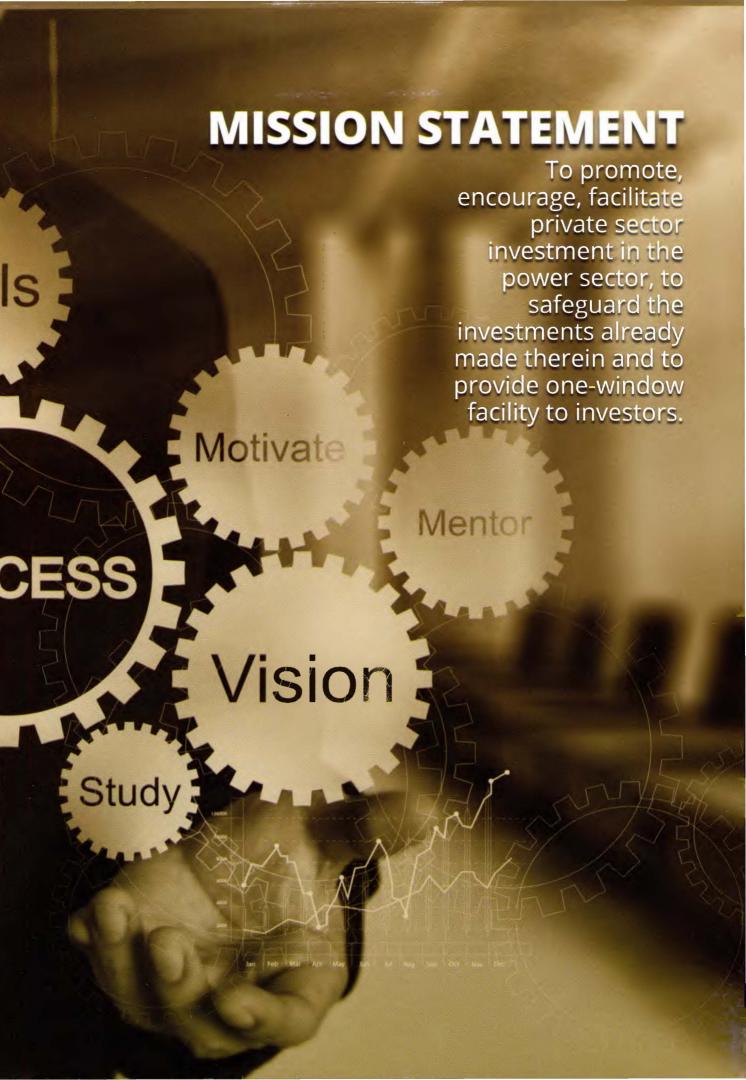


SUCCESS Mentor Teamwork Inspire Lead by example Teamwork



# **CONTENTS**

# Chairman's Message

# Foreword by the Managing Director

1.	Priva	ate Power and Infrastructure Board	8	
	1.1	Functions of PPIB	9	
	1.2	Composition of the Board of PPIB	10	
	1.3	Role of PPIB in the Power Sector	11	
	1.4	Organogram	12	
	1.5	Meetings of the Board	13	
2.	Achievements of PPIB during the Year			
	2.1	Coal Based IPPs Under China - Pakistan Economic Corridor / Energy Planning Working Group as Early Harvest Projects	18	
	2.2	China - Pakistan Economic Corridor	18	
	2.3	2 X 660 MW Imported Coal Based Power Project at Port Qasim, Karachi by Sinohydro Resources Limited, China and Al Mirqab Capital, Qatar	20	
	2.4	Processing of 10 X 660 MW IPPs at Pakistan Power Park at Gadani, Balochistan	22	
	2.5	National Policy of Power Co-Generation (Bagasse/Biomass And Coal) For Sugar Industry 2013	23	
	2.6	Policy 2013	24	
	2.7	Facilitation of Thar Coal Based Power Generation Projects Recommended By Government of Sindh (GoS) / Thar Coal And Energy Board (TCEB) under Power Policy 2002	25	
	2.8	Amendments in the Guidelines For Setting Up of Power Projects Under Short Term Capacity Addition Initiative	27	
	2.9	660 MW - Thar Coal based Power Project at Thar Block-II by M/s Engro Powergen Limited	29	
	2.10	1200 MW - Thar Coal based Power Project at Thar Block-l by M/s China Power International Limited	29	
	2.11	Processing of Proposals for Coal Based Power Project	30	
	2.12	Conversion of Independent Power Producers (IPPs) of 2000 MW from Furnace Oil To Coal	31	
	2.13	235 MW TNB Liberty Power Limited	31	
	2.14	157 MW Fauji Kabirwala Power Company Limited (FKPCL)	33	
	2.15	Inauguration of 84 MW New Bong Excape Hydropower Project	34	
	2.16	147 MW Patrind Hydropower Project	34	
	2.17	102 MW Gulpur Hydropower Project	34	
	2.18	870 MW Suki Kinari Hydropower Project	35	

	2.19	720 MW Karto Hydropower Project	35
	2.20	1100 MW Kohala Hydropower Project	35
	2.21	545 MW Kaigah Hydropower Project	35
	2.22	590 MW Mahl Hydropower Project	35
	2.23	100 MW Kotli, 132 MW Rajdhani, and 350 MW Athmuqam Hydropower Projects	36
	2.24	Hydropower Projects under China Pakistan Economic Corridor	36
	2.25	404 MW Uch-II Power Project	36
	2.26	Human Capital at PPIB	37
	2.27	Information Technology Related Activities	38
	2.28	PPIB Projection in Media	41
3.	Future I	Plans	42-44
4.		ted Statement of Income and Expenditure, Balance Sheet IB for the Year 2013-14	
	4.1	Audited Statement of Income and Expenditure, Balance Sheet of PPIB for the Year 2013-14	45



AEDB Alternative Energy Development Board

AJ&K Azad Jammu and Kashmir

CPEC China-Pakistan Economic Corridor

**CPPA** Central Power Purchasing Agency

**DISCOs Distribution Companies** 

EOI Expression of Interest

ECC Economic Coordination Committee of the Cabinet

**EPC** Engineering Procurement & Construction

FBR Federal Board of Revenue

FC Financial Close

FS Feasibility Study

GoAJ&K Government of Azad Jammu & Kashmir

GoP Government of Pakistan

GoS Government of Sindh

**GENCOs Generation Companies** 

GSA Gas Supply Agreement

HSFO High Sulphur Fuel Oil

IA Implementation Agreement

ICB International Competitive Bidding

IPPs Independent Power Producers

LOI Letter of Interest

LOS Letter of Support

MoP&NR Ministry of Petroleum & Natural Resources

MoF Ministry of Finance

MoW&P Ministry of Water & Power

MOU Memorandum of Understanding

MW Mega Watt

NEPRA National Electric Power Regulatory Authority

NTDC National Transmission and Despatch Company

O&M Operation & Maintenance

OGDCL Oil and Gas Development Company Limited

PEPCO Pakistan Electric Power Company

PPA Power Purchase Agreement

PPIB Private Power and Infrastructure Board

PG Performance Guarantee

PPP Public Private Partnership

SHYDO Sarhad Hydel Development Organization

SNGPL Sui Northern Gas Pipelines Limited

TCEB Thar Coal & Energy Board

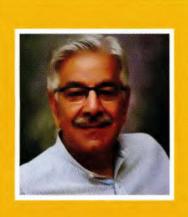
TOR Terms of Reference

WAPDA Water and Power Development Authority

WUL Water Use License

WUA Water Use Agreement

# Chairman's Message



( Khawaja Muhammad Asif ) Minister for Water & Power/ Chairman PPIB

In June 2013 when our government was mandated to serve the country, we encountered a very grim picture of the power sector. Rapidly increasing demand of a growing population coupled with gross mismanagement, the power sector was in a state of 'accelerated collapse'. The industrial working was reduced to a single shift and the domestic consumers were faced with up to 16 hours of load-shedding in peak summer days. The criticality of the situation was requiring immediate redressal, hence the Government of Pakistan soon after assuming power, took various initiatives to increase the power generation which also include introduction of new power policy offering lucrative incentives to the investors.

The priority of the Government is to arrange affordable, reliable and clean energy supply to the people of Pakistan to keep the economy on required growth rate with a particular focus on harnessing indigenous resources like Coal and Hydro which are abundantly available across the country. The current gap between supply and demand of electricity is estimated around 5000 MW during peak season is being planned to overcome through development of additional generation capacity with private sector participation, reduction in T & D losses, efficient use of energy and proper demand management. The Government has finalized the roadmap for producing thousands of megawatts of cheap energy in the short and medium terms through public and private sector, most of this will come from coal and hydel, which will significantly reduce the currently prohibitive cost of the energy basket to affordable levels.

While most of our generation capacities are coming up in the private sector, we are also planning to privatize the distribution network, which has remained one of the problem areas of power sector for a long time. The current average distribution losses and recovery shortfalls create the basis of the circular debt, which we remain committed to address on priority basis. Coupled with the rationalization of tariff, these reforms will accelerate investments in the power sector, whether in the generation or distribution, both being profitable ventures.

The activities and achievements outlined in the Annual Report 2013-14 truly reflect investors' confidence on government's economic and power policies. It is very encouraging that PPIB is extending support to the provinces and sharing its experience in setting up power plants, implementing power policies, taking new initiatives to attract investment in the power sector, thus playing its due part in facilitating Government towards attaining self-reliance in the power generation. The credit of establishing Pakistan and Azad Kashmir's first hydro IPP i.e. 84 MW New Bong Hydro also goes to the PPIB which has paved way for other upcoming hydro IPPs in the country.

I am confident that the Annual Report 2013-14 will prove to be useful document for the energy experts, stakeholders, professionals and general readers.

# **Foreword**



Shah Jahan Mirza Managing Director Private Power & Infrastructure Board

Private Power and Infrastructure Board (PPIB) proudly presents the Annual Report of PPIB for the year 2013-14. The said report outlines the detail of activities and achievements undertaken by PPIB during the period 2013-14, its audited balance sheet, and statements of income & expenditure.

During 2013-14, a lot of efforts have been put in to encourage private sector participation in the power sector which was in severe crisis before 2013 and was declared one of the priority areas by the Government of Pakistan (GoP). Due to the imbalance in demand-supply of electricity, economic activities were half halted attributing miseries on social livings of the people. This situation was demanding immediate attention as the economic and social activities associated with increasing population were further widening the gap between demand-supply. To effectively deal with the crisis, GoP devised a roadmap for generating thousands of megawatts in public and private sectors in the short and medium terms. PPIB was mandated to arrange maximum number of megawatts through the private sector.

PPIB contributed remarkably in the past as well by adding more than 9000 to the national system through thirty one (31) Independent Power Producers under the Power Policies 1994 and 2002. With the vision to demonstrate better results, PPIB initiated various power generation projects during 2013-14 to get affordable electricity in the shortest timeframe. Inspired by the indigenous resources like coal and hydro widely available across the country, PPIB, in line with the overall government policies, targeted these assets to replace costly oil based electricity to reduce burden on national exchequer. These projects are being processed vigorously for timely completion which is immensely important for socio-economic uplift of the country.

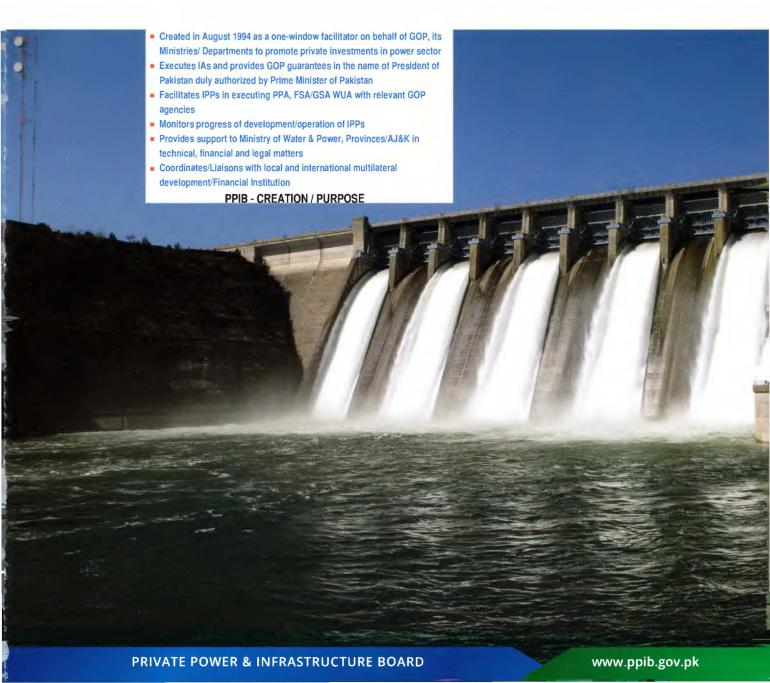
PPIB has an efficient team of professionals which is capable of taking tough calls as proved in the past. The journey started by PPIB from materializing the concept of IPPs in early 90s to successful completion of Pakistan's and AJ&K's first hydro IPP is not finished yet. PPIB is committed to continue performing vigorously and dedicatedly with the collaboration and consultation of all stakeholders under the guidance of Government of Pakistan.

While working on the PPIB Annual Report 2013-14, a lot of care has been taken to produce a comprehensive and valuable document, however, room for improvement still remains. Comments or suggestions from readers would be helpful in producing future publications.

# PRIVATE POWER AND INFRASTRUCTURE BOARD

### 1. Private Power and Infrastructure Board

The Private Power and Infrastructure Board (PPIB) was created in 1994 as "One Window Facilitator" to promote private sector participation in the power sector of Pakistan. In 2012 PPIB was made a statutory organization through Private Power and Infrastructure Board Act 2012 (Act VI of 2012). As per its mandate, PPIB facilitates investors in establishing private power projects and related infrastructure, executes Implementation Agreement (IA) with Project Sponsors and issues assurances and guarantee on behalf of Government of Pakistan.



# 1.1 Functions of PPIB

- to award projects to sponsors or private power companies, prepare all necessary or appropriate documentation, execute any of such documentation with private power companies, their sponsors, lenders pursuant to the power policies and, whenever necessary or appropriate, other interested parties;
- to recommend and facilitate development of power policies;
- to take decisions on matters pertaining to power projects set up by private sector or through public-private partnership, and other issues pertaining thereto, provided that prior to taking a decision to construct or cause to be constructed, a hydroelectric power station in any Province, shall consult the Provincial Government concerned;
- to coordinate with the Provincial Governments, local governments, Azad Jammu and Kashmir (AJ&K) and regulatory bodies in implementation of the power policies, if so required;
- to coordinate and facilitate the sponsors in obtaining consents and licences from various agencies of the Federal Government, provincial governments, local governments and AI&K;
- to 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;
- to 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;
- to draft, negotiate and enter into security package documents or agreements and guarantee the contractual obligations of entities under the power policies;
- to execute, administer and monitor contracts;
- to prescribe and receive fees and charges for processing applications, and deposit and disburse or utilize the same, if required;
- to obtain from sponsors or private power companies, as the case may be, security instruments and encash or return them, as deemed appropriate;
- to coordinate with the provincial governments and regulatory bodies in implementation of the power policies, if so required;
- to act as agent for development, facilitation and implementation of power policies and related infrastructure in the Gilgit Baltistan areas and AJ&K;
- to open and operate bank accounts in local and foreign currencies as permissible under the laws of Pakistan;
- to 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;
- to 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.

# 1.2 Composition of the Board of PPIB

Under Part-III Section 6 of the Act 2012, Federal Minister for Water and Power heads the Board as Chairman with members from the relevant ministries at Secretary level, provincial representatives and also private members.

#### Following is the composition of the Board of PPIB:

- 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 (also Secretary to the Board)

# 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

#### 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

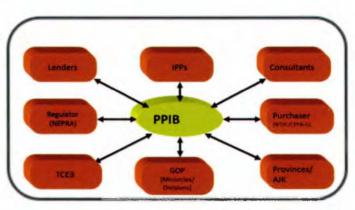
#### One representative from private sector from each Province

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

# 1.3 Role of PPIB in the Power Sector

#### **PPIB - POWER SECTOR FACILITATOR**

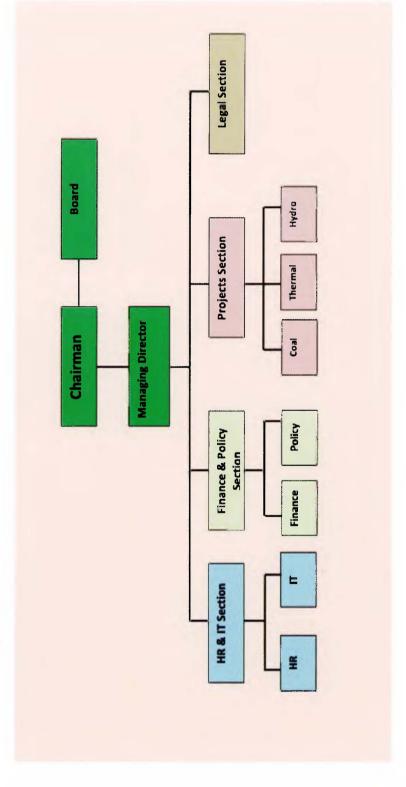
Since its creation, PPIB has proved its mettle which started off by facilitating the first round of IPPs in the 1990s. At that time, the IPP experience was rarely found throughout the developing world and the successful IPP facilitation by PPIB became the anecdote for many of the developing countries aspiring to attract IPPs in their countries. In the first round PPIB attracted many international investors of repute



and succeeded in bringing in Foreign Direct Investment (FDI) worth around US\$ 5 Billion in only a few years. PPIB's role includes cohesion and communication with various players of the power sector to make power projects a reality. The illustration above depicts the communication structure of PPIB with other players.

INVE	STORS	LENDERS		
Local	Foreign	Local	Lenders	
<ul> <li>Nishat Group</li> <li>Sapphire Textile Ltd.</li> <li>Attock Refinery Ltd.</li> <li>Engro Chemical</li> <li>Shirazi Investment</li> <li>Fauji Foundation</li> <li>Saif Group</li> <li>Liberty Mills</li> <li>Descon Group</li> </ul>	International Power (UK) Congen Technology El Paso (USA) Mitsui (Japan) Xenel (KSA) TNB (Malaysia) AES Corporation AEB IFC Oman Oil DEG Germany GE Capital	National Bank of Pakistan Habib Bank Ltd. United Bank Ltd. Muslim Commercial Bank Allied Bank Ltd. Askari Bank Ltd. Faysal Bank Ltd. Bank Al Habib Habib Metropolitan Bank Ltd. The Bank of Punjab Soneri Bank Ltd. NIB Bank Ltd. Pak Oman Investment Co. Sauki Pak Industrial and Agricultural Investment Co.	IFC World Bank ADB IDB US Exim Bank AIDEC CDC (UK) EDC (UK) ANZ Banking Group (Australia) ABN Amro Bank Jexim (Japan) Bank of Tokyo Mitsubishi Toronto-Dominion Bank DEG (Germany) EMO (Netherlands) PROPARCO (France) SWEDFUND (Sweden)	

INVESTORS AND LENDERS IN THE PRIVATE POWER SECTOR



1.4 Organogram

# 1.5 Meetings of the Board

During the financial year 2013-14, two meetings of the Board of PPIB were held at PPIB under the chairmanship of the honourable Minister for Water & Power who is also the Chairman of PPIB. Following major issues were taken up and resolved in the meetings:

#### (a) 94th Board Meeting held on 29th October, 2013

Following key decisions were taken in the meeting:

- i) The Board approved the signing/execution of the Government of Pakistan Implementation Agreement for 102 MW Gulpur hydropower project on Poonch River in AJ&K by PPIB
- ii) The Board approved the signing/execution of the Government of Pakistan Implementation Agreement of 870 MW Suki Kinari Hydropower Project located in KP by PPIB and asked the Sponsor to expedite various activities for early completion of the project
- iii) The Board advised PPIB to implement the Kotli hydropower project through ICB under the provision of Policy for Power Generation Projects 2002 and the NEPRA's Mechanism for Determination of Tariff for Hydropower Projects;
- iv) The Board allowed PPIB to execute and issue tri-partite Letters of Support (LOS), with concerned entities of the Provincial Governments/AJ&K/GB and Sponsors(s) as co-signatories, for existing as well as future private or public private partnership power projects being implemented by the Provincial Governments/AJ&K/GB; and to execute Implementation Agreement and Government of Pakistan Guarantee for such projects; and PPIB may enter into agency agreements with Provincial Governments, AJ&K / GB Governments or Councils
- V) Board approved submission of the summary on new co-generation policy based on bagasse / biomass and coal to ECC for approval

#### - Other agenda items

i) Presentation was given to the Board on the initiative of 6600 MW Power Park at Gadani consisting of 10 x 660 MW Projects based on imported coal which was approved by Prime Minister of Pakistan on 26th July 2013. It was apprised that a special purpose company i.e. Pakistan Power Park Management Company Ltd. (PPPMCL) has been incorporated under the administrative control of the MoW&P to undertake all matters related to development of the Power Park.



- ii) The Board was briefed that that three Memorandum of Understanding (MOUs) were signed under the auspices of Finance Division with IPPs for resolution of Circular Debt Issue on 28th June 2013. One of MOUs pertains to conversion of four IPPs i.e. 1292MW Hub Power Company, 362MW Lalpir Power, 365MW Pakgen Power and 134MW Saba Power Company from furnace oil to coal.
- iii) The Board was apprised that conversion to coal will result into significant reduction in fuel cost/tariff for these projects. After consultative process with NTDC and IPPs the draft Guidelines have been prepared and an ECC Summary has been circulated by Ministry of Water and Power for seeking views of various stakeholders.

The Board appreciated the initiatives and efforts of PPIB to reduce power generation cost in the country.

#### (b) 95th Board Meeting held on 5th March, 2014

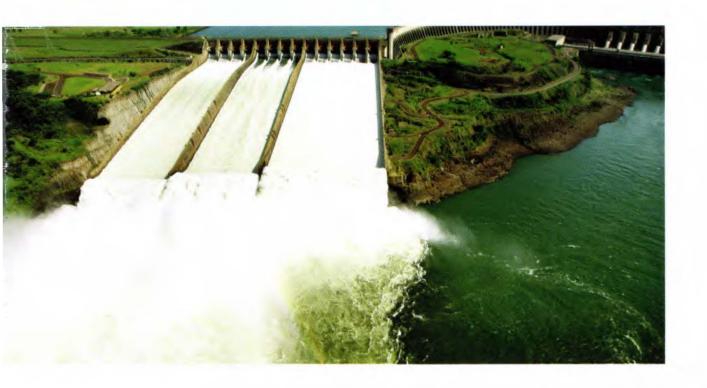
Following key decisions were taken in the meeting:

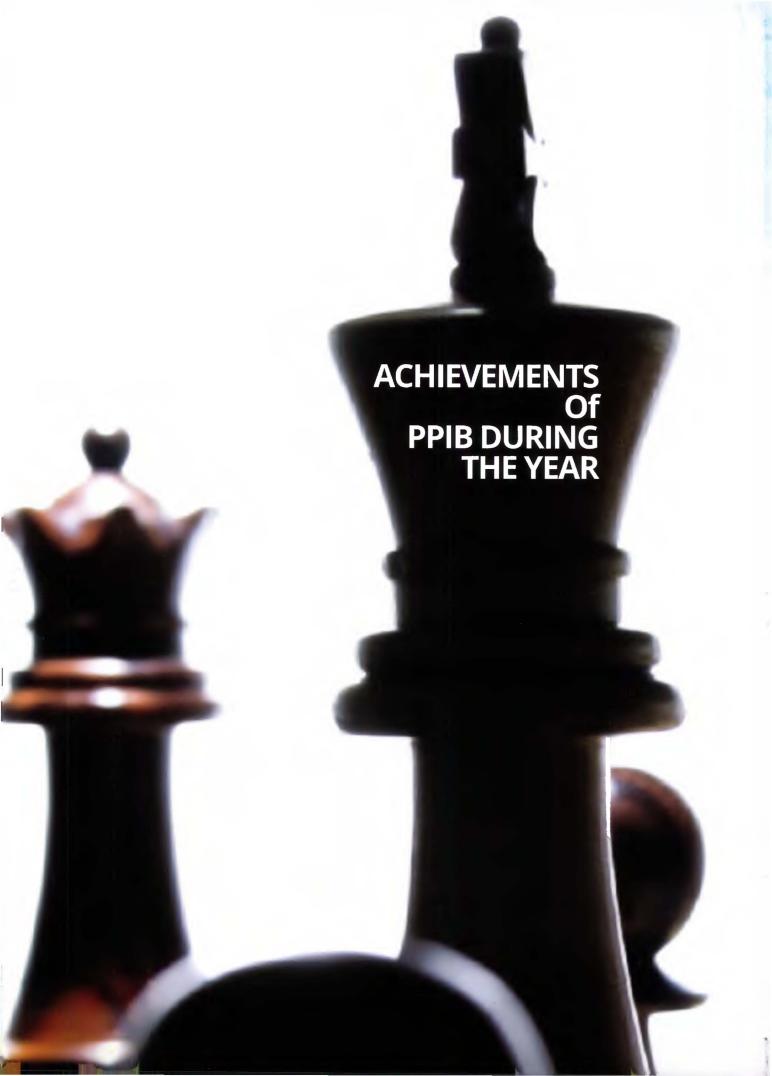
- i) The Board approved the issuance of LOI to the consortium of M/s CWE Investment Corporation China & Trans Tech Pakistan for carrying out a bankable Feasibility Study of the 590 MW Mahl Hydropower Project, for its implementation under the Policy for Power Generation Projects 2002.
- ii) The Board allowed PPIB to invite EOIs for the Rajdhani Hydropower Project through advertisement, its implementation under the Policy for Power Generation Projects 2002; and PPIB to forward EAD's response to AJ&K regarding development of the Rajdhani Hydropower Project. The Board also approved the draft EOI Document.



- iii) The Board allowed PPIB to undertake development of the two raw-site hydropower projects in Chitral Valley, i.e. 80 MW Neckeherdim-Paur and 58 MW Turtonas-Uzghor, through private sector under the provisions of the Policy for Power Generation Projects 2002. The Board also approved the draft EOI Document.
- iv) The Board allowed processing of private power projects in Pakistan Power Park at Gadani under "Guidelines for Setting Up of Private Power Projects Under Short Term Capacity Addition Initiative 2010" on first come first served basis from the date of submission of the proposal. The sponsors will also obtain site allocation letter from PPPMCL before issuance of LOI.

- v) The Board approved the draft Tri-partite Letter of Support (LOS) for the participation of the provincial governments and AJ&K wherein the GoP Guarantee will be given by the Federal Government to the provinces and AJ&K
- vi) The Board approved the issuance of LOI by PPIB to the Joint Venture of M/s Al Mirqab Capital of Qatar & Sinohydro Resources Limited (wholly owned subsidiary of M/s Power Construction Corporation of China) for the development of a 2x660 MW power project at Port Qasim, Karachi; subject to successful evaluation of the credentials of the Sponsors by PPIB Consultant;
- vii) The Board also approved submission of the ECC Summary for necessary amendments including extension of timelines for coal power projects in the 'Guidelines for Setting up of Private Power Projects under Short Term Capacity Addition Initiative August 2010.
- viii) The Board allowed PPIB to undertake development of the 350 MW Athmuqam Raw-Site Hydropower Project located on River Neelum, AJ&K, through private sector under the provisions of the Policy for Power Generation Projects 2002. The Board also approved the draft EOI Document.
- ix) The Board advised PPIB to submit the above proposed Thar-specific amendments in the Policy for Power Generation Projects 2002 to the ECC for consideration.



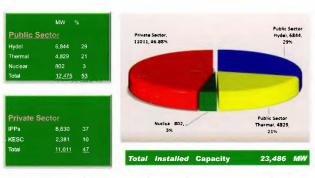


# 2. Achievements of PPIB during the year

2.1 Coal Based IPPs Under China - Pakistan Economic Corridor / Energy Planning Working Group as Early Harvest Projects

# **Background**

Due to environmental considerations in western countries, arranging financing for coal based power generation or allied infrastructure projects is nearly impossible from western countries or multilateral agencies like World Bank. The only option for Financing coal based power generation projects is from China. Securing Financing from China, especially in Private Sector mode, has its own complications. In order to address these challenges, it is imperative to seek alternate investment horizons and utilize coal using state of the art technologies to address environment concerns.



TOTAL INSTALLED CAPACITY IN PAKISTAN

Accordingly, the Government of Pakistan decided to give due importance to coal based power generation projects in China - Pakistan Economic Corridor.



TRANSMISSION SYSTEM IN PAKISTAN

### 2.2 China - Pakistan Economic Corridor

Under the auspices of China-Pakistan Economic Corridor (CPEC), 1st meeting of Energy Planning working Group (EPWG) was held on 15th April 2014. The meeting was co-chaired by Mr. Zhang Yuqing, Vice Administer of National Energy Administration (NEA) of China and Khawaja Muhammad Asif, Federal Minister for Water and Power, Pakistan.

During the meeting it was agreed that under the guidance of the Energy Planning Working Group, both sides will establish respective Energy Planning Expert Working Group (Expert Group) to take charge of the specific preparation work of energy planning and complete the energy planning report. It was also agreed that the Expert Groups of both sides will meet in first half of June 2014 in Beijing.

During the meeting, Ministry of Water and Power shared a list of relatively mature power generation projects to be commissioned by December 2017. It was agreed by both of the governments that the following projects be treated as 'Early Harvest Projects 'and commissioned by December 2017:

Sr No.	Sponsors	Location	Capacity
(1)	Sinohydro Resources Limited & Al Mirqab Capital	Pakistan Power Park, Gadani, Balochistan	2 x 660 MW
(11)	China Gezhouba Group Company Limited		4 x 660 MW
(111)	ANC Holdings LLC Dubai		2 x 660 MW
(IV)	China Machinery Engineering Corporation		2 x 660 MW
(V)	Sinohydro Resources Limited & Al Mirqab Capital	Port Qasim	2 x 660 MW
(VI)	Sindh Engro Coal Mining Company	Thar Block - II	2 x 330 MW
(VII)	Sino Sindh Resources	Thar Block - I	2 x 660 MW
	Total		9,900 MW

PPIB maintained effective coordination with Ministry of Water and Power, Prime Minister's Office (China Cell) and Planning and Development Division for monitoring progress and timelines of Early Harvest Projects pursued under the auspices of CPEC/EPWG. The status of projects is discussed separately in this report.

# 2.3 2 X 660 MW Imported Coal Based Power Project at Port Qasim, Karachi by Sinohydro Resources Limited, China and Al Mirgab Capital, Qatar

Active support on the matter related to implementation of 1320 MW Imported Coal based Power Project at Port Qasim by Sinohydro and Al Mirqab Capital was provided. During the year, following major activities were carried out;

- Pre-qualification of Sponsors.
- Finalization of "Notice to Proceed", format of Performance Guarantee (PG) and LOI and then acceptance of the PG submitted by Sponsors and LOI issued by PPIB.
- Negotiations on Draft Security Documents.
- ▶ Handling of Tariff and Generation License Issues.

A meeting was held under the chairmanship of Prime Minister of Pakistan on 14th October 2013 to review progress of various initiatives in the power sector wherein it was inter-alia decided that two plants will be established at Port Qasim, one each by the Federal Government and the Punjab Government.

In compliance of the above decision, a team comprising representatives from Ministry of Water and Power, Pakistan Power Park Management Company Limited (PPPMCL), National Transmission and Despatch Company (NTDC), GENCO-I, NESPAK and Port Qasim Authority (PQA) visited the following three sites identified by PQA:

- (i) Site No. 1 North Western Industrial Zone
- (ii) Site No. 2 Eastern Industrial Zone
- (iii) Site No. 3 Ziarat Shah Hassan Island

Afterwards, the joint venture of Sinohydro Resources Limited, China (a wholly owned subsidiary of Power Construction Corporation of China) and Al Mirqab Capital, Qatar (an affiliate of QINVEST) decided to develop  $2 \times 660$  MW power project at Site No. 2 i.e. Eastern Industrial Zone at Port Qasim, Karachi.

On 2nd December 2013, the sponsors approached PPIB with a request to register their company for the development of 2  $\times$  660 MW imported coal based power project at Port Qasim, Karachi with the following key parameters:

#### **Key Parameters**

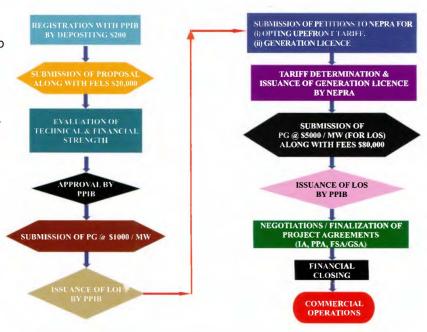
- Capacity of Power Plant
  - 1,320 MW (Gross Capacity)
  - 1,221 MW (Net Capacity)
- No of Units and Configuration
  - 2 x 660 MW (Gross Capacity)
- → Fue

Sub Bituminous and Bituminous coal imported from Indonesia, South Africa, Botswana and Australia

- Efficiency
  - 41 % (Gross Efficiency)
  - 38 % (Net Efficiency)
- Annual Availability90%

#### **Registration of Sponsors with PPIB**

Accordingly, PPIB registered the sponsors and requested them to submit a detailed proposal as per the 'Guidelines for Setting up of Private Power Projects under Short Term Capacity Addition Initiative August - 2010' (the 'Guidelines').



PROJECT IMPLEMENTATION PROCESS UNDER UPFRONT TARIFF REGIME

#### **Processing of Proposal by PPIB**

After conducting their due diligence and prefeasibility study, the sponsors on 27th January 2014 submitted a detailed proposal for setting up of 2  $\times$  660 MW power project at Port Qasim. PPIB Board in its 95th meeting held on 5th March 2014 while considering the subject project approved issuance of LOI

#### Issuance of Notice to Proceed by PPIB

On 15th May 2014, PPIB issued 'Notice to Proceed' for the development of  $2 \times 660$  MW imported coal based power project at Port Qasim, Karachi. In response, the Sponsors submitted Performance Guarantees, as per their respective equity percentage in the project.

#### Issuance of LOI by PPIB - Latest Developments

After acceptance of the PG, on 21st May 2014 PPIB issued LOI to the Sponsors for the subject project under and in accordance with the 'Guidelines for Setting up of Private Power Projects under Short Term Capacity Addition Initiative - August 2010' (the 'Guidelines'). The Sponsors approached National Electric Power Regulatory Authority (NEPRA) for acceptance of Upfront Tariff and grant of Generation License through their newly incorporated project company; Port Qasim Electric Power Company (Private) Limited.

# 2.4 Processing of 10 X 660 MW IPPs at Pakistan Power Park at Gadani, Balochistan

In order to bring seriousness in discussions with Chinese counterparts in "Energy Planning Working Group" of China-Pakistan Economic Corridor for securing investment required for development of IPPs in Gadani Power Park, Memoranda of Understanding were signed with five groups of sponsors mainly of Chinese origin i.e. (a) Power Construction Corporation of China (Power China), QINVEST LLC, Doha, Qatar and SEPCOIII Electric Power Construction Corp, (2x660MW in phase 1), (b) China Gezhouba Group Company Limited (4x660 MW), (c) ANC Holdings LLC Dubai- China Datang Technologies & Engg. Compay and A.S. Coal Resources



PRIVATE POWER & INFRASTRUCTURE BOARD

www.ppib.gov.pk

Singapore (2x660MW), (d) China Machinery Engineering Corporation (2x660 MW) and (e) ELECTROCENTROMONTAZH (2x660MW)

Levelized Tariff	Imported Coal Cents/kWh		Local Coal Cents/kWh	
	Foreign Financing	Local Financing	Foreign Financing	Local Financing
200 MW	8.2753	9.6042	8.2927	9.6448
600 MW	7.7784	9.1554	7.7931	9.1992
1000 MW	7.4922	8.7421	7.4900	8.7552

#### SUMMARY OF UPFRONT COAL TARIFF

As a result of persuasion affected by the direct monitoring of these projects by MoW&P and Prime Minister Secretariat, the first four group of sponsors with which MoUs were signed submitted their proposals.

#### National Policy of Power Co-Generation (Bagasse/Biomass 2.5 And Coal) For Sugar Industry 2013

### **Background**

The Economic Coordination Committee of the Cabinet (the 'ECC') on 13th November 2007 while considering a summary submitted by Ministry of Industries and Special Incentives approved the 'National Policy for Co Generation Projects by Sugar Industry' (the 'Co-Gen Policy') for developing co-generation projects while using bagasse in season and coal in off-season.

Salient features of the Co-Gen Policy inter-alia include (a) project size above 60 MW, (b) 28% net thermal efficiency, (c) 51.75 MW weighted average gross capacity and (d) simplified implementation process through PPIB.

It was expected that after approval of Co-Gen Policy there would be an exciting response from sugar mills. However, as a consequence only seven sugar mills approached PPIB, and none requested for issuance of Letter of Support despite very simple and easy procedures.

#### **Project Companies registered with PPIB**

Project Sponsors	Capacity
JDW Power (Private) Limited	80 MW
Chishtia Power (Private) Limited	65 MW
Fatima Energy Limited	100 MW
Janpur Energy Limited	60 MW
Ramzan Energy Limited	100 MW
Dewan Energy Limited	120 MW
Etihad Sugar Mills Limited	60 MW

Subsequently, the ECC on 6th March 2013 approved 'Framework for Power Cogeneration 2013 (Bagasse and Biomass)' as an addendum to the Renewable Energy Policy 2006 to be administered by the Alternative Energy Development Board (AEDB). However, this framework was also not successful in attracting much interest of sugar mills.

### 2.6 Policy 2013

In order to explore the options for developing co-generation projects on fast-track basis to ensure generation of inexpensive and affordable electricity, all key stakeholders including Pakistan Sugar Mills Association (PSMA) were further involved through dialogue. PSMA showed great interest in a new Policy for co-generation projects based on bagasse / biomass and coal as fuel, being there a large potential of power generation for supply to the power system throughout the year if use of coal is allowed for co-generation by sugar mills.

It was agreed that the new co-generation policy based on bagasse / biomass and coal shall be formulated on the similar lines as of Framework for Power Cogeneration 2013 (Bagasse and Biomass) earlier approved by the ECC on 6th March 2013. Key features of the policy were also discussed. As a result of many follow up meetings and deliberations with PSMA/stakeholders i.e. representatives of Ministry of Industries & Production, Ministry of Petroleum & Natural Resources, Finance Division, Law and Justice Division, NEPRA, NTDC and PPIB, draft 'National Policy of Power Co-Generation (Bagasse / Biomass and Coal) for Sugar Industry 2013' was formulated..

Ministry of Water and Power thereafter prepared a draft Summary for the ECC, and ECC while considering the subject Summary constituted a committee under the chairmanship of Secretary Finance Division with Secretary Water and Power and Chairman Federal Board of Revenue as members to review the proposals made in the draft Summary. Ministry of Water and Power will finalize the recommendations of the Committee and submit the case to ECC for its consideration again.

#### 2.7 Facilitation of Thar Coal Based Power Generation Projects Recommended By Government of Sindh (GoS) / Thar Coal and Energy Board (TCEB) under Power Policy 2002.

Thar coalfield is located in southeastern part of Sindh and has a resource potential of approximately 175 billion tons of lignite coal. These abundant natural resources largely remain unexploited till date. One of major goals set forth in the National Power Policy 2013 announced by the Present government is to ensure the generation of inexpensive and affordable electricity for domestic, commercial, and industrial use by utilizing indigenous resources such as Thar coal.

- Exemption from Corporate Incom Tax, Turnover Tax, Withholding Tax and Sales Tax, only 5% concessionary Import Duty on plant & equipment not manufactured locally
- GOP Guarantees obligations of power purchaser and provinces
- GOP provides protection against Political Force Majeure, Change in law and Change in duties & taxes
- Power Purchaser to bear hydrological risk for hydropower projects
- GOP provides 20% return on equity on local coal based power projects, and 17% on hydro and imported coal based projects.
- To mitigate high under ground geological risk, long construction period and environmental sensitivities following tariff Re-openers are provided by NEPRA
  - Cost escalation in Civil and cost variation for E&M works
  - Resettlement cost
  - Cost variation due to Geological conditions limited to tunnel area
- Tariff indexation for inflation (US CPI & Pak WPI)
- Government ensures conversion of Pak Rupee & remittance of foreign exchange for project-related payments

SALIENT FEATURES OF POLICY FOR POWER GENERATION PROJECTS-2002

Thar Coal and Energy Board (TCEB) was established by Government of Sindh (GoS) on 22nd July 2008 to act as a one-stop organization on behalf of all the Ministries, Departments and agencies of the

- List of Transmission System projects to be offered to Private Sector will be prepared by GOP
- BOOT Model
- Policy to cover Transmission Line & Grid Station projects of 220 KV voltage level and above (EHVAC & HVDC)
- Land & Legal Right of way to be provided by NTDC at no cost
- Project Term: 25-30 years
- Equity: 18 %
- Transmission utility (NTDC) to pay Transmission Service Charge in Rs./Km/month/-
- Exemption from Corporate Income Tax and 5% flat Custom Duties
- Utility to provide Basic Design & Functional Performance Specifications
- Standardized Security Package (IA & TSA) One Window facility by PPIB

SALIENT FEATURES OF TRANSMISSION LINE POLICY 2014

Government of Pakistan (GoP) or GoS in the matters relating to the approvals of coal mining and power generation projects in Currently, there is no specific provision in Power Policy 2002 which supports or allows processing of Thar coal based power projects initiated by TCEB / GoS. There is however a general provision for coal site projects which requires PPIB to advertise a coal based Raw Site and to issue LOI for conduct of feasibility study to sponsors who submit the best proposal.

PPIB proposed certain amendments / additional provisions to create a niche in Power Policy 2002 for Thar based power generation projects which describe the procedures for dealing with projects based on Thar coal. To that effect, views / comments of TCEB / GoS were solicited on 31st October 2013. TCEB / GoS initiated a discussion process with the investors on the proposed Thar specific Policy provisions and communicated its response on 3rd March 2014.

The matter was considered by PPIB Board. PPIB Board decided to refer the case to the ECC for seeking its approval for under mentioned amendments in Power Policy 2002;

- i. Projects in which GoS is a shareholder shall be issued LOI at the request of GoS communicated to PPIB through TCEB;
- ii. Projects in which GoS has no share, shall be issued LOI at the recommendation of GoS communicated to PPIB through TCEB and after registration with PPIB, completion of successful pre-qualification process as per Power Policy 2002, till such time TCEB establishes standards & procedures in consonance with PPIB procedures;
- iii. All processes subsequent to LOI issuance as provided for in the Power Policy 2002 shall be followed; and
- For Thar coal based projects, coal price determined by TCEB periodically to account for iv. . fixed and variable expenses incurred by a coal mining and supplying company (either the subsidiary/affiliate of power generator or a third party) for supply and transportation of Thar coal dedicatedly for power generation to one or more power



Based on the aforementioned recommendations, PPIB on 17th March 2014 submitted the draft ECC Summary to Ministry of Water and Power for submission to the ECC. Ministry of Water and Power circulated the Summary to the stakeholders and on 20th June 2014 requested PPIB to provide response to the stakeholder's comments in annotated form to Ministry of Water and Power. The same was provided to Ministry of Water and Power for further processing of the case.

#### 2.8 Amendments in the Guidelines For Setting Up of Power Projects Under Short Term Capacity Addition Initiative

After approval from the Board, PPIB started working on the amendments to the guidelines for setting up of private power projects under short term capacity addition to the extent of increasing time for coal based power projects to achieve financial close within a maximum period of 18 months from issuance of LOS and commercial operation date within a maximum period of 48 months.

The Board of PPIB constituted a Committee under Secretary Water & Power consisting of members from all stakeholders (Ministry of Water & Power, Ministry of Finance, Ministry of Law, Planning Division, Board of Investment, Power Purchaser / NTDCL, Chief Secretaries of provinces, G.B and AJ&K and three members from private sector with the mandate to carry out a comprehensive review of the Guidelines, especially vis-à-vis processing IPPs in Gadani and projects opting for Upfront Tariff with particular focus on process re-engineering with the objective of removing unnecessary procedural requirements and reducing multi-step evaluation process and guarantees.

# Consultant Selection Committee for Thar Coal Pricing and Developing Regulatory Regime

PPIB has provided its full support for evaluation of proposals and selection of an independent consultant to provide Consultancy for Developing Coal Pricing Regulatory Regime for Thar Coal. The main Terms of Reference for selection of the consultant being;



- 1. to develop draft standards, procedures, rules, regulations, and guidelines for coal pricing
- 2. to develop a framework to implement Coal Pricing Mechanism for TCEB, including guidelines, stages of evaluation and evaluation criteria keeping in view international best practices & technical prudence, with respect to process of receiving, reviewing and eventually approving / rejecting petitions on coal price.
- 'Deliverables Evaluation Committee' for Examining the Work done by the Consultants for Coal Pricing and Developing Regulatory Regime

PPIB is actively participating in the meetings of the Committee and providing inputs on various matters and reports submitted by the Consultant. PPIB provides technical assistance to TCEB on various issues relating to Thar Coal Pricing. The Terms of Reference for this Committee are as under;

- 1. To monitor and review project activities of the Consultant firm while carrying out subject studies
- 2. To examine/verify all deliverables/reports submitted by consultant firm and identify shortcomings (if any)
- To examine/verify the work done by the Consultant / deliverables as per Description of Services, Reporting Requirements and Timelines of the Contract
- 4. To give recommendations to MD, TCEB about the fulfillment of tasks as given in the TOR of the Contract
- Evaluation Committee for Expression of Interest Received for Coal Mining, Power Generation and Other uses in Thar Blocks IIIA & B,IV, VII and VIII

In order to promote investment in large scale coal mining, Government of Sindh (GoS) invited Expression of Interest (EOI) in December 2013 through national and international print media. Those EOIs were invited from local and international companies for Coal Mining, Power Generation and other uses for Thar Blocks IIIA, IIB, IV, VII and VIII. The companies were asked to submit proposals for integrated coal to power generation projects and other uses or standalone mining projects. In response of ICB, 10 proposals were received to TCEB. For the evaluation of these proposals a Committee was constituted by GoS wherein inter-alia PPIB was made a member. PPIB has played its due role during the evaluation process.

# 2.9 660 MW - Thar Coal based Power Project at Thar Block-II by M/s Engro Powergen Limited

Followed by an international competitive bidding and evaluation process in September 2009 Government of Sindh entered into a Joint Venture with Engro Powergen Limited and established Sindh Engro Coal Mining Company (SECMC). The project is marked as early harvest project and pursued under China–Pakistan Economic Corridor/Energy Planning Working Group and directly monitored by Ministry of Water and Power/Prime Minister's office.

On 6th June 2014, M/s. Engro Powergen Limited (the 'Sponsors') approached PPIB for developing 2x330 MW Power Generation complex utilizing indigenous Thar liginite coal.

The Sponsors submitted their formal proposal, pursuant to the 'Guidelines for Setting up of Private Power Projects under Short Term Capacity Addition Initiative - August 2010', on 9th June 2014. On 24th June 2014, NTDC provided its concurrence regarding the site, size, technology and fuel for the power project as per Part –A of the Guidelines.

# 2.10 1200 MW - Thar Coal based Power Project at Thar Block-I by M/s China Power International Limited

M/s. China Power International Limited (the 'Sponsors') approached PPIB in June 2014 for developing 2x600 MW Power Generation complex utilizing indigenous Thar liginite coal to be supplied by Sino-Sindh Resources. The project is marked as early harvest project and pursued under China –Pakistan Economic Corridor/Energy Planning Working Group and directly monitored by Ministry of Water and Power/Prime Minister's office.

The Sponsors submitted their formal proposal pursuant to the 'Guidelines for Setting up of Private Power Projects under Short Term Capacity Addition Initiative - August 2010', on 3rd June 2014. The Company solicited Site concurrence Letter from NTDC regarding the site, size, technology and fuel for the power project.



# 2.11 Processing of Proposals for Coal Based Power Projects

A lot of interest has been generated from investors to develop imported coal based power generation projects at locations other than Gadani Power Park. Until now following sponsors/investors have submitted their requests along with requisite fee to register them for submitting proposals based on imported coal pursuant to the Guidelines for Setting up of Private Power Projects under Short Term Capacity Addition Initiatives- August 2010;

- 1. M/s. Asia Petroleum limited (APL) owns and operates an oil terminal and a pipeline system for transporting furnace oil to Hubco. It is a joint venture of Being Infaavest limited (Hong Kong), VECO International Inc. (USA), Independent Petroleum Group (Kuwait) and Pakistan State Oil Company Limited (PSO).
- 2. M/s. HUB Power Company (HUBCO) is the biggest private power generation group operating in Pakistan. The Company is operating 1292 MW Hub power station, 225 MW Narowal power plant and 84 MW hydel power plant in Pakistan.
- 3. M/s. Global Benefit Sdn Bhd (GBSB) is engaged in financing of large industrial projects world-wide. It works in collaboration with large EPC companies and has signed a Memorandum of Understanding (MOU) with the Fauji Foundation Company (FFC), Pakistan.
- 4. M/s. Siddiqsons Group of Companies is a large conglomerate that operates in diverse range of industries including textiles, construction, banking, engineering and trading sectors in Pakistan.
- 5. M/s. Asiapak is a Hong Kong based investment holding company which is funded by Asia based high-net worth individuals; family trusts and select institutional and corporate investors. Asiapak has shareholding in the Sino-Sindh Resources Limited (SSRL), which holds a 30-year mining lease for Block-1 of Thar coalfields. Furthermore, Hermes Enterprises Limited a subsidiary of M/s. Asiapak Investment Limited owns 90% of the beneficial economic interest in the 140 MW gas based Habib Ullah Coastal Power Company Limited at Quetta, Balochistan.

PPIB Board has approved the processing of the projects under the "Guidelines for Setting Up of Private Power Projects under Short Term Capacity Addition Initiative- August 2010" and approved issuance of Notice to Proceed and LOI to the Sponsors upon fulfillment of all requirements according to the Guidelines, including the submission of site confirmation letter from the Power Purchaser in the proposal.

### 2.12 Conversion of Independent Power Producers (IPPs) of 2000 MW from Furnace Oil To Coal

On 28th June 2013, three Memoranda of Understanding (MOUs) were signed under the auspices of Finance Division with the Independent Power Producers (IPPs) for resolution of Circular Debt Issue. One of MOUs pertains to conversion of four IPPs i.e. Hub Power Company Limited (1292 MW), Lalpir Power Limited (362 MW), Pakgen Power Limited (365 MW) and Saba Power Company (Private) Limited (134 MW) from furnace oil to coal within twenty-four (24) months after completion of certain milestones, inter-alia, approval of 'Guidelines' for coal conversion by the PPIB (in consultation with NTDC/Seller), and NEPRA. Accordingly, after consultative process among the stakeholders (NTDC, IPPs and PPIB) the Guidelines were prepared. Keeping in view the expected benefits, MOU and the National Power Policy 2013, Ministry of Water & Power submitted an ECC summary for approval of the Guidelines. ECC of the Cabinet in its meeting held on 17th December 2013 directed Ministry of Water & Power to advise NEPRA to determine the power purchase tariff for the IPPs concerned in accordance with their prescribed procedure.

### 2.13 235 MW TNB Liberty Power Limited

TNB Liberty Power Limited (the 'Company') is a 235 MW gas based IPP located at Daharki, Distt. Ghotki, Sindh. The project operates on OGDCL's Qadirpur gas field and sells power to WAPDA/NTDC (Power Purchaser) pursuant to Power Purchase Agreement (PPA) dated 26th November 1995.



There was a discrepancy between the pricing formulas being applied for the determination of energy payment by the power purchaser and the pricing of natural gas for payments to gas supplier (i.e SNGPL). Under the pricing arrangement, energy payment under the PPA was determined on the basis of 67.5% of the weighted average of a basket of crude oils imported into Pakistan during the 6 months period while the Company paid price of gas determined on the basis of 100% HSFO parity. The Company informed that it has incurred losses of almost Rs. 8 Billion since COD.

In order to rectify the anomaly in gas pricing mechanism a series of meetings were held among the stakeholders, wherein it was proposed that SNGPL be directed to amend the GSA to harmonize it with PPA with regard to gas pricing. Under the chairmanship of Advisor to the Prime Minister on Petroleum and Natural Resources, it was inter alia decided that the Company would engage independent auditors to determine the gains/losses incurred by the Company on account of gas price mismatch. Subsequently, M/s. Hagler Bailly Pakistan was selected as an independent consultant to determine the losses incurred by the Company on account of the fuel price mismatch and the gains accrued by the Company on account of heat rate gains (efficiency gains).

Accordingly, a draft ECC summary was initiated in light of the recommendations of the independent consultant for removal of fuel price mismatch and circulated among stakeholders. MoP&NR clarified that amendment in GSA would not be required and suggested that to give effect to the proposal of M/o Water & Power, ECC's earlier decision in case No. ECC-45/05/2000 dated 08/03/2000 be substituted w.e.f 01/07/2012 as under:

"The Qadirpur Gas Price for sale to Liberty Power Plant Limited has to be fixed equal to 67.50% of the weighted average of a basket of crude oil import during the 6 months period which shall be notified on 6 monthly basis as per mechanism prevalent for fixation of wellhead gas prices of other fields."

Since suggestion of MoP&NR could resolve the issue without enhancing the liabilities of power purchaser i.e. WAPDA/NTDC, ECC was requested to approve the suggestion of the MoP&NR and amend its earlier decision in case No. ECC-45/05/2000 dated 08/03/2000.

ECC of the Cabinet in its meeting held on 16th January 2014 considered the Summary for removal of fuel price mismatch in the PPA and GSA of the Company and decided that;

The earlier decision of the ECC in case No.ECC-45/05/2000 dated 08-03-2000 should be amended to read as, " the Qadirpur Gas Price for sale to Liberty Power Limited has to be fixed equal to 67.5% of the weighted average of a basket of crude oil import during the 6 months period which shall be notified on 6 monthly basis as per mechanism prevalent for fixation of wellhead gas price of other fields."

The revised formula was made applicable from 16th January 2014, without any retroactive adjustments; and GSA and PPA shall both be revised in strict harmony to avoid undue benefit to any single party.

In this regard, MoP&NR/OGRA has duly revised the gas price to the Company thereby amicably settling the long standing issue of fuel price mismatch in PPA and GSA.



# 2.14 157 MW Fauji Kabirwala Power Company Limited (FKPCL)

Fauji Kabirwala Power Company Limited (the "Company") is operating a 157 MW combined cycle power plant located near Kabirwala in Punjab Province (the "Project"). The Project was developed and commissioned under Power Policy 1994 and was initially allocated 64.27 MMCFD low Btu gas from OGDCL's Nandipur & Panjpir gas fields and 13.3 MMCFD pipeline quality gas from SNGPL system. The initial term of the Gas Supply Agreement (GSA) signed on 25th January 1996 between the Company and OGDCL expires on 20th October 2014



whereas the term of Power Purchase Agreement (PPA) signed on 12th March 1996 between the Company and WAPDA expires on 20th October 2029. Thus there is a mismatch/differential in the terms of the PPA & GSA to the extent of fifteen (15) years.

As the term of the GSA expires on 20th October 2014, the Company desired an extension in the GSA on the same terms and conditions for another fifteen (15) years i.e. up to 20th October 2029 commensurate with the term of the PPA. The OGDCL, on the other hand was not inclined for extension of the existing GSA on the same terms and conditions due to various commercial and financial risks given the fast depletion of gas in its system. Similarly, SNGPL (the other fuel supplier) also showed reluctance to commit uninterrupted supply of 18.8 MMCFD pipeline quality gas for the Company beyond 21st October 2014, till adequate additional gas supplies are available to SNGPL after meeting the existing committed demand.

In this regard, a meeting was held under the chairmanship of Secretary Water & Power/ Managing Director (PPIB) on 2nd October 2013 duly attended by the representatives of Ministry of Petroleum & Natural Resources, OGDCL, SNGPL and the Company wherein it was inter-alia decided that the Company shall submit its proposal for extension of its GSA, based on the proposal, a summary shall be submitted for consideration of the ECC regarding allocation of gas to the Company. Once the requisite allocations are made, the Company and the OGDCL/SNGPL shall start their negotiations for extension of the GSA on the mutually agreed terms and conditions.

The Ministry of Water & Power submitted a Summary on Reallocation of Low Btu Gas from Bahu Gas Field to Fauji Kabirwala Power Company Limited (FKPCL) for consideration of the Economic Coordination Committee (ECC) of the Cabinet on 26th May 2014.

ECC in its meeting held on 28th May 2014 considered the Summary and approved the proposal contained in para-3, which states that;

"Keeping in view the prevalent electricity crisis in the country and higher dispatch order, it is submitted that low BTU gas from Bahu Gas Field or any other field and or pipeline quality gas from the SNGPL system may be allocated to the project for remaining term of its PPA to ensure its smooth operation and to avoid conversion of the Project on any expensive alternate liquid fuel, which would be an unaffordable option given the energy mix scenario in the country. Once the requisite allocations are made, the Company and the OGDCL/SNGPL shall enter into negotiations for the extension of the GSA on the mutually agreed terms and conditions."

In the meanwhile Ministry of Water & Power vide its letter dated 16th July 2014 has constituted a committee to look into reallocation of Low Btu Gas from Bahu Gas Field to Fauji Kabirwala Power Company Limited (FKPCL), thereby amicably resolving the issue.

# 2.15 Inauguration of 84 MW New Bong Escape Hydropower Project (HPP)

Pakistan's first private sector hydropower project, 84 MW New Bong Escape located downstream of Mangla reservoir in Mirpur AJ&K was inaugurated by Prime Minister of Pakistan on 15th July 2013. The Project is successfully injecting about 470 Million clean, reliable and affordable units of electricity annually in the national grid. The success of this Project through HUBCO with the lending's of ADB, IFC, IsDB, Proparco, HBL, NBP has paved the track of confidence for upcoming hydropower IPPs.



# 2.16 147 MW Patrind Hydropower Project

Pakistan's second (first under 2002 Power Policy) private sector hydropower project, 147 MW Patrind located on river Kunhar in Khyber Pakhtunkhwa (KP) and AJ&K areas after achievement of Financial Close in December 2012 entered into construction phase. Upto June 2014, 34% construction works were completed. The Project is sponsored by K-Water & Daewoo E&C with the lending's of ADB, IFC, IsDB and KEXIM. The Project has the ability to inject about 690 Million clean, reliable and affordable units of electricity annually in the national grid.



# 2.17 102 MW Gulpur Hydropower Project

Pakistan's likely to be third (second under 2002 Power Policy) private sector hydropower project, 102 MW Gulpur located on River Poonch in AJ&K area has significantly progressed towards achievement of Financial Close in near future. In this regard, GOPIA has been executed and AJKIA, WUA, PPA have been negotiated/initialled, processes for land acquisition and environmental NOC have been substantially completed and EPC contractor has been selected. The Project is being sponsored by KOSEP, DAELIM & LOTTE and with the likely committed lending's of KEXIM, ADB, IFC & MCPP. The Project has the ability to inject about 465 Million clean, reliable and affordable units of electricity annually in the national grid.



# 2.18 870 MW Suki Kinari Hydropower Project

870 MW Suki Kinari HPP located on river Kunhar has also progressed positively towards achievement of Financial Closing in near future. In this regard, EPC tariff was obtained, GOPIA was executed and EPC contractor has been finalized. The Project may bring considerable foreign investment from China and is likely to inject about 3081 Million clean, reliable and affordable units of electricity annually in the national grid.



# 2.19 720 MW Karot Hydropower Project

Letter of Support (LOS) for achievement of Financial Close for 720 MW Karot HPP located on river Jhelum on dual boundary of Punjab and AJ&K was issued to CWE Investment Corporation (CWEI)- a subsidiary of China Three Gorges Corporation-CTGC (the Main Sponsors). The Project has been included in list of priority projects under China Pakistan Economic Corridor and efforts are being made for early start and completion of the Project. The Project has the ability to inject about 3250 Million clean, reliable and affordable units of electricity annually in the national grid.



# 2.20 1100 MW Kohala Hydropower Project

The negotiation of feasibility stage tariff between CWEI/CTGC and Power Purchaser/NTDC got completed for 1100 MW Kohala HPP located on river Jhelum in AJ&K area. The negotiated tariff went to NEPRA for approval.



# 2.21 545 MW Kaigah Hydropower Project

Feasibility study of 545 MW Kaigah HPP located in KP was completed and approved by Panel of Experts.



# 2.22 590 MW Mahl Hydropower Project

The process for evaluation of proposals for 590 MW Mahl HPP located on river Jhelum at dual boundary of AJK and Punjab was completed and the PPIB Board approved issuance of LOI to the highest ranked evaluated party.

# 2.23 100 MW Kotli, 132 MW Rajdhani, and 350 MW Athmuqam Hydropower Projects.

Expressions of Interest (EOI)/ Proposals were invited through print media advertisement for development 100 MW Kotli, 132 MW Rajdhani, and 350 MW Athmugam hydropower projects.

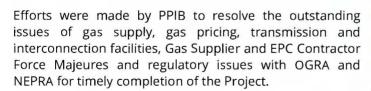
# 2.24 Hydropower Projects under CPEC

Three HPPs namely 720 MW Karot, 840 MW Suki-Kinari and 1100 MW Kohala were included in list of priority projects under CPEC program.



# 2.25 404 MW Uch-II Power Project

Uch-II Power Project based on indigenous low Btu Gas located near Dura Murad Jamali, Balochistan sponsored and Financed by Blue Chip International Investors and Lenders is largest gas based Power Project under 2002 Power Policy. Throughout the year, the activities on much needed and largest gas based Project under PPIB's Portfolio pursuant to 2002 Power Policy remained on full swing due to its completion in April 2014.



In November, site visit of the Project was carried out to access its progress. After completion of visit, a comprehensive report was prepared through which various outstanding activities and issues were highlighted which could delay the Project. Based on findings of the report, outstanding issues were taken up with the concerned departments for their timely resolution. The COD and Inauguration of the Project was performed in April 2014.







Uch-II Power Project achieved its COD on 4th April 2014, which was no doubt a big moment for PPIB as it was most important and much needed largest gas based project under 2002 Policy. The project has brought Foreign Direct Investment of US\$ 500 Million and will improve socio-economic conditions of remote area of Balochistan. The utilization of indigenous gas fuel is a cost effective measures that will annually save the valuable foreign exchange amounting 400 Million US\$ against oil imports. The achievement of COD of this largest gas based Project shows the confidence of Foreign Investors and Lenders in the Power Sectors of Pakistan.



# 2.26 Human Capital at PPIB

PPIB is fully cognizant of the fact that it is their human resource which provide strategic motto to it as an institution. We at PPIB follow all fundamentals of best HR practices which start from recruitment till the development and capacity building of employees. Following are the main achievements we made in the recent past;

# Retention of Human Resource

PPIB successfully managed to curtail its employees turnover. The reduction from about 30% to almost nil is a substantial achievement. We at PPIB believe that employee motivation and retention is only possible through employees friendly policies. In order to retain employees many incentives have been started after approval of the PPIB Regulations in March 2013. Some major incentives are starting of Contributory Provident Fund, Long Service Award and Overtime Allowance to employees in Staff Cadre. The HR Section of PPIB tried its level best to motivate the employees and make them feel special in the organization by providing opportunities to showup themselves in a fair environment. The overall Ergonomic is of high standards.

The Number is calculated on Expected Annual Energy Generation by Uch-II at Annual Availability in comparison with if same Energy is generated through Oil based IPP.

# Employees Development

Capacity building is an ongoing process through which employees enhance their ability to identify and meet development challenges. Employees at PPIB acquire regular capacity building and enhancement of professional know how to meet the future challenges. PPIB facilitates its employees to acquire excellent training and experience to get on job skills.

# - Health & Safety of Employees

PPIB has improved its hospitalization policy by making it more uniform and clearer. The employees are facilitated during illness or any other untoward incidents. Appreciation letters and other awards are given to the employees who take appropriate safety measure for avoiding loss due to any unwarranted incident.

Due to the prevailing security situation in the country, PPIB has taken necessary steps to beef-up the security at PPIB. CCTV system has been installed and twelve cameras installed at different locations for surveillance of the building 24/7 hours. Whole system is being monitored by a security supervisor. Emergency exit gates, two on each floor of the building, have been established in case of any security hazard. Guests and vehicles are being thoroughly checked before entering the premises.

# 2.27 Information Technology Related Activities

In present era, Information Technology is the most valuable resource of any organization. PPIB is taking care of this resource since creation of PPIB in effective and efficient manner. IT services are available is serving 24x7 throughout the year. PPIB has gradually enhanced capacity to store and access the information using state of the art hardware and software. The main services, being hub of information, communicate via gigabit network, provide relevant information to top management for right decision making while facilitating the work of all IT users. The major areas of IT in operation are:-



# Local Area Network

Apart from Gigabit wired LAN, wireless network has also been designed and implemented which helps, in sharing important information virtually everywhere inside PPIB. The LAN connects various computers and network printers at PPIB for efficient resource sharing.

# Wide Area Network Services

PPIB's employees can access and share data even outside the office through other internet services at home or any other place. For this purpose VPN technology has been implemented to access users' data on server machines. Also webmail facility has been provided to access official emails from anywhere outside the PPIB.

# High speed fiber optics internet

In order to meet the time bound targets a fast and reliable internet of 5 Mbps speed has been provided at PPIB through fiber optics technology.

# **ICT For Meetings**

Projector facility to display power point presentations, security documents and reports is available in meeting rooms. PPIB's meeting room has also been equipped with video conferencing facility using dedicated fiber optics internet connection.

# **In-House Database Software Development**

PPIB has Oracle database to handle the structured data like Finance and Accounting double Entry, Payroll data, Personnel data, Projects Registration/Management and Legal data.

Customized software has also been developed in-house. Summarized information from dynamic database is available on the desktops of management for decision making. The main softwares include:

# **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.

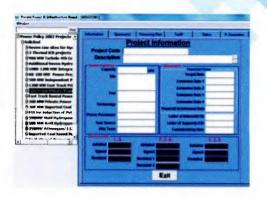
# Personnel and HR System

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.

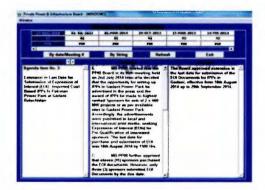


# ECC Decisions Database

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.



# Power Projects Litigation Status

This module is used to enter the brief history of all Litigation cases and software alarms for next hearing date well before time.



# 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 the website. The E-Library Link on website provides extensive downloadable information for investors, researchers and students.



# Paperless Initiative

With the passage of time the Project related documents on different milestones, Legal Documents, security documents, agreements and reports has become an important asset of PPIB and required to preserve electronically. In this regard scanning, storing and access of Projects' documents has been started.



# 2.28 PPIB Projection in Media

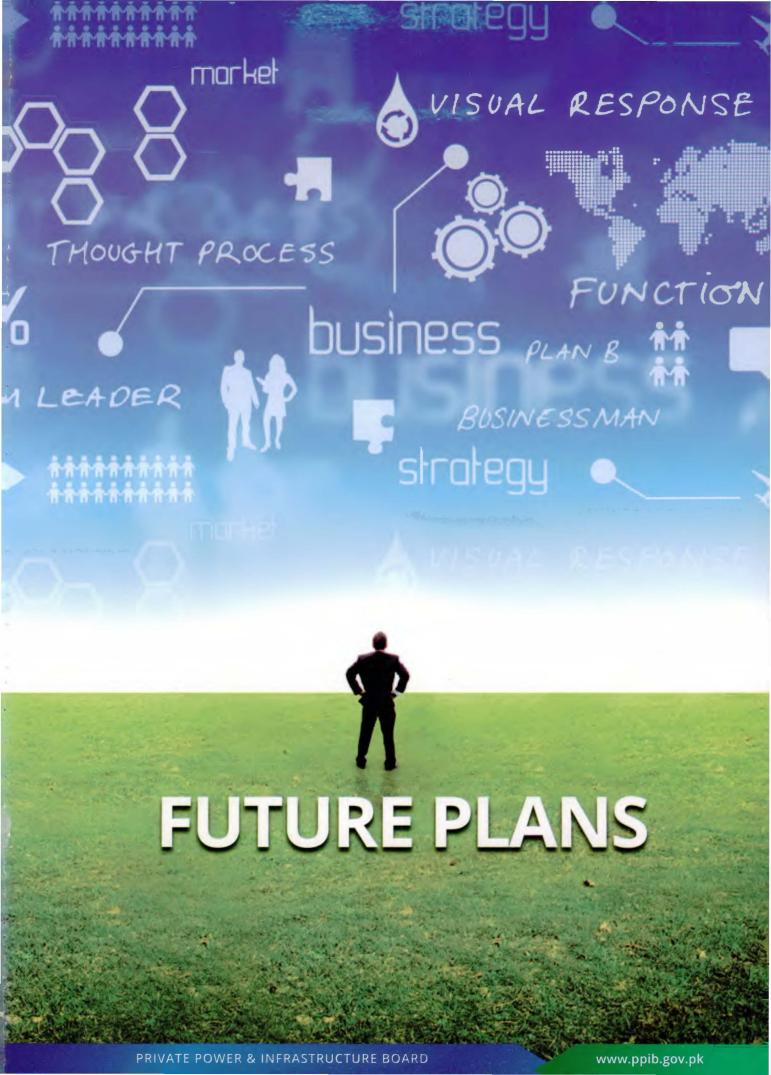
During the year 2013-14, a number of events/ meetings were held here at PPIB and most of them were highlighted in the print and electronic media with wide coverage.

Uch-II power project was completed in April 2014 and Special Supplements were arranged in leading newspapers on this achievement with the congratulation message of the Prime Minister. Special advertisements were issued by the PPIB on the ground breaking of Port Qasim Coal Power Projects, performed by the Prime Minister of Pakistan.

During the year 2013-14, besides other routine activities, the major events highlighted in media were initialing ceremony of IA of 102 MW Gulpur Hydropower project with PPIB, issuance of LOS for 720 MW Karot Hydropower project, opening of proposals for 590 MW Mahl Hydropower Project, 94th and 95th meetings of PPIB Board, Conference on Inter-Governmental Council of CASA Electricity Transmission and Trade Project, opening of proposals for 100 MW Kotli Hydropower Project, MoU signing Ceremony for development of 2640 MW Coal based power projects at Gadani between China Gezhouba Group and PPIB, MoU signing ceremony of CMEC China and PPIB for setting up of 1320 MW coal power projects at Gadani, Signing of IA between S.K Hdro and PPIB for 870 MW Suki Kinari Hydropower project, and Ist meeting of Energy Planning Working Group of China Pakistan Economic Corridor where China agreed to provide assistance for 21690 MW fast track projects.







PPIB is currently processing twenty five (25) private power generation projects with a cumulative power generation capacity of 17658 MW. These projects are being developed in the different locations of the country and are based on hydro, coal, oil and gas technologies. Currently, these projects are at different stages of processing/development and shall be completed during 2016-2023. Detail is as follows:

Sr.#	Project	Sponsor/ Company Name	Location	Fuel	Gross Capacity (MW)
Year	2016				L
1	Grange Holdings Power Project	Grange Power Limited	Arifwala Punjab	Oil	163
		Sub Total (2016)			163
Year	2017				
2	Patrind Hydropower Project	Star Hydropower Limited	Kunhar River, KP/AJK	Hydel	147
		Sub Total (2017)			147
Year	2018				
3	Gulpur Hydropower project	Mira Power Ltd	River/Gulpur, AJK	Hydel	102
		Sub Total (2018)			102
Year	2019				
4	Sehra Hydropower Project	Farab Energy & Water Project, Iran	Poonch River, AJK	Hydel	130
		Sub Total (2019)			130
Year	2020				
5	Suki Kinari Hydropower Project	S.K Hydro Pvt Ltd	Kunhar River/ Mansehra, KP	Hydel	870
6	Karot Hydropower Project	Karot Power Company Pvt Ltd	Jehlum River, Distt. Rawalpindi	Hydel	720
		Sub Total (2020)			1590
Year	2022				,
7	Azad Pattan Hydropower Project	Alamgir Power Pvt Ltd	Jehlum River/ Sudhnoti, AJ&K	Hydel	640
8	Chakothi-Hattian Hydropower Project	Suhail Jute Mills Ltd	Muzaffarabad, AJK	Hydel	500
		Sub Total (2020)			1140
Year	2023				
9	Kohala Hydropower Project	China International Water & Electric Company	Jehlum River/ Kohala, AJK	Hydel	1100
		Sub Total (2023)			1100

10	Kaigah Hydropower Project	Telecom Valley Pvt Ltd	Kaigah/Indus River, KP	Hydel	545
		Sub Total (Project at Feasi	bility Study Stage)		545
Othe	r Projects (Gas/Hydel)				
11	Kandra Power Project	Kandra Power Company Limited	Near Sukkur, Sindh	Gas	120
12	Lower Palas Valley Hydropower Project	SHYDO, WAPDA, K-Water and Daewoo of Korea	Kohistan Vally, KP	Hydel	665
13	Lower Palas Valley Hydropower Project	SHYDO, WAPDA, K-Water and Daewoo of Korea	Kohistan Vally, KP	Hydel	496
14	Madian Hydropower Project	Cherat Cement PAK	Swat River, KP	Hydel	157
15	Asrit-Kedam Hydropower Project	Younas Brothers Group	Near Kalam/ Swat River, KP	Hydel	215
16	Kotli Hydropower Project	÷	Poonch River/ Kotli, AJK	Hydel	100
17	Mahl Hydropower Project	12	Jhelum River, AJK/Punjab	Hydel	590
18	Rajdhani Hydropower Project	-	Poonch River, Hyd AJK Hydel		132
19	Athmuqam Hydropower Project	138	Neelum River, AJK	Hydel	350
20	Neckeherdim Hydropower Project	- 3	YarKun River, Chitral Valley KP	Hydel	80
21	Turtonas-Uzghor Hydropower Project	12	Golen Gol River, Chitral Valley KP	Hydel	58
		Sub Total Others(Gas/Hydel)			2963
Othe	r Projects (Coal)				
22	2 x 600 MW Thar Coal based Power Project	China Power International Holding Limited	Thar Block-I, Sindh	Coal	1200
22	2 x 330 MW Thar Coal based Power Project	Engro Powergen Limited (EPGL)	Thar Block-II, Sindh	Coal	660
22	2 x 660 MW Imported coal based power project	Sinohydro Resources Limited, China / Al Mirqab Capital, Qatar	Port Qasim, Karachi	Coal	1,320
22	5 IPPs of 2x660 MW Imported coal based power projects		Pakistan Power Park, Gadani Balochistan	Coal	6,600
		Sub Total Coal			9780
		GRAND TOTAL (MW)	W 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2		17660

# Audited Statement of Income and Expenditure, Balance Sheet of PPIB for the year 2013-14

PPIB has been following a standard practice since its inception to have its annual accounts conducted by renowned accountants firms. As per Board decision, the accountancy firm of A category is selected from the panel of State Bank of Pakistan and is changed after every three years.

The audited accounts for the period 2013-14 are placed at Appnedix-I audited by A.F. Ferguson & Co., Chartered Accounts, who have issued un-qualifed audit report.

Appnedix-I

# PRIVATE POWER AND INFRASTRUCTURE BOARD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

# A. F. FERGUSON & CO.

Chartered Accountants a member firm of the PwC network





# A. F. FERGUSON & CO.

December 18, 2014 377

The Board Members
Private Power and Infrastructure Board (PPIB)
Islamabad

Dear Sirs

ii)

# FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

We enclose six copies of the financial statements for the year ended June 30, 2014, together with our report thereon to the Board members initialled by us for identification purposes. We shall be pleased to sign our report in present or amended form after:

 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;

we have seen the Board's specific approval for:	
	Rupees '000
- Additions to property and equipment at cost	2,244
- Additions to Intangible assets at cost	100
- Provision for staff gratuity	21,560
- Provision for leave encashment	10,417
- Provision against performance guarantees encashed	261,836
- Held to maturity investments (TDRs purchased)	
Pak Oman Investment Company Limited     First Women Bank Limited	25,000 50,000

<ul> <li>Habib Metropolitan Bank Limited</li> </ul>	50,000
	USD '000
Faysal Bank Limited	2,400
Allied Bank Limited	1,350
Habib Bank Limited	2,600
Habib Metropolitan Bank Limited	2,950
JS Bank Limited	1,400
<ul> <li>National Bank of Pakistan</li> </ul>	1,024
P	

91772ho.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan Tel: +92 (51) 2273457-60/2604934-37; Fax: +92 (51) 2277924; < www.pwc.com/pk>

National Bank of Pakistan

Karachi: State Life Building No. 1-C, I. I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan; Tel: +92 (21) 32426682-5/32426711-5; Fax: +92 (21) 32415007 Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O. Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872 Kabul: Apartment No 3, 3rd Floor, Doost Tower, Haji Yaqub Square, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

50,000



-2-

# A.F. FERGUSON & CO.

- iii) we have received satisfactory reply from legal advisors listed at Annexure I 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, 2014 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 an accumulated tax refund of Rs 21,639 thousand as at June 30, 2014. Refund applications for an aggregate amount of Rs 8,900 thousand pertaining to the tax years 2009, 2010 and 2011 were rejected by the taxation authorities on March 18, 2014. PPIB has preferred appeals in this respect before Commission Inland Revenue (Appeals – II) Islamabad. We recommend that PPIB may actively follow up this matter with taxation authorities for recoverability of this cumulative 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

AFFergusonhlo.



# A. F. FERGUSON & CO.

ANNEXURE I

# PRIVATE POWER AND INFRASTRUCTURE BOARD FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

List of legal advisors as referred to in our letter 377 dated December 18, 2014 from whom reply was not received in response to our request for direct confirmations.

- 1. Mr. Yaser Aman Khan;
- 2. Barrister Khaliq Uz Zaman;
- 3. Mr. Khawaja Ahmed Tariq Rahim; and
- 4. Mr. Yawar Faroogi.

Statal.



# 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, 2014, 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, 2014 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, 2014 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: January 1, 2016

Engagement partner: JehanZeb Amin

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakıstan
Tel: +92 (51) 2273457-60/2604934-37; Fax: +92 (51) 2277924; < www.pwc.com/pk>

Karachi: State Life Building No. 1-C, I. I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan; Tel: +92 (21) 32426682-5/32426711-5; Fax: +92 (21) 32415007 Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O. Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872 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, 2014

			(Restated)	(Restated)
		2014	2013	2012
	Note		Rupees '000	
NON CURRENT ASSETS				
Property and equipment	4	44,273	46,866	38,185
Intangible assets	5	681	655	167
Long term investments	6	451,451	367,015	808,953
Loans and advances	7	37,954	8,784	-
Deferred taxation	8	76,817	32,083	-
		611,176	, 455,403	847,305
CURRENT ASSETS				
Advances, prepayments and other receivables	9	24,182	8,967	6,090
Advance tax	10	21,639	16,116	10,570
Short term investments	11	1,460,447	1,524,310	1,221,829
Cash and bank balances	12	115,050	45,788	48,575
		1,621,318	1,595,181,	1,287,064
CURRENT LIABILITIES				
Provision against performance guarantees encashed	13	404,782	142,946	224,900
Staff gratuity	14	79,623	75,486	13,874
Accrued and other liabilities	15	32,675	24,468	19,584
		517,080	242,900	258,358
NET CURRENT ASSETS		1,104,238	1,352,281	1,028,706
NON CURRENT LIABILITY				
Deferred taxation				895
				30,10=0
NET ASSETS		1,715,414	1,807,684	1,875,116
REPRESENTED BY:				
PPIB fund	16	1,683,368	1,796,312	1,871,699
Surplus on remeasurement of investments to fair value		32,046	11,372	3,417
		1,715,414	1,807,684	1,875,1 <u>16</u>
Contingencies and commitments	17			

The annexed notes form 1 to 31 an integral part of these financial statements.  $\begin{tabular}{ll} $\mathcal{A}$ & $\mathcal{A}$ &$ 

# PRIVATE POWER AND INFRASTRUCTURE BOARD INCOME AND EXPENDITURE ACCOUNT

# FOR THE YEAR ENDED JUNE 30, 2014

		2014	2013
	Note	Rupees i	n '000
INCOME			
Performance guarantees encashed	18	261,836	49,025
Income from operations	19	35,938	60
Income from financial assets	20	104,232	203,121
Other income	21	958	312
	·	402,964	252,518
EXPENDITURE			
Salaries and benefits	22	255,359	199,166
Repairs and maintenance	23	6,821	6,085
Printing and stationery	24	2,327	1,510
Professional and legal services fee		6,472	3,368
Traveling expenses	1	5,733	4,508
Office rent		12,733	11,335
Telephone, fax, postage and courier		1,356	1,406
Fixed assets insurance		658	632
Utilities		2,664	2,021
Audit fee		330	300
Depreciation and amortization		4,831	4,491
Profit on performance guarantees encashed	1	1-1	65,560
Provision against performance guarantees encashed		261,836	-
Bank charges	1	217	68
Advertisement expenses		5,753	1,070
Other expenses	25	4,239	3,998
		571,329	305,518
LOSS FOR THE YEAR	:	(168,364)	(53,000)
Tax expense	26	54,842	18,020
LOSS AFTER TAX		(113,522)	(34,980)

The annexed notes form 1 to 31 an integral part of these financial statements.

X7726.

Managing Director

# PRIVATE POWER AND INFRASTRUCTURE BOARD STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2014

	2014	(Restated) 2013
	Rupees '000	
Loss for the year	(113,522)	(34,980)
Other comprehensive income:		
Gain/ (loss) on remeasurement of staff retirement benefit plans	862	(61,222)
Deferred tax (charge) / credit relating to remeasurement of staff retirement benefit plans	(284) 578	20,815 (40,407)
Surplus on remeasurement of investments to fair value	30,857	13,813
Tax relating to component of other comprehensive income	(10,183) 20,674	(5,858) 7,955
Other comprehensive income - net of tax	21,252	(32,452)
Total comprehensive loss for the year	(92,270)	(67,432)

The annexed notes form 1 to 31 an integral part of these financial statements.  $\mathcal{AHR}$ 

Managing Director

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

# FOR THE YEAR ENDED JUNE 30, 2014

	PPIB fund	Surplus on	Total
		remeasurement	
		of investment to	
		fair value (Rupees '000)	
Balance as at July 1 2012 - as previously reported	1,870,205	3,417	1,873,622
Change in accounting policy for recognition of actuarial			
gains and losses - 3.6.2	1,494	•	1,494
Balance as at July 1 2012 - as restated	1,871,699	3,417	1,875,116
Comprehensive income for the year			
Loss for the year	(34,980)	-	(34,980)
Other comprehensive loss	(40,407)	7,955	(32,452)
	(75,387)	7,955	(67,432)
Balance as at June 30 2013	1,796,312	11,372	1,807,684
Comprehensive income for the year			
Loss for the year	(113,522)	- 1	(113,522)
Other comprehensive income	578	20,674	21,252
	(112,944)	20,674	(92,270)
Balance as at 30 June 2014	1,683,368	32,046	1,715,414

The annexed notes form 1 to 31 an integral part of these financial statements.  $\mathcal{HFL}$ 

Managing Director

# PRIVATE POWER AND INFRASTRUCTURE BOARD STATEMENT OF CASH FLOWS

FOD	THE	VEAD	<b>ENDED</b>	HILLIAME	20	2044
FUR	IHE	YEAR	FNIJED	JUNE	-511	7014

FOR THE TEAR ENDED JUNE 30, 2014			
		2014	2013
	Note	Rupee	es '000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before tax		(168,364)	(53,000)
Adjustments for non cash items:		, ,	,
Depreciation and amortisation		4,831	4,490
Provision against advances to employees		-	7
Income on bank deposits and held to maturity investments		(110,288)	(152,296)
Provision for staff gratuity		21,560	8,240
Provision for leave encashment		10,147	9,602
Provision against performance guarantee encashed		261,836	-
Gain on write-off of property and equipment	1	3	
Unrealized foreign exchange loss / (gain)		44,246	(36, 101)
	-	63,971	(219,058)
Effect of working capital changes:			
Increase in advances, prepayments			
and other receivables		(14,947)	(11,699)
Increase in accrued and other liabilities		7,098	8,214
	-	56,122,	(222,543)
Gratuity paid		(16,561)	(7,851)
Leave encashment paid		(9,038)	(12,932)
Taxes paid		(5,882)	(5,546)
Performance guarantee paid in prior year		-	(81,954)
Increase in loans and advances		(29,170)	-
Net cash used in operating activities	-	(4,529)	(330,826)
CASH FLOW FROM INVESTING ACTIVITIES			
Property and equipment	ſ	(2,244)	(13,121)
Intangible assets		(100)	(538)
Insurance claim received on property and equipment		83	-
Income on bank deposits and held to maturity investments		116,224	158,374
Purchase of investments - net		(37,503)	182,538
Net cash flow from investing activities	_	76,460	327,253
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	-	71,931	(3,573),
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		45,788	48,575
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(2,669)	. 786
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	115,050	45,788

The annexed notes form 1 to 31 an integral part of these financial statements. AFFL .

## 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) stood dissolved and consequent to 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 stood transferred to and vested in PPIB constituted under the 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.

# 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.

AZJALO.

#### 2.2 Adoption of new and revised standards and interpretations

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

Effective date (annual reporting periods on or after);

IFRS 2	Share-based Payments (Amendments)	July 01, 2014
IFRS 3	Business Combinations (Amendments)	July 01, 2014
IFRS 8	Operating Segments (Amendments)	July 01, 2014
IFRS 9	Financial Instruments	January 1, 2018
IFRS 13	Fair Value Measurements (Amendments)	July 01, 2014
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2017
IAS 16	Property, Plant and Equipment (Amendments)	July 01, 2014
IAS 19	Employee Benefits (Amendments)	July 01, 2014
IAS 24	Related Party Disclosures (Amendments)	July 01, 2014
IAS 38	Intangible Assets (Amendments)	July 1, 2014
IAS 39	Financial Instruments: Recognition and measurement (Amendments	
		January 01, 2014
IAS 40	Investment Property (Amendments)	July 1, 2014

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation / disclosures. PPIB is yet to assess the full impact of the amendments.

Further, the following new standards have been issued by IASB, which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of 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: Classification and Measurement	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

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

IFRIC 4 Determining whether an arrangement contains lease

IFRIC 12 Service concession arrangements

AFFElo.

## 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 amortized cost and fair values respectively, as required by approved accounting standards. Assets transferred from Private Power Cell (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 2.5 days for every calendar month of duty period rendered by him.

# 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.

AFFEL.

#### 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

PPIB has in place a defined benefit funded gratuity for all eligible employees who complete qualifying period of service and age.

The fund is administered by trustees. Annual contributions to the gratuity fund is based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 14 to the financial statements. All contributions are charged to profit or loss for the year. The latest actuarial valuation were carried out at June 30, 2014.

Consequent to the revision of IAS 19 "Employee Benefits" (IAS 19) which is effective for annual periods beginning on or after January 1, 2013, PPIB has changed its accounting policy wherein, the actuarial gains and losses (remeasurement gains / losses) on employees' retirement benefit plans are recognised immediately in other comprehensive income. Previously, the actuarial gains / losses in excess of the corridor limit were recognised in profit or loss over the remaining service life of the employees. In accordance with the transitional provisions of IAS 19, the change in accounting policy has been accounted for retrospectively and the comparative figures have thereby been restated as below. The adoption of above accounting policy has no effect on the cash flow statement.

PRIVATE POWER & INFRASTRUCTURE BOARD

		Effect for the year ended June 30, 2013 Rupees '000
Other Comprehensive Income		
Increase in loss on remeasurement of gratuity fund Decrease in deferred tax charge relating to remeasurement of		61,222
staff retirement benefit plans		(20,815)
Decrease in other comprehensive income - net of tax		40,407
Decrease in equity		40,407
	Cumulative effect upto June 30, 2013	Cumulative effect upto June 30, 2012
	Rupe	es '000
Balance Sheet		
(Increase) / Decrease in staff gratuity	(58,925)	2,298
Decrease / (Increase) in deferred tax	20,012	(804)
(Decrease) / Increase in equity	(38,913)	1,494

Calculation of gratuity requires assumptions to be made of future outcomes which mainly includes increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

# 3.6.3 Defined contribution plan

PPIB operates and manages an unfunded contributory 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.

AFFalo.

## 3.7 Taxation

## Current

Income of PPIB is chargeable to tax in accordance with the related provisions of Income tax Ordinance 2001. Provision for current tax is recognized 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 deductible 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 deductible 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.

## 3.8 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 encashed and the management believes that the outcome of the transaction can be estimated reliably.

# 3.9 Operating leases

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

A7786.

## 3.10 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.

## 3.11 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.

# 3.12 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.

# 3.13 Cash and cash equivalents

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

# 3.14 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.

Ŀ
Ш
<u>4</u>
EQUIPMENT
_
AND
≿
PROPER
짒
σ.
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
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
At July 1, 2012									
Cost	15,014	5,129	8,938	6,018	1,385	15,044	808	10,329	62,666
Accumulated Depreciation		2,766	6,988	3,949	1,010	9,311	457		24,481
	15,014	2,363	1,950	2,069	375	5,733	352	10,329	38,185
Year ended June 30, 2013									
Opening net book amount	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	-	4,774	13,121
Disposals									
Cost Accimilated depreciation				1 1	1				
	,	,		,					
Depreciation charge		381	1,306	603	125	1,967	58		4,440
	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	1	28,921
	15,014	2,653	4,234	3,639	437	5,491	295	15,103	46,866
Year ended June 30, 2014									
Opening net book amount	15,014	2,653	4,234	3,639	437	5,491	295	15,103	46,866
Additions		591	1,220	284	40		91	18	2,244
Disposals			100						100
Accumulated depreciation			(20)			•			(20)
		r	80				•		80
Depreciation charge		429	1,347	845	137	1,945	22		4,757
	15,014	2,815	4,027	3,078	340	3,546	332	15,121	44,273
At June 30, 2014									
Cost	15,014	6,391	13,648	8,475	1,612	16,769	901	15,121	77,931
Accumulated Depreciation		3,576	9,621	5,397	1,272	13,223	269		33,658
	15,014	2,815	4,027	3,078	340	3,546	332	15,121	44,273
Rate of depreciation (% per annum)	,	10%	20%	15%	15%	20%	10%	d)	

# 4.1 Capital work in progress

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

		Rupees '000
INTANGIBLES ASSETS - Computer software		400
At July 1, 2012		
Cost		264
Accumulated Amortization		97
	_	167.
Year ended June 30, 2013		
Opening net book amount		167
Additions		538
Amortization charge		50
	_	655
At July 1, 2013		
Cost	1	802
Accumulated Amortization		147
		655
Year ended June 30, 2014		
Opening net book amount		655
Additions		100
Amortization charge	23.5	74
	=	681
At July 1, 2013		
Cost		902
Accumulated Amortization	_	221
	-	681
M M	2014	2013
LONG TERM INVESTMENTS	Rupees '0	000
Held to maturity investments - note 6.1	408,690	323,060
Available for sale investments - note 6.2	74,812	43,955
Trialiable for sale investments - note 6.2	483,502	367,015
Less:	== - ===1	
Current portion shown under short term investments - note 11		
Held to maturity investments	32,051	
•		
	451,451	367,015
Held to maturity investments:		
Pakistan Investment Bonds (PIB's)	214,157	47,738
Regular Income Certificates (RICs)	80,000	150,000
Pak Oman Advantage Mutual Fund (POAF)	24,035	24,035
Term Finance Certificates (TFC's)		
- Bank Al Habib Limited (BAHL) 1039 (2013: 1039) certificates	5,180	5,183
- United Bank Limited (UBL) 3,000 (2013: 3000) certificates	2,495	7,485
- Engro Fertilizer Limited (EFL) 18,708 (2013: 18,708) certificates	76,023	83,997
AJJAlo.	83,698	96,665
0144	401,890	318,438 /

			<b>2014</b> Rupees '	2013
Accrued Profit:			Nupces	000
PIB's			5,752	1,683
RIC's			234	2,046
TFC's				
- BAHL			248	229
- UBL			93	263
- EFL			473	401
			408,690	323,060
Maturity dates prof	it rates and market values a	aro ae followe:		
maturity dates, profi	Maturity dates	Profit rate % per annum	Market va	alue
			2014	2013
			Rupees '	000
PIB's	2014 to 2017	9.6% to 11.25%	212,403	49,174
RIC's	2015 to 2016	12% to 13.44%	80,000	150,000
POAF	2015	KIBOR + 2%	23,675	27,063
TFC's				
- BAHL	2015	KIBOR + 1.95%	5,198	5,240
- UBL	2014	KIBOR + 1.7%	7,493	7,535
- EFL	2015 to 2017	KIBOR +(1.5% to 2.4 %)	75,082	82,807
		,	403,851,	321,819
			2014	2013
Available for sale i	nvestments		Rupees	'000
		- (2042: 4.440.444it-)	20.725	20.705
	:Trust (NIT) 1,201,794 unit irement of fair value	s (2013: 1,110,411 units)	26,725 48,087	26,725 17,230
Odipida on Temedad	irement of fall value		74,812	43,955
LOANS AND ADVA	NCES			
LOANS AND ADVA	INOES			
	s - considered good		46,932	10,900
Less: current portion	of loans and advances - n	ote 9	(8,978)	(2,116)
			37,954 <sub>/2</sub>	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.

AFFElo.

		2014	2013 Restated
		Rupee in	n '000' n
8.	DEFERRED TAXATION	·	
	Deferred credits/ (debits) arising due to:		
	Accelerated depreciation	486	940
	Provision for minimum tax	(359)	-
	Accumulated tax losses	(73,257)	(18,869)
	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	(73,130),	(17,929)
	Surplus on remeasurement of investments to fair value	16,041	5,858
	Remeasurement of staff gratuity	(19,728)	(20,012)
		(76,817)	(32,083)
		2014	2013
		Rupee	
9.	ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Кирее	3 000
	Current portion of loans and advances - note 7	8,978	2,116
	Prepayments	5,602	5,174
	Accrued interest on bank deposits	1,184	916
	Other receivables	8,418	768
		24,182	8,974
	Less: Provision for advances		(7)
		24,182	8,967 <sub>1</sub>

It includes an amount of Rs 8,900 thousand relating to the refund applications filed by the Board with taxation authorities on August 26, 2011 for the issuance of a cumulative income tax refund of Rs. 8,900 thousand for tax years 2009, 2010 & 2011. A reminder of the same was filed on June 18, 2012. The aforesaid applications for refund were rejected on March 18, 2014 by the Officer Inland Revenue, Regional Tax Office, Islamabad. PPIB had filed appeals on April 22, 2014 with Commissioner Inland Revenue (Appeals - II) in this respect which are pending for adjudication. Management believes that it has strong case and probability of success therein is

SAFFEL.

10. ADVANCE TAX

	2014	2013
CHORT TERM INVESTMENTS. Hald to Make the	Rupee	s '000
SHORT TERM INVESTMENTS - Held to Maturity		
Term Finance Certificates (TFCs)		
Askari Bank Limited (AKBL) Nil (2013: 5,000) Units Engro Corporation Limited (ECL) Nil (2013: 6,000) Units Pakistan Mobile Communication Company Limited (PMCL) nil (2013: 11,143)	-	24,925 29,976
Units	-	45,093
Pakistan Investment Bonds (PIBs) Regular Income Certificates (RICs)	70,000	250,122 60,000
Term Deposits Receipts (TDRs)		
In Pak Rupees		
Pak Oman Investment Company Limited (POIC)  First Women Bank Limited (FWBL)  National Bank of Pakistan (NBP)	25,000 50,000 50,000	60,000 50,000 50,000
Habib Metropolitan Bank (HMBL) Limited	50,000	50,000
SME Bank Limited (SME)	-	50,000
In US Dollars		
Faysal Bank Limited (FBL) US\$ 2,400,000 (2013: US\$ 1,300,000)	236,450	129,605
Allied Bank Limited (ABL) US\$ 1,350,000 (2013: US\$ 1,600,000)	133,043	159,600
Habib Bank Limited (HBL) US\$ 2,600,000 (2013: US\$ 3,200,000)	256,190	319,160
Habib Metropolitan Bank Limited (HMBL) US\$ 2,949,948 (2013: US\$ 999,913)	290,717	99,739
National Bank of Pakistan (NBP) US\$ 1,024,029 (2013: nil)	100,918	450 600
JS Bank Limited (JSBL) US\$ 1,400,000 (2013: US\$ 1,600,000)	137,970	159,600
	1,400,288	1,487,820
Current maturity of long term investments - note 6		
Held to maturity investments	32,051	
	-2,00	
Accrued profit:		
TFC's		
- AKBL	-	462
- ECL - PMCL	-	1,334 889
	7	
PIB's RICs	283	9,214 891
TDR's	200	0.71
In Pak Rupees		
- POIC	916	2,077
- FWBL	4,099	2,795
- NBP	3,953	2,549
- HMBL	2,510	2,025
- SME		39
in US Dollars		
- FBL	4,791	3,534
- ABL	906	4,242
	3,317	4,501
- HBL - NBP	1 2/6	
- NBP	1,846 2.712	
	1,846 2,712 2,776	1,938

11.

11.1 Maturity dates and profit margin are as follows:

	Currency	Maturity	Profit rate % per annum	2014	2013
				Rupees	o00' s
TFC's					
- 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	September 2014 to January 2015	12%	70,000	60,000
TDR's					
POIC	PKR	February 2015	10.16%	25,000	60,000
<b>FWBL</b>	PKR	August 2014	9.15%	50,000	50,000
NBP	PKR	August 2014	9.00%	50,000	50,000
HMBL	PKR	December 2014	10.15%	50,000	-
SME	PKR	June 2014	9.45%	-	50,000
FBL	USD	August 2014	2.40%	236,450	129,605
ABL	USD	October 2014	3.50%	133,043_	159,600
HBL	USD	January 2015	3.60%	157,656	160,038
HBL	USD	March 2015	2.75%	68,974	89,506
HBL	UŞD	March 2015	2.75%	29,560	69,616
				256,190√	319,160
HMBL	USD	January to April 2015	3.55% - 3.95%	290,717	99,739
NBP	USD	October 2014	2.50%	100,918	-
JSBL	U\$D	August 2014	2.40%	137,970	159,600
Stitelo.				1,400,288	1,487,820

	2014	2013
12. CASH AND BANK BALANCES	Rupees	'000
In deposit accounts - Local currency - note 12.1	88,354	32,265
- Foreign currency (USD 271,300, 2013:USD 135,317)	26,693	13,498
Cash in hand	3	25
	115,050,	45,788

- **12.1** Balances in these accounts include Rs. 15,239 thousand (2013: Rs. 3,512 thousand) held on account of employees' provident scheme.
- 12.2 Bank balance amounting to Rs. 8,119 thousand (2013 :Rs. 3,860 thousand) is placed with National Bank of Pakistan (2013 : AL Baraka Islamic Bank) in high yielding checking account where profit is calculated on daily basis with quarterly payouts at the rate of 7.5% (2013 : 7%) per annum

		2014	2013
		Rupees	'000
13.	PROVISION AGAINST PERFORMANCE GUARANTEES ENCASHED		
	Spencer Powergen Company of Pakistan Limited - note 13.2	41,046	41,046
	Star Energy Venture Pakistan Limited	78,400	78,400
	Liberty Power Limited	23,500	23,500
	Star Power Generation Company Limited - note 13.3	261,836	_
,		404,782	142,946

- 13.1 PPIB is defending its views before the High Court in connection with the cases filed by the aforesaid entities.
- 13.2 Based on order of Islamabad High Court dated April 4, 2013, PPIB paid the amount of performance guarantee amounting to Rs 33,000 thousand along with profits amounting to Rs 24,510 thousand. PPIB is further required to pay profits amounting to Rs. 41,050 thousand as per contempt petition filed in Islamabad High Court by Spencer Powergen Company of Pakistan Limited.
- 13.3 Star Power Generation Company Limited filed a writ petition against encashment of performance guarantee by PPIB before Sindh High Court challenging the encashment.

(Restated) 2014 2013

2014 2013 Rupees '000

## 14. STAFF GRATUITY

# 14.1 The amounts recognized in the balance sheet are as follows:

Present value of defined benefit obligation	152,928	129,854
Fair value of plan assets	(73,305)	(54,368)
	79.623	75.486

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

Current service cost	13,831	6,996
Net interest cost	7,729	1,244
	21,560	8,240

# 14.3 Actual return on plan assets

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.

AFF Elo

					(Restated)
				2014	2013
				Rupees	'000
14.4	Changes in the present value of defined	benefit obligatior	are as follow	'S:	
	Present value of defined benefit obligation a	t beginning		129,854	57,421
	Current service cost			13,831	6,996
	Interest cost			14,826	7,032
	Benefits paid			(1,870)	(2,331)
	Remeasurement of defined benefit obligatio	n		(3,713)	60,736
	Present value of defined benefit obligation a	t end	=	152,928	129,854
14.5	Changes in the fair value of plan assets a	are as follows:			
	Fair value of plan assets at beginning			54,368	43,547
	Expected return on plan assets			7,097	5,788
	Contributions to the fund			16,561	7,850
	Benefits paid			(1,870)	(2,331)
	Remeasurement of plan assets			(2,851)	(486)
	Fair value of plan assets at end		2	73,305	54,368
	Based on the actuarial valuation a contrib defined benefit plan during the year ending .		73 thousand i	s expected to be	e paid to the
14.6	Major categories of plan assets as a percent	tage of total plan a	ssets of define	d gratuity plan ar	e as follows:
		2014	2013	2014	2013
		%	%	Rupee in	'000
	Bank balance	28	8	20,881	4,401
	Term deposit receipts	66	87	48,305	47,220
	NIT units	6	5	4,119	2,747
		100	100	73,305	54,368
				2014	2013

14.7 Principal actuarial assumptions used in the actuarial valuation are as f
---

Discount rate	13.5%	11.5%
Future salary increase	13.5%	11.5%
Expected return on plan assets	13.5%	11.5%

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

	2014	2013	2012	2011	2010
			Rupees in '00	0	
Defined benefit obligation	152,928	129,854	57,421	48,928	38,603
Plan assets	(73,305)	(54,368)	(43,547)	(34,935)	(25,415)
	79,623	75,486,	13,874	13,993	13,188
Experience adjustments on					
- Plan liabilities	(3,713)	60,736	(1,882)	70	784
- Plan assets	(2,851)	(486)	19	1,249	(449)
A7796.					

		201	14	2013
14.9	Re-measurements recognised in OCI during the year:		Ru <b>pee</b> s in	,000
	Remeasurment (loss) / gain on obligation		3,713	(58,439)
	Remeasurment gain/ (loss) on plan assets		(2,851)	(486)
		.,	862	(58,925)
15.	ACCRUED AND OTHER LIABILITIES			
	Accrued expenses		3,080	1,529
	Provision of Leave encashment - note 15.1	1	0,605	9,496
	Audit fee payable		680	1,050
	Withholding tax		134	134
	Retention money	,	710	710
	Other payables		2,227	8,037
	Provident fund payable	1	5,239	3,512
		3	2,6751	24,468
15.1	Movement of provision of leave encashment are as follows:			
	Balance at the beginning		9,496	12,826
	Expense for the year	1	0,147	9,602
	Payment to outgoing employees	(	9,038)	(12,932)
	Balance at the end	1	0,605	9,496

# 16. PRIVATE POWER AND INFRASTRUCTURE BOARD FUND (PPIB fund)

As per the requirement of Section 14 of the Act, the accumulated surplus and government fund available on the PPIB balance sheet as at March 1, 2012 were converted into PPIB Fund. The PPIB Fund is to be administered and controlled by PPIB. The PPIB Fund is to 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 is required to be prepared and any profit / loss is to be transferred to the PPIB Fund.

# 17. CONTINGENCIES AND COMMITMENTS

Sponsors of certain power projects have filed suits for damages against Government of Pakistan (GOP) / PPIB for aggregate claims of Rs.113,495 million (2013: Rs. 113,491 million) and US\$ 58 million (2013: US\$ 58 million). Also, claims have been lodged against the encashment of performance guarantees amounting to Rs.79 million (2013: Rs 79 million) and US\$ 1.147 million (2013: US\$ 1.147 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, if any, cannot be ascertained.

# 18. PERFORMANCE GUARANTEES ENCASHED

This represents performance guarantee relating to Star Power Thermal Power Plant encashed during the year.

AFFEL.

		2014	2013
		Rupee in	000' 1
19.	INCOME FROM OPERATIONS		
	Registration fee	774	60
	Request for quotation fee	773	-
	Pre qualification document fee	785	-
	Expression of interest fee	1,629	-
	Project processing fee	31,977	-
	3 - 3 - 4 - 4 - 4 - 4 - 4 - 4 - 4 - 4 -	35,938 <sub>1</sub>	60,
20.	INCOME FROM FINANCIAL ASSESTS		
	Income on bank deposits	2,936	3,445
	Income on held to maturity investments	107,352	148,851
	Interest income on loans to employees	2,814	76
	Exchange (loss)/gain on financial assets	(8,870)	50,749
	Exchange (1055)/gain on illiancial assets	104,232	203,121
		104,232	203,121
21.	OTHER INCOME		
	Insurance claim received	3	_
	Miscellaneous income	955	312
	missianous mosmo	958	312
22.	SALARIES AND BENEFITS		
	Salaries and allowances	210,031	170,261
	Provision for staff gratuity	21,560	8,240
	Provision for leave encashment	10,147	9,602
	Provident fund contribution	5,966	1,756
	Other benefits	7,655	9,307
	Other benefits	255,359	199,166
		200,000	100,100,
23.	REPAIR AND MAINTENANCE		
	Vehicle running and maintenance	5,292	5,034
	Office repair, maintenance and renovation	541	249
	Computer repair	285	334
	Equipment repair	669	428
	Furniture repair	34	40
		6,821	6,085
24.	PRINTING AND STATIONERY	-	
	Computer stationery	571	433
	Office stationery	839	768
	Printing	917	309
	AFFEL.	2,327	1,510
		CONTRACTOR OF THE PARTY OF THE	

		2014	2013
		Rupe	es '000
25.	OTHER EXPENSES		
	Newspapers and periodicals	259	365
	Training, conferences and seminars	1,137	1185
	Entertainment and office supplies	1,132	943
	Security services	1,052	932
	Provision against advances	-	7
	Miscellaneous	659	566
		4,239	3,998
26.	TAX EXPENSE		
	Current tax	359	-
	Deferred tax	(55,201)	(18,020)
		(54,842)	(18,020)
26.1	The relationship between the tax expense and (loss)/ profit for the year is as follows:	-	
	Loss before tax	(168,364)	(53,000)
	Tax at applicable tax rate of 34% percent (2013: 35 percent)	(57,244)	(18,550)
	Effect of change in tax rate applicable to deferred tax	1,662	530
	Others	740	(-)
		(54,842)	(18,020)

#### 27. **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.

#### 28. **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:

	2014	2013
	Rupees	3 '000
Salaries and benefits	50,649	41,130
Contribution to gratuity fund/ trust	16,561	7,850

#### 29. 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.

AFFElo.

		2014	2013
		Rupees	,000
25.	OTHER EXPENSES		
	Newspapers and periodicals	259	365
	Training, conferences and seminars	1,137	1185
	Entertainment and office supplies	1,132	943
	Security services	1,052	932
	Provision against advances	-	7
	Miscellaneous	659	566
		4,239 <sub>1</sub>	3,998
26.	TAX EXPENSE		
	Current tax	359	-
	Deferred tax	(55,201)	(18,020)
		(54,842)	(18,020)
20.4	The relationship between the tay expanse and (less) profit for the year is an follows:	¥1	
26.1	The relationship between the tax expense and (loss)/ profit for the year is as follows:		
	Loss before tax	(168,364)	(53,000)
	Tax at applicable tax rate of 34% percent (2013: 35 percent)	(57,244)	(18,550)
	Effect of change in tax rate applicable to deferred tax	1,662	530
	Others	740	-
		(54,842),	(18,020)

#### 27. **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.

#### RELATED PARTY TRANSACTIONS 28.

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:

	2014	2013
	Rupee	s '000
Salaries and benefits	50,649	41,130
Contribution to gratuity fund/ trust	16,561	7,850

#### 29. 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. AFFElo.

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.

#### 29.1 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.

# 29.1.1 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:

2014	2013
Ru	pees '000
451,45	367,015
18,580	3,800
1,460,447	1,524,310
115,047	45,763
2,045,526	1,940,888

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.

# 29.2 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:

		2014		2013
	Carrying amount	Contractual cash flows (within one year)	Carrying amount	Contractual cash flows (within one year)
		Rupees	in '000	
Provision against performance guarantees encashed	404,782	404,782	142,946	142,946
Other payables having maturity up to one year	32,675	32,675	24,468	24,468
AJJEC.	437,457 <sub>1</sub>	437,457	167,414	167,414

# Foreign currency sensitivity analysis

A 10 percent strengthening of the Rupee against US Dollar as at June 30, 2014 would have decreased surplus of income over expenditure account by amount before tax of Rs. 118 million (June 30, 2013 : Rs. 87.83 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 June 30, 2014 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.

## 29.3.2 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:

2014 2013 Rupees '000

## Variable rate instruments

# Financial assets Long term investments

107,736

120,700

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. 1.411 million (2013: Rs. 323,678). 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.

# 29.3.3 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. 7.481 million (2013: Rs. 4.396 million) with corresponding increase in funds and reserves balance. A 10% decrease would have equal but opposite effect.

ATElo.

## 29.4 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:

	2014		2013		
	Carrying amount	Fair Value	Carrying amount	Fair Value	
	Rupees '000				
Assets carried at amortized cost					
Long term investments	408,690	403,851	323,060	321,819	
Short term Investments	1,460,447	1,460,447	1,524,310	1,524,310	
	1,869,138	1,864,299	1,847,370	1,846,129	

The basis for determining fair values is as follows:

# 29.4.1 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.

# 29.4.2 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:

been demie	ed as follows.	
Level 1	quoted prices (unadjusted) in active markets for identical assets or liabilities.	

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

June 30, 2014 Assets carried at fair value	Level 1	Level 2 Rupees '000	Level 3
Available for sale investments	74,812	2	1.2
l 20 0040	74,812		14
June 30, 2013 Assets carried at fair value			
Available for sale investments	43,955	1	-
	43,955	-	-

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

## 29.5 Determination of fair values

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

# 29.5.1 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.

# 29.5.2 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.

# 29.5.3 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.

# 29.5.4 Credit quality of financial assets

The credit quality of PPIB's financial assets has been assessed below by reference to external credit ratings of counterparties. The counterparties for which external credit ratings were not available have been assessed by reference to their historical information for any defaults in meeting obligations.

	Name of Credit Rating	Rating	2014	2013	
	Agency		Rupees in '000		
Counterparties with					
external credit rating					
Bank balances :					
National Bank of Pakistan	JCR-VIS	AAA	8,117	20,700	
Habib Bank Limited	JCR-VIS	AAA	36,663	5,254	
First Women Bank Limited	PACRA	BBB+	653	2,386	
Albaraka Islamic Bank	PACRA	Α	3,295	3,862	
Bank Alfalah Limited	PACRA	AA	287	268	
National Investment Bank Limited	PACRA	AA-	222	209	
Faysal Bank Limited	PACRA	AA	6,193	3,010	
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	139	131	
Askari Bank Limited	PACRA	AA	17	17	
Silk Bank Limited	JCR-VIS	A-	19	18	
JS Bank Limited	PACRA	A+	208	4,902	
Summit Bank Limited	JCR-VIS	A-	17	16	
MCB Bank Limited	PACRA	AAA	49	49	
Dubai Islamic Bank Limited	JCR-VIS	A+	4,915	4,943	
SME Bank Limited	PACRA	BBB-	54,253	-	
AFFELO.			115,047	45,763	

	Great Raung Agency			
			Rupees in '000	
Investments :				
Pakistan Investment Bonds			214,157	297,860
Regular Income Certificates		*	150,000	210,000
Pak Oman Advantage Mutual Fund	PACRA	A+(f)	24,035	24,035
Bank Al Habib Limited	PACRA	AA	5,180	5,183
United Bank limited	JCR-VIS	AA+	2,495	7,485
Engro Fertilizers Limited	PACRA	A+	76,023	83,997
National Investment Trust Limited	PACRA	3 star	26,725	26,725
Askari Bank Limited	PACRA	AA	1.240	24,925
Engro Corporation Limited	PACRA	AA-	-	29,976
Pakistan Mobile Communication Company Limited	PACRA	AA-	-	45,093
Pak Oman Investment Company Limited	JCR-VIS	A1+	25,000	60,000
First Women Bank Limited	PACRA	BBB+	50,000	50,000
National Bank of Pakistan	JCR-VIS	AAA	50,000	50,000
Habib Metropolitan Bank Limited	PACRA	AA+	340,717	99,739
SME Bank Limited	PACRA	BBB-	-	50,000
Faysal Bank Limited	PACRA	AA	236,450	129,605
Allied Bank Limited	PACRA	AA+	133,043	159,600
Habib Bank Limited	JCR-VIS	AAA	256,190	319,160
National Bank of Pakistan	JCR-VIS	AAA	100,918	-
JS Bank Limited	PACRA	A+	137,970	159,600
Counterparties without				
external credit rating				
Long term advances to employees		•	37,954	8,784
Advances, deposits and other receivables			24,182	8,967

<sup>\*</sup> Counterparties with no / limited history of defaults in the past.

# 0. CORRESPONDING FIGURES

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

# 1. DATE OF APPROVAL

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

Managing Director

