception in 1994 till June 2013, a total of 93 meetings of the Board have been held in the course of which important decisions have been taken. Appendix-II shows the detail of Board meetings held during financial years 2011-12 and 2012-13.

1.5 Functions and Powers of PPIB

Under the Act, PPIB shall exercise all powers, which shall enable it to effectively perform its functions as specified below:

– Recommend and facilitate development of power policies;

– consult the concerned Provincial Government, prior to taking a decision to construct or cause to be constructed a hydroelectric power station in any Province and to take decisions on matters pertaining to power projects set up by private sector or through public private partnership and other issues pertaining thereto;

– coordinate with the Provincial Governments, local governments, Government of Azad Jammu and Kashmir (AJ and K) and regulatory bodies in implementation of the power policies, if so required;

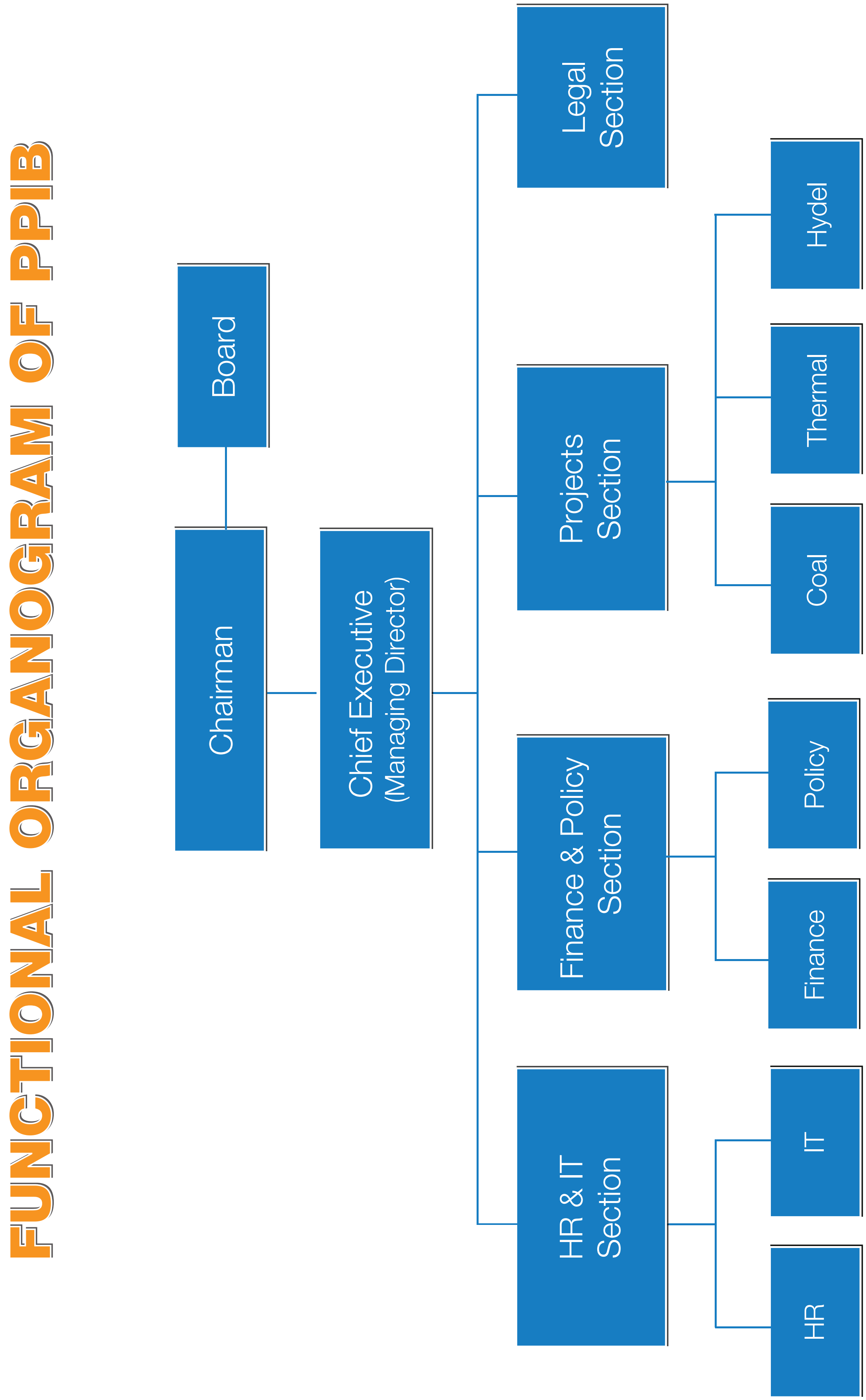
– coordinate and facilitate the sponsors in obtaining consents and licences from various agencies

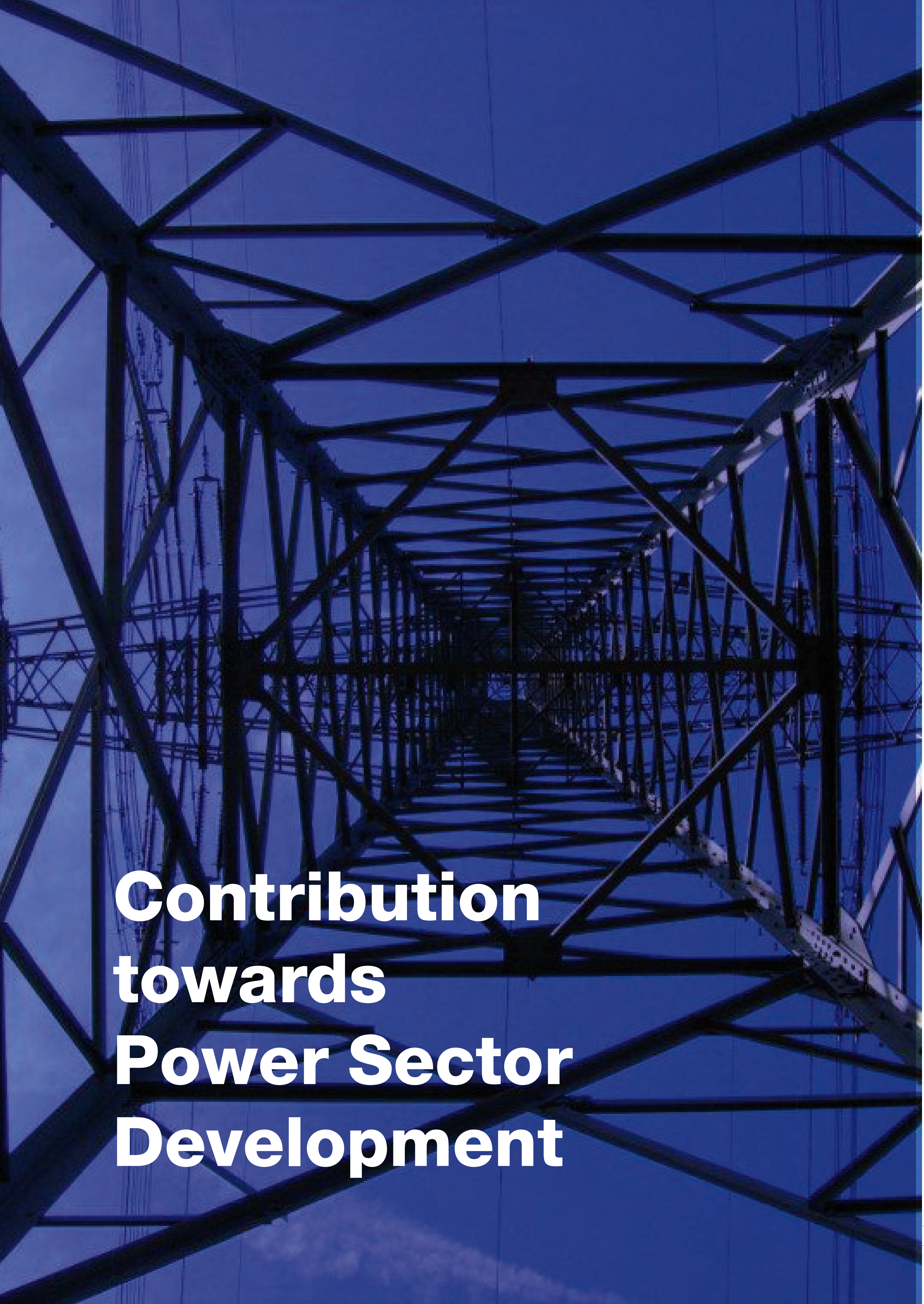
of the Federal Government, Provincial Governments, local governments and Government of AJ and K;

- work in close coordination with power sector entities and play its due role in implementing power projects in private Sector or through public private partnership as per power system requirements;
- function as a one-stop organization on behalf of the Federal Government and its Ministries, Departments and agencies in relation to private power companies, their sponsors, lenders and whenever necessary or appropriate, other interested parties;
- draft, negotiate and enter into security package documents or agreements and guarantee the contractual obligations of entities under the power policies;
- execute, administer and monitor contracts;
- prescribe and receive fees and charges for processing applications and deposit and disburse or utilize the same, if required;
- obtain from sponsors or private power companies, as the case may be, security instruments and encash or return them, as deemed appropriate;
- act as agent for development, facilitation and implementation of power policies and related infrastructure in the Gilgit-Baltistan areas and AJ and K;
- prescribe, receive, deposit, utilize or refund fees and charges, as deemed appropriate;

- open and operate bank accounts in local and foreign currencies as permissible under the laws of Pakistan;
- commence, conduct, continue and terminate litigation, arbitration or alternate dispute resolution mechanisms at whatever levels may be necessary or appropriate and hire and pay for the services of lawyers and other experts therefor;
- appoint technical, professional and other advisers, agents and consultants, including accountants, bankers, engineers, lawyers, valuers and other persons in accordance with section 11;
- hire professional and supporting staff and, from time to time, determine the emoluments and terms of their employment, provided always that at no stage shall such emoluments be reduced from such as are agreed in the contracts with such persons; and
- perform any other function or exercise any other power as may be incidental or consequential for the performance of any of its functions or the exercise of any of its powers or as may be entrusted by the Federal Government to meet the objects of the Act.

1.6 Organizational Structure





Contribution towards Power Sector Development

2.1 Facilitator

Since its creation, PPIB has received, processed and facilitated numerous investments proposals from the private sector. The breadth of experience that PPIB has garnered in interacting with so many national and international investors and in processing projects of such magnitude is unmatched around the world. Following are the world- renowned project developers and financiers represented amongst the IPPs.

Sponsors:

a) Foreign Sponsors
1. International Power (UK)
2. Congen Technology
3. El Paso (USA)
4. Tenaska (USA)
5. Mitsui (Japan)
6. Xenel (KSA)
7. TNB – (Malaysia)
8. AES Corporation
9. ADB
10. IFC
11. Oman Oil
12. DEG Germany
13. GE Capital
14. GDF-Suez

b) Local Sponsors
1). Attock Refinery Limited
2. Descon Group
3. Engro Chemical
4. Fauji Foundation
5. Liberty Mills
6. Nishat Group
7. Saif Group
8. Sapphire Textile Limited
9. Shirazi Investment

Equipment Suppliers:

1. CEC China
2. General Electric
3. Hawkins
4. MAN Germany
5. Siemens
6. Wartsila

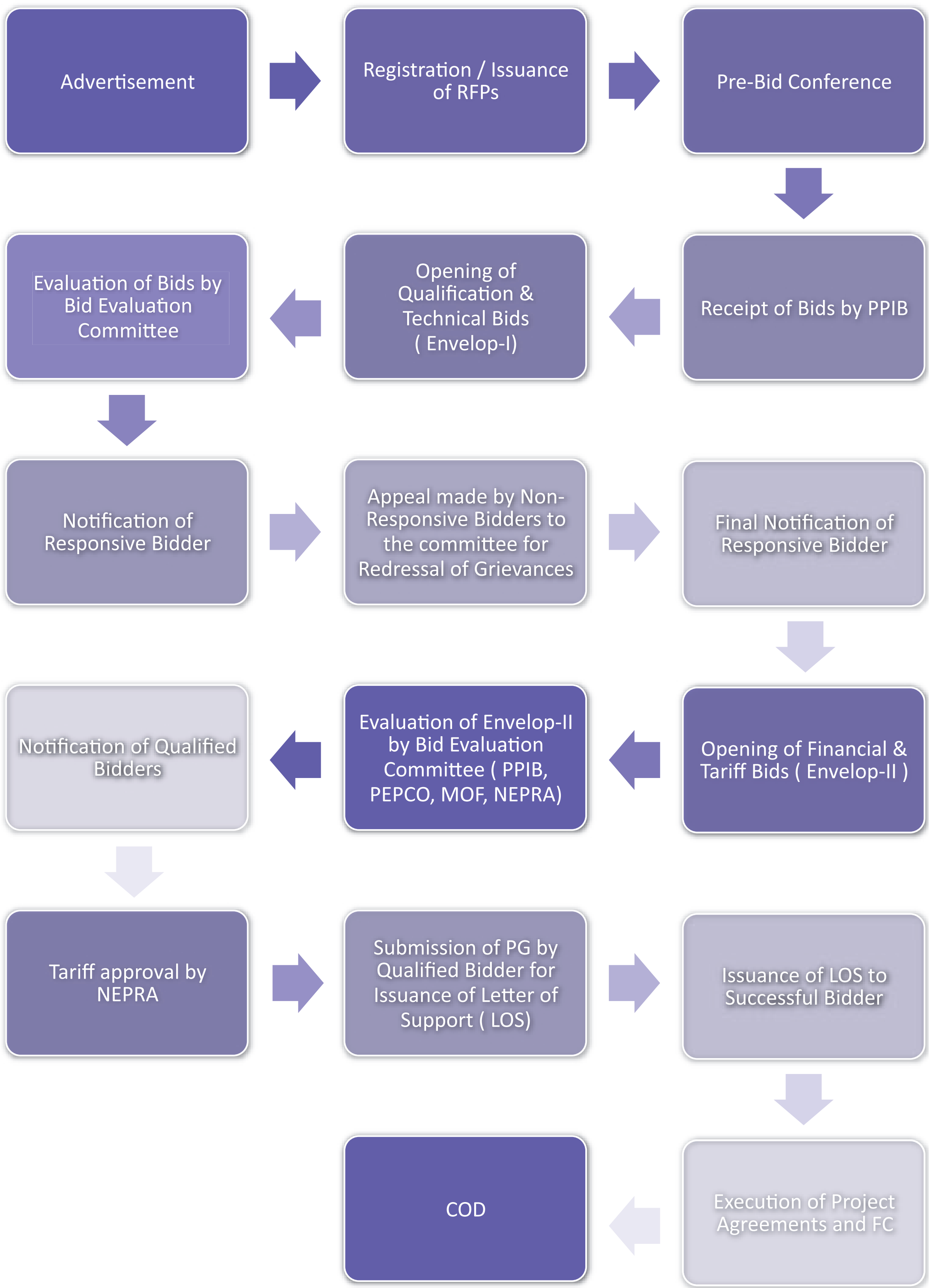
Financiers

a) Foreign Financiers
1. IFC
2. World Bank
3. ADB
4. IDB
5. US Exim Bank
6. AIDEC
7. CDC (UK)
8. EDC (UK)
9. SACHE (Italy)
10. ANZ Banking Group (Australia)
11. ABN Amro Bank
12. Jexim (Japan)
13. Bank of Tokyo Mitsubishi
14. Toronto-Dominion Bank
15. DEG (Germany)
16. FMO (Netherlands)
17. PROPARCO (France)
18. SWEDFUND (Sweden)
19. OPIC (US)
20. K-EXIM

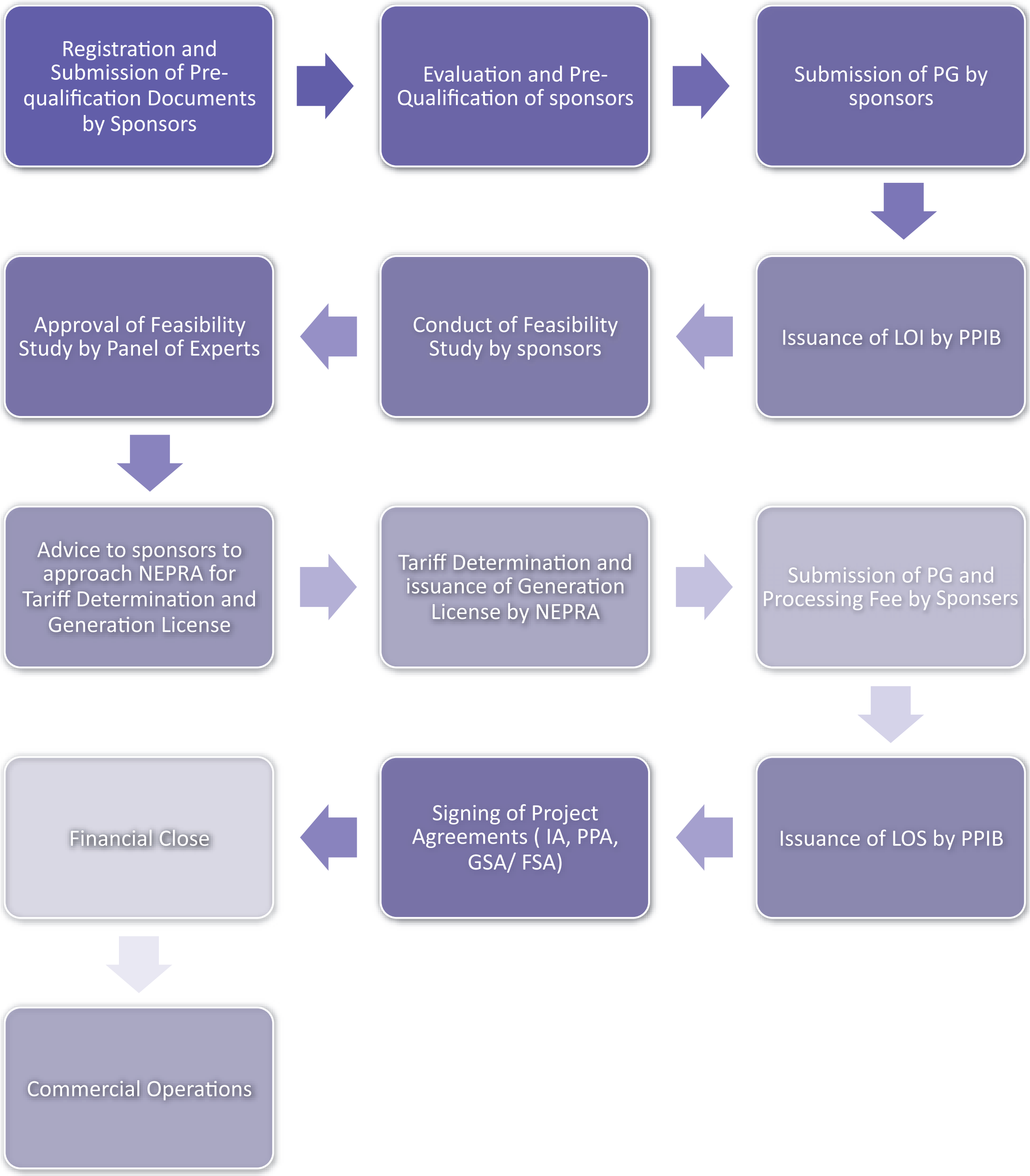
b) Local Financiers
1. Allied Bank Limited
2. Askari Bank Limited
3. Bank Al Habib
4. Faysal Bank Limited
5. Habib Bank Limited
6. Habib Metropolitan Bank Limited
7. Meezan Bank Limited
8. Muslim Commercial Bank
9. National Bank of Pakistan
10. NIB Bank Limited
11. Pak China Investment Company
12. Pak Oman Investment Company
13. Saudi Pak Industrial and Agricultural Investment Co
14. Soneri Bank Limited
15. The Bank of Punjab
16. United Bank Limited

Transparent and Upfront Mechanism of processing of IPP Projects

a) International Competitive Bidding (ICB)



b) Other Projects



2.2 Guide

Experience in dealing with sponsors and their respective global lenders has given PPIB foresight and vision, which is useful for other sectors also. Whether it is the development of hydropower resources/ coal resources in the provinces or the drafting of provincial policies and implementation of projects at the provincial level, PPIB is always there to act as a guide and mentor. PPIB also helps and guides various provinces in developing their power sectors.

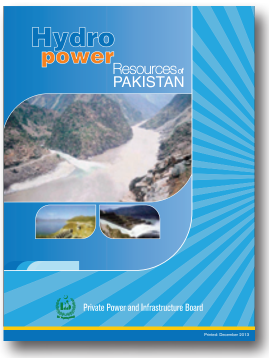
Policy formulation is an evolving process. Utilizing its expertise and experience, PPIB has assisted the government in improving the Power Policy 2002 so as to help overcome stumbling blocks in new investments within the IPP sector. PPIB has also devised (after getting appropriate approvals wherever necessary) different supplementary policies / guidelines for the development of (i) hydropower resources, (ii) coal resources, (iii) co-gen bagasse based power by sugar industry, (iv) fast track scheme for processing of power projects, and (v) projects under short term capacity addition initiative, to plug the demand-supply gap in the country.

For the guidance of investors, PPIB has developed an attractive and user friendly website (www.ppib.gov.pk) which is updated on a regular basis. The PPIB website contains information relevant to potential investors in addition to informative literature and historical documents of PPIB including earlier policies etc. PPIB is fully IT enabled with state of the art equipment and manned with professionals the combination of which helps to achieve efficient and on time deliverables by PPIB.
In its role as a guide, PPIB has prepared and published various reports /guidelines, which have been widely disseminated amongst stakeholders for facilitation and guidance. Some key publications include:

Key Reports and Guidelines Published by PPIB

Hydropower Potential of Pakistan
Hydropower Resources of Pakistan
Pakistan Coal Power Generation Potential
Guidelines for Determination of Tariff for Hydropower Projects Under Power Policy 2002
Guidelines for Sugar Mills for Co-Generation (Co-Gen) From Bagasse
Guidelines For Determination of IPP Tariff
Guidelines for Setting Up of Private Power Projects Under Short Term Capacity Addition Initiative
Thar Coalfield Sindh, Pakistan and Pakistan's Thar Coal Power Generation Potential
Investment Opportunities in Energy Sector Projects with special focus on Friends of Democratic Pakistan Dialogue.
Information Brochure - Solicitation for Fast Track Power Projects Through International Competitive Bidding
Guidelines for Fast Track Induction of Hydropower Projects in National Grid
National Policy for Power Co-Generation by Sugar Industries and Guidelines for Investors
Cascade study for Swat & Jhelum Rivers
Standardized TORs for Hydro Power Projects
Standardized Documents For Hydropower Projects
Standardized Security Agreements for IPPs

a) Report on Hydropower Resources of Pakistan



In 2004, PPIB prepared a report namely “Pakistan Hydropower Potential”. The report covered the status of hydropower projects in operation or under implementation in public or private sectors along with details of raw hydropower project sites in all regions of Pakistan.. The report was very well received and appreciated by concerned stakeholders especially the investors as the publication came to be used as a reference document on Hydropower Potential in Pakistan.

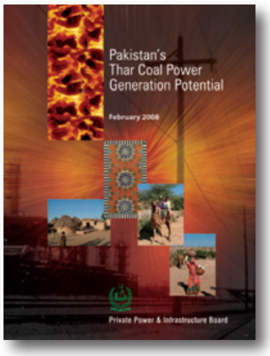
Recently, in view of significant developments in the hydropower sector and the identification of new hydropower potential sites, it was realized that the report needed to be updated. This was done by incorporating details of the current status of the hydropower projects at various phases of implementation along with addition of raw sites identified later on within the report. In this context, the data/information received from all concerned agencies dealing in hydropower projects like WAPDA, PHYDO, GoAJ&K, PPDB, Water & Power Department of Gilgit-Baltistan as well as that available with PPIB was reviewed, and the report was updated with information on the current status of hydropower resources in all regions of Pakistan. Upon completion, it was found that the total hydropower potential in the country had increased to 60,000 MW from the previous potential of 41,000 MW. Accordingly, the report with its new title “Hydropower Resources of Pakistan” has now been published.

b) Reports on Coal Resources of the Pakistan

Pakistan’s present power generation capability is about 21363 MW (other than KESC) based on hydropower and thermal power plants both in the public as well as the private sectors. The total share of the hydropower generation in the Pakistan’s energy mix is about 32% while rest of the power generation takes place through thermal plants. These plants use oil as well as natural gas as fuel, whereas the overall share of coal-based power generation in the Pakistan’s energy mix is about 0.1 %. Besides shortage of power generation capacity, the major concerns of power managers are (i) rapid increase in furnace oil prices which has correspondingly increased the cost of electricity production and (ii) the unavailability of gas compelling a switchover to high speed diesel for power generation in gas based combined cycle units. As per available resources, gas in reducing quantities will only last till year 2016 for most of the IPPs.

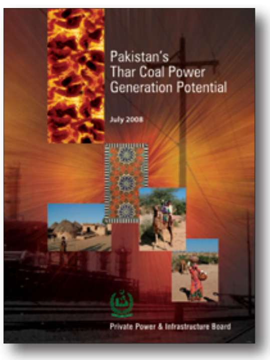
Pakistan is bestowed with an untapped coal resource potential of around 186 billion tonnes out of which 175 billion tonnes are found in Thar alone, one of the largest Lignite deposits in the world. Thar Coalfield is located 360 km from Karachi port in the south-eastern arid zone region of Pakistan, which is one of the most peaceful and harmonious areas of the country. Thar Coal resources have an estimated potential of generating 100,000 MW of electricity for a period of 300 years thus providing an opportunity for large-scale mining and extended power generation. In order to market the coal potential of the country, the following reports were published and disseminated by PPIB.

i) Pakistan Coal Power Generation Potential - February 2008



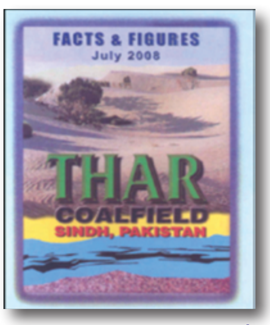
In February 2008, PPIB prepared a detailed report titled 'Pakistan's Coal Power Generation Potential'. This report provided information about the coal resources of Pakistan across all provinces including Azad Jammu & Kashmir. Furthermore, the report provided the details of various coal fields i.e. seam thickness, mineable reserves, chemical composition of coal, heating values etc. Apart from this, the report also included details of the procedures for the development of integrated projects of coal mine and coal power plants in Pakistan and ways of availing various incentives provided in the Power Policy of 2002.

ii) Pakistan's Thar Coal Power Generation Potential - July 2008



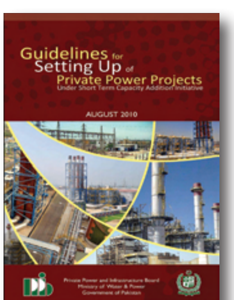
In order to exploit Thar Coal resources and attract investment for the development of mining cum power generation projects at Thar, PPIB published a comprehensive report titled 'Pakistan's Thar Coal Power Generation Potential' in July 2008. This report provides detailed insights into Thar coalfield's geology, exploration blocks, chemical analysis of Thar coal and underground water. Apart from the details of the concessions and incentives announced by the Government of Pakistan, this report also describes the role of various key stakeholders in the mining and the power sector of Pakistan to facilitate local as well as foreign investors in the development of Thar coalfield.

iii) Thar Coalfield Sindh, Pakistan – Facts and Figures July 2008



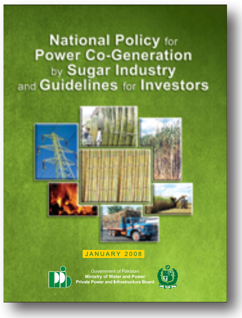
Further, in order to provide a quick snapshot of the facts and myths about Thar coal for the investors, PPIB published a document titled "Thar Coalfield Sindh, Pakistan - Facts and Figures July 2008". This document provides an overview of different blocks of Thar, associated geo-technical studies as well as data related to it.

c) Guidelines for Setting up of Private Power Projects under Short Term Capacity Addition Initiative August 2010:



PPIB has prepared and published "Guidelines for Setting up of Private Power Projects Under Short Term Capacity Addition Initiative," which provides a golden opportunity to private investors/sponsors to benefit by developing private power plants (thermal) in chosen capacities and locations. In addition to the above, PPIB is also preparing Guidelines for:

- Fast Track Implementation of Hydro Power Projects in private sector
- Setting of Coal Based Projects under Medium Term Capacity



d) National Policy for Power Co-Generation by Sugar Industry

Pursuant to the decision of the Economic Coordination Committee of the Cabinet, the ECC (Case No. ECC-169/13/2007 dated 13th November 2007) approved the "National Policy for Power Co-Generation by Sugar Industry" (the Co-Gen Policy). Following the ECC decision, PPIB prepared and published a document titled *"National Policy for Power Co-Generation by Sugar Industry & Guidelines for Investors (Jan-2008)".*

Salient Features of Co-Gen Guidelines:

Simple Process:

- Sugar Mills as main sponsors can simply apply to PPIB
- PPIB will acknowledge sugar mills' interest and advise them to approach NEPRA for tariff determination
- NEPRA has already determined upfront tariff of US Cents 9.2754/kWh
- NEPRA shall waive off normal procedure of processing a tariff petition and approve tariff in four weeks of Co-Gen project accepting the upfront tariff.
- After tariff determination PPIB will issue LOS upon receipt of Performance Guarantee (PG) @ US$ 5,000 per MW and Processing / Legal Fee of US$ 100,000/-
- The Sponsors will be required to achieve Financial Close within 09 months from the date of issuance of LOS
- The Sponsors will have to set-up the project within 36 months after issuance of LOS.
- The provisions of Policy for Power Generation Projects 2002, as amended from time to time, will be followed.

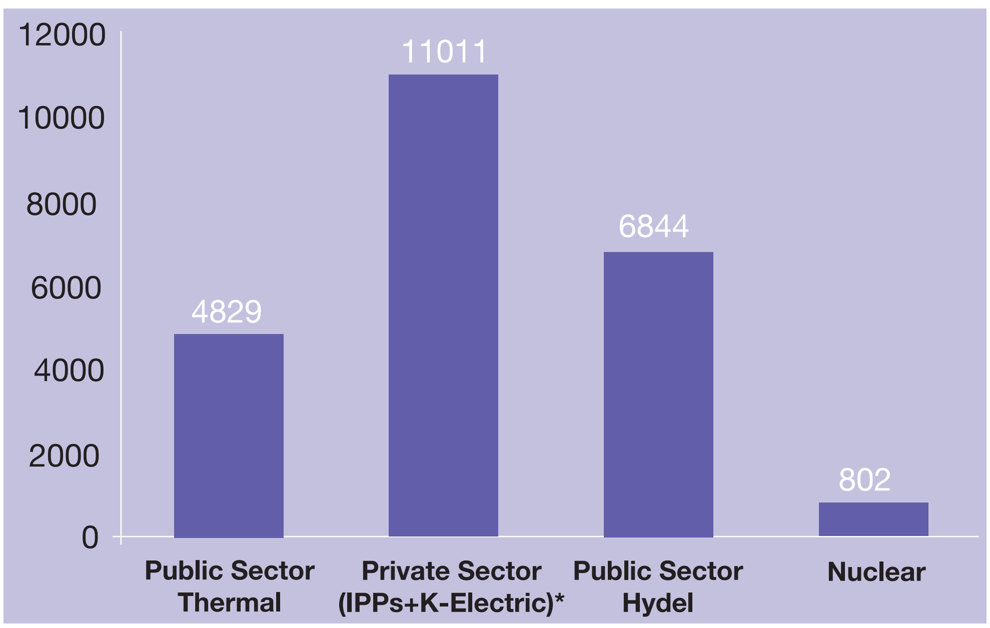
Salient Features:

- Proposal to be submitted alongwith a processing fee of US$ 20,000 and registration fee of US$ 200.
- Sponsors to offer projects above 50 MW based on technology & fuel (availability must be guaranteed by fuel supplier) agreed by Power Purchaser.
- Project approval by PPIB Board and LOI issuance by PPIB after submission of PG @ US$ 1000 per MW
- Sponsors to approach NEPRA and NEPRA to announce tariff (PG encashable if sponsors fail to approach NEPRA within 3 months)
- LOS issuance by PPIB after submission of processing fee US$ 80,000 and PG @ US$5000 per MW with validity of 3 months beyond COD.
- Debt Equity Ratio 80:20 (min) and 70:30 (max)
- Term of project 25 ~ 30 years.
- Required Financial Close Date within 9 months and Commissioning within earliest of 33 months after LOS or 24 months after Financial Close.

2.3 Key Player in Power Sector

Today the dependable power generation capacity available from the private sector stands at around 11,000 MW, which constitutes around 47% of the total dependable capacity in the country. Arranging this capacity is a remarkable feat, which has made PPIB a key player in the power sector of Pakistan. By virtue of its position, PPIB supports other power sector players in their efforts to develop power generation capacity based on conventional or non-conventional modes within their ambits.

Sector-wise division of Pakistan Power Sector's total installed capacity



* Private sector (IPPs + K-Electric) includes 84 MW Laraib Energy Power Project, which is the 1st hydropower Project in the private sector

One key fact of PPIB's role as a key player is concerned with devolving the responsibility of implementing the Co-Generation Policy initiated by the Ministry of Industries. PPIB's role as a key player is further endorsed by the fact that PPIB is discharging the role of Agent for AJ&K in hydropower projects being processed under Hydel Policy 1995.

It is worthy of note that many countries around the globe opting for IPP policies have learnt from PPIB by sending their representatives to the latter to solicit advice.

2.4 Catalyst in Improving Economy of the Country

In its first phase of facilitation of HUBCO and fourteen IPPs under the Power Generation Policy of 1994, PPIB was instrumental in attracting $ 5 billion investment to the country. In subsequent efforts under the 2002 Power Policy, PPIB has already facilitated commissioning of 12 IPPs of 2,530 MW capacity with an estimated investment of around US$ 2.7 billion. This huge investment with its multiplier effect has benefited Pakistan's economy tremendously. An indirect contribution is the creation of many employment opportunities during construction as well as operations phases, which has helped Pakistani economy survive even when extreme recessionary waves have destabilized the strongest economies of the world. The banking sector, which has been hit badly around the world, is thriving and benefiting from the IPP business in Pakistan. Other beneficiaries include the construction industry, which itself is a combination of different industries such as cement industry, steel industry, etc., The service industry (e.g. law firms, technical and environment related individuals and consulting firms) has also benefitted immeasurably. Skill development (and the resultant export of manpower and their remittances) and future prospects in the manufacturing sector are some other areas experiencing direct improvement due to IPP induction by PPIB. The IPPs have also contributed to social welfare in their respective areas in terms of establishment of schools, hospitals, community centres, clean drinking water facilities etc. IPPs have further participated in improvement of the environment through plantation of trees.

Support Extended

3.1 Support Extended to Provincial Governments and AJ&K

PPIB provides all possible support, e.g. technical-legal input to provincial governments whenever requested. PPIB coordinates closely with the Government of Sindh (GoS) in its efforts to develop and utilize Sindh's coal resources for power generation. Additionally, PPIB also provides assistance and advice to the provincial governments of Punjab and Khyber Pakhtunkhwa as well as to Azad Jammu & Kashmir for implementation of hydropower projects. This technical assistance extends to drafting and negotiations of the Project Agreements. From time to time, PPIB also proposes various options for the convenience of the lenders and project sponsors to ensure and guarantee project financing. For this reason, it has agreed to become Agent of the AJ&K Council to facilitate the development of hydropower resources (above 50 MW) located in Azad Jammu & Kashmir that have remained untapped for many years.

3.2 Support Extended to Alternative Energy Development Board

PPIB is also providing full support to the Alternative Energy Development Board (AEDB) in developing renewable energy based power projects. PPIB is represented on various Panel of Experts (POE) constituted by AEDB to monitor the conduct of Feasibility Studies (FS) for projects based on different renewable/alternate energy resources. PPIB has also supported AEDB in preparation of Wind Upfront Tariff, which is a cheap source of electricity production.

3.3 Support Extended to Thar Coal and Energy Development Board in Development of Coal Based Power Projects.

PPIB has been extending its full support for the establishment and development of the Thar Coal and Energy Development Board (TCEB) since its inception. PPIB prepared and provided the " Risk Profile Matrix" and "Risk Mitigation Measures for Thar Coal Projects " to the TCEB. PPIB has also provided full support in technical as well as policy matters to TCEB. Further, it has supported TCEB in the evaluation of various proposals especially Expression of Interests "EOIs" invited for bidding of Blocks IV, VIII, IX & X of Thar Coalfields. In addition to this, PPIB has suggested various coal pricing mechanisms for Thar coal based projects.

In the previous year, PPIB's prime focus remained on the development of Thar Coal-based power projects. Several meetings were conducted with the Thar Coal and Energy Board to deliberate upon the issues regarding setting up of power projects based on Thar Coal. In collaboration with TCEB, PPIB made extensive efforts for having Thar declared as a Special Economic Zone.

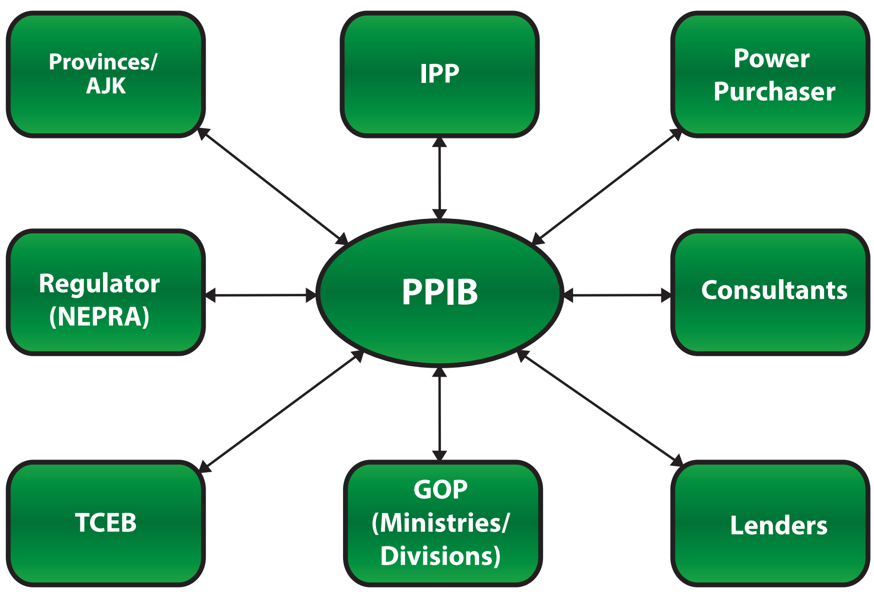
3.4 Support to Punjab Power Development Board

PPIB has extended its full support to the provincial governments on technical and policy matters for the development of coal-based power projects including assistance to the Punjab Power Development Board for development of projects documents and policy related issues.

3.5 Support to Power Purchaser

PPIB is also providing full support to the power purchaser in negotiating Power Purchase Agreements with new IPP Projects. Standard PPAs for various fuels / technologies have been devised with assistance from world-renowned consultants and in due consultation with the power purchaser and other stakeholders as well as with reference to experiences from implementation of previous power policies. These standard PPAs are used as base documents in negotiations between the power purchaser and the IPPs. Besides, PPIB provides a platform to discuss and settle issues related to PPAs considering provisions of the related Implementation Agreements. PPIB has always provided support and assistance in achieving amicable settlement of the contractual issues with a view to creating a win-win situation for all stakeholders.

Figure: PPIB – Professional Support to Stakeholders



3.6 Support to the Ministry of Water and Power

Policies Implemented / Achievements

4.1 1994 Power Policy

In March 1994, the Government of Pakistan announced “Policy Framework and Package of Incentives for Private Sector Power Generation Projects in Pakistan 1994” comprising a comprehensive package of incentives to attract foreign direct investment (FDI) in private power generation. PPIB was created and mandated for the implementation of the 1994 Power Policy to attract the private sector for investment in power generation. PPIB attracted many international investors of repute and succeeded in bringing in Foreign Direct Investment (FDI) worth US$ 5 Billion in only a few years. Summary of facilitation under the 1994 Power Policy is given below:

	No.	Gross Capacity (MW)
Applications Received	127	26,000
Letters of Interest Issued	82	19,662
Letters of Support Issued	34	9,062
Financial Close Achieved	19	3,454
Projects in Operation	14	3,021

The world-renowned players of the international arena came to Pakistan and participated in establishing power complexes in the country. These included AES, El-Paso, Wartsilla, GE, Midlands Electricity, Coastal Power, Tenaska and Hawkins of USA, National Power UK, Siemens Germany, ABB Switzerland, Mitsui Japan and TNB Malaysia. International funding agencies and recognized financial institutions like World Bank, IFC, US-Exim Bank, ABN Amro, EDC, Jexim Bank, ANZ, Tomen Japan, Bank of Tokyo and others keenly provided funding to projects, while export credits agencies also actively supported IPPs. Resultantly, 14 IPPs with a total generation capacity of around 3,000 MW were commissioned, and these are now providing power to the national grid. The following list includes these 14 IPPs:

Sr. No.	Name of Project	Capacity (MW)	Investment(M US$)	COD achieved on
1	Lalpir Power Co. Multan	362	344.00	Nov-97
2	Pak Gen Power Co. Multan	365	364.30	Feb-98
3	Altern Energy Ltd, Attock	29	9.16	Jun-01
4	Fauji Kabirwala Co., Multan	157	170.00	Oct-99
5	Gul Ahmed Energy Ltd., Karachi	136	138.00	Nov-96
6	Hub Power Project, Hub *	1292	1,608.10	Mar-97
7	Habibullah Coastal, Quetta	140	155.52	Sep-99
8	Japan Power Company, Lahore	120	123.24	Jan-00
9	KAPCO, Muzaffargarh **	1638	1583.00	Jun-96
10	Kohinoor Energy Ltd., Karachi	136	138.68	Jun-97
11	Rousch Power, Multan	412	540.32	Dec-99
12	Saba Power Company, Lahore	114	152.39	Dec-99
13	Southern Electric Co, Lahore	135	141.71	Jul-99
14	Tapal Energy Ltd., Karachi	126	129.70	Jun-97
15	TNB Liberty Power Ltd., Dharki	235	381.17	Jun-01
16	Uch Power Ltd., Uch	586	690.50	Oct-00
	Total (MW)	**5,983**	**6,669.80**	

** HUBCO with 1,292 MW capacity is a project which is considered the harbinger of policy 1994. It is not in the list of 14 IPPs commissioned under the policy as it was processed prior to it.*

** KAPCO was privatized from public sector.

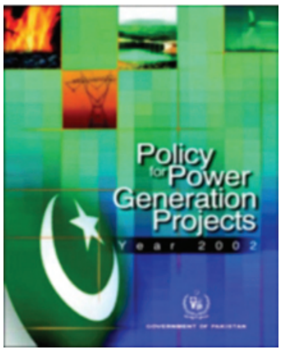
4.2 1995 Hydel Policy

The 1995 Hydel Policy was announced by the government to promote and encourage the private sector in hydel power generation. Summary of PPIB's facilitation under the 1995 Power Policy is shown below:

	No.	Gross Capacity (MW)
Letters of Interest	41	1,385
Letters of Support	13	444
Commissioned	1	84

In the Hydel Policy 1995, the issuance of LOIs and LOSs was the responsibility of the respective province, and afterwards, the project was to be handled by PPIB. This shared responsibility was one of the main causes of the failure of this policy.
Under the 1995 Hydel Policy, M/s Laraib Energy Limited achieved the honour of launching the first hydropower project of Pakistan and Azad Jammu & Kashmir (i.e. 84 MW New Bong Escape Hydropower Project) in the private sector. The project became commercially operational on 23rd March 2013. It is worth mentioning that the financial close of the project is great credit for PPIB, as it was achieved by securing investment through world renowned financial institutions such as ADB, IDB, IFC, Proparco as well as through local banks. The project provides a tested model for project financing through leading financial institutions in the private sector.

4.3 2002 Power Policy

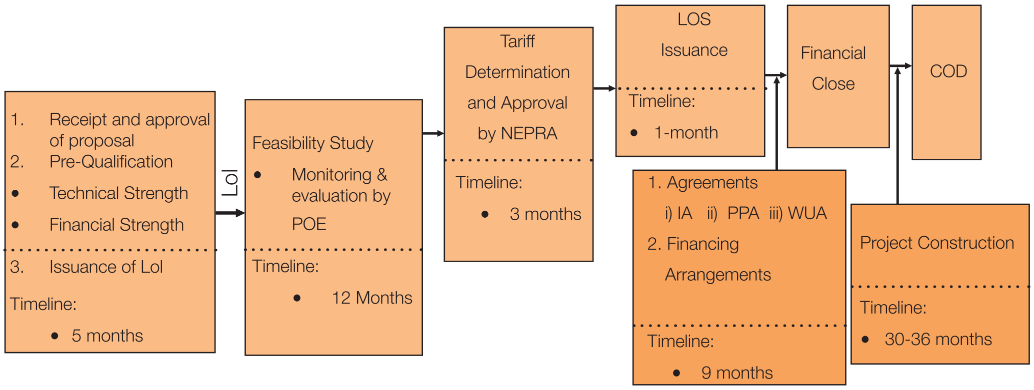


With a view to addressing future power requirements of the country, the GoP announced "Policy for Power Generation Projects 2002" (the "Power Policy 2002"), which has been improved lately with certain additions to make it more investor friendly. Due to attractive incentives / concessions offered by the GoP through the Power Policy of 2002, private investors have responded very positively. The process for processing of solicited proposals for raw site projects under the 2002 Power Policy is depicted in the following flowchart:

Summary of facilitation by PPIB under the Power Policy 2002 is given below:

	No.	Gross Capacity (MW)
Letters of Interest	33	9,998
No. of ICBs processed	04	4,000
Letters of Support	19	3,788
Financial Close Achieved	13	2,677
Projects in Operation	13	2,614
Projects Under Development	20	8,969

As a result, 13 IPPs of 2,614 MW power generation capacity have been commissioned so far having a FDI worth around US$ 3 Billion under the Power Policy 2002:

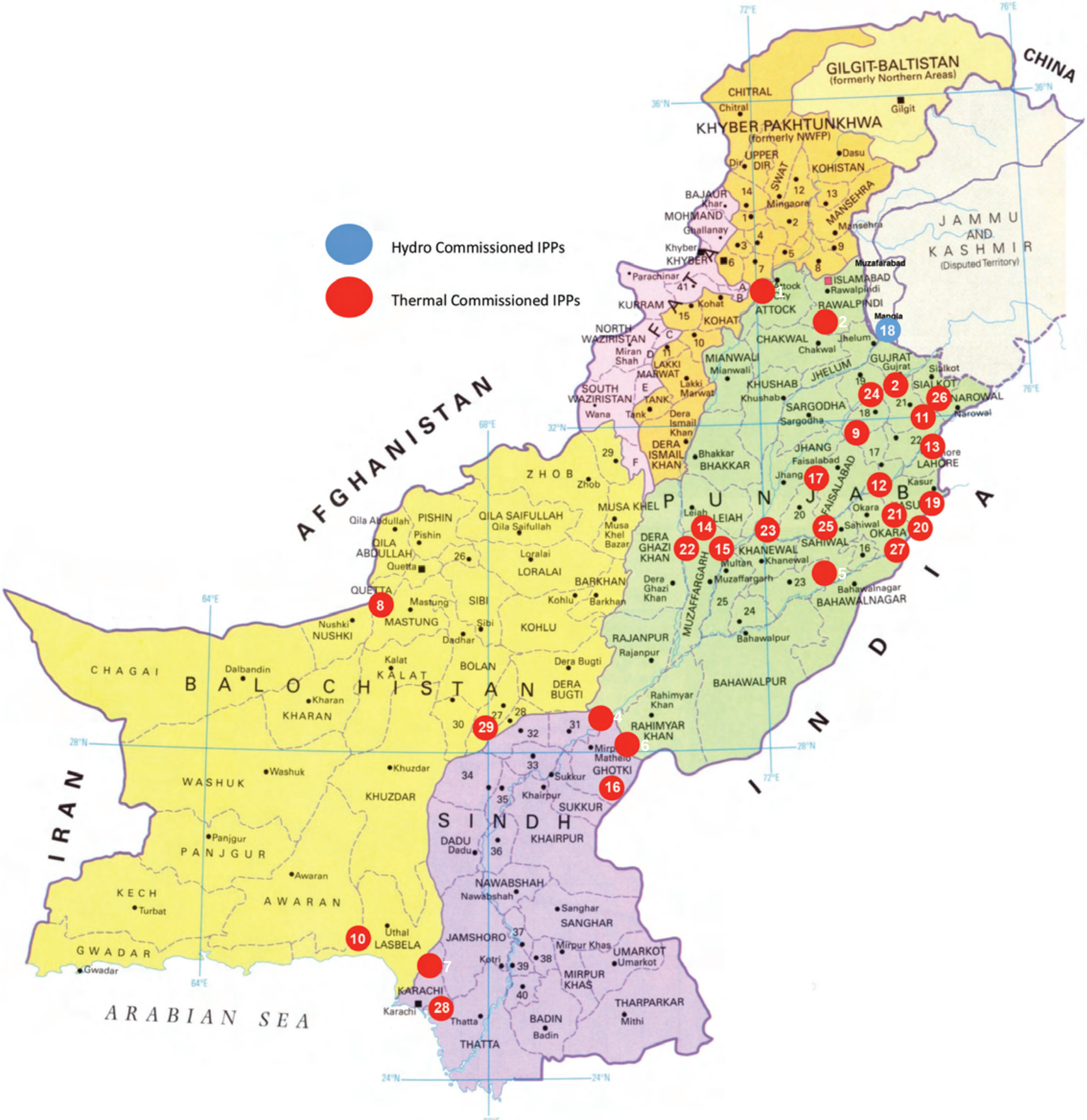


Sr. No.	Name of Project	Capacity (MW)	Investment (Million US$)	COD achieved on
1	AttockGen Power Project	165	176.62	17-Mar-09
2	Sheikhupura (Atlas) Power Project	225	227.00	18-Dec-09
3	Engro Power Project	227	188.54	27-Mar-10
4	Sahiwal (Saif) Power Project	229	246.87	30-Apr-10
5	Orient Power Project	229	190.17	24-May-10
6	Nishat Power Project	200	234.99	09-Jun-10
7	Nishat Chunian Power Project	200	237.41	21-Jul-10
8	Muridke (Sapphire) Power Project	225	244.88	05-Oct-10
9	Liberty Power Tech Project	200	241.06	13-Jan-11
10	HUBCO-Narowal Project	220	288.00	22-Apr-11
11	Fauji Daharki Power Project	185	217.00	16-May-11
12	Bhikki (Halmore) Power Project	225	261.00	25-Jun-11
13	New Bong Escape Hydropower Project	84	215.00	23-Mar-13
	Total (MW)	2,614	2,968.54	

4.4 Location Map of Commissioned IPPs

Commissioned IPPs

S#	Project Name	Capacity (MW)
1	Altern Energy Limited	28
2	Atlas Power Limited	225
3	Attock Gen Limited	265
4	Engro Energy Limited	227
5	Fauji Kabirwala Power Company	157
6	Foundation Power Company (Daharki) Limited	135
7	Gul Ahmed Energy Limited	136
8	Habibullah Coastal Power Company	140
9	Halmore Power Generation Company Limited	225
10	Hub Power Project	1292
11	Hub Power Project-Narowal	220
12	Japan Power Generation Pvt Limited	120
13	Kohinoor Energy Limited	136
14	Kot Addu Power Company Limited (KAPKO)*	1638
15	Lalpir Limited	362
16	Liberty Power Project	235
17	Liberty Power Tech	200
18	New Bong Escape Hydropower Project	84
19	Nishat Chunian Limited	200
20	Nishat Power Limited	200
21	Orient Power company Limited	229
22	Pak Gen Pvt Limited	365
23	Rousch Pakistan Power Limited	412
24	Saba Power Company Limited	114
25	Saif Power Limited	229
26	Sapphire Electric Company Limited	225
27	South Electric Power Company Limited	135
28	Tapal Energy Limited	126
29	UCH Power Limited	586
	Total	**8,597**


Hydro Commissioned IPPs
Thermal Commissioned IPPs
AFGHANISTAN
IRAN
INDIA
CHINA
ARABIAN SEA
GILGIT-BALTISTAN (formerly Northern Areas)
KHYBER PAKHTUNKHWA (formerly NWFP)
JAMMU AND KASHMIR (Disputed Territory)
PUNJAB
SINDH
BALOCHISTAN

ACTIVITIES 2011-12

5.1 Resolution of IPP Issues

PPIB made concerted efforts for the resolution of the issues of IPPs as per GoP policies so as to attract maximum investment in the power sector.

Fauji Kabirwala Power Company Limited, a 157 MW combined-cycle power plant located near Kabirwala in Punjab Province was commissioned under the 1994 Power Policy framework. The term of Power Purchase Agreement signed between WAPDA and the Company dated 12th March 1996 is for 30 years, whereas the term of Gas Supply Agreement executed between OGDCL and the Company dated 25th January 1996 is for 15 years. The GSA of the Company is based on providing the following blend of gas:

i. 64.27 MMCFD @ 330 BTU/SCF low Btu gas from OGDCL's Nandpur & Panjpir gas fields

ii. 13.3 MMCFD @ 900 BTU/SCF Pipeline quality gas from SNGPL system. However, OGDCL remained unable to supply the required quantity or the requisite quality of low BTU gas. Therefore, the quantity of pipeline quality gas was increased from 13.3.MMCFD to 18.8 MMCFD. Furthermore, on account of total depletion of the Panjpir gas field and further deterioration of calorific value of Nandpur gas field, PPIB took up this matter with the Ministry of Water & Power and with the ECC of the Cabinet. The ECC of the Cabinet allowed OGDCL to supply 20-25 MMCFD low BTU gas from Bahu gas fields to the FKPCL for the term of its existing GSA.

   Thus, PPIB was able to successfully resolve this longstanding issue between the IPP and the gas supplier.

– Habibullah Coastal Power Company Limited (HCPCL) is a 140 MW (Gross) gas-fired Independent Power Producer at Quetta, Baluchistan. HCPCL was developed under the protections provided by the Government of Pakistan through an Implementation Agreement executed on March 26, 1996 between the GoP and the Company under the 1994 Power Policy. PPIB facilitated EL Passo to sell down its beneficial ordinary share capital in the Habibullah Coastal Power Project to Asiapak Investment Limited, a Hong Kong based Company through its Investment Company Hermes Enterprises Limited.

– Hub Power Company Limited (HUBCO) was allowed to set up a 1292 MW (Gross) RFO based power plant at Tehsil Hub, district Lasbela, Balochistan prior to the 1994 power policy framework. HUBCO signed an Implementation Agreement with the Government of Pakistan, a Power Purchase Agreement with WAPDA and a

Fuel Supply Agreement with Pakistan State Oil. The project has been operating since March 31, 1997. PPIB facilitated the Company in the amicable settlement of a longstanding issue regarding withholding taxes with FBR.

– Lalpir Power Ltd and Pak Gen Power Ltd (formerly AES Lalpir Power Ltd and AES Pak Gen Power Ltd) are RFO-based oil fired Independent Power Producers with capacities of 362 MW (Gross) and 365 MW (Gross) installed respectively at Mahmood Kot and Muzaffargarh. Both the projects were commissioned under the Power Policy of 1994 and executed their Power Purchase Agreements with WAPDA on 3rd November 1994 and 5th September 1995 respectively. Lalpir Power Ltd and Pak Gen Power Ltd executed the Implementation Agreement with the Government of Pakistan on 24th September 1994. Pursuant to the PPAs, Power Purchaser (WAPDA) is obligated to maintain the 'WAPDA Letter of Credit' in favor of the Companies for a term of twelve (12) months covering Capacity Payments, Energy Payments and Supplemental Charges and providing a replacement Letter of Credit, not less than ten (10) days prior to the expiry of the immediately preceding Letter of Credit. However, the power purchaser was unable to establish a Letter of Credit in favor of the Companies 2009 onwards. The companies continually raised this issue with the power purchaser. After thorough discussions and deliberations, the matter was resolved with the decision that companies may be allowed to claim liquidated damages at a 2% higher rate on delayed payment invoices in lieu of the establishment of Letter of Credit by WAPDA, subject to the condition that it would not increase GoP liabilities.

– Rousch Pakistan Private Limited is a 450 MW combined-cycle power plant located near Abdul Hakeem Barrage, District Khanewal in Punjab Province. The Project operates on pipeline quality gas under the 1994 Power Policy framework. The present term of the Gas Supply Agreement executed between SNGPL and the company dated 01st July 2003 is for 12 years (i.e. till 30th June 2015). However, the term of Power Purchase Agreement signed between WAPDA and the Company dated 25th February 1995 is for 30 years (i.e. 10th December 2029). The company sent some gas turbine parts of the plant for necessary repair/refurbishment on export-cum-import basis to its contractor outside Pakistan in 2012. However, when these parts were returned after repair, the company faced problems as customs duties and other surcharges on re-import of the same were levied anew. Pursuant to the Implementation Agreement, the GoP had allowed certain exemptions of duties and taxes to the Company/Contractor over the term of the project on export-cum-import for the purpose of repair or refurbishment of machinery/equipment of the plant. PPIB facilitated the company in resolution of the issue.

– Saba Power Company Limited is a 135 MW (Gross) private project developed under the Power Policy 1994. The Government of Pakistan and Saba Power Company (Private) Limited entered into the Amended & Restated Implementation Agreement on March 31, 1996 for setting up a private power project at Farouqabad, Sheikhupura, Punjab. The company faced numerous issues with the power purchaser especially with regard to payment of its invoices. PPIB has taken up these issues with the power purchaser, the Ministry of Finance and other concerned departments.

– TNB Liberty Power Limited is a 235 MW (Gross) gas-based Independent Power Producer located at Daharki, Distt. Ghotki, Sindh. The project operates on OGDCL's Qadirpur gas supplied by SNGPL through a Gas Supply Agreement dated 1st September 2000, and sells power to WAPDA/NTDC pursuant to the Power Purchase Agreement inked on 26th November 1995. Pursuant to the GSA, the company pays for the gas to SNGPL based on 100% furnace oil, whereas the company was compensated by the power purchaser (pursuant to PPA) for the gas consumption on the basis of 67.5% of the basket of crude oils imported into Pakistan. Due to the mismatch, the company had to pay a higher gas price to SNGPL. PPIB has taken up the matter with the Ministry of Water & Power and Ministry of Petroleum and Natural Resource for removal of the Mismatch of Fuel Price Mechanism in PPA and GSA.

– Uch Power (Pvt.) Limited (UPL) is a 586 MW Low BTU gas based private power project located at Dera Murad Jamali, District Nasirabad Balochistan, After the incident of 15th January 2011 wherein four rockets were fired at the Complex, UPL invoked the IA provisions and requested GOP to provide additional security. PPIB amicably resolved the issue of the company by providing additional security through Frontier Corps in addition to levies provided by Government of Balochistan.

– Davis Energen Ltd. is a 10.5 MW project initiated under Policy 1994. Although the project achieved Financial Close in February 1996 but this could not materialize or one reason or the other and landed in litigation. In October 2006, the Ministry of Petroleum & Natural Resources (MoP&NR) allocated 2.5 MMCFD gas on a nine month basis upto November 2015, and a Settlement Agreement was executed between WAPDA and the company which paved the way for the revival of the project. The company achieved new financial close, completed construction activities and was ready for a Reliability Run Test in the November 2011. However, the gas was not supplied to the project by SNGPL owing to some disputes under the Gas supply Agreement. The matter was referred to PPIB, and it was amicably resolved between the parties inter-se through ECC decisions.

5.2 Pakistan-United States Energy Dialogue

The fourth round of Pakistan-United States Energy Dialogue was held in Islamabad on 14-15 September, 2011. The US delegation led by Special Envoy for International Energy Affairs Ambassador Carlos Pascual and comprising leading officials of USAID, OAPA and SRAP

carried out lengthy discussions with representatives of Pakistan's key Energy Sector stakeholders. PPIB actively participated in the successful conduct of the two-day dialogue seeking enhanced participation of US in the energy sector of the country.

The dialogue concluded with a reaffirmation from the US side of its commitment to help Pakistan in its endeavours to resolve the energy crises. US agreed to provide continued and enhanced support for the establishment of a commercially viable and sustainable power sector in Pakistan.

5.3 Overdue Receivables from WAPDA/PEPCO (Power Purchaser)

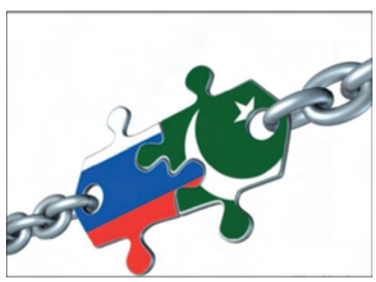
PPIB has played a vital role in resolving the issue of overdue payments to Private Power Projects from Power Purchaser in collaboration with the Finance Division so that an uninterrupted supply of electricity to National Grid can be maintained. PPIB has also played a crucial role in the resolution of a dispute in relation to delayed payments involving twelve IPPs with a cumulative capacity of 2,409MW.

5.4 Meeting of Pak-China Joint Energy Working Group (JEWG) (First Round)

The first meeting of the Pak-China JEWG was held in Beijing, China on 1-2 August 2011. The Pakistani delegation was headed by the then Federal Minister for Water & Power. In the meeting, various energy sector projects including 12 hydropower projects were discussed in order to enhance cooperation in the energy sector between the two countries and to meet Pakistan's future energy, water and power requirements.

Out of the 12 projects, six projects were of WAPDA, three were from the private sector and three projects were additions in which Chinese could invest or also work as contractors for civil, electrical, mechanical works. In the meeting, projects based on alternate energy and coal-fired projects were also discussed.

5.5 Joint Working Energy Group for Russia



The President of Islamic Republic of Pakistan visited Russia from 11-14 May 2011 and an MOU was signed between the Ministry of Petroleum & Natural Resources GOP and the Ministry of Energy of Russia in the field of Energy and other areas of cooperation. The First Meeting of Russia– Pakistan Joint Energy Working Group was held in Moscow from 10th to 11th August 2011 in which PPIB participated as a member of the Pakistani delegation headed by Secretary P&NR with representatives from MoW&P, WAPDA and NTDC.

5.6 Facilitation to Private Power Projects in relation to Tax issues with FBR and other Governmental Agencies

PPIB has also been assisting the IPPs to resolve matters related to taxation in accordance with the provisions of the GOP policy and Implementation Agreements signed between the IPPs and GOP/PPIB.

5.7 Outsourcing of Management, Operation, Maintenance and Rehabilitation of Public Sector Power Projects through Private Sector O&M Contractors


850 MW Thermal Power Station Jamshoro (GENCO)

Pakistan's Power Sector had been relying on GENCO Plants to a great extent. However, with the passage of time, gradual deterioration reduced their percentage contribution to national grid to around 10-12 percent. Reduction of capacity from 4,829 MW (installed capacity) to 3,580 MW (derated capacity) to 1,352 MW (peak sharing) resulted in low efficiency and high heat rate, which directly translated into wastage of money and of fuel resources. Similarly, power generation in the private sector was also beleaguered by major issues of depleting gas reserves and sky rocketing furnace oil prices. This resulted in a build up of circular debt running into billions of rupees, which in turn virtually stopped any new investment in the power sector.

In order to find a solution, PPIB carried out an in-depth analysis and accordingly prepared a concept paper that proposed conversion of thermal power plants to cheaper fuels to benefit from savings in fuel cost components. In its 88th meeting, the PPIB Board approved the concept.

5.8 Development of Two Raw Site Hydropower Projects in Chitral Valley

PPIB, on the recommendations of the Khyber Pakhtunkhwa Government, initiated the development of two raw site hydro projects through the private sector under the 2002 Power Policy, namely 80 MW Nekherdim Pauer and 58 MW Turtonas-Uzghor by PPIB.

5.9 Feasibility Study of Thermal Power Plant(s) based on Gas from Small Gas Fields

PPIB reviewed a draft Feasibility Study of Thermal Power Plant(s) based on Gas from Small Gas Fields of Pakistan and conveyed critical comments related to gas production forecast, technology, project cost, O&M costs and calculation of tariff etc. These comments were recognized by the consultant and accordingly incorporated in the final feasibility study approved by a panel of experts.
Consultant carried out a thorough exercise to work out the cost of each Gas Field on the basis of the heating contents of Gas Fields. This calculated cost of each gas field was used to sell this Feasibility Study to Private Companies/Provincial Governments.

5.10 548 MW Kaigah Hydropower Project

The project site is located in a remote and difficult area of Kandiah Valley in Khyber Pakhtunkhwa province. After a process of solicitation, the project was awarded to the sponsors who are now having a feasibility study conducted through an international consultant who is being monitored by PPIB's panel of experts.

ACTIVITIES 2012-13

6.1 First Hydroelectric Independent Power Project - Achievement of Commercial Operation Date

Pakistan's first private sector hydropower project, the 84 MW New Bong Escape hydropower project was inaugurated by the Prime Minister of Pakistan in June 2013. The project has majority shareholding of Hub Power Company and is located about seven kilometers downstream of Mangla Dam in AJ&K. It is providing reliable power to the national grid. Since the project is located in AJ&K, PPIB has made extensive efforts in the development of legal framework and project agreements to make the project bankable. The project has been financed by international lenders including ADB, IFC, Islamic Development Bank, Proparco as well as local banks. The development of this project has streamlined the process and documentation for the development of private sector hydropower projects in Pakistan / AJ&K.

6.2 Financial Close of 147 MW Patrind Hydropower Project

147 MW Patrind Hydropower Project is located at Kunhar River (a tributary of River Jhelum) near Muzaffarabad, AJ&K while the project area falls in the territories of Khyber Pakhtunkhwa and AJ&K. PPIB facilitated the stakeholders in resolving specific issues encountered due to the dual boundary including sharing of water use charges, land acquisition, and environmental approvals etc. The project achieved Financial Close on 20th December 2012 and construction activities/ works at site have been started. The Project is being developed by renowned sponsors/ investors K-Water, Korea and Daewoo Engineering & Construction Co., Korea, and it is being financed by ADB, IFC, IDB and Korean EXIM Bank.

6.3 Implementation of Lower Palas Valley & Lower Spat Gah Hydropower Projects in Public Private Partnership (PPP) Mode.

The Lower Palas Valley Hydropower project of 665 MW and Lower Spat Gah Hydropower project of 496 MW are located in Indus Valley, in District Kohistan, Khyber Pakhtunkhwa. The feasibility study of both projects was completed in the public sector by WAPDA in June 2010. WAPDA and Khyber Pakhtunkhwa Government decided to complete these projects in PPP Mode under the 2002 Power Policy through PPIB.

The Government of Khyber Pakhtunkhwa and WAPDA are equity partners from the public sector for both of the projects, whereas the Korean companies K-Water and KOMIPO are the private sector sponsors for Lower Palas Valley and Lower Spat Gah projects respectively.

6.4 Pakistan-US Energy Working Group Meeting

The fourth round of Pakistan-United States Energy Working Group Meeting was held in Islamabad on 7th December 2012. US delegation headed by Special Envoy for International Energy Affairs Ambassador Carlos Pascual had a day-long discussion with representatives of Pakistan's key Energy Sector stakeholders. Secretary of Water & Power and Secretary of Petroleum & Natural Resources led the Pakistani delegation.

The Energy Working Group meeting held thorough discussions to help address the challenges of commercializing and increasing the efficiency of Pakistan's power sector. The Group also talked about attracting private investment, Pakistan's economic growth and trade, issues like circular debt and priorities like Diamer Bhasha Dam.

At the conclusion of the meeting, the US side reaffirmed its continued commitment and support to the improvement of the distribution companies' performance, implementation of reforms in the power sector, and creation of an environment, which would enable the Government of Pakistan to achieve its top priority development project of Diamer Bhasha Dam. It was also announced that the United States government would fund an international consultancy to assist Pakistan in acquiring Liquefied Natural Gas.

6.5 Meeting of Pak-China JEWG (Second Round)

The second and final round of Pak-China JEWG was held in Islamabad on 7-8 May, 2012 in order to review the financial and other aspects of projects related to energy cooperation with the Federal Minister of Water and Power representing Pakistan. A high-level delegation of China attended the two-day meeting.
In the meeting, various projects of water and power initiated with the support of China were discussed in detail. These projects included a joint venture and technical and financial support in various projects of coal, water, power and thermal, nuclear energy and alternative energy, including 2,000 MW coal, 7,000 MW water and power and construction of transmission lines and other projects.

6.6 Invitation of Proposals for Development of 590 MW Raw site Mahl Hydropower Project

The Mahl Hydropower Project is located 4-5 KM upstream of the confluence of Mahl River with the Jhelum River on the boundary between AJ&K and Punjab. It is expected that the capacity will be around 590 MW.

The Government of Pakistan has entrusted PPIB with developing the Mahl Hydropower Project on Build Own Operate and Transfer (BOOT) basis through the private sector in consultation with Government of Punjab and of AJ&K. After gaining requisite consents by Governments of Punjab and AJ&K, PPIB advertised the project for development.

6.7 Improvement in the Guidelines for setting up of power projects under short-term capacity addition initiative

After approval from the Board, PPIB has been working to improve the guidelines so as to facilitate large coal-based power projects over the amendments to the parameters for setting up of private power projects.

6.8 120 MW Kandra Power Project based on Low Btu Gas from Kandra Gas Field

The project was conceived in order to utilize the Low BTU Kandra Gas, which has no other utilization. After approval of Feasibility Study, the project is facing problems due to unavailability of pipeline quality gas for comingling with low BTU gas and pricing mechanism for tight gas field. PPIB has been working to resolve the gas related issues and to finalize the Gas Supply Agreement.

6.9 Concept of Ultra Mega Power Parks Based on Local and Imported Coal

In order to meet future power requirements, PPIB proposed the concept of developing two mega power parks to cater for the future power and infrastructure requirements on a bigger canvas.

– Imported Coal-Based Power Park

The port infrastructure of the country is inadequate for importing vast quantities of coal required for large-scale power generation. Therefore, a dedicated jetty or a coal terminal would be required for bulk import of coal for the power projects. To reduce transportation cost and minimize the environmental hazards during coal transport, any imported coal-based project would thus be located as near the coast as possible keeping in view the other factors such as least cost power evacuation etc. A feasibility study conducted by WAPDA in 1991 for a 3,600 MW Imported Coal Project concluded that the area near Gadani ship breaking yard in Balochistan is suitable for mega size imported coal projects. There is ample land available at that location and the area has very low and sparse population density. The environmental impact of the imported coal project at this location would be minimal. Based on this feasibility study, an Ultra Mega Power Park having its own dedicated jetty has been proposed. The coal jetty would be constructed/operated by a special purpose company.

– Indigenous Coal-Based Power Park

In order to utilize indigenous coal resources, a local coal-based Power Park can be developed at Thar on the pattern of the imported coal mega power park.

NEW INITIATIVES

7.1 Upfront Tariffs for Multiple Fuel / Technology Based Power Projects

In order to minimize the procedural processes and to save time consumed in tariff approval/reviews as well as to facilitate investors in carrying out their own due diligence regarding financial viability/acceptability of the tariff, PPIB has worked out upfront tariff for projects based on various fuels/technologies in consultation with various stakeholders.

NEPRA had earlier approved Upfront Tariff (Approval & Procedure) Regulations 2011, and it is in the process of announcing upfront tariffs for different types of power projects based on specific technology, fuel, site/region with different financing options (local, foreign or mixed) etc.

As a case in point, NEPRA determined the Upfront Tariff for the power projects based on Imported/Local Coal (other than Thar Coal) on 6th June 2013. PPIB Board has already decided that PPIB may award LOI / LOS (as the case may be) in accordance with the:

i. Guidelines for Setting up of Private Power Projects under Short-Term Capacity Addition Initiative - August 2010, mutatis mutandis, to be further amended as recommended by PPIB Board in its 92nd meeting held on 14th February 2013 read with Rule 42 (c) (vi) of PPRA Rules 2004; read with

ii. NEPRA Upfront Tariff (Approval and Procedure) Regulations 2011; NEPRA Upfront Tariff for Coal based Projects on imported/local coal) Regulations, 2013 and any other regulation issued by NEPRA for adoption of Upfront Tariff.

   Considering the extended period required for the development of coal-fired power projects, these guidelines are being amended to the extent of increasing time for coal-based Power Projects to achieve Financial Closing within a maximum of 18 months from issuance of LOS and Commercial Operation Date within a maximum of 48 months of Financial Closing.

7.2 Simplified Framework for Fast Track Implementation of Hydropower Projects

The draft Hydel Framework for fast track implementation of hydropower projects was prepared by PPIB in consultation with the provinces/AJ&K and relevant stakeholders. PPIB Board in its 91st meeting approved the "Simplified Framework for Fast Track Development of Private Sector Hydropower Projects" for submission to the ECC. Ministry of Water & Power vide its letter dated 7th June 2012 circulated the same amongst the stakeholders for their comments before presenting the case for approval of the ECC.

7.3 Short Term Capacity Addition Initiative

In order to remove the deficit of around 5,000 MW, the ECC has approved the "Short Term Capacity Addition Initiative" under which technically and financially sound business parties are being invited for establishment of IPPs on BOO basis within the jurisdiction of NTDC. Under this initiative, the interested parties are free to offer one or multiple Projects of any capacity (above 50 MW) based on any technology and fuel in consultation with the power purchaser/PPIB.

7.4 Hydropower Projects in Public-Private Partnership Mode

The Feasibility Studies of two hydropower projects located in Kohistan Valley, Khyber Pakhtunkhwa namely 665 MW Lower Palas Valley Hydropower Project and 496 MW Lower Spat Gah Hydropower Project were completed by WAPDA in the public sector in 2010. In August 2010, WAPDA decided to implement these projects in Public Private Partnership (PPP) Mode. Accordingly, WAPDA invited Expression of Interest (EOI) in July 2011 for development of the Project in PPP Mode under the provisions of "Policy for Power Generation Projects 2002".

In response, proposals were received from the private sector firms and after due evaluation, Korean consortiums were qualified for these projects. Subsequently, these projects have been transferred to PPIB for further processing under the Policy for Power Policy 2002. As per updated status, WAPDA, Government of Khyber Pakhtunkhwa and each of the respective Korean Consortiums (public and private sponsors) signed an MOU on 24th December 2012. Subsequently, they will sign a Joint Development Agreement (JDA) respectively as per specified timelines in MOU (within one year). Thereafter, PPIB will continue to process these projects according to the provisions of the Power Policy of 2002.

7.5 Overall Planning of Pakistan Hydropower Development with the support of China Three Gorges International of China

The Funding Agency for this program is China Three Gorges International Corporation, China, and its counterpart agency in Pakistan is PPIB. Key Activities of the Cooperation Program include:

- Identification/strengthening of identified schemes, ranking/ prioritizing of the schemes and cascade studies of schemes of upper reach of Indus River, Neelum River and its tributaries, Gilgit River;
- Carrying out of operational pattern study of hydropower schemes located on rivers like Jhelum, Kunhar and Swat;
- Conducting of transmission line route and interconnection studies for schemes of Neelum River and Gilgit River.
- Assessment and planning of hydro-metrological monitoring stations for major rivers and their tributaries focusing on hydropower as well as water resource management needs.
- Training with regard to hydropower planning and development necessary for enhancing the professional capability of Pakistani professionals belonging to different departments.

7.6 Transmission Lines Policy to Encourage Private Sector

The upcoming coal-based power projects are located in the southern part of the country while major hydel stations are planned in northern mountainous areas, necessitating the setting up of an extensive network of 765, 500 & 220 KV transmission lines. The establishment of grid stations projects to be developed for interconnecting these projects with the national grid system and delivering power to load centres would also be necessary. Realization of public sector generation projects and expansion of transmission system to deliver electricity to consumers requires enormous funds which cannot be generated from the public sector as government prioritizes the social sectors, such as health, education, water & sanitation, etc. It is therefore imperative that the private sector finances be mobilized for transmission system expansion projects.

7.7 Conversion of Existing Independent Power Producers to Cheaper Fuels

The phenomenon of load-shedding was first experienced by the nation in the early 1980s, and since then the country has been facing acute power shortages from time to time. The electricity demand in Pakistan was progressively increasing at that time at an estimated rate of 7-8 precent, but the required capacity additions in the national grid could not be matched to demand. This situation called for immediate intervention by the Government of Pakistan through adoption of policy measures aimed at massive resource mobilization for investment in the power/energy sector, which also stimulated the creation of PPIB. Realizing the fact that the public sector alone would not be able to provide such massive investments for building the required infrastructure, private sector Independent Power Producers (IPPs) were invited to invest in the power sector of Pakistan.

Since its inception in 1994, PPIB has managed to attract an investment of around US$ 8 Billion in the power sector of Pakistan from leading international/domestic investors and lenders. As of today, PPIB has successfully inducted 29 IPPs (utilizing gas, RFO, HSD as fuel) with a cumulative power generation capacity of 8,657 MW, which constitutes above 40% of total installed capacity of the country.

The last decade has witnessed exorbitant increase in the prices of furnace oil and gas, which are the primary fuels of almost all IPPs operating in Pakistan. In this bleak situation, PPIB has proactively analyzed various options to counter the impact of skyrocketing price of furnace oil and depleting gas reserves. PPIB has formulated a 'Concept Paper' exploring the possibilities of converting existing Independent Power Producers (IPPs) to cheaper fuels like coal.

After a series of meetings and brainstorming sessions with all key stakeholders in the Ministry of Water and Power, PPIB was tasked with formulating guidelines for interested IPPs to approach NEPRA instead of the former being subjected to a blanket policy regime. Accordingly on 31st May 2012, PPIB submitted 'Draft Guidelines' based on NEPRA's suggested mechanism to the Ministry of Water and Power for circulation amongst the stakeholders before issuance to IPPs interested in converting their plants to cheaper fuels. Details of these are given below:


229 MW Saif Power Project - Commissioned in April 2010

- New capital injection by IPPs for conversion to cheaper fuel would be adjusted through (i) additional Non-Escalable Component, (ii) additional Escalable Component based on incentive based ROE (20 % in case of local coal);
- Adjustment of existing fuel cost component based on:
  - New Heat rate;
  - New Fuel Cost;
  - Calorific Value of new Fuel, and
  - Any other factor dictated by the introduction of new technology/ change of technology/fuel
- Adjustment of existing O&M Components;
- Adjustment of Dependable Capacity without any adverse impact on debt servicing & return on equity for previous investments;
- Based on the aforesaid, all commissioned IPPs that are in operation and intend to convert their plants to cheaper fuels shall submit a petition to NEPRA as per NEPRA requirements, rules and standards;
- The petition submitted by interested IPPs to NEPRA shall cover at least the following aspects:
  - Report covering and justifying viability of all technical changes and their probable impact on heat rate, availability, outage periods, output and life of their existing plant;
  - Report on long term availability of selected cheaper fuel without any guarantee of Government of Pakistan or PPIB or Power Purchaser;
  - Tariff projections over the life of the project based on technical, commercial, environment and legal exigencies;
  - Amendments sought in tariff alongwith necessary justifications.
  - Based on the amended tariff (and its assumptions) by NEPRA, necessary amendments shall be made in security documents.


229MW Orient Power Project
Commissioned in May 2010

  - Draft Guidelines were sent to the Ministry of Water and Power for processing.

MISCELLANEOUS ACTIVITIES

8.1 Projects Financing and Working Capital Borrowing

– Second Hydropower IPP, 147 MW Patrind Hydropower Project, achieved its Financial Close in the year 2012-2013. PPIB proactively reviewed the Financing Term Sheet submitted by the Company and issued the No Objection Certifcate. Further, the Financing Documents were reviewed and acknowledgement to the Financial Closing was provided as per the Project Documents.

Total Project Cost	USD 362.39 million
Debt/Equity	75:25
Total Debt	USD 271.79 million
Total Equity	USD 90.6 million
Lenders	• Asian Development Bank • Islamic Development Bank • International Finance Corporation • Korea EXIM

200 MW Nishat Chunian Power Project - Commissioned in July 2010

– PPIB has been facilitating IPPs to remain operational during the crises of Circular Debt in the larger interest of the Country by providing the IPPs with timely No Objection Certificates to avail working capital facilities from Banks and Financial Institutions. This has been done whilst ensuring that the interest of GOP under the project agreements was safeguarded.

– The deteriorating circular debt position multiplied the overdue receivables of the IPPs from the power purchaser and led to the excessive reliance of the IPPs on working capital bank loans, which for some projects reached the

225 MW Sapphire Power Project Commissioned in October 2010

maximum allowed limit. Presently, most IPPs have multiple working capital lines, numerous lenders, overlapped terms and crossover/commingled securities. Managing and monitoring the working capital lenders, securities and terms and conditions of their working capital facilities was proving cumbersome. Accordingly, PPIB drafted and finalized in consultation with the legal counsel of leading working capital lenders a Working Capital Direct Agreement (WCDA) to be executed with the IPPs and their working capital lenders, on the pattern of the DIA. The WCDA is a legally binding agreement governing the enforceable rights and obligations of the GoP and working capital lenders. However, outside the scope of the IA, WCDA ensures that the primary security of working capital lender will be first charge, lien and assignment on current assets of the Project, and that the ranking and subordinate charge on the Project Assets will be released, vacated and extinguished, irrespective of amounts outstanding due or payable by the Company under working capital facility documents. Further, WCDA would also ensure that there is no increase in GoP obligations, if or when required, to acquire the Complex under the IA. Salient features of WCDA are:

- Working Capital Lenders shall not have any claims, benefits or rights under the IA;
- Primary and first security of Working Capital Lenders will be charges, liens and assignments on the currents assets of the project which are not permitted to be secured on the Complex;
- Ranking and subordinate marginal security on the Complex is released, vacated and extinguished at the time of the transfer of the Complex, irrespective of any outstanding amounts due from and payable by the Project Company under the Working Capital Facilities;
- In the event of financing default by the Project Company under or upon expiry of the Working Capital Facility, Working Capital Lenders shall not have any enforcement rights over the Transferable Assets to the GoP under the IA.

– PPIB participated in various hearings conducted by NEPRA and provided its input and professional comments. The tariff hearing in respect of the following projects was attended:

- Orient Power Ltd;
- Saif Power Ltd;
- Chakothi Hattian Hydropower Ltd;
- Azad Pattan Hydropower Ltd;
- Meeting on the progress of Thar Coal;
- Upfront Tariff for 50MW Local Coal Power Projects proposed by PPDB
- Upfront Tariff for Small Hydropower Projects.

– PPIB reviewed and finalized pre-qualification documents of Mahl Hydro Power Project.

– Further, the PPIB is consistently analyzing financial performance of the IPPs based on the documents submitted by the IPPs under the Implementation Agreement.

– Amendment to the 2002 Power Policy: In its 81st meeting, the Board of PPIB constituted a committee (the "Committee"), under the chairmanship of Secretary Water & Power to review amendments proposed for improvements in the 2002 Policy. The recommendations of the Committee were presented to the Board of PPIB in its 88th meeting wherein the Board directed that the comments/views of Investors and Lenders should also be obtained. Accordingly, the recommendations were circulated to the Investors/Lenders for their views. In its 90th Meeting, the Board of PPIB provided its approval after deliberations on the recommendations while taking into consideration the point of view of investors/lenders, provinces and other stakeholders. As advised by the Board, a Summary for the CCI containing the recommendations approved by the PPIB Board was submitted to the Ministry of Water & Power for consideration.

200 MW Liberty Power Tech Project Commissioned in January 2011

8.2 Corporate Status

Private Power and Infrastructure Board Act 2012 (the "PPIB Act 2012"): Since its inception in 1994, PPIB had been working on the basis of a notification issued by the GoP. In light of the greatly expanded role of PPIB, it was felt that PPIB should be re-established under a new statute, reiterating its existing functions and elaborating upon its new role. With the continuous efforts of PPIB Management, PPIB Act

2012 (Act No. VI of 2012) was passed by the Parliament and received assent of the President of Pakistan on 2nd March 2012 after undergoing a number of approvals as follows:

Chronology of Approvals


The Gazette of Pakistan

EXTRAORDINARY
PUBLISHED BY AUTHORITY

PART I

NATIONAL ASSEMBLY SECRETARIAT

- Cabinet approved Private Power and Infrastructure Board Bill 2010 on 30.06.2010.
- PPIB Bill 2010 introduced in the National Assembly. National Assembly forwarded the Bill to NA Standing Committee on Water & Power for its recommendations leading to approval by the National Assembly on 4 October, 2010.
- NA Standing Committee deliberated the contents of the PPIB Bill in its meetings held on 18th and 28th March 2011 and approved the PPIB Bill with certain amendments.
- NA Standing Committee on Water and Power recommended submission of duly amended PPIB Bill to the Council of the Common Interests (CCI) for consideration and approval.
- CCI in its meeting dated 28 April, 2011 approved PPIB Bill 2010.
- National Assembly passed PPIB Bill 2010 on 14th October, 2011 during its 35th Session and transmitted it to the Senate on 18th October, 2011.
- Senate Standing Committee on Water and Power deliberated the contents of PPIB Bill 2010 and unanimously approved the Bill and recommended that the Bill “As passed by the National Assembly” may be passed by the Senate.
- Senate passed PPIB Bill 2010 on 31st January, 2012 during its 77th Session with certain amendments.
- PPIB Bill passed by the National Assembly on 8th February 2012, as amended/recommended by the Senate.
- PPIB Act 2012 (Act No. VI of 2012) was passed by the Parliament and received assent of the President of Pakistan on 2nd March 2012.
- PPIB Act 2012 published in Gazette of Pakistan on 6th March, 2012

8.3 PPIB Office Building

Since its inception, PPIB has been functioning in a rented building at its present location, i.e. 50-Nazimuddin Road, F-7/4, Islamabad. It was felt that PPIB should have its own building due to various reasons including inadequacy of space to cater for the present and future requirements, etc. Accordingly, PPIB has obtained a plot of 3333.33 sq.yards in G-11/1 Mauve Area, Islamabad from CDA for construction of PPIB main office building.

NESPAK was engaged as a consultant after due process of bidding as per PPRA guidelines/ rules. The Board of PPIB in its 87th meeting held on 14th April, 2011 approved the appointment of NESPAK as a consultant for Design and Overall Supervision of Construction of PPIB Office Building and authorized PPIB to carry out the required actions in order to move forward with the design and construction of PPIB Office Building. The Board in its 91st meeting held on 29th February, 2012 approved the conceptual design of the building. Currently, PPIB is in the process of obtaining financing for construction of the building through PSDP.

8.4 Human Resource Development

- Private Power & Infrastructure Board Regulations 2013: PPIB was incorporated in August 1994. Earlier PPIB service was governed by notifications and office orders issued from time to time. Thereafter, a Service Manual of PPIB was developed in 2004 in which terms and conditions of service of PPIB employees were described. The Manual has now been updated and improved as "Private Power & Infrastructure Board Regulations 2013" in which a number of schemes have been introduced for the benefits of the employees such as Provident Fund, loans & advances, succession planning, Haj Leave, etc.
- Capacity Building: Capacity building of PPIB employees is the top priority of PPIB. A comprehensive annual plan is prepared every year for capacity building and enhancement of employees' professional knowhow to meet future challenges and to acquire diversified skills to meet international standards. Some renowned local institutes where PPIB employees have been sent for trainings include Lahore University of Management Sciences (LUMS), Institute of Business Administration (IBA), Pakistan Institute of Management (PIM) and Skill Development Council (SDC).
- HR Policies: After the approval of PPIB Regulations 2013 in March 2013, a number of policies have been introduced which include Travel Policy, Hospitalization Policy, Promotion Policy, Policy for Overtime and Work on Holiday, etc.
- Health, Safety and Office Security: PPIB is fully conscious of the importance of employees' health, safety and security. In view of the security situation prevailing in the country, a CCTV system has been installed at PPIB premises along with cameras installed throughout the building to enhance office security.

8.5 Information Technology

Information Technology is one of the major catalysts in any organization for achieving organizational goals. PPIB has state of the art IT Hardware/Software to meet the current market challenges.

- In-House Software Development: Customized software has also been developed in-house. Summarized information from dynamic database is available on the desktops of management for decisionmaking. The main software includes:

• Decision Support System (DSS) – This system integrates all available structured information in PPIB's database on one screen. The summarized information available on DSS is related to power projects, finance &

accounting, human resources etc. The main purpose of this provision of the right information to the right person at the right time.

- Accounting and Financial Management System – Double entry accounting and Payroll System has been developed in Oracle database as per requirement of PPIB. This software has been used for the past eight (8) years, and this has also been replicated for PPIB's Gratuity system handling.
- Personnel and HR System – The system handles all HR functions starting from recruitment and maintains all basic information of PPIB's employees, employee training data, employee' medical data, employee promotion data, leaves and attendance, PERs and other important information.
- Project Registration / Project's Brief – This system captures the information of power projects and their sponsors/investors encompassing all milestones from registration to commissioning.
- File Management System – This software keeps track of incoming and outgoing letters as well as files.
- ECC Decisions Database – This system stores and searches the ECC decisions related to PPIB and also saves scanned softcopy which is available to PPIB Management through DSS.
- Board Minutes Database – This system contains data of all PPIB board minutes, which are available through DSS. Users can search required decisions at a click.

– PPIB Website: In order to communicate with national/ international investors, the public information regarding PPIB and power projects is available on PPIB's website www.ppib.gov.pk.

– The information has been categorized into Oil/Gas, Hydel and Coal/Cogen Technology. Current as well as previous power policies and guidelines are also readily downloadable from website. The E-Library Link on website provides extensive downloadable information for investors, researchers and students. The website is updated on a regular basis.

– Network and Communications: All employees at PPIB are connected to a high speed Gigabit LAN and can communicate 24x7 with each other via network or centralized email system (Microsoft Exchange Server 2010). PPIB has a Fiber-to-the-User (FTTU) internet connection for fast communication.

8.6 In-house Legal Capacity

Earlier, Private Power and Infrastructure Board used to outsource most of its legal work including drafting of standardised documents and opinions on complex issues to local and foreign consultants. However, over a period, it has developed a team of professionals with a diverse range of legal expertise. This has not only resulted in substantial savings in the legal consultant fees but PPIB has also enabled the latter to provide legal assistance and guidance in intrinsic issues to some Government organizations upon request. Presently, all legal matters of PPIB including drafting of various documents, negotiations for execution of the security package agreements, review of various agreements and opinion on such agreements, matters relating to litigation and arbitration and review of Power Policies are being dealt by its in-house legal team. This has contributed to improved performance in a majority of the tasks.

In the earlier years of its establishment, the draft security package documents including Implementation Agreement, Power Purchase Agreement, Fuel Supply Agreement were drafted by the international consultant engaged by PPIB for the purpose. However since 2007, PPIB has been successful in drafting all the security package documents utilising its in-house resources. More specifically, standardised documents in relation to hydel power projects, coal power projects and power projects based on co-generation have been drafted in-house. In addition, Pre-Qualification Documents, Request for Proposals for International Competitive Biddings, Bank Guarantees, Letters of Interest, Letters of Support, Memoranda of Understanding and other miscellaneous legal documents required from time to time are also drafted in-house. Other legal documents being drafted in-house include Petitions, Written Statements, Para wise Comments, Appeals and other documents required by courts of law.

PPIB since its establishment has successfully negotiated project agreements with 14 IPPs under the 1994 Power Policy with a cumulative gross capacity of 3048 MW. Negotiations with 12 commissioned IPPs possessing a cumulative gross capacity of 2,530 MW under the 2002 Power Policy have also been concluded. Negotiations with Pakistan's first hydel project in private sector i.e. New Bong hydropower project followed by Patrind hydropower project have also been finalized successfully, whereas negotiations with other two hydel projects in the private sector are under process.

PPIB does not refer complex legal issues to external legal counsels for review and opinions under the contractual instruments and legal remedies available thereto. Legal issues arising out of the following are fully handled by the in-house legal team:

- Power Policies
- Regulatory framework
- Project related matters in relation to Pre-Qualification Documents
- Evaluation of bidding documents and proposals
- Bank Guarantees
- Letter of Interest
- Letter of Support
- Implementation Agreement
- Power Purchase Agreement

- Fuel Supply Agreement
- Water Use Agreement
- Land Lease Agreement
- Financial Closing
- Term Sheets
- Common Terms Agreements
- Project Fund Agreements
- Commercial Facility Agreements
- Import Facility Agreements
- Term Finance Facility Agreements
- Inter-creditor Agreements
- *Murabaha, Ijara and Musharaka* Finance Facility Agreements
- Direct lenders agreements in connection with the assignments
- Innovations and other securitizations for financing and re-financing of the projects

Some litigation cases have been filed against PPIB in various courts of law, and PPIB engages prominent lawyers having prominent expertise in the power sector as well as in commercial and constitutional law. Notwithstanding this, success would not be possible without the input and support of the in-house legal team, which provides its fullest support to the external lawyers in drafting or vetting petitions, written statements, appeals, reviews, miscellaneous applications and reports for the courts of law. The team also provides assistance to external counsels in preparation of arguments and representations before the courts of law in litigation cases by or against GoP/PPIB. PPIB also strategizes litigation cases based on value, subject matter, complexity and monitors and follows up the litigation cases and tasks assigned to external counsels. The litigation cases against PPIB mostly relate to termination of Letter of Support/ project agreements and encashment of performance guarantees and the legal issues involved in these litigations include contractual obligations, constitutional jurisdiction, estopel and double jeopardy in addition to factual controversies. Besides, the major litigation cases involving PPIB have included Suo-moto action by Supreme Court over the Rental Power Projects, and a famous case of Sabah Shipyard (Pakistan) Limited which was decided successfully in favour of the GoP/PPIB in international arbitration at London. Amongst others, the cases so far decided by the Supreme Court of Pakistan relate to the projects of the 1994 Power Policy viz. Wak-Orient Power Project and Rupali Polyester Case. The Constitutional Petition filed by the Government of Khyber Pakhtunkhwa (then NWFP) in relation to Suki Kinari Hydro power project was a prominent case, which was subsequently withdrawn. Whereas, TNB Liberty Power phase –II case has been decided by Islamabad High Court. The cases of Gujranwala Energy Limited, Star Power Generation Company Limited, Spencer Power Company, Eastern Power, Munda Hydropower Limited, Amzo LLC, Orient Power Company, Multan Power Limited, Star Energy Ventures, Security Electric and Tri Star Energy are pending before various courts of law.

PPIB has also provided legal support to other organizations and provincial governments as well as the Government of AJ&K. This includes finalization of Power Policies by PPIB, Renewable Energy Policy 2006 by AEDB, Guidelines for determination of Tariff for hydropower projects under 2002 policy, Guidelines for sugar mills for co-generation from Bagasse, Guidelines for setting up Private Power Projects under short term capacity addition initiative, Assistance to Government of Sindh for development of Thar Coal, Assistance to Ministry of Water & Power, Assistance to AEDB, *Assistance to BOI for BIT's, acting as Agent of AJ&K Council, Assistance to Governments of Punjab & KP, Assistance in connection with establishment of Gadani Power Park & CASA1000.

FUTURE PLANS

9.1 Portfolio of Projects

Under the 2002 Power Policy, PPIB, is currently processing (20) projects of around 9,000 MW at different locations of the country which are based on various fuel technologies i.e. hydro, coal, oil & gas, some of which are at advanced stages of processing/ development. Details are given below:

Sr. No.	Project	Sponsors/ Company Name	Location	Fuel	Gross Capacity (MW)
Year 2014					
1	UCH-II Power Project	Uch-II Power (Pvt.) Ltd.	Dera Murad Jamali, Balochistan	Gas	404
		Sub Total (2014)			404
Year 2015					
2	Grange Holdings Power Project	Grange Power Limited	Arifwala, Punjab	Oil	163
		Sub Total (2015)			163
Year 2016					
3	Star Power Project	Star Power Generation Limited	Daharki, Sindh	Gas	134
		Sub Total (2016)			134
Year 2017					
4	Patrind Hydropower Project	Star Hydropower Limited	Kunhar River, Khyber Pakhtunkhwa/AJ&K	Hydel	147
5	Gulpur Hydropower Project	Mira Power Limited	Poonch River/Gulpur, AJ&K	Hydel	100
		Sub Total (2017)			247
Year 2018					
6	Kotli Hydropower Project	Mira Pakistan Ltd.	Poonch River/Kotli, AJ&K	Hydel	100
7	Sehra Hydropower Project	Farab Energy & Water Project, Iran	Poonch River, AJ&K	Hydel	130
		Sub Total (2018)			230
Year 2020					
8	Suki Kinari Hydropower Project	S. K. Hydro	Kunhar River/Mansehra, Khyber Pakhtunkhwa	Hydel	840
9	Karot Hydropower Project	Karot Hydropower Project	Jehlum River, Distt. Rawalpindi, Punjab	Hydel	720
10	Azad Pattan Hydropower Project	Alamgir Power (Pvt.) Ltd.	Jehlum River/Sudhnoti, AJ&K	Hydel	640

11	Chakothi-Hattian Hydropower Project	Chakothi-Hattian Hydropower Project	Muzaffarabad, AJ&K	Hydel	500
12	Kohala Hydropower Project	China International Water & Electric Company	Jehlum River/Kohala, AJ&K	Hydel	1,100
		Sub Total (2020)			**3,800**
Project at Feasibility Study Stage					
13	Kaigah Hydropower Project	Telecom Valley (Pvt) Ltd.	Kaigah/Indus River, Khyber Pakhtunkhwa	Hydel	548
Sub Total (Project at Feasibility Study Stage)					**548**
Other Projects in Process					
14	Sindh Engro Thar Coal Power Project	Government of Sindh and Engro Corporation	Thar Block-II, Sindh	Coal	1,200
15	Kandra Power Project	Kandra Power Company Limited	Near Sukkur, Sindh	Gas	120
16	Lower Palas Valley Hydropower Project	SHYDO, WAPDA, K-Water and Daewoo of Korea	Kohistan Valley, Khyber Pakhtunkhwa	Hydel	665
17	Lower Spat Gah Hydropower Project	SHYDO, WAPDA, Komipo and Pasco of Korea	Kohistan Valley, Khyber Pakhtunkhwa	Hydel	496
18	Madian Hydropower Project	Cherat Cement Co. Ltd.	Swat River, Khyber Pakhtunkhwa	Hydel	157
19	Asrit-Kedam Hydropower Project	Yunus Brothers Group	Near Kalam/Swat River, Khyber Pakhtunkhwa	Hydel	215
20	Mahl Hydropower Project	-	Jhelum River, AJK/ Punjab	Hydel	590
Sub Total (Other Projects in Process)					**3,443**
GRAND TOTAL					**8,969**

9.2 Important Events of Projects upto Year 2020

The important events of upcoming projects i.e. Commercial Operation Date (COD), Financial Closing (FC), Letter of Support (LOS) and Letter of Interest (LOI) ranging from year 2013 to year 2020 are expected to occur as per the following table:

Year/ Name of Project	COD	FC	LOS	LOI	Total
2013					
Karot Hydropower Project			720		720
Azad Pattan Hydropower Project			640		640
Chakothi-Hattian Hydropower Project			500		500
Mahl Hydropower Project				590	590
Sindh Engro Thar Coal Power Project				600	600
2014					
UCH-II Power Project	404				404
Gulpur Hydropower Project		100			100
Suki Kinari Hydropower Project		840			840
Kohala Hydropower Project			1,100		1,100
Kaigah Hydropower Project			548		548
Sehra Hydropower Project			130		130
Sindh Engro Thar Coal Power Project			600		600
Lower Spat Gah Hydropower Project				496	496
Lower Palas Valley Hydropower Project				665	665
Turtonas Uzghor Hydropower Project				58	58
Nekhcherdim Paur Hydropower Project				80	80
2015					
Sindh Engro Thar Coal Power Project		600			600
Lower Spat Gah Hydropower Project			496		496
Lower Palas Valley Hydropower Project			665		665
2016					
Sehra Hydropower Project		130			130
Karot Hydropower Project		720			720
Azad Pattan Hydropower Project		640			640
Chakothi-Hattian Hydropower Project		500			500
Kohala Hydropower Project		1,100			1,100
Mahl Hydropower Project			590		590
Turtonas Uzghor Hydropower Project			58		58
Nekhcherdim Paur Hydropower Project			80		80

2017					
Patrind Hydropower Project	147				147
Gulpur Hydropower Project	100				100
Sindh Engro Thar Coal Power Project	600				600
Kaigah Hydropower Project		548			548
2018					
Lower Spat Gah Hydropower Project		496			496
Lower Palas Valley Hydropower Project		665			665
2019					
Mahl Hydropower Project		500			500
Turtonas Uzghor Hydropower Project		58			58
Nekhcherdim Paur Hydropower Project		80			80
2020					
Suki Kinari Hydropower Project	840				840
Sehra Hydropower Project	130				130
Karot Hydropower Project	720				720
Azad Pattan Hydropower Project	640				640
Chakothi-Hattian Hydropower Project	500				500
Kohala Hydropower Project	1100				1100

9.3 Key Upcoming Projects under process by PPIB

Following is the list of key upcoming projects under process by PPIB:

Projects	Location	Capacity (MW)	Expected COD
• Uch-II Power (Pvt) Ltd.	Dera Murad Jamali, Balochistan	404	Apr-14
• Patrind (Star Hydro)	Kunhar River KP/AJK	147	Apr-17
• Gulpur Hydropower Project	Poonch River, AJ&K	100	Dec-17
• Karot Hydropower Proj.	Jhelum River Punjab	720	Jun-20
• Suki Kinari (SK Hydro)	Kunhar River KP	840	Jun-20
• Kohala Hydropower	Jhelum River AJK	1100	Dec-20

AUDITED STATEMENT OF INCOME AND EXPENDITURE, BALANCE SHEET 2011-12 & 2012-13

10.1 Audited Statement of Income and Expenditure, Balance Sheet of PPIB for the year 2011-12 & year 2012-13

Since its constitution in 1994, it has been the standard practice and policy of PPIB to have external audit of PPIB annual accounts conducted by top chartered accountants firms and to change external auditors after every three years. For selection of auditors, PPIB selects a chartered accountancy firm of "A" category from the State Bank of Pakistan's panel of auditors eligible for carrying out external audit of Banks.

Due to change in PPIB legal status after enactment of its Act, two separate audited accounts for Financial Year 2011-12 were prepared i.e. from 1st July, 2011 to 1st March, 2012 (Appendix-III) and 2nd March, 2012 to 30th June, 2012 (Appendix-IV). The audited accounts for the period 2012-13 are placed at Appendix-V. All these accounts were audited by one of the top independent firms M/S A.F. Ferguson & Co., Chartered Accountants. The Auditors have issued unqualified Audit Reports on all of the audited accounts.

APPENDICES

Appendix-I

REGISTERED No. M - 302 / L.-7646

The Gazette of Pakistan

EXTRAORDINARY
PUBLISHED BY AUTHORITY

ISLAMABAD, TUESDAY, MARCH 6, 2012

PART I

Acts, Ordinances, President's Orders and Regulations

NATIONAL ASSEMBLY SECRETARIAT

Islamabad, the 6th March, 2012

No. F. 22(60)/2010-Legis.—This Act of Majlis-e-Shoora (Parliament) received the assent of the President on the 2nd March, 2012, and is hereby published for general information:—

ACT No. VI OF 2012

An Act to provide for establishment of the Private Power and infrastructure Board

WHEREAS it is expedient to establish the Private power and infrastructure Board for implementing the power policies, the development and implementation of Power projects and related infrastructure in the private sector and public-private partnership basis and to provide for matters connected therewith or incidental thereto;

AND WHEREAS it is expedient to establish the aforesaid Board to promote, encourage, facilitate private sector investment in the power sector and to safeguard the investments already made therein and to provide one window facility to investors;

It is hereby enacted as follows:—

(99)

[2244(2012)/Ex.Gaz.] *Price : Rs. 10.50*

PART-I

GENERAL

1. **Short title, extent and commencement.—**(1) This Act may be called the Private Power and Infrastructure Board Act, 2012.

(2) It extends to the whole of Pakistan.

(3) It shall come into force at once.

2. **Definitions.—**In this Act, unless there is anything repugnant in the subject or context,—

(a) "Board" means the Private Power and Infrastructure Board, hereinafter referred to as the PPIB;

(b) "Chairman" means the Chairman of the Board;

(c) "Fund" means the PPIB fund established under section 14;

(d) "Managing Director" means the Managing Director appointed under section 7;

(e) "member" means a member of the Board designated under section 6 or appointed under section 7, as the case may be;

(f) "person" includes an individual, partnership, trust association, company, body corporate or body of individuals, whether or not having separate legal personality, other than the Federal Government or any enterprise owned or controlled by the Federal Government;

(g) "prescribed" means prescribed by rules or regulations;

(h) "private power" means all activities concerning generation, transmission and distribution of electricity and the related infrastructure, which may be carried out by or on behalf of private sector under power related policies and applicable laws;

(i) "property" includes any right, title or interest in property, moveable or immovable, tangible or intangible and in whole or in part;

hold office for three years or for such period as may be extended by the Federal Government or on attaining the age of sixty-five years, whichever is earlier.

(7) No person shall be appointed or continue as managing Director or a member, if—

(a) he has been convicted of an offence involving moral turpitude or has been found guilty of misconduct;

(b) he has been or is adjudged insolvent;

(c) he is incapable of discharging his duties by reason of physical or mental unfitness and has been so declared by a special medical board appointed by the Federal Government; or

(d) he fails to disclose any conflict of interest at or within the time provided for such disclosure by or under this Act or contravenes any of the provisions of Act pertaining to unauthorized disclosure of information.

(8) A member other than *ex-officio* member may, at anytime, resign from his office by written notice addressed to the Federal Government. The office of a private sector member shall become vacant upon the death or resignation of such member. A vacancy caused by resignation or any other reason shall be filled by the appointment of a person qualified to fill such vacancy.

(9) The Managing Director shall not, during his term of office in the PPIB, engage himself in any other service, business, vocation or employment and enter into the employment of or accept any advisory or consultancy relationship.

(10) Subject to section 9 and any policy of the Board made in this behalf, the Managing Director may, at his discretion, delegate any of his functions to any other officers of PPIB.

8. **Meeting of the Board.**—(1) The meetings of the Board shall be presided over by the Chairman and in his absence a member designated by the Chairman shall preside over the meeting of the Board.

(2) At least fifty *per cent* of the total membership of the Board shall constitute a quorum for meetings of the Board.

(3) The meetings of the Board shall be held at such time and place as the Chairman of the Board or a majority of members may from time to time determine. The members shall have reasonable notice of the time and place of the meeting and the matters on which a decision by the Board is to be taken in such meeting.

(4) Decisions of the Board shall be taken by the majority of its members present and in case of a tie the Chairman or the member presiding over the meeting shall, as the case may be, have a casting vote.

(5) The Secretary shall keep minutes of the proceedings of every meeting of the Board. The decisions of the Board shall be recorded in writing.

9. **Delegation.**—(1) The Board may, for carrying out its functions, constitute such committees, from time to time, as may be considered necessary. The Board or any of its committees may invite any technical expert or other representative of a government or reputable private institution for assistance in the performance of its functions. The proceeding of the committees shall be duly reduced in writing and recommendation etc., shall be sent to the Board for approval.

(2) The Board may, subject to such conditions and limitations as it may deem fit to impose, delegate any of its functions or powers to the Managing Director or one or more members of the Board or any officer of PPIB, except—

(a) the power to approve the audited accounts;

(b) the power to incur annual expenses in excess of any limits set out in the regulations;

(c) the power to commit anything involving financial liability or impact on the Federal Government; and

(d) the power to make or repeal regulations.

(3) A delegation under this section shall not prevent the concurrent performance or exercise by the Board of the functions or powers so delegated.

10. **Employees.**— (1) To carry out the purposes of this Act, PPIB may, from time to time, employ persons to be staff of PPIB who shall be paid such remuneration and allowances and shall hold their employment on such terms and conditions as may be prescribed by regulations.

(2) The staff of PPIB shall be liable to disciplinary action in accordance with the regulations.

11. **Employment of agents, advisers and consultants.**— (1) Subject to sub-section (2) the PPIB may employ any technical, professional and other advisers, agents and consultants, including accountants, bankers, engineers, lawyers, valuers and other persons to transact any business or to do any act required to be

(j) "regulations" means the regulations made under section 24;

(k) "rules" means the rules made under section 23;

(l) "sponsor" means a person, including consortium from the private or public sector who intend to invest or have already invested in the power sector as per provisions of power policies; and

(m) "staff" means the officers and employees of PPIB and includes deputationists and regular and contract employees.

PART-II

PRIVATE POWER AND INFRASTRUCTURE BOARD

3. **Establishment of the Private Power and Infrastructure Board.—** (1) There is hereby established the Private Power and Infrastructure Board for carrying out the purposes and objectives of this Act.

(2) The PPIB shall be independent in the performance of its functions and shall be a body corporate having perpetual succession and a common seal, with power, subject to the provisions of this Act, to enter into agreements and contracts, acquire and hold property and to sue and be sued in its own name.

4. **Location of office.—**The principal office of PPIB shall be at Islamabad and it may establish regional offices at such other place or places in Pakistan, as it deems appropriate.

5. **Functions and Powers of PPIB.—** (1) The PPIB shall exercise all powers which shall enable it to effectively perform its fun ctions as specified in sub-section (2).

(2) In particular and without prejudice to the generality of the foregoing power the PPIB shall—

(a) recommend and facilitate development of power policies;

(b) consult the concerned Provincial Government, prior to taking a decision to construct or cause to be constructed a hydroelectric power station in any Province and to take decisions on matters pertaining to power projects set up by private sector or through public private partnership and other issues pertaining thereto;

(i) Chief Secretaries of Provinces and AJ and K or their nominees not below the rank of Additional Secretary or equivalent – *Member;*

(j) One representative each from Gilgit-Baltistan (G.B) and FATA to be nominated by Chief Minister, G.B. and Governor Khyber Pakhtunkhawa respectively; and

(k) One representative from private sector from each Province to be nominated by the respective Provincial Government.

(2) The Board shall appoint a Secretary to the Board.

(3) The Federal Government may increase or decrease the number of members of the Board from time to time as it may consider appropriate and specify the qualifications and procedure of appointment of the members.

(4) No act or proceedings of the Board shall be invalid by reason only of the existence of a vacancy in or defect in the constitution of the Board.

7. **Managing Director and other members.**—(1) There shall be a Managing Director of PPIB who shall be appointed by the Federal Government.

(2) The Managing Director shall be responsible for the day-to-day administration of the affairs of PPIB and shall, subject to the regulations, be assisted by the staff in carrying out the functions of PPIB.

(3) The Managing Director shall be a Pakistani professional of known integrity and competence with a minimum of twenty years of related experience in law, business, engineering, finance, accounting, economics or the power industry.

(4) The Managing Director shall be paid such remuneration and allowances and shall be entitled to such privileges and facilities as may be determined by the Board and the same shall not be varied to his disadvantage during his term of office. The members shall be entitled to such privileges and facilities as may be prescribed by regulations.

(5) The Managing Director shall, unless he resigns or is removed from office earlier by the Federal Government, hold office for three years or for such period as may be extended by the Federal Government or on attaining the age of sixty-five years, whichever is earlier.

(6) The members of the Board other than the *ex-officio* members shall, unless they resign or are removed from office earlier by the Federal Government,

(c) coordinate with the Provincial Governments, local governments, Government of Azad Jammu and Kashmir (AJ and K) and regulatory bodies in implementation of the power policies, if so required;

(d) coordinate and facilitate the sponsors in obtaining consents and licences from various agencies of the Federal Government, Provincial Governments, local governments and Government of AJ and K;

(e) work in close coordination with power sector entities and play its due role in implementing power projects in private Sector or through public private partnership as per power system requirements;

(f) function as a one-stop organization on behalf of the Federal Government and its Ministries, Departments and agencies in relation to private power companies, their sponsors, lenders and whenever necessary or appropriate, other interested parties;

(g) draft, negotiate and enter into security package documents or agreements and guarantee the contractual obligations of entities under the power policies;

(h) execute, administer and monitor contracts;

(i) prescribe and receive fees and charges for processing applications and deposit and disburse or utilize the same, if required;

(j) obtain from sponsors or private power companies, as the case may be, security instruments and encash or return them, as deemed appropriate;

(k) act as agent for development, facilitation and implementation of power policies and related infrastructure in the Gilgit-Baltistan areas and AJ and K;

(l) prescribe, receive, deposit, utilize or refund fees and charges, as deemed appropriate;

(m) open and operate bank accounts in local and foreign currencies as permissible under the laws of Pakistan;

(n) commence, conduct, continue and terminate litigation, arbitration or alternate dispute resolution mechanisms at whatever levels may be necessary or appropriate and hire and pay for the services of lawyers and other experts therefor;

(o) appoint technical, professional and other advisers, agents and consultants, including accountants, bankers, engineers, lawyers, valuers and other persons in accordance with section 11;

(p) hire professional and supporting staff and, from time to time, determine the emoluments and terms of their employment, provided always that at no stage shall such emoluments be reduced from such as are agreed in the contracts with such persons; and

(q) perform any other function or exercise any other power as may be incidental or consequential for the performance of any of its functions or the exercise of any of its powers or as may be entrusted by the Federal Government to meet the objects of this Act.

PART-III

MANAGEMENT AND ADMINISTRATION

6. **Composition of the PPIB.—**(1) The general management and administration of affairs of the PPIB shall vest in the Board, which shall consist of the following, namely:—

(a) Minister for Water and Power, Government of Pakistan–*Chairman;*

(b) Secretary, Ministry of Water and Power, Government of Pakistan–*Member;*

(c) Secretary, Ministry of Finance, Government of Pakistan or his nominee not below the rank of Additional Secretary or equivalent– *Member;*

(d) Secretary; Ministry of Petroleum and Natural Resources, Government of Pakistan or his nominee not below the rank of Additional Secretary or equivalent – *member;*

(e) Secretary, Planning Commission, Government of Pakistan or his nominee not below the rank of Additional Secretary or equivalent–*Member;*

(f) Chairman, Federal Board of Revenue – *Member;*

(g) Chairman WAPDA – *Member;*

(h) Managing Director, PPIB – *Member;*

(c) an audited balance sheet; and

(d) any other matter which the PPIB may consider appropriate.

22. **Indemnity.**—No suit, prosecution or other legal proceedings shall lie against the Chairman, Managing Director, members, consultants, officers or other employees of PPIB in respect of anything done or intended to be done in good faith under this Act.

23. **Power to make rules.**—The Board may, by notification in the official Gazette, make rules, not inconsistent with the provisions of this Act, for exercising its powers and carrying out of its functions under this Act and any other matter incidental or consequential to the implementation of this Act.

24. **Power to make regulations.**—The Managing Director may, with the approval of the Board, make regulations, not inconsistent with this Act and the rules, concerning the internal affairs of PPIB.

25. **Act to override other laws.**—The provisions of this Act shall have effect notwithstanding anything inconsistent contained in any other law for the time being in force.

26. **Common seal.**—The PPIB shall have a common seal and such seal shall be kept in the custody of the Managing Director or such other person as may be authorized by the regulations. Documents required or permitted to be executed under seal shall be specified in and authenticated in such manner as shall be authorized by regulations.

27. **Support of the Federal Government.**—The Federal Government and all its agencies, particularly the concerned enterprises owned and controlled wholly or partially, directly or indirectly by the Federal Government shall render such support to the PPIB as may be necessary to fulfill its objective and functions under this Act.

28. **Removal of difficulties.**—If any difficulty arises in giving effect to any provision of this Act the Federal Government may make such order, not inconsistent with the provisions of this Act, as may appear to it to be necessary for the purposes of removing the difficulty.

29. **Dissolution of the Board.**—(1) Upon commencement of this Act, the Private Power and Infrastructure Board established and reconstituted *vide* the

transacted or done in the exercise of its powers, the performance of its functions or for the better implementation of the purposes of this Act.

(2) The decision to employ and the terms of employment of advisers, agents and consultants shall be made by PPIB in accordance with the regulations.

12. **Public servants.**— The Chairman, Managing Director, members, staff and other persons employed or authorized to perform or exercise any function or power under this Act or rendering services to PPIB as advisers, agents or consultants shall be deemed to be public servants within the meaning of section 21 of the Pakistan Penal Code, 1860 (Act XLV of 1860).

13. **Disclosure of interest.**— (1) Where a person is present at a meeting of the Board or any committee of the Board and that person or his family or his professional or business partner or associate has direct or indirect interest in the subject for consideration in that meeting, such person shall—

(a) forthwith disclose such interest; and

(b) not take part in any consideration on that matter unless the Board or the committee thereof otherwise directs.

(2) Where a member or staff, including an adviser, agent, consultant or family member of such person has a direct or indirect interest in any matter relating to PPIB, such person shall forthwith disclose such interest to the PPIB and the PPIB shall take such action as it deems appropriate.

PART-IV

FINANCIAL PROVISIONS

14. **Fund of the PPIB.**— (1) There is hereby established, for the purposes of this Act, a Private Power and Infrastructure Board Fund to be administered and controlled by the PPIB. The operation of the PPIB shall be funded from the Fund. The Fund shall consist of—

(a) grants and loans from the Federal Government and by donor agencies;

(b) proceeds from encashment of security instruments;

(c) other loans or funds obtained by the PPIB subject to prior approval of the Federal Government;

(d) fees and all other sums collected by it as prescribed from time to time;

17. **Bank accounts.**—The PPIB may open and maintain its accounts in local and foreign currencies in such scheduled banks and other financial institutions as it may from time to time determine in accordance with the instruction of the Federal Government in this regard.

18. **Account.**—(1) The PPIB shall maintain proper accounts and other records relating to its financial affairs and shall, as soon as practicable after the end of each financial year, cause to be prepared for that financial year statements of accounts of the PPIB which shall include a balance sheet and an account of income and expenditure.

(2) The financial year of PPIB shall be the period of twelve months ending on the 30th June in each year.

19. **Audit.**—The accounts of PPIB shall be audited annually by a reputable firm of chartered accountants approved by the Board from amongst the approved list of Auditor General of Pakistan:

Provided that the Federal Government may also require the Auditor-General of Pakistan to conduct special audit of the PPIB, as and when it considers necessary.

PART-V

MISCELLANEOUS

20. **Information.**—The PPIB may call for any information required by it for carrying out the purposes of this Act or as is required under contracts entered into by the PPIB from any person involved, directly or indirectly, in the power sector or any matter incidental or consequential thereto and any such person shall provide the required information called by the PPIB.

21. **Annual report.**—(1) As soon as practicable but no later than three months after the end of each financial year, Secretary shall prepare and submit to the Board an annual report concerning its activities during the financial year within three months. The Chairman of the Board shall submit the same before the Council of Common Interests and both Houses of the Majlis-e-Shoora (Parliament).

(2) The report referred to in sub-section (1) shall include—

(a) activities of PPIB during the financial year;

(b) an audited statement of income and expenditure;

(e) all other sums or property which may in any manner become payable to or vested in the PPIB in respect of any matter incidental to the exercise of its functions and powers; and

(f) returns and profits on the investments.

(2) It shall be the duty of the PPIB to conserve the Fund while performing its function and exercising its powers under this Act.

15. **Expenditure to be charged on Fund.**—The Fund shall be expended for the purposes of—

(a) paying any expenditure lawfully incurred by the PPIB, including the remuneration and allowances of the Chairman, Managing Director, members, staff, employees, accountants, advisers, agents, consultants, lawyers, valuers and other experts appointed and employed by PPIB, including provident fund contributions, superannuating allowances or gratuities and legal fees and costs and other fees and costs, if any;

(b) paying for expenditure incurred on—

(i) marketing and publicity;

(ii) capacity building, seminars and conferences; and

(iii) restructuring;

(c) purchasing or hiring equipment, machinery and any other materials, acquiring land and constructing buildings and carrying out any other work and undertakings by PPIB in the performance of its functions or the exercise of its powers under this Act.

(d) re-paying any financial accommodation received or moneys borrowed under or pursuant to or by virtue of this Act and the profit, mark-up or return due thereon; and

(e) paying any other expenses, costs or expenditure properly incurred or accepted by the PPIB in the performance of its functions or the exercise of its powers under this Act.

16. **Investment.**–The PPIB may, in so far as its moneys are not required to be expended under this Act, invest amounts in such manner as prescribed by the Board from time to time.

Federal Government's Notification No. PPC-3(33)/94, dated the 2nd August, 1994 and other related notifications issued from time to time hereinafter referred to as the former board, shall stand dissolved and upon such dissolution:—

(a) all assets, rights, powers, authorities and privileges and all property, cash and bank balances, reserve funds, investment and all other interests and rights in or arising out of such property and all debts, liabilities and obligations of whatever kind of the former board subsisting immediately before its dissolution shall stand transferred to and vest in PPIB constituted under this Act;

(b) notwithstanding anything contained in this Act or any other law for the time being in force or in any agreement, deed, document, or other instrument.—

(i) Chairman of the former board shall continue as the Chairman of PPIB;

(ii) the Managing Director of the former board shall continue as the Managing Director unless and until a Managing Director is appointed under section 7;

(iii) a member of the former board shall continue to be a member of the PPIB unless and until such member is appointed under section 7; and

(iv) all officers, consultants, advisers, auditors and other employees and staff of the former board shall stand transferred to and be officers consultants, advisers, auditors and employees and staff of PPIB;

(c) the persons mentioned in clause (b) shall be deemed to have been appointed or engaged by PPIB in accordance with the same terms and conditions of service as were applicable to them, immediately before such continuance in office or transfer under this Act and shall not be entitled to compensation because of such continuance or transfer:

Provided that the civil servants appointed to or working in the former board shall upon their transfer to the PPIB continue to be governed by the Civil Servants Act, 1973 (LXXI of 1973) and rules made thereunder;

(d) all debts and obligations incurred or contracts entered into, rights acquired and all matters and things engaged to be done by, with or for the former board shall be deemed to have been incurred, entered into, acquired or engaged to be done by, with or for the PPIB;

(e) all suits and other legal proceedings instituted by or against the former board before its dissolution shall be deemed to be suits and proceedings by or against the PPIB and shall be proceeded or otherwise dealt with accordingly; and

(f) any reference to the former board in any statutory instrument or document shall, unless the context otherwise requires, be read and construed as reference to be PPIB.

(2) All rules, regulations, notifications, orders or instructions in force pertaining to or in anyway concerned with or affecting the former board immediately before the commencement of this Act, shall, so far as they are not inconsistent with any of the provisions of this Act, continue to be in force until repealed, altered or rescinded by rules or regulations made under this Act.

KARAMAT HUSSAIN NIAZI,
Secretary.

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Appendix-II

Appendix-II

List of PPIB Board meetings held during FY 2011-12 and 2012-13

Sr. No.	Date	No. of Board meeting	Chaired by
1	6-01-2012	90^{th}	Syed Naveed Qamar Federal Minister for Water & Power
2	29-02-2012	91^{st}	Syed Naveed Qamar Federal Minister for Water & Power
3	14-02-2013	92^{nd}	Mr. Ahmed Mukhtar Federal Minister for Water & Power
4	13-03-2013	93^{rd}	Mr. Ahmed Mukhtar Federal Minister for Water & Power

Appendix-III

Audited Statement of Income and Expenditure, Balance Sheet of PPIB for the year 2011-12
(from 1st July 2011 to 1st March 2012)

A. F. FERGUSON & CO.
Chartered Accountants
a member firm of the PwC network

pwc

PRIVATE POWER INFRASTRUCTURE BOARD

FINANCIAL STATEMENTS

FOR THE PERIOD JULY 1, 2011 TO MARCH 1, 2012

pwc

A. F. FERGUSON & CO.

February 4, 2013
494

The Board Members
Private Power Infrastructure Board (PPIB)
Islamabad

Dear Sirs

FINANCIAL STATEMENTS FOR THE PERIOD JULY 1, 2011 TO MARCH 1, 2012

We enclose six copies of the financial statements for the period July 1, 2011 to March 1, 2012, together with our report thereon to the Board members initialled by us for identification purposes. We shall be pleased to sign our report after:

i) the financial statements have been approved by the Board and signed by the Managing Director and a Board Member authorized by the Board in this behalf;

ii) we have signed our audit report on financial statements for the year ended June 30, 2011.

iii) we have seen the Board's specific approval for:

	Rupees '000
a) Additions to property and equipment at cost	7,059
b) Property and equipment sold having original cost of Rs. 4,457,000 and written down value of Rs. 7,000 for	796
c) Investments purchased:	
Held to maturity investments (TDRs) – at cost	
- National Bank of Pakistan	50,000
- Faysal Bank Limited	90,700
- Allied Bank Limted	90,694
- Dubai Islamic Bank Limited	50,000
- Habib Bank Limited	95,350
- Habib metropolitan Bank Limited	63,490
- JS Bank Limited	145,120
Available for sale investment (NIT units) – at cost	3,181
d) Provision for staff gratuity	5,606
e) Provision for leave encashment	8,617

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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pwc

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A. F. FERGUSON & CO.

iv) we have received satisfactory reply from banks listed at Annexure I to this letter in response to our request for direct confirmation of bank balances as at March 1, 2012;

v) we have received reply from legal advisors listed at Annexure II to this letter, in response to our request for confirming financial impact of pending litigation cases, if any; and

vi) we have received a representation letter on the lines of the enclosed draft duly signed by the Managing Director and Director Finance of PPIB.

2. We wish to place on record our appreciation of the cooperation and courtesy extended to us by the management and staff of PPIB during the course of the audit.

Yours truly

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A. F. FERGUSON & CO.

ANNEXURE I

PRIVATE POWER AND INFRASTRUCTURE BOARD
FINANCIAL STATEMENTS FOR THE PERIOD JULY 1, 2011 TO MARCH 1, 2012

List of banks from whom reply was not received in response to our request for confirming the balances held with them as at March 1, 2012 as referred to in our letter 494 dated February 4, 2013.

	Amount Rupees
Habib Bank Limited, Islamabad	5,246,262
Al Baraka Bank (Pakistan) Limited, Islamabad	73,404,153
First Women Bank Limited, Islamabad	898,100
Bank Alfalah Limited, Islamabad	248,862
NIB Bank Limited, Islamabad	19,709
Faysal Bank Limited, Islamabad	130,372
Standard Chartered Bank Limited, Islamabad	122,544
Silk Bank Limited, Rawalpindi	16,235
JS Bank Limited, Islamabad	97,112
MCB Bank Limited, Islamabad	48,641
National Bank of Pakistan (TDR), Islamabad	45,000,000
Dubai Islamic Bank Limited (TDR), Islamabad	50,000,000
	175,231,990

	USD
Habib Bank Limited, Islamabad	51,505
Faysal Bank Limited, Islamabad	100,758
JS Bank Limited (TDR), Islamabad	1,599,975
	1,752,238

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ANNEXURE II

PRIVATE POWER AND INFRASTRUCTURE BOARD
FINANCIAL STATEMENTS FOR THE PERIOD JULY 1, 2011 TO MARCH 1, 2012

List of legal advisors from whom reply was not received in response to our request for confirming financial impact of pending litigation cases as referred to in our letter 494 dated February 4, 2013.

Mr. Moin Azhar Siddiqi, Karachi

Mr. Yaser Aman Khan, Islamabad

Mr. Shah Khawar, Islamabad

Mr. Yawar Farooqi, Karachi

Mr. Syed Hasnain Ibrahim Kazmi, Islamabad

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INDEPENDENT AUDITORS' REPORT TO THE BOARD MEMBERS OF PRIVATE POWER AND INFRASTRUCTURE BOARD

We have audited the accompanying financial statements of Private Power and Infrastructure Board (PPIB), which comprise statement of financial position as at March 1, 2012, and income and expenditure account, statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the period July 1, 2011 to March 1, 2012 and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PPIB's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PPIB's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PPIB at March 1, 2012 and of its financial performance and its cash flows for the period then ended in accordance with approved accounting standards as applicable in Pakistan.

Chartered Accountants
Islamabad: October 21, 2013

Engagement partner: S. Haider Abbas

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PRIVATE POWER AND INFRASTRUCTURE BOARD

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 1, 2012

	Note	March 1, 2012 Rupees '000	June 30, 2011 Rupees '000
NON CURRENT ASSETS			
Property and equipment	4	32,714	28,020
Intangible assets	5	174	187
		32,888	28,207
Long term investments	6	807,726	842,936
CURRENT ASSETS			
Advances, prepayments and other receivables	7	20,686	22,699
Short term investments	8	1,164,105	996,734
Cash and bank balances	9	95,353	179,795
		1,280,144	1,199,228
CURRENT LIABILITIES			
Provision against performance guarantees encashed	10	224,900	201,400
Staff gratuity	11	13,456	14,278
Accrued and other liabilities	12	10,742	15,747
		249,098	231,425
NET CURRENT ASSETS		1,031,046	967,803
		1,871,660	1,838,946
REPRESENTED BY:			
Government fund		2,474	2,474
Accumulated surplus		1,867,562	1,828,865
Surplus on remeasurement of investments to fair value		1,624	7,607
Funds and reserves		1,871,660	1,838,946
Contingencies and commitments	13		

The annexed notes from 1 to 26 form an integral part of these financial statements.

8/9

Managing Director

Board Member

PRIVATE POWER AND INFRASTRUCTURE BOARD
INCOME AND EXPENDITURE ACCOUNT

FOR THE PERIOD JULY 1, 2011 TO MARCH 1, 2012

	Note	July 1, 2011 to March 1, 2012	Year ended June 30, 2011
		Rupees in '000	
INCOME			
Amortization of deferred grant		-	60,000
Performance guarantees encashed	14	-	409,399
Income from operations	15	26,793	10,730
Income from financial assets	16	162,966	157,024
Other income	17	799	31
		190,558	637,184
EXPENDITURE			
Salaries and benefits	18	120,131	168,230
Repairs and maintenance	19	2,800	4,130
Printing and stationery	20	1,013	2,170
Professional and legal services fee		5,410	7,530
Travelling expenses		4,730	5,172
Office rent		6,515	9,025
Telephone, fax, postage and courier		736	1,381
Fixed assets insurance		424	547
Utilities		1,200	1,531
Audit fee		250	250
Depreciation and amortization		2,371	3,266
Provision against doubtful advances and other receivables	7	1,101	-
Bank charges		10	141
Advertisement expenses		2,224	4,344
Other expenses	21	2,946	4,199
		151,861	211,916
SURPLUS FOR THE PERIOD/ YEAR		38,697	425,268

The annexed notes from 1 to 26 form an integral part of these financial statements.

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Managing Director **Board Member**

PRIVATE POWER AND INFRASTRUCTURE BOARD
STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD JULY 1, 2011 TO MARCH 1, 2012

	July 1, 2011 to March 1, 2012	Year ended June 30, 2011
	Rupees '000	
Surplus for the period/ year	38,697	425,268
Other comprehensive income:		
Comprehensive income for the period/ year		
Surplus transferred to income and expenditure on sale of available for sale investment	(1,907)	(2,434)
(Loss)/ gain on remeasurement of available for sale investment	(4,076)	6,728
	(5,983)	4,294
Total comprehensive income for the period/ year	32,714	429,562

The annexed notes from 1 to 26 form an integral part of these financial statements.

8/9

Managing Director **Board Member**

PRIVATE POWER AND INFRASTRUCTURE BOARD
STATEMENT OF CASH FLOWS

FOR THE PERIOD JULY 1, 2011 TO MARCH 1, 2012

	Note	July 1, 2011 to March 1, 2012	Year ended June 30, 2011
		Rupees '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the period/ year		38,697	425,268
Adjustments for non cash items:			
Depreciation and amortisation		2,371	3,266
Provision against advances			
Dividend Income		(5,979)	(4,340)
Income on bank deposits/ held to maturity investment		(113,701)	(155,226)
Income on sale of available for sale investment		(3,600)	(5,320)
Loss on sale of held to maturity investment		-	9,737
Provision for staff gratuity		5,606	7,850
Provision for leave encashment		8,617	13,109
Amortisation of deferred grant		-	(60,000)
Gain on sale of property and equipment		(789)	-
Effect of exchange rate changes on cash and cash equivalents		(2,739)	(213)
		(71,517)	234,131
Effect of working capital changes:			
Decrease/ (Increase) in advances, prepayments and other receivables		1,817	(6,770)
Decrease in accrued and other liabilities		(2,394)	(1,243)
Increase in provision against performance guarantee encashed		23,500	-
		(48,594)	226,118
Gratuity paid		(6,428)	(5,726)
Leave encashment paid		(11,228)	(11,215)
Net cash flow (used in)/ generated from operating activities		(66,250)	209,177
CASH FLOW FROM INVESTING ACTIVITIES			
Property and equipment purchased		(7,059)	(3,937)
Intangible assets purchased		-	(163)
Sale proceeds from disposal of property and equipment		796	-
Income on bank deposits and held to maturity investments		114,132	146,955
Dividend income		5,979	4,340
Available for sale investments - net		26,049	31,218
Held to maturity investments - net		(160,828)	(495,374)
Net cash used in from investing activities		(20,931)	(316,961)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(87,181)	(107,784)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		179,795	287,366
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		2,739	213
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	95,353	179,795

The annexed notes from 1 to 26 form an integral part of these financial statements.

8/4

Managing Director | **Board Member**

PRIVATE POWER AND INFRASTRUCTURE BOARD
STATEMENT OF CHANGES IN FUND AND RESERVES

FOR THE PERIOD JULY 1, 2011 TO MARCH 1, 2012

	Government fund	Accumulated Surplus	Surplus/ (deficit) on remeasurement of investment to fair value	Total
		Rupees '000		
Balance as at 30 June 2010	2,474	1,403,597	3,313	1,409,384
Comprehensive income for the year:				
Surplus for the year	-	425,268	-	425,268
Other comprehensive income	-	-	4,294	4,294
	-	425,268	4,294	429,562
Balance as at 30 June 2011	2,474	1,828,865	7,607	1,838,946
Surplus for the period	-	38,697	-	38,697
Other comprehensive income	-	-	(5,983)	(5,983)
	-	38,697	(5,983)	32,714
Balance as at 1 March 2012	2,474	1,867,562	1,624	1,871,660

The annexed notes from 1 to 26 form an integral part of these financial statements.

Managing Director

Board Member

PRIVATE POWER AND INFRASTRUCTURE BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2011 TO MARCH 1, 2012

1. STATUS AND OPERATIONS

1.1 Private Power and Infrastructure Board (the Board) was constituted in August 1994 under a Federal Government Notification to act as one window organization on behalf of all the agencies and Ministries of the Government of Pakistan (GOP) to process and facilitate private sector power projects, monitor their performance and perform all other related functions. Transactions related to the former Private Power Cell (PPC), the predecessor organization, from July 1, 1994 to the date of constitution of the Board are incorporated in these financial statements.

1.2 Private Power and Infrastructure Board (PPIB) Act 2012 (the Act), was enacted on March 2, 2012 for establishement of PPIB as a body corporate independent in performance of its functions. As per the Act, PPIB is responsible for implementing the power policies, the development and implementation of power projects and related infrastructure in the private sector on public-private partnership basis and to provide for matters connected therewith or incidental thereto.

Upon commencement of the Act , the Private Power and Infrastructure Board established vide Federal Government's Notification hereinafter referred to as the former Board stand dissolved and upon such dissolution:-

(a) all assets, rights, powers, authorities and privileges and all property, cash and bank balances, reserve funds, investment and all other C5interests and rights in or arising out of such property and all debts, liabilities and obligations of whatever kind of the former board subsisting immediately before its dissolution stand transferred to and vest in PPIB constituted under this Act;

(b) all debts and obligations incurred or contracts entered into, rights acquired and all matters and things engaged to be done by, with or for the former Board are deemed to have been incurred, entered into, acquired or engaged to be done by, with or for PPIB;

(c) all suits and other legal proceedings instituted by or against the former Board, before its dissolution, are deemed to be suits and proceedings by or against PPIB and will be proceeded or otherwise dealt with accordingly; and

(d) any reference to the former Board in any statutory instrument or document shall, unless the context otherwise requires, be read and construed as reference to be PPIB.

1.3 These financial statements represent status of financial position of the Board, as existed on its dissolution on March 1, 2012. All assets and liabilities of the Board stand transferred to the newly established PPIB under the Act on March 2, 2012. Accordingly, the financial statements have been prepared for the period July 1, 2011 to March 1, 2012 and the corresponding figures of income and expenditure account, statement of comprehensive income, statement of cash flow and statement of changes in equity pertain to the twelve months ended June 30, 2011, and therefore are not comparable.

2. BASIS OF PREPARATION

2.1 *STATEMENT OF COMPLIANCE*

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

2.2 *Adoption of new and revised standards and interpretations*

Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by PPIB:

		Effective date (annual reporting periods on or after);
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 1, 2013
IFRS 9	Financial Instruments - Classification and Measurement (Amendments)	January 1, 2015
IAS 1	Presentation of financial statements (Amendments)	July 1, 2012 & January 1, 2013
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2013
IAS 19	Employee benefits (Amendments)	January 1, 2013
IAS 32	Financial Instruments: Presentation (Amendments)	January 1, 2013 & 2014

The management anticipate that, the adoption of the above standards, amendments and interpretations in future period, will have no material impact on the financial statements other than in presentation / disclosures.

2.3 *Basis of measurement*

These financial statements have been prepared on the historical cost basis except for investments referred to in notes 3.3.1 and 3.3.2 to the financial statements which are carried at their ammortized cost and fair values respectively, as required by approved accounting standards. Assets transferred from PPC are carried at their assigned values as explained in note 3.1 to the financial statements.

2.4 *Functional and presentation currency*

These financial statements are presented in Pakistan Rupee (PKR), which is functional currency of the Board.

2.5 *Significant accounting estimates*

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods.

Judgments and estimates made by the management that may have a risk of material adjustments to the financial statements in subsequent years are as follows:

2.5.1 *Property and equipment*

PPIB reviews the useful life and residual value of property and equipment including intangibles on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of assets with a corresponding affect on the depreciation, amortization and impairment.

2.5.2 *Impairment of assets*

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss.

2.5.3 *Staff gratuity*

The Board operates a gratuity scheme for all employees, as a defined benefit plan. The calculations require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration, the expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. The assumptions used vary as they are determined by independent actuary.

The amount of the expected return on plan assets is calculated using the expected rate of return for the period and the market related value at the beginning of the period. Gratuity cost primarily represents the increase in actuarial present value of obligation for benefits earned on employee service, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

2.5.4 *Leave Encashment*

Provision for leave encashment is made for unavailed leave balance as at period end at the rate of basic pay and house rent allowance per day effective at period end.

2.5.5 *Provisions*

Estimates of the amount of provisions recognized are based on current legal and constructive requirements. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 *Property and equipment*

Tangible assets except those transferred from PPC and leasehold land are stated at cost less accumulated depreciation and impairment loss (if any). Property and equipment transferred from PPC are stated at assigned values less depreciation and impairment loss (if any) with corresponding credit to a property and equipment reserve which has been amortised in full over the useful life of these assets. Leasehold land is carried at cost less impairment, if any.

Depreciation is charged on the straight line method at the rates specified in note 4 to these financial statements so as to write-off the cost of the asset over its estimated useful life.

Depreciation is charged on prorata basis from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off. Days in excess of fifteen days are considered as full month for the purpose of calculation of depreciation.

Subsequent costs are included in the assets' carrying amount when it is probable that future economic benefits associated with the item will flow to the Board and the cost of the item can be measured reliably. Carrying amount of the replaced part is de-recognized. All other repairs and maintenance are charged to income during the year. Gain and losses on disposal of property and equipment are included in the income and expenditure account currently.

Capital work in progress is stated at cost.

3.2 *Intangible assets*

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Board and that the cost of such asset can also be measured reliably. Intangible assets having definite useful life are stated at cost less accumulated amortization or impairment loss, if any. Amortization is based on the pattern in which the assets' economic benefits are consumed. Intangible assets which have indefinite useful life are not amortized and tested for impairment, if any.

Amortization is recognized in income and expenditure account on a straight line basis @ 10 % per annum, from the month the asset is available for use.

Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in income and expenditure account as incurred.

3.3 *Investments*

Management determines the appropriate classification of investments at the time of purchase.

3.3.1 *Held to maturity investments*

Investments are classified as held to maturity if these investments have a fixed maturity and the Board has the positive intent and ability to hold such investments to maturity. These investments are initially recorded at cost being the fair value of consideration given including the acquisition cost and are subsequently carried at each year end at amortised cost less impairment loss, if any.

3.3.2 *Available for sale investments*

Investments which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available for sale. These investments are initially recognised at cost and subsequently remeasured at fair value.

3.4 *Other receivables*

Other receivables are recognized and carried at original invoice value as reduced by appropriate provision for impairment, if any.

3.5 *Accrued and other liabilities*

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.6 *Employee benefits*

3.6.1 *Short term benefits*

Salaries and benefits are accrued in the period in which the associated services are rendered by employees and measured on an undiscounted basis.

3.6.2 *Gratuity*

A gratuity scheme for all employees is in operation, as a defined benefit plan.

Contribution is made to the above defined benefit plan on the basis of actuarial valuation, carried out by an independent actuary. The calculations of the actuary are based on the projected unit credit method. The latest actuarial valuations were carried out on March 1, 2012.

Actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of plan assets and present value of obligation) are recognised over the average expected remaining working life of the employees.

3.6.3 *Leave encashment*

The Board also has a policy whereby all its employees are able to encash accumulated leave balance as per PPIB service rules. Provision is made in the financial statements for the amount payable on account of unavailed leave balance of the employees.

3.7 *Deferred grant*

Government grants are deferred in the balance sheet and recognized as revenue on a systematic and rational basis over the periods necessary to match them with the related costs or terms and conditions of the grant notifications from Government of Pakistan.

3.8 *Taxation*

The Board is a part of Ministry of Water and Power, Federal Government of Pakistan and therefore its income is exempt under sub section 3 of section 49 of the Income tax Ordinance 2001.

3.9 *Revenue recognition*

Revenue from profit on bank balances, investments, operations and other income is recognized on accrual basis. Dividend income is recognised when the right to receive dividend is established.

Proceeds from encashment of performance guarantees is recognized as income in the year in which the guarantee is enchased and the management believes that the outcome of the transaction can be estimated reliably.

3.10 *Operating leases*

Operating lease rentals are recorded in income and expenditure account on a time proportion basis over the term of the lease arrangements.

3.11 *Financial instruments*

Financial assets comprise investments, advances, other receivables, cash and bank balances. Financial liabilities include provision against performance guarantees encashed, accrued and other liabilities. Financial assets and liabilities are recognized when the Board becomes a party to contractual provisions of the instrument. These are derecognized when the Board ceases to be a party to contractual provisions of the instrument.

Financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. Subsequent to initial recognition financial instruments are measured at cost, fair value or amortized cost, as the case may be.

3.12 *Offsetting*

Financial assets and liabilities are set off in the balance sheet, only when the Board has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.13 *Foreign currencies*

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Pak rupee at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income for the current year.

3.14 *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and balances with bank.

3.15 *Provisions*

A provision is recognized in the balance sheet when the Board has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate that reflects current market assessment of the time value of the money and the risk specific to the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4. PROPERTY AND EQUIPMENT

	Leasehold Land	Furniture and fixtures	Computer equipments	Office equipment	Air Conditioners	Vehicles	Books, tools and spares	Capital work in progress note 4.1	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
At July 1, 2010									
Cost	15,014	4,078	8,644	6,709	1,296	13,803	648	-	50,192
Accumulated depreciation	-	2,103	5,990	3,581	703	10,148	333	-	22,858
Net book amount at July 1, 2010	15,014	1,975	2,654	3,128	593	3,655	315	-	27,334
Year ended June 30, 2011									
Net book amount at July 1, 2010	15,014	1,975	2,654	3,128	593	3,655	315	-	27,334
Additions	-	722	943	185	89	-	120	1,878	3,937
Disposals									
Cost	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Depreciation charge	-	325	778	719	162	1,207	60	-	3,251
Net book amount at June 30, 2011	15,014	2,372	2,819	2,594	520	2,448	375	1,878	28,020
At July 1, 2011									
Cost	15,014	4,800	9,587	6,894	1,385	13,803	768	1,878	54,129
Accumulated Depreciation	-	2,428	6,768	4,300	865	11,355	393	-	26,109
Net book amount at July 1, 2011	15,014	2,372	2,819	2,594	520	2,448	375	1,878	28,020
Period ended March 1, 2012									
Net book amount at July 1, 2011	15,014	2,372	2,819	2,594	520	2,448	375	1,878	28,020
Additions	-	73	-	7	-	4,868	35	2,076	7,059
Disposals									-
Cost	-	44	659	1,036	-	2,718	-	-	4,457
Accumulated depreciation	-	37	659	1,036	-	2,718	-	-	4,450
	-	7	-	-	-	-	-	-	7
Depreciation charge	-	248	586	455	97	930	42	-	2,358
Net book amount at March 1, 2012	15,014	2,190	2,233	2,146	423	6,386	368	3,954	32,714
At March 1, 2012									
Cost	15,014	4,829	8,928	5,865	1,385	15,953	803	3,954	56,731
Accumulated Depreciation	-	2,639	6,695	3,719	962	9,567	435	-	24,017
Net book amount at March 1, 2012	15,014	2,190	2,233	2,146	423	6,386	368	3,954	32,714
Rate of depreciation (% per annum)	-	10%	20%	15%	15%	20%	10%		

4.1 Capital work in progress

This represents payments made to consultants for construction of building on leasehold land.

5. INTANGIBLES ASSETS - Computer software

	Rupees '000
At July 1, 2010	
Cost	101
Accumulated amortization	62
Net book amount at July 1, 2010	39
Year ended June 30, 2011	
Net book amount at July 1, 2010	39
Additions	163
Amortization charge	15
Net book amount at June 30, 2011	187
At July 1, 2011	
Cost	264
Accumulated Amortization	77
Net book amount at June 30, 2011	187
Period ended March 1, 2012	
Net book amount at July 1, 2011	187
Additions	-
Amortization charge	13
Net book amount at March 1, 2012	174
At March 1, 2012	
Cost	264
Accumulated Amortization	90
Net book amount at March 1, 2012	174

6. LONG TERM INVESTMENTS

	2012	2011
	Rupees '000	
Held to maturity investments - note 6.1	779,377	786,155
Available for sale investments - note 6.2	28,349	56,781
	807,726	842,936

6.1 Held to maturity:

	2012	2011
	Rupees '000	
Pakistan Investment Bonds (PIB's)	294,264	292,451
Regular Income Certificates (RICs)	210,000	210,000
Pak Oman Advantage Mutual Fund (POAF)	24,035	24,035
Term Finance Certificates (TFC's)		
- Askari Bank Limited (AKBL)	43,827	43,840
- Bank Al Habib Limited (BAHL)	5,185	5,187
- United Bank Limited (UBL)	14,970	14,973
- Pak Arab Fertilizer Limited (PAFL)	3,723	5,792
- Engro Fertilizer Limited (EFL)	93,573	93,608
- Engro Corporation Limited (ECL)	29,988	30,000
- Pakistan Mobile Communication Company Limited (PMCL)	47,546	47,938
	238,812	241,338
	767,111	767,824
Accrued Profit:		
PIB's	3,697	10,897
RIC's	748	697
TFC's		
- AKBL	1,286	1,818
- BAHL	45	320
- UBL	1,082	577
- PAFL	-	295
- EFL	2,826	638
- ECL	345	1,788
- PMCL	2,237	1,301
	779,377	786,155

Maturity dates, profit rates and market values are as follows:

	Maturity dates	Profit rate % per annum	Market Value 2012	Market Value 2011
			Rupees '000	
PIB's	2013 to 2017	8% to 11.25%	286,240	272,408
RIC's	2014 to 2016	12% to 14%	210,748	210,697
POAF	2017	-	16,825	27,039
TFC's				
- AKBL	2013	KIBOR + 1.5%	44,188	44,141
- BAHL	2015	KIBOR + 1.95%	5,313	5,331
- UBL	2014	KIBOR + 1.7%	14,910	15,159
- PAFL	2013	KIBOR + 1.5%	3,718	5,844
- EFL	2015 to 2017	KIBOR +(1.5% to 2.4 %)	91,877	94,206
- ECL	2014	14.50%	30,333	31,788
- PMCL	2013	KIBOR + (1.65% to 2.85%)	49,410	49,667
			753,562	756,280

	2012	2011
	Rupees '000	

6.2 Available for sale investments

	2012	2011
National Investment Trust (NIT) 996,103 (2011: 883,514) units	26,725	23,544
Surplus on remeasurement	1,624	5,700
	28,349	29,244
Alfalah GHP Investment Management Limited		
Alfalah GHP Principal Protected Fund II Nil (2011: 553,183) units	-	25,630
Surplus on remeasurement	-	1,907
	-	27,537
	28,349	56,781

7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2012	2011
Advances to employees	1,172	1,417
Prepayments	8,037	4,039
Accrued interest on bank deposits	1,355	1,551
Tax deducted at source - note 7.1	10,436	8,900
Other receivables	787	6,792
	21,787	22,699
Less: Provision for		
-Advances to employees	416	-
-Other receivables	685	-
	1,101	-
	20,686	22,699

7.1 Management is considering various options to recover this amount from taxation authorities and is confident of recovery.

8. SHORT TERM INVESTMENTS

	2012	2011
	Rupees '000	
Held to maturity:		
Treasury Bills	-	49,286
Term Finance Certificate		
Bank Alfalah Limited (BAFL)	16,623	24,938
Term deposits receipts		
Pak Oman Investment Company Limited (POIC)	50,000	100,000
First Women Bank Limited (FWBL)	100,000	100,000
National Bank of Pakistan (NBP)	50,000	247,455
Faysal Bank Limited (FBL)	108,720	17,170
Allied Bank Limited (ABL)	235,554	137,360
Dubai Islamic Bank Limited (DIBL)	50,000	85,850
Habib Bank Limited (HBL)	317,440	213,115
Habib Metropolitan Bank Limited (HMBL)	63,420	-
JS Bank Limited (JSBL)	144,958	-
	1,120,092	900,950
	1,136,715	975,174
Accrued profit:		
Treasury Bills	-	2,859
TFC - BAFL	606	394
TDRs		
POIC	4,429	4,115
FWBL	9,292	419
NBP	475	5,405
FBL	1,803	278
ABL	4,737	2,524
DIBL	1,417	710
HBL	3,953	4,856
JSBL	678	-
	1,164,105	996,734

8.1 Maturity dates and profit margin are as follows:

	Currency	Maturity	Profit rate % per annum	2012	2011
Treasury Bills	-	-	-	-	49,286
TFC- BAFL	PKR	November 2012	KIBOR + 1.5%	16,623	24,938
POIC	PKR	June 2012	13.25%	50,000	100,000
FWBL	PKR	December 2012	13.9%	100,000	100,000
NBP	PKR	January 2013	11.95%	50,000	50,000
NBP	USD	-	-		197,455
				50,000	247,455
FBL	USD	July 2012	2.5%	108,720	17,170
ABL	USD	July 2012 to September 2012	3% to 4.5%	235,554	137,360
DIBL	PKR	December 2012	12.35%	50,000	-
DIBL	USD	-	-	-	85,850
				50,000	85,850
HBL	PKR	December 2012	12.05%	100,000	50,000
HBL	USD	July 2012 to December 2012	2.5% to 2.65%	217,440	163,115
				317,440	213,115
HMBL	USD	March 2013	2.15%	63,420	-
JSBL	USD	January 2013	3%	144,958	-
				1,136,715	975,174

9. CASH AND BANK BALANCES

	2012	2011
	Rupees '000	
Balance at bank in deposit accounts		
- Local currency	77,960	64,598
- Foreign currency	17,349	115,184
Cash in hand	44	13
	95,353	179,795

Bank balance amounting to Rs. 71.50 million (2011:Rs. 59.87 million) is placed with Albaraka Bank in high yielding checking account where profit is calculated on daily basis with quarterly payouts at the rate of 11% per annum.

10. PROVISION AGAINST PERFORMANCE GUARANTEES ENCASHED

	2012	2011
	Rupees '000	
Rupali Polyester Limited	90,000	90,000
Spencer Powergen Company of Pakistan Limited	33,000	33,000
Star Energy Venture Pakistan Limited	78,400	78,400
Liberty Power Tech Limited	23,500	-
	224,900	201,400

11. STAFF GRATUITY

11.1 Reconciliation of amounts recognised in the balance sheet is as follows:

Present value of defined benefit obligation	50,882	48,928
Fair value of plan assets	(41,587)	(34,935)
	9,295	13,993
Unrecognised actuarial gain	4,161	285
	13,456	14,278

11.2 The amounts recognised in income and expenditure account are as follows:

Current service cost	4,600	6,004
Interest cost	4,466	5,404
Expected return of plan assets	(3,460)	(3,558)
	5,606	7,850

11.3 Actual return on plan assets	2,369	4,807

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

11.4 Changes in the present value of defined benefit obligation are as follows:

	2012	2011
	Rupees '000	
Opening defined benefit obligation	48,928	38,603
Current service cost	4,600	6,004
Interest cost	4,466	5,404
Actuarial gain	(4,967)	(70)
Benefits paid	(2,145)	(1,013)
Closing defined benefit obligation	50,882	48,928

	2012	2011
	Rupees '000	

11.5 Changes in the fair value of plan assets are as follows:

	2012	2011
Opening fair value of plan assets	34,935	25,415
Expected return	3,460	3,558
Actuarial (loss)/ gain	(1,091)	1,249
Contribution	6,428	5,726
Benefits paid	(2,145)	(1,013)
Closing fair value of plan assets	41,587	34,935

Based on actuarial valuation, a contribution of Rs. 8,174 thousand is expected to be paid to the defined benefit plan during the year ending June 30, 2013.

11.7 Major categories of plan assets as a percentage of total plan assets of defined gratuity plan are as follows:

	2012	2011	2012	2011
			Rupee in '000	
Bank balance	9.85%	7.81%	4,097	2,729
Term deposit receipts	85.72%	86.23%	35,647	30,124
NIT units	4.43%	5.96%	1,843	2,082
	100%	100%	41,587	34,935

11.8 Principal actuarial assumptions used in the actuarial valuation are as follows:

	2012	2011
Discount rate	14%	14%
Future salary increase	13%	13%
Expected return on plan assets	14%	14%

11.9 Amounts for current and previous annual periods are as follows:

	2012	2011	2010	2009	2008
			Rupees '000		
Defined benefit obligation	50,882	48,928	38,603	31,254	24,748
Plan assets	(41,587)	(34,935)	(25,415)	(10,823)	(8,709)
Deficit	9,295	13,993	13,188	20,431	16,039
Experience adjustments on					
- Plan liabilities	4,967	70	784	-	-
- Plan assets	(1,091)	1,249	(449)	(1,595)	-

12. ACCRUED AND OTHER LIABILITIES

	2012	2011
	Rupee in '000	
Accrued expenses	257	2,906
Leave encashment payable	9,373	11,984
Audit fee payable	500	500
Withholding tax	302	135
Retention money	198	-
Other payables	112	222
	10,742	15,747

13. CONTINGENCIES AND COMMITMENTS

Certain sponsors of power projects filed suits against Government of Pakistan (GOP) / the Board for aggregate claims against damages of Rs. 9,487 million (2011: Rs. 9,842 million) and US$ 58 million (2011: US$ 58 million). Also, claims have been lodged against the performance guarantees encashed amounting to Rs. 79 million (2011: 79 million) and US$ 750 thousand (2011: US$ 947 thousand).These law suits are currently being defended by the Board. At this stage, either it is not possible to determine the expected outcome of these litigations or the favorable results to the Board are probable. All the cases are pending in the courts of law so the expected timing of outflow of resources cannot be ascertained.

14. PERFORMANCE GUARANTEES ENCASHED

	2012	2011
	Rupees '000	
Green Electric Private Limited	-	80,793
Atlas Power Limited	-	96,694
Nishat Power Limited & Nishat Chunian Power Limited	-	106,005
HUB Power Company Limited	-	96,638
Techno Engineering Services Private Limited	-	16,912
Liberty Power Tech Limited	-	12,357
	-	409,399

15. INCOME FROM OPERATIONS

	2012	2011
Income from request for proposals (RFPs)	-	2,574
Income from pre qualification documents fee (PQD)	8,148	-
Income from registration fees	1,145	378
Project processing fee	17,500	1,719
Recovery of feasibility studies cost	-	6,059
	26,793	10,730

16. INCOME FROM FINANCIAL ASSETS

	2012	2011
Income on bank deposits	4,049	6,316
Income on held to maturity investments	109,652	148,910
Interest income on loans to employees	31	25
Exchange gain on financial assets	39,655	1,850
Dividend income	5,979	4,340
Profit on available for sale investment	3,600	5,320
Loss on sale of PIB's	-	(9,737)
	162,966	157,024

	2012	2011
	Rupees '000	

17. OTHER INCOME

	2012	2011
Gain on sale of property and equipment	789	-
Misc. income	10	31
	799	31

18. SALARIES AND BENEFITS

	2012	2011
Salaries and allowances	97,213	140,566
Provision for staff gratuity	5,606	7,850
Provision for leave encashment	8,617	13,109
Other benefits	8,695	6,705
	120,131	168,230

19. REPAIR AND MAINTENANCE

	2012	2011
Vehicle running and maintenance	2,245	3,231
Office repair, maintenance and renovation	144	335
Computer repair	104	239
Equipment repair	292	297
Furniture repair	15	28
	2,800	4,130

20. PRINTING AND STATIONERY

	2012	2011
Computer stationery	198	381
Office stationery	442	765
Printing	373	1,024
	1,013	2,170

21. OTHER EXPENSES

	2012	2011
Newspapers and periodicals	96	284
Training, conferences and seminars	986	1,527
Entertainment and office supplies	765	1,088
Security services	542	1,010
Miscellaneous	557	290
	2,946	4,199

22. FUND MANAGEMENT

The Board's objective when managing fund is to safe guard its ability to continue as a going concern so that it can achieve its primary objective, provide benefits for other stakeholders and to maintain a strong fund base to support the sustainable operations. There were no changes to PPIB's' approach to fund management during the year and PPIB is not subject to externally imposed fund requirements.

23. RELATED PARTY TRANSACTIONS

The Board operates in an economic regime current dominated by entities directly or indirectly controlled by the Government of Pakistan ("State - controlled entities") through its government authorities, agencies, affiliates and other organizations. Transactions with these state - controlled entities are not very significant and hence impracticable to quantify for disclosure in these financial statements.

Other related parties are key management personnel and gratuity fund/ trust. Transactions with key management personnel and gratuity fund/ trust are as follows:

	2012	2011
	Rupees '000	
Salaries and benefits	23,382	33,759
Contribution to gratuity fund/ trust	6,428	5,726

24. FINANCIAL INSTRUMENTS

Exposure to use of financial instruments is in respect of following risks:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Board's exposure to each of the above risks, the Board's objectives, policies and processes for measuring and managing risk, and the Board's management of fund. Further quantitative disclosures are included throughout these financial statements.

The Board have overall responsibility for the establishment and oversight of the Board's risk management framework. The Board is responsible for developing and monitoring the Board's risk management policies.

The Board's risk management policies are established to identify and analyse the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and PPIB's activities. PPIB, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

24.1 Credit risk

Credit risk is the risk of financial loss to the Board if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Management believes that the Board is exposed to credit risk to the extent of long term investments, advances, interest accrued, other receivables, short term investment, and bank balances. PPIB controls its credit risk by continuous monitoring of its receivables and diversification of its investment.

24.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2012	2011
	Rupees '000	
Long term investments	807,726	842,936
Advances and other receivables	3,314	9,760
Short term investments	1,164,105	996,734
Bank balances	95,309	179,782
	2,070,454	2,029,212

Geographically there is no concentration of credit risk as the Board operates in the same geographical area.

None of the above liquid assets are overdue nor impaired. Based on past experience, management of PPIB believes that no impairment allowance is necessary in respect of liquid assets not past due.

24.2 Liquidity risk

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to it's reputation.

The Board follows an effective cash management and planning policy to ensure availability of funds and to take measures for new requirements.

The maturity profile of the Board's financial liabilities based on the contractual amounts is as follows:

	2012		2011	
	Carrying amount	Contractual cash flows (within one year)	Carrying amount	Contractual cash flows (within one
	Rupees in '000			
Provision against performance guarantees encashed	224,900	224,900	201,400	201,400
Other payables having maturity up to one year	10,742	10,742	15,747	15,747

24.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates will affect the Board's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Board is exposed to currency risk, interest rate risk and price risk only.

24.3.1 Foreign currency risk management

Pak rupee is the functional currency of the Board and as a result currency exposure arises from transactions and balances in currencies other than Pak Rupee. The Board's potential currency exposure comprises;

-Transactional exposure in respect of non functional currency monetary items.
-Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Board are periodically restated to Pak rupee equivalent, and the associated gain or loss is taken to the income and expenditure account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Performance guarantees encashed, Income from operations, and certain income on investments and bank deposits is earned in currencies other than the functional currency. These currency risks are managed as a part of overall risk management strategy. These were no forward exchange contracts.

Exposure to foreign currency risk

The Board's exposure to foreign currency risk is as follows:

	2012	2011
	US Dollars '000	
Short term investments - held to maturity	8,500	7,000
Bank balances	191	1,342
	8,691	8,342

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid spot rate	
	2012	2011	2012	2011
	Rupees	Rupees	Rupees	Rupees
US Dollars	88.15	85.61	90.70	85.85

Foreign currency sensitivity analysis

A 10 percent strengthening of the Rupee against US Dollar at 1 March would have decreased surplus of income over expenditure account by amount before tax of Rs. 78.829 million (2011 : Rs. 72.394 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

A 10 percent weakening of the Rupees against the above currency at 1 March would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

24.3.2 Interest rate risk management

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. A is adopted policy to ensure that interest rate risk is minimized by investing in fixed rate investments like PIBs, RICs, and TDRs. These were no borrowings.

Profile

At the reporting date the interest rate profile of the Board's variable rate interest-bearing financial instruments is:

	2012	2011
	Rupees '000	
Variable rate instruments		
Financial assets		
Long term investments	246,633	241,619

Except the above mentioned interest bearing financial assets all other interest bearing financial assets are fixed rate instruments on which PPIB is not exposed to interest rate risk.

Sensitivity analysis

An increase of 100 basis points in interest rates at the reporting date would have increased equity and surplus by amount before tax of Rs. 438,514 (2011: Rs.505,322). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2011.

A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

24.3.3 Price risk

Exposure related to long term and short term investment in marketable securities arises when the market value of such investment changes.

Due to 10% increase in quoted market rate at the balance sheet date, the carrying value of the available for sale investments would have been higher by Rs. 2.835 million (2011: Rs. 5.678 million) with corresponding increase in funds and reserves balance. A 10% decrease would have equal but opposite effect.

24.4 Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximates their fair values except for held to maturity financial assets which are carried at amortized cost whose fair value in comparison with carrying amount is as follows:

	2012 Carrying amount	Fair Value	2011 Carrying amount	Fair Value
		Rupees '000		
Assets carried at amortized cost				
Long term investments	779,377	753,562	786,115	756,280
Short term Investments	1,164,105	1,136,715	996,734	975,174
	1,943,482	1,890,277	1,782,849	1,731,454

The basis for determining fair values is as follows:

24.4.1 Interest rates used for determining the fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread.

24.4.2 Fair value hierarchy

The table below analyses financial instruments carried at the fair value, by valuation method. The different levels have been defined as follows:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3
June 30, 2012		Rupees '000	
Assets carried at fair value			
Available for sale investments	28,349	-	-
	28,349	-	-
June 30, 2011			
Assets carried at fair value			
Available for sale investments	56,781	-	-
	56,781	-	-

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

24.5 Determination of fair values

A number of accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/ or disclosure purposes based on the following methods.

24.5.1 Available for sale investments

The fair value of available for sale investments is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

24.5.2 Non - derivative financial assets

The fair value of non- derivative financial assets is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

24.5.3 Non - derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

25. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison.

26. DATE OF APPROVAL

These financial statements were approved on ____________________ by the Board Members of PPIB.

8/4

Managing Director **Board Member**

Appendix-IV

PRIVATE POWER AND INFRASTRUCTURE BOARD

FINANCIAL STATEMENTS

FOR THE PERIOD

MARCH 2, 2012 TO JUNE 30, 2012

pwc

A. F. FERGUSON & CO.

February 26, 2013
549

The Board Members
Private Power Infrastructure Board (PPIB)
Islamabad

Dear Sirs

FINANCIAL STATEMENTS FOR THE PERIOD MARCH 2, 2012 TO JUNE 30, 2012

We enclose six copies of the financial statements for the period March 2, 2012 to June 30, 2012, together with our report thereon to the Board members initialled by us for identification purposes. We shall be pleased to sign our report after:

i) the financial statements have been approved by the Board and signed by the Managing Director and a Board Member authorized by the Board in this behalf;

ii) we have signed our audit report on financial statements for the year ended June 30, 2011 and for the period ended March 1, 2012.

iii) we have seen the Board's specific approval for:

	Rupees '000
a) Additions to property and equipment at cost	6,844
b) Held to maturity investments (TDRs) purchased	
- SME Bank Limited	45,000
- Habib Metropolitan Bank Limited	65,800
- JS Bank Limited	150,400
c) Provision for staff gratuity	2,716
d) Provision for leave encashment	4,411
e) Transfer of Government fund and Accumulated surplus to PPIB fund	1,870,296

iv) we have received satisfactory reply from banks listed at Annexure I to this letter in response to our request for direct confirmation of bank balances as at June 30, 2012;

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

pwc -2- **A. F. FERGUSON & CO.**

v) we have received reply from legal advisors listed at annexure II to this letter for confirming financial impact of pending litigation cases, if any; and

vi) we have received a representation letter on the lines of the enclosed draft duly signed by the Managing Director and Director Finance of PPIB.

2. We wish to place on record our appreciation of the cooperation and courtesy extended to us by the management and staff of PPIB during the course of the audit.

Yours truly

encls

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A. F. FERGUSON & CO.

ANNEXURE I

PRIVATE POWER AND INFRASTRUCTURE BOARD
FINANCIAL STATEMENTS FOR THE PERIOD MARCH 2, 2012 TO JUNE 30, 2012

List of banks from whom reply was not received in response to our request for confirming the balances held with them as at June 30, 2012 as referred to in our letter 549 dated February 26, 2013.

	Balance as at June 30, 2012 Rupees
NIB Bank Limited, Islamabad	197,862
Faysal Bank Limited, Islamabad	131,353
	329,215

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A. F. FERGUSON & CO.

ANNEXURE II

PRIVATE POWER AND INFRASTRUCTURE BOARD
FINANCIAL STATEMENTS FOR THE PERIOD MARCH 2, 2012 TO JUNE 30, 2012

List of legal advisors from whom reply was not received in response to our request for confirming financial impact of pending litigation cases, as referred to in our letter 549 dated February 26, 2013.

Mr. Yaser Aman Khan, Islamabad

Mr. Shah Khawar, Islamabad

Mr. Yawar Farooqi, Karachi

Syed Hasnain Ibrahim Kazmi, Islamabad

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A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE BOARD MEMBERS OF PRIVATE POWER AND INFRASTRUCTURE BOARD

We have audited the accompanying financial statements of Private Power and Infrastructure Board (PPIB), which comprise statement of financial position as at June 30, 2012, and income and expenditure account, statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the period March 2, 2012 to June 30, 2012 and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PPIB's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PPIB's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PPIB at June 30, 2012 and of its financial performance and its cash flows for the period then ended in accordance with approved accounting standards as applicable in Pakistan.

Chartered Accountants
Islamabad: October 21, 2013

Engagement partner: S. Haider Abbas

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PRIVATE POWER AND INFRASTRUCTURE BOARD

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2012

	Note	June 30, 2012	March 1, 2012
		Rupees '000	
NON CURRENT ASSETS			
Property and equipment	4	38,185	32,714
Intangible assets	5	167	174
		38,352	32,888
Long term investments	6	808,953	807,726
CURRENT ASSETS			
Advances, prepayments and other receivables	7	6,090	10,250
Advance tax	8	10,570	10,436
Short term investments	9	1,221,829	1,164,105
Cash and bank balances	10	48,575	95,353
		1,287,064	1,280,144
CURRENT LIABILITIES			
Provision against performance guarantees encashed	11	224,900	224,900
Staff gratuity	12	16,172	13,456
Accrued and other liabilities	13	19,584	10,742
		260,656	249,098
NET CURRENT ASSETS		1,026,408	1,031,046
Deferred Taxation		91	-
NET ASSETS		1,873,622	1,871,660
REPRESENTED BY:			
PPIB Fund	14	1,870,205	-
Government fund		-	2,474
Accumulated surplus		-	1,867,562
Surplus on remeasurement of investments to fair value		3,417	1,624
Funds and reserves		1,873,622	1,871,660
Contingencies and commitments	15		

The annexed notes from 1 to 28 form an integral part of these financial statements.

Managing Director **Board Member**

PRIVATE POWER AND INFRASTRUCTURE BOARD
INCOME AND EXPENDITURE ACCOUNT

FOR THE PERIOD MARCH 2, 2012 TO JUNE 30, 2012

	Note	March 2, 2012 to June 30, 2012	July 1, 2011 to March 1, 2012
		Rupees in '000	
INCOME			
Income from operations	16	37	26,793
Income from financial assets	17	88,752	162,966
Other income	18	22	799
		88,811	190,558
EXPENDITURE			
Salaries and benefits	19	69,082	120,131
Repairs and maintenance	20	3,074	2,800
Printing and stationery	21	772	1,013
Professional and legal services fee		3,073	5,410
Traveling expenses		3,755	4,730
Office rent		3,412	6,515
Telephone, fax, postage and courier		535	736
Fixed assets insurance		206	424
Utilities		654	1,200
Audit fee		200	250
Depreciation and amortization		1,380	2,371
Provision against doubtful advances and other receivables		-	1,101
Bank charges		74	10
Advertisement expenses		939	2,224
Other expenses	22	1,395	2,946
		88,551	151,861
PROFIT/ SURPLUS FOR THE PERIOD		260	38,697
Income tax expense	23	91	-
PROFIT/ SURPLUS AFTER TAX		169	38,697

The annexed notes from 1 to 28 form an integral part of these financial statements.

Managing Director **Board Member**

PRIVATE POWER AND INFRASTRUCTURE BOARD
STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD MARCH 2, 2012 TO JUNE 30, 2012

	March 2, 2012 to June 30, 2012	July 1, 2011 to March 1, 2012
	Rupees '000	
Profit/ surplus for the period	169	38,697
Other comprehensive income:		
Comprehensive income for the period		
Surplus transferred to income and expenditure on sale of available for sale investment	-	(1,907)
Gain/ (loss) on remeasurement of available for sale investments	1,793	(4,076)
	1,793	(5,983)
Total comprehensive income for the period	1,962	32,714

The annexed notes from 1 to 28 form an integral part of these financial statements.

Managing Director

Board Member

PRIVATE POWER AND INFRASTRUCTURE BOARD
STATEMENT OF CASH FLOWS

FOR THE PERIOD MARCH 2, 2012 TO JUNE 30, 2012

	Note	March 2, 2012 to June 30, 2012	July 1, 2011 to March 1, 2012
		Rupees '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/ surplus before tax for the period		260	38,697
Adjustments for non cash items:			
Depreciation and amortisation		1,380	2,371
Provision against advances		-	1,101
Dividend income		-	(5,979)
Income on bank deposits and held to maturity investment		(60,256)	(113,701)
Income on sale of available for sale investments		-	(3,600)
Provision for staff gratuity		2,716	5,606
Provision for leave encashment		4,411	8,617
Gain on sale of property and equipment		-	(789)
Effect of exchange rate changes on cash and cash equivalents		(2,427)	(2,739)
		(53,916)	(70,416)
Effect of working capital changes:			
Decrease/ (increase) in advances, prepayments and other receivables		3,752	2,252
Increase/ (decrease) in accrued and other liabilities		5,389	(2,394)
Increase in provision against performance guarantee encashed		-	23,500
		(44,775)	(47,058)
Gratuity paid		-	(6,428)
Leave encashment paid		(958)	(11,228)
Taxes paid		(134)	(1,536)
Net cash flow used in operating activities		(45,867)	(66,250)
CASH FLOW FROM INVESTING ACTIVITIES			
Property and equipment purchased		(6,844)	(7,059)
Sale proceeds from disposal of property and equipment		-	796
Income on bank deposits and held to maturity investments		53,162	114,132
Dividend income		-	5,979
Available for sale investments - net		-	26,049
Held to maturity investments - net		(49,656)	(160,828)
Net cash used in investing activities		(3,338)	(20,931)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(49,205)	(87,181)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		95,353	179,795
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		2,427	2,739
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	48,575	95,353

The annexed notes from 1 to 28 form an integral part of these financial statements.

Managing Director **Board Member**

PRIVATE POWER AND INFRASTRUCTURE BOARD
STATEMENT OF CHANGES IN FUND AND RESERVES

FOR THE PERIOD MARCH 2, 2012 TO JUNE 30, 2012

	PPIB fund	Government fund	Accumulated Surplus	Surplus/ (deficit) on remeasurement of investment to fair value	Total
			Rupees '000		
Balance as at 30 June 2010	-	2,474	1,403,597	3,313	1,409,384
Comprehensive income for the year:					
Surplus for the year	-	-	425,268	-	425,268
Other comprehensive income	-	-	-	4,294	4,294
		-	425,268	4,294	429,562
Balance as at 30 June 2011	-	2,474	1,828,865	7,607	1,838,946
Comprehensive income for the period:					
Surplus for the period July 1, 2011 to March 1, 2012	-	-	38,697	-	38,697
Other comprehensive income	-	-	-	(5,983)	(5,983)
	-	-	38,697	(5,983)	32,714
Balance as at 1 March 2012	-	2,474	1,867,562	1,624	1,871,660
Transfer to PPIB fund	1,870,036	(2,474)	(1,867,562)	-	-
Comprehensive income for the period:					
Profit for the period March 2, 2012 to June 30, 2012	169	-	-	-	169
Other comprehensive income	-	-	-	1,793	1,793
	169	-	-	1,793	1,962
Balance as at 30 June 2012	1,870,205	-	-	3,417	1,873,622

The annexed notes from 1 to 28 form an integral part of these financial statements.

Managing Director **Board Member**

PRIVATE POWER AND INFRASTRUCTURE BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ~~JULY 1, 2011 TO~~ MARCH ~~1~~ 2, 2012 To JUNE 30, 2012

1. STATUS AND OPERATIONS

1.1 Private Power and Infrastructure Board (PPIB) was constituted in August 1994 under a Federal Government Notification to act as one window organization on behalf of all the agencies and Ministries of the Government of Pakistan (GOP) to process and facilitate private sector power projects, monitor their performance and perform all other related functions.

1.2 Private Power and Infrastructure Board (PPIB) Act No.VI of 2012 (the Act), was enacted on March 2, 2012 for establishment of PPIB as a body corporate having perpetual succession & common seal, independent in performance of its functions and competent to sue and be sued in its own name and acquire and hold property. As per the Act, PPIB is responsible for implementing the power policies of the Government of Pakistan, the development and implementation of power projects and related infrastructure in the private sector and on public-private partnership basis, enter into agreements & contracts, to provide for matters connected therewith or incidental thereto, etc.

Upon commencement of the Act , the Private Power and Infrastructure Board established vide Federal Government's Notification hereinafter referred to as the former Board stand dissolved and upon such dissolution:-

(a) all assets, rights, powers, authorities and privileges and all property, cash and bank balances, reserve funds, investment and all other interests and rights in or arising out of such property and all debts, liabilities and obligations of whatever kind of the former board subsisting immediately before its dissolution stand transferred to and vest in PPIB constituted under this Act;

(b) all debts and obligations incurred or contracts entered into, rights acquired and all matters and things engaged to be done by, with or for the former Board are deemed to have been incurred, entered into, acquired or engaged to be done by, with or for PPIB;

(c) all suits and other legal proceedings instituted by or against the former Board, before its dissolution, are deemed to be suits and proceedings by or against PPIB and will be proceeded or otherwise dealt with accordingly; and

(d) any reference to the former Board in any statutory instrument or document shall, unless the context otherwise requires, be read and construed as reference to be PPIB.

1.3 These financial statements represent status of financial position of PPIB, as existed on June 30, 2012 after dissolution of the former Board. All assets and liabilities of the Board stood transferred to the newly established PPIB under the Act on March 2, 2012. Accordingly, the financial statements have been prepared for the period March 2, 2012 to June 30, 2012. The corresponding figures of Income and Expenditure Account, Statement of Comprehensive Income, Statement of Cash Flow and Statement of Changes in Funds and Reserves regarding the former Board pertain to the 8 months period ended March 1, 2012, and therefore are not directly comparable with the figures for current period of four months to June 30, 2012.

2. BASIS OF PREPARATION

2.1 *STATEMENT OF COMPLIANCE*

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

2.2 *Adoption of new and revised standards and interpretations*

Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by PPIB:

		Effective date (annual reporting periods on or after);
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 1, 2013
IFRS 9	Financial Instruments - Classification and Measurement (Amendments)	January 1, 2015
IAS 1	Presentation of financial statements (Amendments)	July 1, 2012 & January 1, 2013
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2013
IAS 19	Employee benefits (Amendments)	January 1, 2013
IAS 32	Financial Instruments: Presentation (Amendments)	January 1, 2013 & 2014

The management anticipate that, the adoption of the above standards, amendments and interpretations in future period, will have no material impact on the financial statements other than in presentation / disclosures.

2.3 *Basis of measurement*

These financial statements have been prepared on the historical cost basis except for investments referred to in notes 3.3.1 and 3.3.2 to the financial statements which are carried at their ammortized cost and fair values respectively, as required by approved accounting standards. Assets transferred from PPC are carried at their assigned values as explained in note 3.1 to the financial statements.

2.4 *Functional and presentation currency*

These financial statements are presented in Pakistan Rupee (PKR), which is functional currency of PPIB.

2.5 *Significant accounting estimates*

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods.

Judgments and estimates made by the management that may have a risk of material adjustments to the financial statements in subsequent years are as follows:

2.5.1 *Property and equipment*

PPIB reviews the useful life and residual value of property and equipment including intangibles on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of assets with a corresponding affect on the depreciation, amortization and impairment.

2.5.2 *Impairment of assets*

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss.

2.5.3 *Staff gratuity*

PPIB operates a gratuity scheme for all employees, as a defined benefit plan. The calculations require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration, the expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. The assumptions used vary as they are determined by independent actuary.

The amount of the expected return on plan assets is calculated using the expected rate of return for the period and the market related value at the beginning of the period. Gratuity cost primarily represents the increase in actuarial present value of obligation for benefits earned on employee service, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

2.5.4 *Leave Encashment*

Provision for leave encashment is made for unavailed leave balance as at period end at the rate of basic pay and house rent allowance per day effective at period end.

2.5.5 *Provisions*

Estimates of the amount of provisions recognized are based on current legal and constructive requirements. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 *Property and equipment*

Tangible assets except those transferred from PPC and leasehold land are stated at cost less accumulated depreciation and impairment loss (if any). Property and equipment transferred from PPC are stated at assigned values less depreciation and impairment loss (if any) with corresponding credit to a property and equipment reserve which has been amortised in full over the useful life of these assets. Leasehold land is carried at cost less impairment, if any.

Depreciation is charged on the straight line method at the rates specified in note 4 to these financial statements so as to write-off the cost of the asset over its estimated useful life.

Depreciation is charged on prorata basis from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off. Days in excess of fifteen days are considered as full month for the purpose of calculation of depreciation.

Subsequent costs are included in the assets' carrying amount when it is probable that future economic benefits associated with the item will flow to PPIB and the cost of the item can be measured reliably. Carrying amount of the replaced part is de-recognized. All other repairs and maintenance are charged to income during the year. Gain and losses on disposal of property and equipment are included in the income and expenditure account currently.

Capital work in progress is stated at cost.

3.2 *Intangible assets*

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to PPIB and that the cost of such asset can also be measured reliably. Intangible assets having definite useful life are stated at cost less accumulated amortization or impairment loss, if any. Amortization is based on the pattern in which the assets' economic benefits are consumed. Intangible assets which have indefinite useful life are not amortized and tested for impairment, if any.

Amortization is recognized in income and expenditure account on a straight line basis @ 10 % per annum, from the month the asset is available for use.

Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in income and expenditure account as incurred.

3.3 *Investments*

Management determines the appropriate classification of investments at the time of purchase.

3.3.1 *Held to maturity investments*

Investments are classified as held to maturity if these investments have a fixed maturity and PPIB has the positive intent and ability to hold such investments to maturity. These investments are initially recorded at cost being the fair value of consideration given including the acquisition cost and are subsequently carried at each year end at amortised cost less impairment loss, if any.

3.3.2 *Available for sale investments*

Investments which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available for sale. These investments are initially recognised at cost and subsequently remeasured at fair value.

3.4 *Other receivables*

Other receivables are recognized and carried at original invoice value as reduced by appropriate provision for impairment, if any.

3.5 *Accrued and other liabilities*

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.6 *Employee benefits*

3.6.1 *Short term benefits*

Salaries and benefits are accrued in the period in which the associated services are rendered by employees and measured on an undiscounted basis.

3.6.2 *Gratuity*

A gratuity scheme for all employees is in operation, as a defined benefit plan.

Contribution is made to the above defined benefit plan on the basis of actuarial valuation, carried out by an independent actuary. The calculations of the actuary are based on the projected unit credit method. The latest actuarial valuations were carried out on ~~March 1, 2012.~~ June 30, 2012

Actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of plan assets and present value of obligation) are recognised over the average expected remaining working life of the employees.

3.6.3 *Leave encashment*

PPIB also has a policy whereby all its employees are able to encash accumulated leave balance as per PPIB service rules. Provision is made in the financial statements for the amount payable on account of unavailed leave balance of the employees.

3.7 *Deferred grant*

Government grants are deferred in the balance sheet and recognized as revenue on a systematic and rational basis over the periods necessary to match them with the related costs or terms and conditions of the grant notifications from Government of Pakistan.

3.8 *Taxation*

Current

Income of PPIB being a part of Ministry of Water and Power, Federal Government of Pakistan, prior to the commencement of PPIB Act, was exempt under sub section 3 of section 49 of the Income tax Ordinance 2001.

Consequent to the enactment of the PPIB Act, PPIB has obtained a status of a body corporate and its income is taxable under the relevant provisions of Income tax Ordinance 2001. Provision for current tax is recongnised on taxable income at applicable rate of tax after taking into account tax credits and tax rebates, if any.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax basis of assets and liabilities and their carrying amounts for financial reporting purposes

Deferred tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductable temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such deductable temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period where the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

3.9 *Revenue recognition*

Revenue from profit on bank balances, investments, operations and other income is recognized on accrual basis. Dividend income is recognised when the right to receive dividend is established.

Proceeds from encashment of performance guarantees is recognized as income in the year in which the guarantee is enchased and the management believes that the outcome of the transaction can be estimated reliably.

3.10 *Operating leases*

Operating lease rentals are recorded in income and expenditure account on a time proportion basis over the term of the lease arrangements.

3.11 *Financial instruments*

Financial assets comprise investments, advances, other receivables, cash and bank balances. Financial liabilities include provision against performance guarantees encashed, accrued and other liabilities. Financial assets and liabilities are recognized when PPIB becomes a party to contractual provisions of the instrument. These are derecognized when PPIB ceases to be a party to contractual provisions of the instrument.

Financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. Subsequent to initial recognition financial instruments are measured at cost, fair value or amortized cost, as the case may be.

3.12 *Offsetting*

Financial assets and liabilities are set off in the balance sheet, only when PPIB has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.13 *Foreign currencies*

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Pak rupee at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income for the current year.

3.14 *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and balances with bank.

3.15 *Provisions*

A provision is recognized in the balance sheet when PPIB has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate that reflects current market assessment of the time value of the money and the risk specific to the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

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4. PROPERTY AND EQUIPMENT

	Leasehold Land	Furniture and fixtures	Computer equipments	Office equipment	Air Conditioners	Vehicles	Books, tools and spares	Capital work in progress note 4.1	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
At July 1, 2010									
Cost	15,014	4,078	8,644	6,709	1,296	13,803	648	-	50,192
Accumulated depreciation	-	2,103	5,990	3,581	703	10,148	333	-	22,858
Net book amount at July 1, 2010	15,014	1,975	2,654	3,128	593	3,655	315	-	27,334
Year ended June 30, 2011									
Net book amount at July 1, 2010	15,014	1,975	2,654	3,128	593	3,655	315	-	27,334
Additions	-	722	943	185	89	-	120	1,878	3,937
Disposals	-	-	-	-	-	-	-	-	-
Depreciation charge	-	325	778	719	162	1,207	60	-	3,251
Net book amount at June 30, 2011	15,014	2,372	2,819	2,594	520	2,448	375	1,878	28,020
At July 1, 2011									
Cost	15,014	4,800	9,587	6,894	1,385	13,803	768	1,878	54,129
Accumulated Depreciation	-	2,428	6,768	4,300	865	11,355	393	-	26,109
Net book amount at July 1, 2011	15,014	2,372	2,819	2,594	520	2,448	375	1,878	28,020
Period ended March 1, 2012									
Net book amount at July 1, 2011	15,014	2,372	2,819	2,594	520	2,448	375	1,878	28,020
Additions	-	73	-	7	-	4,868	35	2,076	7,059
Disposals									-
Cost	-	44	659	1,036	-	2,718	-	-	4,457
Accumulated depreciation	-	37	659	1,036	-	2,718	-	-	4,450
	-	7	-	-	-	-	-	-	7
Depreciation charge	-	248	586	455	97	930	42	-	2,358
Net book amount at March 1, 2012	15,014	2,190	2,233	2,146	423	6,386	368	3,954	32,714
At March 1, 2012									
Cost	15,014	4,829	8,928	5,865	1,385	15,953	803	3,954	56,731
Accumulated Depreciation	-	2,639	6,695	3,719	962	9,557	435	-	24,017
Net book amount at March 1, 2012	15,014	2,190	2,233	2,146	423	6,386	368	3,954	32,714
Period ended June 30, 2012									
Net book amount at March 2, 2012	15,014	2,190	2,233	2,146	423	6,386	368	3,954	32,714
Additions	-	300	10	153	-	-	6	6,375	6,844
Disposals									-
Cost	-	-	-	-	-	909	-	-	909
Accumulated depreciation	-	-	-	-	-	909	-	-	909
	-	-	-	-	-	-	-	-	-
Depreciation charge	-	127	293	230	48	653	22	-	1,373
Net book amount at June 30, 2012	15,014	2,363	1,950	2,069	375	5,733	352	10,329	38,185
At June 30, 2012									
Cost	15,014	5,129	8,938	6,018	1,385	15,044	809	10,329	62,666
Accumulated Depreciation	-	2,766	6,988	3,949	1,010	9,311	457	-	24,481
Net book amount at June 30, 2012	15,014	2,363	1,950	2,069	375	5,733	352	10,329	38,185
Rate of depreciation (% per annum)	-	10%	20%	15%	15%	20%	10%	-	

4.1 Capital work in progress

This represents payments made to consultants for construction of building on leasehold land.

	Rupees '000
5. INTANGIBLES ASSETS - Computer software	
At July 1, 2010	
Cost	101
Accumulated amortization	62
Net book amount at July 1, 2010	39
Year ended June 30, 2011	
Net book amount at July 1, 2010	39
Additions	163
Amortization charge	15
Net book amount at June 30, 2011	187
At July 1, 2011	
Cost	264
Accumulated Amortization	77
Net book amount at June 30, 2011	187
Period ended March 1, 2012	
Net book amount at July 1, 2011	187
Additions	-
Amortization charge	13
Net book amount at March 1, 2012	174
At March 1, 2012	
Cost	264
Accumulated Amortization	90
Net book amount at March 1, 2012	174
Period ended June 30, 2012	
Net book amount at March 2, 2012	174
Additions	-
Amortization charge	7
Net book amount at June 30, 2012	167
At July 1, 2012	
Cost	264
Accumulated Amortization	97
Net book amount at June 30, 2012	167

6. LONG TERM INVESTMENTS	**June 30, 2012**	**March 1, 2012**
	Rupees '000	
Held to maturity investments - note 6.1	778,811	779,377
Available for sale investments - note 6.2	30,142	28,349
	808,953	807,726

6.1 Held to maturity:

	June 30, 2012	March 1, 2012
	Rupees '000	
Pakistan Investment Bonds (PIB's)	295,159	294,264
Regular Income Certificates (RICs)	210,000	210,000
Pak Oman Advantage Mutual Fund (POAF)	24,035	24,035
Term Finance Certificates (TFC's)		
- Askari Bank Limited (AKBL)	43,822	43,827
- Bank Al Habib Limited (BAHL)	5,185	5,185
- United Bank Limited (UBL)	12,475	14,970
- Pak Arab Fertilizer Limited (PAFL)	3,723	3,723
- Engro Fertilizer Limited (EFL)	90,384	93,573
- Engro Corporation Limited (ECL)	29,988	29,988
- Pakistan Mobile Communication Company Limited (PMCL)	46,518	47,546
	232,095	238,812
	761,289	767,111
Accrued Profit:		
PIB's	10,897	3,697
RIC's	697	748
TFC's		
- AKBL	1,598	1,286
- BAHL	280	45
- UBL	425	1,082
- PAFL	168	-
- EFL	551	2,826
- ECL	1,787	345
- PMCL	1,119	2,237
	778,811	779,377

Maturity dates, profit rates and market values are as follows:

	Maturity dates	Profit rate % per annum	Market value June 30, 2012	Market value March 1, 2012
			Rupees '000	
PIB's	2013 to 2017	8% to 11.25%	287,955	286,240
RIC's	2014 to 2016	12% to 14%	210,000	210,748
POAF	2017	-	22,112	16,825
TFC's				
- AKBL	2013	KIBOR + 1.5%	43,873	44,188
- BAHL	2015	KIBOR + 1.95%	5,359	5,313
- UBL	2014	KIBOR + 1.7%	12,389	14,910
- PAFL	2013	KIBOR + 1.5%	3,727	3,718
-EFL	2015 to 2017	KIBOR +(1.5% to 2.4 %)	91,750	91,877
- ECL	2014	14.5%	31,775	30,333
- PMCL	2013	KIBOR + (1.65% to 2.85%)	48,483	49,410
			757,423	753,562

	June 30, 2012	March 1, 2012
	Rupees '000	
6.2 Available for sale investments		
National Investment Trust (NIT) 996,103 units	26,725	26,725
Surplus on remeasurement	3,417	1,624
	30,142	28,349

7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees	1,029	1,172
Prepayments	4,420	8,037
Accrued interest on bank deposits	947	1,355
Other receivables	795	787
	7,191	11,351
Less: Provision for		
-Advances to employees	416	416
-Other receivables	685	685
	1,101	1,101
	6,090	10,250

8. ADVANCE TAX

Management is considering various options to recover this amount from taxation authorities and is confident of recovery. Refund applications were filed with taxation authorities on August 26, 2011 for the issuance of income tax refund for tax year 2009, 2010 and 2011. The refund claim amounts to Rs 8,900 million. A reminder for the same was filed on June 18, 2012.

	June 30, 2012	March 1, 2012
	Rupees '000	

9. SHORT TERM INVESTMENTS

	June 30, 2012	March 1, 2012
Held to maturity:		
Term Finance Certificate		
Bank Alfalah Limited (BAFL)	8,308	16,623
Term deposits receipts		
Pak Oman Investment Company Limited (POIC)	45,000	50,000
First Women Bank Limited (FWBL)	50,000	100,000
National Bank of Pakistan (NBP)	95,000	50,000
Faysal Bank Limited (FBL)	112,730	108,720
Allied Bank Limited (ABL)	244,394	235,554
Dubai Islamic Bank Limited (DIBL)	50,000	50,000
Habib Bank Limited (HBL)	325,560	317,440
Habib Metropolitan Bank Limited (HMBL)	65,800	63,420
JS Bank Limited (JSBL)	150,400	144,958
SME Bank Limited (SME)	45,000	-
	1,183,884	1,120,092
	1,192,192	1,136,715
Accrued profit:		
TFC - BAFL	117	606
TDRs		
- POIC	234	4,429
- FWBL	33	9,292
- NBP	2,507	475
- FBL	2,807	1,803
- ABL	7,818	4,737
- DIBL	3,459	1,417
- HBL	9,962	3,953
- HMBL	469	-
- JSBL	2,200	678
- SME	31	-
	1,221,829	1,164,105

9.1 Maturity dates and profit margin are as follows:

	Currency	Maturity	Profit rate % per annum		
TFC- BAFL	PKR	November 2012	KIBOR + 1.5%	8,308	16,623
POIC	PKR	September 2012	11.90%	45,000	50,000
FWBL	PKR	December 2012	12.00%	50,000	100,000
NBP	PKR	July 2012 to January 2013	11.20% to 11.95%	95,000	50,000
FBL	USD	July 2012	2.50%	112,800	108,720
ABL	USD	July 2012 to September 2012	3.00% to 4.50%	244,394	235,554
DIBL	PKR	December 2012	12.35%	50,000	50,000
HBL	PKR	December 2012	12.05%	100,000	100,000
HBL	USD	July 2012 to December 2012	2.50% to 2.65%	225,600	217,440
				325,600	317,440
HMBL	USD	March 2013	2.15%	65,800	63,420
JSBL	USD	January 2013	3.00%	150,398	144,958
SME	PKR	June 2013	12.40%	45,000	-
				1,192,300	1,136,715

	June 30, 2012	March 1, 2012
	Rupees '000	
10. CASH AND BANK BALANCES		
Balance at bank in deposit accounts		
- Local currency	30,641	77,960
- Foreign currency	17,927	17,349
Cash in hand	7	44
	48,575	95,353

Bank balance amounting to Rs. 12.34 million (March 1, 2012 :Rs. 71.50 million) is placed with Albaraka Bank in high yielding checking account where profit is calculated on daily basis with quarterly payouts at the rate of 11% per annum.

	June 30, 2012	March 1, 2012
	Rupees '000	
11. PROVISION AGAINST PERFORMANCE GUARANTEES ENCASHED		
Rupali Polyester Limited	90,000	90,000
Spencer Powergen Company of Pakistan Limited	33,000	33,000
Star Energy Venture Pakistan Limited	78,400	78,400
Liberty Power Limited	23,500	23,500
	224,900	224,900

12. STAFF GRATUITY

12.1 Reconciliation of amounts recognised in the balance sheet is as follows:		
Present value of defined benefit obligation	57,421	50,882
Fair value of plan assets	(43,547)	(41,587)
	13,874	9,295
Unrecognised actuarial gain	2,298	4,161
	16,172	13,456
12.2 The amounts recognised in income and expenditure account are as follows:		
Current service cost	2,282	4,600
Interest cost	2,375	4,466
Expected return of plan assets	(1,941)	(3,460)
	2,716	5,606
12.3 Actual return on plan assets	1,960	2,369

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

	June 30, 2012	March 1, 2012
	Rupees '000	
12.4 Changes in the present value of defined benefit obligation are as follows:		
Opening defined benefit obligation	50,882	48,928
Current service cost	2,282	4,600
Interest cost	2,375	4,466
Actuarial loss/ (gain)	1,882	(4,967)
Benefits paid	-	(2,145)
Closing defined benefit obligation	57,421	50,882

12.5 Changes in the fair value of plan assets are as follows:

	June 30, 2012	March 1, 2012
	Rupees '000	
Opening fair value of plan assets	41,587	34,935
Expected return	1,941	3,460
Actuarial gain / (loss)	19	(1,091)
Contribution	-	6,428
Benefits paid	-	(2,145)
Closing fair value of plan assets	43,547	41,587

Based on the acturial valuation a contribution of Rs. 8,714 thousand is expected to be paid to the defined benefit plan during the year ending June 30, 2013.

12.6 Major categories of plan assets as a percentage of total plan assets of defined gratuity plan are as follows:

	June 30, 2012	March 1, 2012	June 30, 2012	March 1, 2012
	%	%	Rupee in '000	
Bank balance	9.55	9.85	4,160	4,097
Term deposit receipts	85.94	85.72	37,426	35,647
NIT units	4.50	4.43	1,961	1,843
	100	100	43,547	41,587

12.7 Principal actuarial assumptions used in the actuarial valuation are as follows:

	June 30, 2012	March 1, 2012
Discount rate	12.5%	14%
Future salary increase	11.5%	13%
Expected return on plan assets	12.5%	14%

12.8 Amounts for current and previous four annual periods are as follows:

	2012	2011	2010	2009	2008
			Rupees '000		
Defined benefit obligation	57,421	48,928	38,603	31,254	24,748
Plan assets	(43,547)	(34,935)	(25,415)	(10,823)	(8,709)
Deficit	13,874	13,993	13,188	20,431	16,039
Experience adjustments on					
- Plan liabilities	(1,882)	70	784	-	-
- Plan assets	19	1,249	(449)	(1,595)	-

13. ACCRUED AND OTHER LIABILITIES

	June 30, 2012	March 1, 2012
	Rupee in '000	
Accrued expenses	4,792	257
Leave encashment payable	12,826	9,373
Audit fee payable	750	500
Withholding tax	134	302
Retention money	494	198
Other payables	588	112
	19,584	10,742

14. PRIVATE POWER AND INFRASTRUCTURE BOARD FUND (PPIB Fund)

As per the requirement of the section 14 of the PPIB Act (Act No. VI of 2012), a Fund has been established by converting the accumulated surplus and government fund which were available on the PPIB Balance Sheet as on March 1, 2012. The Fund shall be administered and controlled by the PPIB. Going forward, the Fund will be funded through various sources as specified in Section 14 of the Act and expended for operation of PPIB for the objects and purposes as specified in Section 15 of the Act. At the end of each financial year a Balance Sheet and Income and Expenditure Account shall be prepared and any surplus/ deficit will be transferred to the PPIB Fund.

15. CONTINGENCIES AND COMMITMENTS

Certain sponsors of power projects have filed suits against Government of Pakistan (GOP) / PPIB for aggregate claims against damages of Rs. 9,487 million (March 1, 2012: Rs. 9,487 million) and US$ 58 million (March 1, 2012: US$ 58 million). Also, claims have been lodged against the performance guarantees encashed amounting to Rs. 79 million (March 1, 2012: 79 million) and US$ 750 thousand (March 1, 2012: US$ 750 thousand).These law suits are currently being defended by PPIB. At this stage, either it is not possible to determine the expected outcome of these litigations or the favorable results to PPIB are probable. All the cases are pending in the courts of law so the expected timing of outflow of resources cannot be ascertained.

	March 2, 2012 to June 30, 2012	July 1, 2011 to March 1, 2012
16. INCOME FROM OPERATIONS		
Income from pre qualification documents fee (PQD)	-	8,148
Income from registration fees	37	1,145
Project processing fee	-	17,500
	37	26,793
17. INCOME FROM FINANCIAL ASSETS		
Income on bank deposits	2,153	4,049
Income on held to maturity investments	58,103	109,652
Interest income on loans to employees	16	31
Exchange gain on financial assets	28,480	39,655
Dividend income	-	5,979
Profit on available for sale investments	-	3,600
	88,752	162,966
18. OTHER INCOME		
Gain on sale of property and equipment	-	789
Misc. income	22	10
	22	799
19. SALARIES AND BENEFITS		
Salaries and allowances	56,236	97,213
Provision for staff gratuity	2,716	5,606
Provision for leave encashment	4,411	8,617
Other benefits	5,719	8,695
	69,082	120,131

	March 2, 2012 to June 30, 2012	July 1, 2011 to March 1, 2012
	Rupees '000	
20. REPAIR AND MAINTENANCE		
Vehicle running and maintenance	2,527	2,245
Office repair, maintenance and renovation	160	144
Computer repair	194	104
Equipment repair	166	292
Furniture repair	27	15
	3,074	2,800
21. PRINTING AND STATIONERY		
Computer stationery	272	198
Office stationery	310	442
Printing	190	373
	772	1,013
22. OTHER EXPENSES		
Newspapers and periodicals	140	96
Training, conferences and seminars	410	986
Entertainment and office supplies	450	765
Security services	270	542
Miscellaneous	125	557
	1,395	2,946
23. INCOME TAX EXPENSE		
Current tax	-	-
Deferred tax	91	
	91	-

In view of tax loss for the current period, current tax expense is charged under section 113 of the Income Tax Ordinance, 2001 at the rate of 1% of the turnover for the period. Deferred tax liability represents liability of Rs 409 thousand in respect of accelerated tax depreciation net of deferred tax asset of Rs 317 thousand related to tax loss.

24. FUND MANAGEMENT

PPIB's objective when managing fund is to safe guard PPIB's ability to continue as a going concern so that it can achieve its primary objective, provide benefits for other stakeholders and to maintain a strong fund base to support the sustainable operations. There were no changes to PPIB's' approach to fund management during the period and PPIB is not subject to externally imposed fund requirements.

25. RELATED PARTY TRANSACTIONS

PPIB operates in an economic regime current dominated by entities directly or indirectly controlled by the Government of Pakistan (State - controlled entities) through its government authorities, agencies, affiliates and other organizations. Transactions with these state - controlled entities are not very significant and hence impracticable to quantify for disclosure in these financial statements.

Other related parties are key management personnel and gratuity fund/trust. Transactions with key management personnel and gratuity fund are as follows:

	June 30, 2012	March 1, 2012
	Rupees '000	
Salaries and benefits	11,178	23,382
Contribution to gratuity fund/ trust	-	6,428

26. FINANCIAL INSTRUMENTS

Exposure to use of financial instruments is in response to the following risks:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about PPIB's exposure to each of the above risks, PPIB's objectives, policies and processes for measuring and managing risk, and PPIB's management of fund. Further quantitative disclosures are included throughout these financial statements.

The Board Members have overall responsibility for the establishment and oversight of PPIB's risk management framework. The Board Members are responsible for developing and monitoring PPIB's risk management policies.

Risk management policies are established to identify and analyse the risks faced by PPIB, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and PPIB's activities. PPIB, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

26.1 Credit risk

Credit risk is the risk of financial loss to PPIB if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Management believes that PPIB is exposed to credit risk to the extent of long term investments, advances, interest accrued, other receivables, short term investment, and bank balances. PPIB controls its credit risk by continuous monitoring of its receivables and diversification of its investment.

26.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	June 30, 2012	March 1, 2012
	Rupees '000	
Long term investments	808,953	807,726
Advances and other receivables	2,771	3,314
Short term investments	1,221,829	1,164,105
Bank balances	48,568	95,309
	2,082,121	2,070,454

Geographically there is no concentration of credit risk as PPIB operates in the same geographical area.

None of the above liquid assets are overdue nor impaired. Based on past experience, management of PPIB believes that no impairment allowance is necessary in respect of liquid assets not past due.

26.2 Liquidity risk

Liquidity risk is the risk that PPIB will not be able to meet its financial obligations as they fall due. PPIB's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to it's reputation.

PPIB follows an effective cash management and planning policy to ensure availability of funds and to take measures for new requirements.

The maturity profile of PPIB's financial liabilities based on the contractual amounts is as follows:

	June 30, 2012		March 1, 2012	
	Carrying amount	Contractual cash flows (within one year)	Carrying amount	Contractual cash flows (within one year)
	Rupees in '000			
Provision against performance guarantees encashed	224,900	224,900	224,900	224,900
Other payables having maturity up to one year	19,584	19,584	10,742	10,742

26.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates will affect PPIB's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. PPIB is exposed to currency risk, interest rate risk and price risk only.

26.3.1 Foreign currency risk management

Pak rupee is the functional currency of PPIB and as a result currency exposure arises from transactions and balances in currencies other than Pak Rupee. PPIB's potential currency exposure comprises;

-Transactional exposure in respect of non functional currency monetary items.
-Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of PPIB are periodically restated to Pak rupee equivalent, and the associated gain or loss is taken to the income and expenditure account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Performance guarantees encashed, Income from operations, and certain income on investments and bank deposits is earned in currencies other than the functional currency. These currency risks are managed as a part of overall risk management strategy. There were no forward exchange contracts.

Exposure to foreign currency risk

PPIB's exposure to foreign currency risk is as follows:

	June 30, 2012	March 1, 2012
	US Dollars '000	
Short term investments - held to maturity	8,500	8,500
Bank balances	191	191
	8,691	8,342

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid spot rate	
	March 2, 2012 to June 30, 2012	July 1, 2011 to March 1, 2012	June 30, 2012	March 1, 2012
	Rupees	Rupees	Rupees	Rupees
US Dollars	89.62	88.15	94.00	90.7

Foreign currency sensitivity analysis

A 10 percent strengthening of the Rupee against US Dollar at 30 June would have decreased surplus of income over expenditure account by amount before tax of Rs. 81.692 million (March 1, 2012 : Rs. 78.829 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for comparative period.

A 10 percent weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

26.3.2 Interest rate risk management

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. A policy is adopted to ensure that interest rate risk is minimized by investing in fixed rate investments like PIBs, RICs, and TDRs. There were no borrowings.

Profile

At the reporting date the interest rate profile of variable rate interest-bearing financial instruments is:

	June 30, 2012	March 1, 2012
	Rupees '000	
Variable rate instruments		
Financial assets		
Long term investments	238,023	246,633

Except the above mentioned interest bearing financial assets all other interest bearing financial assets are fixed rate instruments on which PPIB is not exposed to interest rate risk.

Sensitivity analysis

An increase of 100 basis points in interest rates at the reporting date would have increased equity and surplus by amount before tax of Rs. 416,622 (March 1, 2012: Rs. 438,514). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

26.3.3 Price risk

Exposure related to long term and short term investment in marketable securities arises when the market value of such investment changes.

Due to 10% increase in quoted market rate at the balance sheet date, the carrying value of the available for sale investments would have been higher by Rs. 3.014 million (March 1, 2012 : Rs. 2.835 million) with corresponding increase in funds and reserves balance. A 10% decrease would have equal but opposite effect.

26.4 Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximates their fair values except for held to maturity financial assets which are carried at amortized cost whose fair value in comparison with carrying amount is as follows:

	June 30,2012		March 1, 2012	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	Rupees '000			
Assets carried at amortized cost				
Long term investments	778,811	757,423	779,377	753,562
Short term Investments	1,221,829	1,221,829	1,164,105	1,164,105
	2,000,640	1,979,252	1,943,482	1,917,667

The basis for determining fair values is as follows:

26.4.1 Interest rates used for determining the fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread.

26.4.2 Fair value hierarchy

The table below analyses financial instruments carried at the fair value, by valuation method. The different levels have been defined as follows:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3
June 30, 2012		Rupees '000	
Assets carried at fair value			
Available for sale investments	30,142	-	-
	30,142	-	-
March 1, 2012			
Assets carried at fair value			
Available for sale investments	28,349	-	-
	28,349	-	-

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

26.5 Determination of fair values

A number of accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/ or disclosure purposes based on the following methods.

26.5.1 Available for sale investments

The fair value of available for sale investments is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

26.5.2 Non - derivative financial assets

The fair value of non- derivative financial assets is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

26.5.3 Non - derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

27. **CORRESPONDING FIGURES**

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison.

28. **DATE OF APPROVAL**

These financial statements were approved on ____________________ by the Board Members of PPIB.

Managing Director

Board Member

Appendix-V

PRIVATE POWER INFRASTRUCTURE BOARD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

pwc

A. F. FERGUSON & CO.

October 22, 2013
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The Board Members
Private Power and Infrastructure Board (PPIB)
Islamabad

Dear Sirs

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

We enclose six copies of the financial statements for the year ended June 30, 2013, together with our report thereon to the Board members initialled by us for identification purposes. We shall be pleased to sign our report after:

i) the financial statements have been approved by the Board and signed by the Managing Director and a Board Member authorized by the Board in this behalf;

ii) we have seen the Board's specific approval for:

	Rupees '000
- Additions to property and equipment at cost	13,121
- Additions to Intangible assets at cost	538
- Provision for staff gratuity	8,240
- Provision for leave encashment	9,602
- Advances written off	1,101
- Profit on performance guarantees encashed	65,560
- Held to maturity investments (TDRs) purchased	
• Pak Oman Investment Company Limited	110,000
• First Women Bank Limited	50,000
• National Bank of Pakistan	50,000
• SME Bank Limited	50,000
	USD '000
• Faysal Bank Limited	1,300
• Allied Bank Limited	1,600
• Habib Bank Limited	3,200
• Habib Metropolitan Bank Limited	1,000
• JS Bank Limited	1,600

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pwc

A. F. FERGUSON & CO.

- Held to maturity investments (TDRs) premature encashment during the year

	Rupees '000
• Pak Oman Investment Company Limited	50,000
• Habib Bank Limited	50,000

iii) we have received satisfactory reply from legal advisors listed at Annexure to this letter in response to our request for confirming financial impact of pending litigation cases, if any; and

iv) we have received a representation letter on the lines of the enclosed draft duly signed by the Managing Director and Director Finance of PPIB.

2. **Contributory Provident Fund not established**

In terms of Chapter-13 of PPIB Regulations 2013, PPIB shall establish a provident fund by the name of Contributory Provident Fund (CPF). All subscriptions by the employees and PPIB, required to be contributed to CPF, shall be credited to 'The Contributory Provident Fund Account'. However, we noted that no such fund has been established by PPIB and subscriptions by the employees and PPIB upto June 30, 2013 have been carried as a liability under accrued and other liabilities. We recommend that a CPF is established in accordance with the requirements of aforesaid regulations so that income generated on subscriptions can be credited to members of CPF.

3. **Advance tax**

PPIB has filed applications with taxation authorities for the tax years 2009, 2010 and 2011 on August 26, 2011 for refund amounting to Rs 8.90 million. We recommend that PPIB actively follow up this matter with taxation authorities for recoverability of this balance.

4. We wish to place on record our appreciation of the cooperation and courtesy extended to us by the management and staff of PPIB during the course of the audit.

Yours truly

encls

pwc

A. F. FERGUSON & CO.

ANNEXURE

PRIVATE POWER AND INFRASTRUCTURE BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

List of legal advisors from whom reply was not received in response to our request for confirming financial impact of pending litigation cases, as referred to in our letter 227 dated October 22, 2013.

Salman Akram Raja, Islamabad

Yaser Aman Khan, Islamabad

Barrister Khaliq Uz Zaman, Islamabad

Shah Khawar, Islamabad

Khwaja Ahmed Tariq Rahim, Lahore

Moin Azhar Sidiqqui, Karachi

Mubashir Rehman, Advocate High Court, Lahore

pwc

A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE BOARD MEMBERS OF PRIVATE POWER AND INFRASTRUCTURE BOARD

We have audited the accompanying financial statements of Private Power and Infrastructure Board (PPIB), which comprise statement of financial position as at June 30, 2013, and income and expenditure account, statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year ended June 30, 2013 and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PPIB's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PPIB's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PPIB at June 30, 2013 and of its financial performance and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Chartered Accountants
Islamabad: November 17, 2014

Engagement partner: S. Haider Abbas

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Kabul: Apartment No 3, 3rd Floor, Doost Tower, Haji Yaqub Square, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

PRIVATE POWER AND INFRASTRUCTURE BOARD

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2013

	Note	2013	2012
		Rupees '000	
NON CURRENT ASSETS			
Property and equipment	4	46,866	38,185
Intangible assets	5	655	167
		47,521	38,352
Long term investments	6	367,015	808,953
Loans and advances	7	8,784	-
Deferred taxation	15	12,071	-
CURRENT ASSETS			
Advances, prepayments and other receivables	8	8,967	6,090
Advance tax	9	16,116	10,570
Short term investments	10	1,524,310	1,221,829
Cash and bank balances	11	45,788	48,575
		1,595,181	1,287,064
CURRENT LIABILITIES			
Provision against performance guarantees encashed	12	142,946	224,900
Staff gratuity	13	16,561	16,172
Accrued and other liabilities	14	24,468	19,584
		183,975	260,656
NET CURRENT ASSETS		1,411,206	1,026,408
NON CURRENT LIABILITIES			
Deferred taxation	15	-	(91)
NET ASSETS		1,846,597	1,873,622
REPRESENTED BY:			
PPIB Fund	16	1,835,225	1,870,205
Surplus on remeasurement of investments to fair value		11,372	3,417
		1,846,597	1,873,622
Contingencies and commitments	17		

The annexed notes from 1 to 32 form an integral part of these financial statements.

Managing Director **Board Member**

PRIVATE POWER AND INFRASTRUCTURE BOARD
INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2013

	Note	Year ended June 30, 2013	March 2, 2012 to June 30, 2012
		Rupees in '000	
INCOME			
Performance guarantees encashed	18	49,025	-
Income from operations	19	60	37
Income from financial assets	20	203,121	88,752
Other income	21	312	22
		252,518	88,811
EXPENDITURE			
Salaries and benefits	22	199,166	69,082
Repairs and maintenance	23	6,085	3,074
Printing and stationery	24	1,510	772
Professional and legal services fee		3,368	3,073
Traveling expenses		4,508	3,755
Office rent		11,335	3,412
Telephone, fax, postage and courier		1,406	535
Fixed assets insurance		632	206
Utilities		2,021	654
Audit fee		300	200
Depreciation and amortization		4,491	1,380
Profit on performance guarantees encashed	25	65,560	-
Bank charges		68	74
Advertisement expenses		1,070	939
Other expenses	26	3,998	1,395
		305,518	88,551
(LOSS)/ PROFIT FOR THE YEAR/ PERIOD		(53,000)	260
Tax expense	27	(18,020)	91
(LOSS)/ PROFIT AFTER TAX		(34,980)	169

The annexed notes from 1 to 32 form an integral part of these financial statements.

Managing Director **Board Member**

PRIVATE POWER AND INFRASTRUCTURE BOARD
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2013

	Year ended June 30, 2013	March 2, 2012 to June 30, 2012
	Rupees '000	
(Loss)/ profit for the year / period	(34,980)	169
Other comprehensive income:		
Unrealised gain on remeasurement of available for sale investments	13,813	1,793
Tax relating to component of other comprehensive income	(5,858)	-
	7,955	1,793
Total comprehensive (loss)/ income for the year/ period	(27,025)	1,962

The annexed notes from 1 to 32 form an integral part of these financial statements.

Managing Director

Board Member

PRIVATE POWER AND INFRASTRUCTURE BOARD
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

	Note	Year ended June 30, 2013	March 2, 2012 to June 30, 2012
		Rupees '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		(53,000)	260
Adjustments for non cash items:			
Depreciation and amortisation		4,490	1,380
Provision against advances		7	-
Income on bank deposits and held to maturity investment		(152,296)	(60,256)
Provision for staff gratuity		8,240	2,716
Provision for leave encashment		9,602	4,411
Unrealised exchange gain		(36,101)	(28,480)
		(219,058)	(79,969)
Effect of working capital changes:			
(Increase)/ decrease in advances, prepayments and other receivables		(11,699)	3,752
Increase in accrued and other liabilities		8,214	5,389
		(222,543)	(70,828)
Gratuity paid		(7,851)	-
Leave encashment paid		(12,932)	(958)
Taxes paid		(5,546)	(134)
Decrease in provision against performance guarantee encashed		(81,954)	-
Net cash used in operating activities		(330,826)	(71,920)
CASH FLOW FROM INVESTING ACTIVITIES			
Property and equipment		(13,121)	(6,844)
Intangible assets		(538)	-
Income on bank deposits and held to maturity investments		158,374	53,162
Held to maturity investments - net		182,538	(23,603)
Net cash generated from/ (used in) investing activities		327,253	22,715
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,573)	(49,205)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/ PERIOD		48,575	95,353
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		786	2,427
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/ PERIOD	11	45,788	48,575

The annexed notes from 1 to 32 form an integral part of these financial statements.

Managing Director **Board Member**

PRIVATE POWER AND INFRASTRUCTURE BOARD
STATEMENT OF CHANGES IN FUND AND RESERVES

FOR THE YEAR ENDED JUNE 30, 2013

	PPIB fund	Government fund	Accumulated surplus	Surplus on remeasurement of investment to fair value	Total
			Rupees '000		
Balance as at March 1, 2012	-	2,474	1,867,562	1,624	1,871,660
Transfer to PPIB fund	1,870,036	(2,474)	(1,867,562)	-	-
Comprehensive income for the period					
Profit for the period	169	-	-	-	169
Other comprehensive income	-	-	-	1,793	1,793
	169	-	-	1,793	1,962
Balance as at 30 June 2012	1,870,205	-	-	3,417	1,873,622
Comprehensive income for the year					
(Loss)/ profit for the year	(34,980)	-	-	-	(34,980)
Other comprehensive income	-	-	-	7,955	7,955
	(34,980)	-	-	7,955	(27,025)
Balance as at 30 June 2013	1,835,225	-	-	11,372	1,846,597

The annexed notes from 1 to 32 form an integral part of these financial statements.

Managing Director **Board Member**

PRIVATE POWER AND INFRASTRUCTURE BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. STATUS AND OPERATIONS

1.1 Private Power and Infrastructure Board (PPIB) was constituted in August 1994 under a Federal Government Notification to act as one window organization on behalf of all the agencies and Ministries of the Government of Pakistan (GOP) to process and facilitate private sector power projects, monitor their performance and perform all other related functions.

1.2 Private Power and Infrastructure Board (PPIB) Act No.VI of 2012 (the Act), was enacted on March 2, 2012 for establishment of PPIB as a body corporate having perpetual succession & common seal, independent in performance of its functions and competent to sue and be sued in its own name and acquire and hold property. As per the Act, PPIB is responsible for implementing the power policies of the Government of Pakistan, the development and implementation of power projects and related infrastructure in the private sector and on public-private partnership basis, enter into agreements & contracts, to provide for matters connected therewith or incidental thereto, etc.

Upon commencement of the Act , the Private Power and Infrastructure Board established vide Federal Government's Notification hereinafter referred to as the former Board stand dissolved and upon such dissolution:-

(a) all assets, rights, powers, authorities and privileges and all property, cash and bank balances, reserve funds, investment and all other interests and rights in or arising out of such property and all debts, liabilities and obligations of whatever kind of the former board subsisting immediately before its dissolution stand transferred to and vest in PPIB constituted under this Act;

(b) all debts and obligations incurred or contracts entered into, rights acquired and all matters and things engaged to be done by, with or for the former Board are deemed to have been incurred, entered into, acquired or engaged to be done by, with or for PPIB;

(c) all suits and other legal proceedings instituted by or against the former Board, before its dissolution, are deemed to be suits and proceedings by or against PPIB and will be proceeded or otherwise dealt with accordingly; and

(d) any reference to the former Board in any statutory instrument or document shall, unless the context otherwise requires, be read and construed as reference to be PPIB.

1.3 These financial statements represent status of financial position of PPIB, as existed on June 30, 2013. All assets and liabilities of the Board stood transferred to the newly established PPIB under the Act on March 2, 2012. Accordingly, the financial statements had been prepared for the period March 2, 2012 to June 30, 2012. The corresponding figures of Income and Expenditure Account, Statement of Comprehensive Income, Statement of Cash Flow and Statement of Changes in Funds and Reserves regarding newly established PPIB pertain to the 4 months period ended June 30, 2012, and therefore are not directly comparable with the figures for current period of 12 months ended June 30, 2013.

2. BASIS OF PREPARATION

2.1 *STATEMENT OF COMPLIANCE*

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

2.2 *Adoption of new and revised standards and interpretations*

Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by PPIB:

		Effective date (annual reporting periods on or after);
IFRS 7	Financial instruments: Disclosures (Amendments)	January 1, 2013
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2013
IAS 16	Property, plant and equipment (Amendments)	January 1, 2013
IAS 19	Employee benefits (Amendments)	January 1, 2013
IAS 32	Financial instruments: Presentation (Amendments)	January 1, 2013 & 2014
IAS 36	Impairment of assets (Amendments)	January 1, 2013
IAS 39	Financial instruments: Recognition and measurement (Amendments)	January 1, 2013

PPIB anticipates that, except for the effects on the financial statements of amendments to IAS 19 "Employee Benefits", the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the PPIB's financial statements. The amendments to IAS 19 require immediate recognition of actuarial gains/ losses in other comprehensive income in the period in which they arise. This change will remove the corridor method for recognition of actuarial gains/ losses and eliminate the ability for entities to recognize all changes in defined obligation and plan assets in statement of comprehensive income. Following this change, accumulated gain/ loss will be recognized immediately in other comprehensive income. Unrecognized actuarial losses as at June 30, 2013 were Rs. 58.925 million.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by Securities and Exchange Commission of Pakistan(the Commission) for the purpose of their applicability in Pakistan:

		Effective date (annual reporting periods on or after);
IFRS 1	First-time adoption of International Financial Reporting Standards	July 1, 2009
IFRS 9	Financial instruments	January 1, 2015
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRS 12	Disclosure of interests in other entities	January 1, 2013
IFRS 13	Fair value measurement	January 1, 2013
IFRIC 21	Levies	January 1, 2014

The following interpretations issued by the IASB have been waived off by the Commission effective January 16, 2012:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

2.3 *Basis of measurement*

These financial statements have been prepared on the historical cost basis except for investments referred to in notes 3.3.1 and 3.3.2 to the financial statements which are carried at their amortised cost and fair values respectively, as required by approved accounting standards. Assets transferred from PPC are carried at their assigned values as explained in note 3.1 to the financial statements.

2.4 ***Functional and presentation currency***

These financial statements are presented in Pakistan Rupee (PKR), which is functional currency of PPIB.

2.5 ***Significant accounting estimates***

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods.

Judgments and estimates made by the management that may have a risk of material adjustments to the financial statements in subsequent years are as follows:

2.5.1 ***Property and equipment***

PPIB reviews the useful life and residual value of property and equipment including intangibles on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of assets with a corresponding affect on the depreciation, amortization and impairment.

2.5.2 ***Impairment of assets***

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss.

2.5.3 ***Staff gratuity***

PPIB operates a gratuity scheme for all employees, as a defined benefit plan. The calculations require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration, the expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. The assumptions used vary as they are determined by independent actuary.

The amount of the expected return on plan assets is calculated using the expected rate of return for the year and the market related value at the beginning of the year. Gratuity cost primarily represents the increase in actuarial present value of obligation for benefits earned on employee service, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

2.5.4 ***Leave encashment***

Provision for leave encashment is made for unavailed leave balance as at year end at the rate of basic pay effective at year end.

2.5.5 *Provisions*

Estimates of the amount of provisions recognized are based on current legal and constructive requirements. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 *Property and equipment*

Tangible assets except those transferred from PPC and leasehold land are stated at cost less accumulated depreciation and impairment loss (if any). Property and equipment transferred from PPC are stated at assigned values less depreciation and impairment loss (if any) with corresponding credit to a property and equipment reserve which has been amortised in full over the useful life of these assets. Leasehold land is carried at cost less impairment, if any.

Depreciation is charged on the straight line method at the rates specified in note 4 to these financial statements so as to write-off the cost of the asset over its estimated useful life.

Depreciation is charged on prorata basis from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off. Days in excess of fifteen days are considered as full month for the purpose of calculation of depreciation.

Subsequent costs are included in the assets' carrying amount when it is probable that future economic benefits associated with the item will flow to PPIB and the cost of the item can be measured reliably. Carrying amount of the replaced part is de-recognized. All other repairs and maintenance are charged to income during the year. Gain and losses on disposal of property and equipment are included in the income and expenditure account currently.

Capital work in progress is stated at cost.

3.2 *Intangible assets*

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to PPIB and that the cost of such asset can also be measured reliably. Intangible assets having definite useful life are stated at cost less accumulated amortization or impairment loss, if any. Amortization is based on the pattern in which the assets' economic benefits are consumed. Intangible assets which have indefinite useful life are not amortized and tested for impairment, if any.

Amortization is recognized in income and expenditure account on a straight line basis @ 10 % per annum, from the month the asset is available for use.

Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in income and expenditure account as incurred.

3.3 *Investments*

Management determines the appropriate classification of investments at the time of purchase.

3.3.1 *Held to maturity investments*

Investments are classified as held to maturity if these investments have a fixed maturity and PPIB has the positive intent and ability to hold such investments to maturity. These investments are initially recorded at cost being the fair value of consideration given including the acquisition cost and are subsequently carried at each year end at amortised cost less impairment loss, if any.

3.3.2 *Available for sale investments*

Investments which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available for sale. These investments are initially recognised at cost and subsequently remeasured at fair value.

3.4 *Other receivables*

Other receivables are recognized and carried at original invoice value as reduced by appropriate provision for impairment, if any.

3.5 *Accrued and other liabilities*

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.6 *Employee benefits*

3.6.1 *Short term benefits*

Salaries and benefits are accrued in the period in which the associated services are rendered by employees and measured on an undiscounted basis.

3.6.2 *Gratuity*

A gratuity scheme for all employees is in operation, as a defined benefit plan.

Contribution is made to the above defined benefit plan on the basis of actuarial valuation, carried out by an independent actuary. The calculations of the actuary are based on the projected unit credit method. The latest actuarial valuations were carried out on June 30, 2013.

Actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of plan assets and present value of obligation) are recognised over the average expected remaining working life of the employees.

3.6.3 *Defined contribution plan*

PPIB operates a contributory unfunded provident fund scheme for all its regular employees who have completed the probation period as defined under the respective scheme.

Equal monthly contributions are made by PPIB and the employees at the rate of 5% of basic salary. Contributions are charged to income and expenditure account.

3.6.4 *Leave encashment*

PPIB also has a policy whereby all its employees are able to encash accumulated leave balance as per PPIB service rules. Provision is made in the financial statements for the amount payable on account of unavailed leave balance of the employees.

3.7 *Deferred grant*

Government grants are deferred in the balance sheet and recognized as revenue on a systematic and rational basis over the periods necessary to match them with the related costs or terms and conditions of the grant notifications from Government of Pakistan.

3.8 *Taxation*

Current

Income of PPIB being a part of Ministry of Water and Power, Federal Government of Pakistan, prior to the commencement of PPIB Act, was exempt under sub section 3 of section 49 of the Income tax Ordinance 2001.

Consequent to the enactment of the PPIB Act, PPIB has obtained a status of a body corporate and its income is taxable under the relevant provisions of Income tax Ordinance 2001. Provision for current tax is recongnised on taxable income at applicable rate of tax after taking into account tax credits and tax rebates, if any.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductable temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such deductable temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period where the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

3.9 *Revenue recognition*

Revenue from profit on bank balances, investments, operations and other income is recognized on accrual basis. Dividend income is recognised when the right to receive dividend is established.

Proceeds from encashment of performance guarantees is recognized as income in the year in which the guarantee is enchased and the management believes that the outcome of the transaction can be estimated reliably.

3.10 *Operating leases*

Operating lease rentals are recorded in income and expenditure account on a time proportion basis over the term of the lease arrangements.

3.11 *Financial instruments*

Financial assets comprise investments, advances, other receivables, cash and bank balances. Financial liabilities include provision against performance guarantees encashed, accrued and other liabilities. Financial assets and liabilities are recognized when PPIB becomes a party to contractual provisions of the instrument. These are derecognized when PPIB ceases to be a party to contractual provisions of the instrument.

Financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. Subsequent to initial recognition financial instruments are measured at cost, fair value or amortized cost, as the case may be.

3.12 *Offsetting*

Financial assets and liabilities are set off in the balance sheet, only when PPIB has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.13 *Foreign currencies*

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Pak rupee at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income for the current year.

3.14 *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and balances with bank.

3.15 *Provisions*

A provision is recognized in the balance sheet when PPIB has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate that reflects current market assessment of the time value of the money and the risk specific to the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4. PROPERTY AND EQUIPMENT

	Leasehold Land	Furniture and fixtures	Computer equipments	Office equipment	Air Conditioners	Vehicles	Books, tools and spares	Capital work in progress	Total
								note 4.1	
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Period ended June 30, 2012									
Net book amount at March 2, 2012	15,014	2,190	2,233	2,146	423	6,386	368	3,954	32,714
Additions	-	300	10	153	-	-	6	6,375	6,844
Disposals									-
Cost	-	-	-	-	-	909	-	-	909
Accumulated depreciation	-	-	-	-	-	909	-	-	909
	-	-	-	-	-	-	-	-	-
Depreciation charge	-	127	293	230	48	653	22	-	1,373
Net book amount at June 30, 2012	15,014	2,363	1,950	2,069	375	5,733	352	10,329	38,185
At June 30, 2012									
Cost	15,014	5,129	8,938	6,018	1,385	15,044	809	10,329	62,666
Accumulated Depreciation	-	2,766	6,988	3,949	1,010	9,311	457	-	24,481
Net book amount at June 30, 2012	15,014	2,363	1,950	2,069	375	5,733	352	10,329	38,185
Year ended June 30, 2013									
Net book amount at June 30, 2012	15,014	2,363	1,950	2,069	375	5,733	352	10,329	38,185
Additions	-	671	3,590	2,173	187	1,725	1	4,774	13,121
Disposals									
Cost	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Depreciation charge	-	381	1,306	603	125	1,967	58	-	4,440
Net book amount at June 30, 2013	15,014	2,653	4,234	3,639	437	5,491	295	15,103	46,866
At June 30, 2013									
Cost	15,014	5,800	12,528	8,191	1,572	16,769	810	15,103	75,787
Accumulated Depreciation	-	3,147	8,294	4,552	1,135	11,278	515	-	28,921
Net book amount at June 30, 2013	15,014	2,653	4,234	3,639	437	5,491	295	15,103	46,866
Rate of depreciation (% per annum)	-	10%	20%	15%	15%	20%	10%	-	

4.1 Capital work in progress

This represents payments made to consultants for construction of building on leasehold land.

5. INTANGIBLES ASSETS - Computer software

	Rupees '000
Period ended June 30, 2012	
Net book amount at March 2, 2012	174
Additions	-
Amortization charge	7
Net book amount at June 30, 2012	167
At July 1, 2012	
Cost	264
Accumulated Amortization	97
Net book amount at June 30, 2012	167
Year ended June 30, 2013	
Net book amount at July 1, 2012	167
Additions	538
Amortization charge	50
Net book amount at June 30, 2013	655
At July 1, 2012	
Cost	802
Accumulated Amortization	147
Net book amount at June 30, 2013	655

6. LONG TERM INVESTMENTS

	2013	2012
	Rupees '000	
Held to maturity investments - note 6.1	323,060	778,811
Available for sale investments - note 6.2	43,955	30,142
	367,015	808,953

6.1 Held to maturity Investments

	2013	2012
Pakistan Investment Bonds (PIB's)	47,738	295,159
Regular Income Certificates (RICs)	150,000	210,000
Pak Oman Advantage Mutual Fund (POAF)	24,035	24,035
Term Finance Certificates (TFC's)		
- Askari Bank Limited (AKBL) nil (2012: 8,788) certificates	-	43,822
- Bank Al Habib Limited (BAHL) 1,039 (2012: 1,039) certificates	5,183	5,185
- United Bank Limited (UBL) 3,000 (2012: 3,000) certificates	7,485	12,475
- Pak Arab Fertilizer Limited (PAFL) nil (2012: 1,379) certificates	-	3,723
- Engro Fertilizer Limited (EFL) 18,708 (2012: 18,708) certificates	83,997	90,384
- Engro Corporation Limited (ECL) nil (2012: 6,000) certificates	-	29,988
- Pakistan Mobile Communication Company Limited (PMCL) nil (2012: 11,143) certificates	-	46,518
	96,665	232,095
	318,438	761,289
Accrued Profit:		
PIB's	1,683	10,897
RIC's	2,046	697
TFC's		
- AKBL	-	1,598
- BAHL	229	280
- UBL	263	425
- PAFL	-	168
- EFL	401	551
- ECL	-	1,787
- PMCL	-	1,119
	323,060	778,811

Maturity dates, profit rates and market values are as follows:

	Maturity dates	Profit rate % per annum	Market value 2013	Market value 2012
			Rupees '000	
PIB's	2017	9.60%	49,174	287,955
RIC's	2014 to 2016	12% to 14%	150,000	210,000
POAF	2017	KIBOR + 2%	27,063	22,112
TFC's				
- AKBL	-	-	-	43,873
- BAHL	2015	KIBOR + 1.95%	5,240	5,359
- UBL	2014	KIBOR + 1.7%	7,535	12,389
- PAFL	-	-	-	3,727
- EFL	2015 to 2017	KIBOR +(1.5% to 2.4 %)	82,807	91,750
- ECL	-	-	-	31,775
- PMCL	-	-	-	48,483
			321,819	757,423

6.2 Available for sale investments

	2013	2012
National Investment Trust (NIT) 1,110,411 units (2012: 996,103 units)	26,725	26,725
Unrealised gain on remeasurement to fair value	17,230	3,417
	43,955	30,142

7. LOANS AND ADVANCES

	2013	2012
Loans and advances - considered good	10,900	1,029
Less: current portion of loans and advances	(2,116)	(1,029)
	8,784	-

These represent loans to employees for house construction, medical and other purposes and carry interest at the rate of one year KIBOR at the rate prevailing when loan is granted. The loans are recoverable in equal monthly installments spread over a period of 5 years and are secured against future gratuity payments of the employees and also indemnity bonds in favour of PPIB executed by two employees of PPIB acting as sureties on behalf of employee obtaining loan.

8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2013	2012
	Rupees '000	
Current portion of loans and advances - note 7	2,116	1,029
Prepayments	5,174	4,420
Accrued interest on bank deposits	916	947
Other receivables	768	795
	8,974	7,191
Less: Provision for		
-Advances to employees	7	416
-Other receivables	-	685
	7	1,101
	8,967	6,090

9. ADVANCE TAX

Refund applications were filed with taxation authorities on August 26, 2011 for the issuance of income tax refund of Rs 8.90 million for tax years 2009, 2010 and 2011. A reminder for the same was filed on June 18, 2012.

	2013	2012
10. SHORT TERM INVESTMENTS	Rupees '000	
Held to maturity:		
Term Finance Certificate		
Bank Alfalah Limited (BAFL) nil (2012: 5,000) certificates	-	8,308
Askari Bank Limited (AKBL) 5,000 (2012: nil) certificates	24,925	-
Engro Corporation Limited (ECL) 6,000 (2012: nil) certificates	29,976	-
Pakistan Mobile Communication Company Limited (PMCL) 11,143 (2012: nil) certificates	45,093	-
Pakistan Investment Bonds (PIB's)	250,122	-
Regular Income Certificates (RICs)	60,000	-
Term deposit receipts		
Pak Rupees		
Pak Oman Investment Company Limited (POIC)	60,000	45,000
First Women Bank Limited (FWBL)	50,000	50,000
National Bank of Pakistan (NBP)	50,000	95,000
Dubai Islamic Bank Limited (DIBL)	-	50,000
Habib Bank Limited (HBL)	-	100,000
SME Bank Limited (SME)	50,000	45,000
	210,000	385,000
US Dollars		
Faysal Bank Limited (FBL) US$ 1,300,000 (2012: US$ 1,200,000)	129,605	112,730
Allied Bank Limited (ABL) US$ 1,600,000 (2012: US$ 2,599,935)	159,600	244,394
Habib Bank Limited (HBL) US$ 3,200,000 (2012: US$ 2,400,000)	319,160	225,560
Habib Metropolitan Bank Limited (HMBL) US$ 999,913 (2012: US$ 700,000)	99,739	65,800
JS Bank Limited (JSBL) US$ 1,600,000 (2012: 1,599,975)	159,600	150,400
	867,704	798,884
	1,487,820	1,192,192
Accrued profit:		
TFC		
- BAFL	-	117
- AKBL	462	-
- ECL	1,334	-
- PMCL	889	-
PIB's	9,214	-
RICs	891	-
TDRs		
- POIC	2,077	234
- FWBL	2,795	33
- NBP	2,549	2,507
- FBL	3,534	2,807
- ABL	4,242	7,818
- DIBL	-	3,459
- HBL	4,501	9,962
- HMBL	2,025	469
- JSBL	1,938	2,200
- SME	39	31
	1,524,310	1,221,829

10.1 Maturity dates and profit margin are as follows:

	Currency	Maturity	Profit rate % per annum		
TFC					
- BAFL	PKR	-	-	-	8,308
- AKBL	PKR	October 2013	KIBOR + 1.5%	24,925	-
- ECL	PKR	January 2014	14.5%	29,976	-
- PMCL	PKR	October 2013	KIBOR + 1.65%	45,093	-
PIB's	PKR	July to October 2013	8 to 11.25%	250,122	-
RIC	PKR	May 2014	13.60%	60,000	-
POIC	PKR	February 2014	9.50%	60,000	45,000
FWBL	PKR	December 2013	10.20%	50,000	50,000
NBP	PKR	June 2014	9.27%	50,000	95,000
FBL	USD	July 2013	2.75%	129,605	112,800
ABL	USD	July 2013	2.75%	159,600	244,394
DIBL	PKR	-	-	-	50,000
HBL	USD	December 2013	2.30%	160,038	100,000
HBL	USD	July 2013	2.75%	89,506	225,600
HBL	USD	March 2014	1.45%	69,616	-
				319,160	325,600
HMBL	USD	September 2013	2.55%	99,739	65,800
JSBL	USD	January 2014	2.50%	159,600	150,398
SME	PKR	June 2014	9.45%	50,000	45,000
				1,487,820	1,192,300

	2013	2012
	Rupees '000	

11. CASH AND BANK BALANCES

Balance at bank in deposit accounts		
- Local currency	32,265	30,641
- Foreign currency	13,498	17,927
Cash in hand	25	7
	45,788	48,575

11.1 Bank balance amounting to Rs. 3,860 thousand (June 30, 2012 :Rs. 12,340 thousand) is placed with Albaraka Bank in high yielding checking account where profit is calculated on daily basis with quarterly payouts at the rate of 7% per annum.

11.2 Balances in these accounts include Rs. 3,512 thousand (2012: nil) held on account of employees' provident scheme.

	2013	2012
	Rupees '000	

12. PROVISION AGAINST PERFORMANCE GUARANTEES ENCASHED

Rupali Polyester Limited - note 12.1	-	90,000
Spencer Powergen Company of Pakistan Limited - note 12.2	41,046	33,000
Star Energy Venture Pakistan Limited	78,400	78,400
Liberty Power Limited	23,500	23,500
	142,946	224,900

12.1 Based on order of Supreme Court of Pakistan dated June 4, 2012, PPIB paid the amount of performance guarantee amounting to Rs 90 million which was encashed by PPIB on January 1, 1996.

12.2 Based on order of Islamabad High Court dated April 4, 2013, PPIB paid the amount of performamnce guarantee amounting to Rs 33 million along with profits amounting to Rs 24.51 million. PPIB is further required to pay profits amounting to Rs. 41.05 million as per contempt petition filed in Islamabad High Court by Spencer Powergen Company of Pakistan Limited.

13. STAFF GRATUITY

13.1 Reconciliation of amounts recognised in the balance sheet is as follows:

Present value of defined benefit obligation	129,854	57,421
Fair value of plan assets	(54,368)	(43,547)
	75,486	13,874
Unrecognised actuarial (loss)/ gain	(58,925)	2,298
	16,561	16,172

13.2 The amounts recognised in income and expenditure account are as follows:

Current service cost	6,996	2,282
Interest cost	7,032	2,375
Expected return of plan assets	(5,788)	(1,941)
	8,240	2,716

13.3 Actual return on plan assets	5,302	1,960

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

	2013	2012
	Rupees '000	

13.4 Changes in the present value of defined benefit obligation are as follows:

Opening defined benefit obligation	57,421	50,882
Current service cost	6,996	2,282
Interest cost	7,032	2,375
Benefits paid	(2,331)	-
Actuarial loss	60,736	1,882
Closing defined benefit obligation	129,854	57,421

	2013	2012
	Rupees '000	
13.5 Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	43,547	41,587
Expected return	5,788	1,941
Contribution	7,850	-
Benefits paid	(2,331)	-
Actuarial (loss)/ gain	(486)	19
Closing fair value of plan assets	54,368	43,547

Based on the actuarial valuation a contribution of Rs. 5,991 thousand is expected to be paid to the defined benefit plan during the year ending June 30, 2014.

13.6 Major categories of plan assets as a percentage of total plan assets of defined gratuity plan are as follows:

	2013	2012	2013	2012
	%	%	Rupee in '000	
Bank balance	8.10	9.55	4,401	4,160
Term deposit receipts	86.85	85.95	47,220	37,426
NIT units	5.05	4.50	2,747	1,961
	100	100	54,368	43,547

	2013	2012
	% p.a	% p.a
13.7 Principal actuarial assumptions used in the actuarial valuation are as follows:		
Discount rate	11.5%	12.5%
Future salary increase	11.5%	11.5%
Expected return on plan assets	11.5%	12.5%

13.8 Amounts for current and previous four annual periods are as follows:

	2013	2012	2011	2010	2009
			Rupees '000		
Defined benefit obligation	129,854	57,421	48,928	38,603	31,254
Plan assets	(54,368)	(43,547)	(34,935)	(25,415)	(10,823)
Deficit	75,486	13,874	13,993	13,188	20,431
Experience adjustments on					
- Plan liabilities	(60,736)	(1,882)	70	784	-
- Plan assets	(486)	19	1,249	(449)	(1,595)

	2013	2012
	Rupee in '000	
14. ACCRUED AND OTHER LIABILITIES		
Accrued expenses	1,529	4,792
Leave encashment payable - note 14.1	9,496	12,826
Audit fee payable	1,050	750
Withholding tax	134	134
Retention money	710	494
Other payables	8,037	588
Provident fund payable	3,512	-
	24,468	19,584
14.1 Balance at the beginning of year/ period	12,826	9,373
Expense for the year/ period	9,602	4,411
Payment to outgoing employees	(12,932)	(958)
Balance at the end of year/ period	9,496	12,826

	2013	2012
	Rupee in '000	

15. DEFERRED TAXATION

Deferred credits/ (debits) arising due to:		
Accelerated depreciation	940	409
Accumulated tax losses	(18,869)	(318)
	(17,929)	91
Unrealised gain on remeasurement of available for sale investments	5,858	-
	(12,071)	91

16. PRIVATE POWER AND INFRASTRUCTURE BOARD FUND (PPIB Fund)

As per the requirement of Section 14 of the PPIB Act (Act No. VI of 2012), the accumulated surplus and government fund available on the PPIB balance sheet as on March 1, 2012 were converted into PPIB Fund. The PPIB Fund shall be administered and controlled by PPIB. The PPIB Fund will be funded through various sources as specified in Section 14 of the Act and expended for operations of PPIB for the objects and purposes as specified in Section 15 of the Act. At the end of each financial year, a balance sheet and income and expenditure account shall be prepared and any profit / loss will be transferred to the PPIB Fund.

17. CONTINGENCIES AND COMMITMENTS

Certain sponsors of power projects have filed suits against Government of Pakistan (GOP) / PPIB for aggregate claims against damages of Rs. 113,491 million (June 30, 2012: Rs. 9,487 million) and US$ 58 million (June 30, 2012: US$ 58 million). Also, claims have been lodged against the performance guarantees encashed amounting to Rs. 79 million (June 30, 2012: 79 million) and US$ 1.147 million (June 30, 2012: US$ 0.75 million).These law suits are currently being defended by PPIB. At this stage, either it is not possible to determine the expected outcome of these litigations or the favorable results to PPIB are probable. All the cases are pending in the courts of law so the expected timing of outflow of resources cannot be ascertained.

18. PERFORMANCE GUARANTEES ENCASHED

This represents performance guarantee relating to Kotli Hydropower Project encashed during the year.

19. INCOME FROM OPERATIONS

This represents income from registration fees received during the year.

	2013	2012
	Rupee in '000	

20. INCOME FROM FINANCIAL ASSETS

Income on bank deposits	3,445	2,153
Income on held to maturity investments	148,851	58,103
Interest income on loans to employees	76	16
Exchange gain on financial assets	50,749	28,480
	203,121	88,752

21. OTHER INCOME

Gain on sale of property and equipment	-	-
Misc. income	312	22
	312	22

22. SALARIES AND BENEFITS

Salaries and allowances	170,261	56,236
Provision for staff gratuity	8,240	2,716
Provision for leave encashment	9,602	4,411
Provident fund contribution	1,756	-
Other benefits	9,307	5,719
	199,166	69,082

	Year ended June 30, 2013	March 2, 2012 to June 30, 2012
	Rupees '000	

23. REPAIR AND MAINTENANCE

Vehicle running and maintenance	5,034	2,527
Office repair, maintenance and renovation	249	160
Computer repair	334	194
Equipment repair	428	166
Furniture repair	40	27
	6,085	3,074

24. PRINTING AND STATIONERY

Computer stationery	433	272
Office stationery	768	310
Printing	309	190
	1,510	772

25. PROFIT ON PERFORMANCE GUARANTEES ENCASHED

PPIB encashed the performance guarantee relating to Spencer Powergen Company of Pakistan Limited in November 1996. Islamabad High Court in its order dated April 4, 2013 directed PPIB to refund the amount of performance guarantee along with profit at the prevailing bank rate from the date of encashment. PPIB has paid Rs 57.50 million (Rs 33 million original encashed guarantee and Rs 24.51 million profit) and recognised liability of Rs 41.05 million for the remaining claim of profit filed in Islamabad High Court by the sponsors. Accordingly total expense of Rs 65.56 million has been charged to Income and Expenditure Account in this respect.

26. OTHER EXPENSES

Newspapers and periodicals	365	140
Training, conferences and seminars	1185	410
Entertainment and office supplies	943	450
Security services	932	270
Provision against doubtful advances and other receivables	7	-
Miscellaneous	566	125
	3,998	1,395

27. TAX EXPENSE

Current tax	-	-
Deferred tax	(18,020)	91
	(18,020)	91

27.1 The relationship between the tax expense and (loss)/ profit for the year/ period is as follows:

(Loss)/ profit before tax	(53,000)	260
Tax at applicable tax rate of 35 percent (2012: 35 percent)	(18,550)	91
Effect of change in tax rate applicable to future periods (34%)	530	-
Tax expense for the year/ period	(18,020)	91

28. FUND MANAGEMENT

PPIB's objective when managing fund is to safe guard PPIB's ability to continue as a going concern so that it can achieve its primary objective, provide benefits for other stakeholders and to maintain a strong fund base to support the sustainable operations. There were no changes to PPIB's' approach to fund management during the year and PPIB is not subject to externally imposed fund requirements.

29. RELATED PARTY TRANSACTIONS

PPIB operates in an economic regime currently dominated by entities directly or indirectly controlled by the Government of Pakistan (State - controlled entities) through government authorities, agencies, affiliates and other organizations. Transactions with these state - controlled entities are not very significant and hence impracticable to quantify for disclosure in these financial statements.

Other related parties are key management personnel and gratuity fund/trust. Transactions with key management personnel and gratuity fund are as follows:

	2013	2012
	Rupees '000	
Salaries and benefits	41,130	11,178
Contribution to gratuity fund trust	7,850	-

30. FINANCIAL INSTRUMENTS

Exposure to use of financial instruments is in response to the following risks:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about PPIB's exposure to each of the above risks, PPIB's objectives, policies and processes for measuring and managing risk, and PPIB's management of fund. Further, quantitative disclosures are included throughout these financial statements.

The Board members have overall responsibility for the establishment and oversight of PPIB's risk management framework. The Board members are responsible for developing and monitoring PPIB's risk management policies.

Risk management policies are established to identify and analyse the risks faced by PPIB, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and PPIB's activities. PPIB, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

30.1 Credit risk

Credit risk is the risk of financial loss to PPIB if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Management believes that PPIB is exposed to credit risk to the extent of long term investments, advances, interest accrued, other receivables, short term investment, and bank balances. PPIB controls its credit risk by continuous monitoring of its receivables and diversification of its investment.

30.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2013	2012
	Rupees '000	
Long term investments	367,015	808,953
Loans, advances and other receivables	12,584	2,771
Short term investments	1,524,310	1,221,829
Bank balances	45,763	48,568
	1,949,672	2,082,121

Geographically there is no concentration of credit risk as PPIB operates in the same geographical area.

None of the above liquid assets are overdue nor impaired. Based on past experience, management of PPIB believes that no impairment allowance is necessary in respect of liquid assets not past due.

30.2 Liquidity risk

Liquidity risk is the risk that PPIB will not be able to meet its financial obligations as they fall due. PPIB's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to it's reputation.

PPIB follows an effective cash management and planning policy to ensure availability of funds and to take measures for new requirements.

The maturity profile of PPIB's financial liabilities based on the contractual amounts is as follows:

	2013		2012	
	Carrying amount	Contractual cash flows (within one year)	Carrying amount	Contractual cash flows (within one year)
	Rupees in '000			
Provision against performance guarantees encashed	142,946	142,946	224,900	224,900
Other payables having maturity up to one year	24,468	24,468	19,584	19,584
Payable to gratuity fund upto one year	5,991	5,991	8,714	8,714

30.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect PPIB's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. PPIB is exposed to currency risk, interest rate risk and price risk only.

30.3.1 Foreign currency risk management

Pak rupee is the functional currency of PPIB and as a result currency exposure arises from transactions and balances in currencies other than Pak Rupee. PPIB's potential currency exposure comprises;

-Transactional exposure in respect of non functional currency monetary items.
-Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of PPIB are periodically restated to Pak rupee equivalent, and the associated gain or loss is taken to the income and expenditure account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Performance guarantees encashed, income from operations, and certain income on investments and bank deposits is earned in currencies other than the functional currency. These currency risks are managed as a part of overall risk management strategy. There were no forward exchange contracts.

Exposure to foreign currency risk

PPIB's exposure to foreign currency risk is as follows:

	2013	2012
	US Dollars '000	
Short term investments - held to maturity	8,670	8,500
Bank balances	135	191
	8,805	8,691

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid spot rate	
	Year ended June 30, 2013	March 2, 2012 to June 30, 2012	June 30, 2013	June 30, 2012
	Rupees	Rupees	Rupees	Rupees
US Dollars	96.70	89.62	99.75	94.00

Foreign currency sensitivity analysis

A 10 percent strengthening of the Rupee against US Dollar at June 30 would have decreased loss for the year before tax by Rs. 87.83 million. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10 percent weakening of the Rupees against the above currency at June 30 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

30.3.2 Interest rate risk management

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. A policy is adopted to ensure that interest rate risk is minimized by investing in fixed rate investments like PIBs, RICs, and TDRs. There were no borrowings.

Profile

At the reporting date the interest rate profile of variable rate interest-bearing financial instruments is:

	2013	2012
	Rupees '000	
Variable rate instruments		
Financial assets		
Long term investments	97,558	238,023

Except the above mentioned interest bearing financial assets all other interest bearing financial assets are fixed rate instruments on which PPIB is not exposed to interest rate risk.

Sensitivity analysis

An increase of 100 basis points in interest rates at the reporting date would have increased equity and profit by amount before tax of Rs. 323,678 (June 30, 2012: Rs. 416,622). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

30.3.3 Price risk

Exposure related to long term and short term investment in marketable securities arises when the market value of such investment changes.

Due to 10% increase in quoted market rate at the balance sheet date, the carrying value of the available for sale investments would have been higher by Rs. 4.396 million (June 30, 2012 : Rs. 3.014 million) with corresponding increase in funds and reserves balance. A 10% decrease would have equal but opposite effect.

30.4 Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximates their fair values except for held to maturity financial assets which are carried at amortized cost whose fair value in comparison with carrying amount is as follows:

	2013		2012	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	Rupees '000			
Assets carried at amortized cost				
Long term investments	323,060	321,819	778,811	757,423
Short term Investments	1,524,310	1,524,310	1,221,829	1,221,829
	1,847,370	1,846,129	2,000,640	1,979,252

The basis for determining fair values is as follows:

30.4.1 Interest rates used for determining the fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread.

30.4.2 Fair value hierarchy

The table below analyses financial instruments carried at the fair value, by valuation method. The different levels have been defined as follows:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3
June 30, 2013			
Assets carried at fair value		Rupees '000	
Available for sale investments	43,955	-	-
	43,955	-	-
June 30, 2012			
Assets carried at fair value			
Available for sale investments	30,142	-	-
	30,142	-	-

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

30.5 Determination of fair values

A number of accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/ or disclosure purposes based on the following method.

30.5.1 Available for sale investments

The fair value of available for sale investments is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

31. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison.

32. DATE OF APPROVAL

These financial statements were approved on ____________________ by the Board Members of PPIB.

Managing Director **Board Member**

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