

ENGRO POWERGEN QADIRPUR LIMITED

**CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

ENGRO POWERGEN QADIRPUR LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018

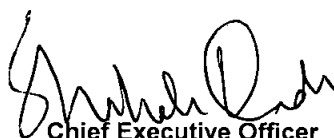
(Amounts in thousand)

		Unaudited September 30, 2018	Audited December 31, 2017
	Note	Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	13,323,529	13,169,212
Intangible assets		69,682	77,044
Long term loans and advances		64,239	39,243
Long term deposits		2,574	2,491
		<u>13,460,024</u>	<u>13,287,990</u>
Current assets			
Inventories		884,255	881,182
Trade debts	5	5,836,595	5,571,570
Short term investments	6	49,588	50,000
Loans, advances, deposits, prepayments and other receivables		1,922,412	1,427,680
Taxes recoverable		65,909	64,731
Balances with banks	7	24,343	7,409
		<u>8,783,102</u>	<u>8,002,572</u>
TOTAL ASSETS		<u><u>22,243,126</u></u>	<u><u>21,290,562</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		3,238,000	3,238,000
Share premium		80,777	80,777
Maintenance reserve		227,182	227,182
Hedging reserve		14,420	(49,606)
Unappropriated profit		7,268,863	6,316,404
Total Equity		<u>10,829,242</u>	<u>9,812,757</u>
LIABILITIES			
Non-current liability			
Borrowings	8	1,953,082	2,819,315
Current liabilities			
Trade and other payables		4,422,319	3,346,430
Unclaimed dividend		24,080	20,528
Dividend payable		485,700	-
Accrued interest / mark-up		88,455	30,942
Short term borrowings	9	2,035,129	3,208,672
Current portion of long term borrowings	8	2,405,119	2,051,918
		<u>9,460,802</u>	<u>8,658,490</u>
Total Liabilities		<u>11,413,884</u>	<u>11,477,805</u>
Contingencies and Commitments	10		
TOTAL EQUITY AND LIABILITIES		<u><u>22,243,126</u></u>	<u><u>21,290,562</u></u>

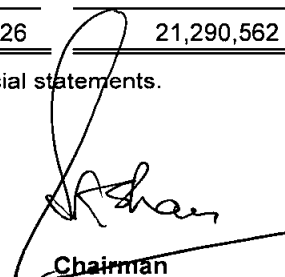
The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



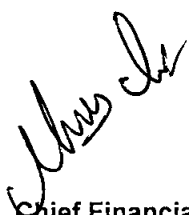
Chairman

ENGRO POWERGEN QADIRPUR LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS ACCOUNT (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

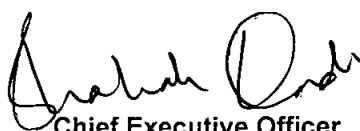
(Amounts in thousand except for earnings per share)

	Note	Quarter ended		Nine months ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
		Rupees	Rupees	Rupees	Rupees
Sales	11	2,374,508	2,647,320	8,406,930	8,798,825
Cost of sales		(1,945,414)	(2,233,784)	(6,185,149)	(6,703,292)
Gross profit		429,094	413,536	2,221,781	2,095,533
Administrative expenses		(34,601)	(40,427)	(128,777)	(136,892)
Other expenses		(4,856)	(988)	(5,263)	(2,863)
Other income	12	291	-	1,420	110,028
Profit from operations		389,928	372,121	2,089,161	2,065,806
Finance cost		(55,621)	(65,049)	(165,030)	(212,520)
Workers' profits participation fund and Workers' welfare fund	13	-	-	-	-
Profit before taxation		334,307	307,072	1,924,131	1,853,286
Taxation		(82)	(104)	(272)	(380)
Profit for the period		334,225	306,968	1,923,859	1,852,906
Earnings per share - basic and diluted	14	1.03	0.95	5.94	5.72

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer




Chairman

ENGRO POWERGEN QADIRPUR LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

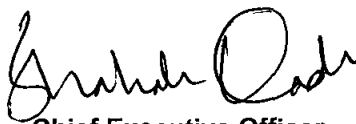
(Amounts in thousand)

	Quarter ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	Rupees			
Profit for the period	334,225	306,968	1,923,859	1,852,906
Other comprehensive income / (loss) :				
Item that may be reclassified subsequently to profit or loss:				
Hedging reserve - (loss) / income for the period	-	(713)	64,679	(713)
Less: Transfers to profit or loss	(221)	988	(653)	2,863
	(221)	275	64,026	2,150
Total comprehensive income for the period	<u>334,004</u>	<u>307,243</u>	<u>1,987,885</u>	<u>1,855,056</u>

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Chairman

ENGRO POWERGEN QADIRPUR LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

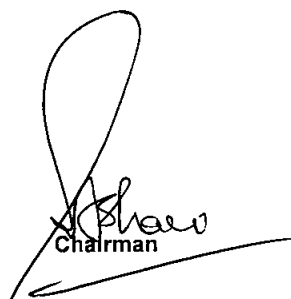
(Amounts in thousand)

	Capital		Reserves				Total
	Share capital	Share premium	Maintenance reserve	Revenue			
				Unappropriated profit	Hedging reserve	Remeasurement of retirement benefit obligation - Actuarial gain / (loss)	
	Rupees						
Balance as at January 1, 2017 (Audited)	3,238,000	80,777	227,182	4,979,272	(69,416)	(1,163)	8,454,652
Total comprehensive income for the nine months ended September 30, 2017	-	-	-	1,852,906	2,150	-	1,855,056
Transactions with owners							
Final dividend for the year ended December 31, 2016 @ Rs. 1.50 per share	-	-	-	(485,700)	-	-	(485,700)
1st interim dividend for the year ended December 31, 2017 @ Rs. 1.75 per share	-	-	-	(566,650)	-	-	(566,650)
Balance as at September 30, 2017 (Unaudited)	3,238,000	80,777	227,182	5,779,828	(67,266)	(1,163)	9,257,358
Total comprehensive income for the three months ended December 31, 2017	-	-	-	537,739	17,660	-	555,399
Transfer of actuarial loss on previous retirement benefit plan	-	-	-	(1,163)	-	1,163	-
Balance as at December 31, 2017 (Audited)	3,238,000	80,777	227,182	6,316,404	(49,606)	-	9,812,757
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	1,923,859	64,026	-	1,987,885
Transactions with owners							
Final dividend for the year ended December 31, 2017 @ Rs. 1.50 per share	-	-	-	(485,700)	-	-	(485,700)
1st interim dividend for the year ending December 31, 2018 @ Rs. 1.50 per share	-	-	-	(485,700)	-	-	(485,700)
Balance as at September 30, 2018 (Unaudited)	3,238,000	80,777	227,182	7,268,863	14,420	-	10,829,242

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Chief Executive Officer


Chairman

ENGRO POWERGEN QADIRPUR LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

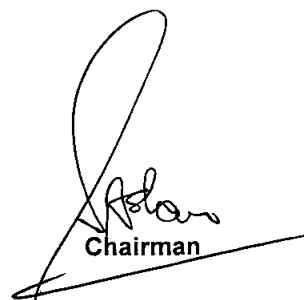
(Amounts in thousand)

		Nine months ended	
		September 30, 2018	September 30, 2017
Note		-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
	15	3,143,220	2,641,711
Cash generated from operations		(1,450)	(1,855)
Taxes paid		(25,079)	(4,522)
Long term loans, advances and deposits- net			
Net cash generated from operating activities		3,116,691	2,635,334
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment / intangible assets		(137,739)	(62,148)
Sale proceeds from disposal of property, plant and equipment		-	1,110
Net cash utilised in investing activities		(137,739)	(61,038)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowing		(1,040,218)	(878,498)
Finance cost paid		(266,521)	(241,832)
Dividends paid		(482,148)	(1,052,350)
Net cash utilised in financing activities		(1,788,887)	(2,172,680)
Net increase in cash and cash equivalents		1,190,065	401,616
Cash and cash equivalents at beginning of the period		(3,151,263)	(2,829,377)
Cash and cash equivalents at end of the period	16	(1,961,198)	(2,427,761)

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Chief Executive Officer


Chairman

ENGRO POWERGEN QADIRPUR LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

- 1.1 Engro Powergen Qadirpur Limited (the Company), is a public listed company, incorporated in Pakistan, under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017), and its shares are quoted on the Pakistan Stock Exchange Limited. The Company is a subsidiary of Engro Energy Limited, which is a wholly owned subsidiary of Engro Corporation Limited. Engro Corporation Limited is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Company's registered office is located at 16th floor, Harbour Front Building, Plot Number HC-3, Marine Drive, Block 4, Scheme No. 5, Clifton, Karachi.
- 1.2 The Company was established with the primary objective to undertake the business of power generation and sale. The Company owns a 217.3 MW combined cycle power plant located in District of Ghotki, Sindh and commenced commercial operations therefrom on March 27, 2010. The electricity generated is transmitted to the National Transmission and Despatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007. This PPA is for a period of 25 years.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard 34, 'Interim Financial Reporting', (IAS 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2017.

The preparation of these condensed interim financial statements in conformity with the approved accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty are the same as those that were applied to the financial statements for the year ended December 31, 2017.

(Amounts in thousand)

3. ACCOUNTING POLICIES

- 3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2017.
- 3.2 There are certain amendments to published International Financial Reporting Standards and interpretations that are mandatory for the financial year beginning on January 1, 2018. These are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in these condensed interim financial statements. Further, third and fourth schedules to the Companies Act, 2017 will be applicable to the Company for the first time in the preparation of annual financial statements for the year ending December 31, 2018 which have added / amended certain disclosure requirements.
- 3.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

	Unaudited September 30, 2018	Audited December 31, 2017
	----- Rupees -----	

4. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book value (notes 4.1, 4.2 and 4.3)	12,062,883	12,220,553
Capital work-in-progress	101,741	15,420
Capital spares	1,158,905	933,239
	<u>13,323,529</u>	<u>13,169,212</u>

- 4.1 Major additions to operating assets during the period / year were as follows:

	Rate of depreciation (%)	Unaudited September 30, 2018	Audited December 31, 2017
		----- Rupees -----	
Plant & machinery - including capitalisation of exchange loss / (gain)	4 - 16	588,948	300,057
Leasehold land	-	26,938	-
Buildings & civil works	2.5 - 8	-	19,754
Furniture, fixtures and equipment	15 - 25	7,674	21,005
		<u>623,560</u>	<u>340,816</u>

- 4.2 During the period, assets costing Nil (December 31, 2017: Rs. 2,033), having net book value of Nil (December 31, 2017: Rs. 1,110) were disposed-off for Nil (December 31, 2017: Rs. 1,110).
- 4.3 During the period, assets costing Rs. 6,267 (December 31, 2017: Nil), having net book value of Rs. 4,856 (December 31, 2017: Nil) were written-off.

(Amounts in thousand)

	Unaudited September 30, 2018	Audited December 31, 2017
	----- Rupees -----	
5. TRADE DEBTS - Secured		
Considered good	<u>5,836,595</u>	<u>5,571,570</u>

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

5.2 Trade debts include:

- Rs. 1,587,347 (December 31, 2017: Rs. 2,104,915) which are neither past due nor impaired; and
- Rs. 4,249,248 (December 31, 2017: Rs. 3,466,655) which are overdue but not impaired. The overdue receivables carry mark-up at the rate of KIBOR plus 4.5% per annum. The ageing of overdue receivables is as follows:

	Unaudited September 30, 2018	Audited December 31, 2017
	----- Rupees -----	
- Upto 3 months	3,303,689	2,763,461
- 3 to 6 months	945,559	703,194
	<u>4,249,248</u>	<u>3,466,655</u>

6. SHORT TERM INVESTMENTS

- Held to maturity

Investments have been made in conventional Treasury Bills as compared to prior year where investments were made in the Term Deposit Receipts. The rate of mark-up on this investment is 7.66% (December 31, 2017: 3.95%) per annum.

	Unaudited September 30, 2018	Audited December 31, 2017
	----- Rupees -----	
7. BALANCES WITH BANKS		
Current accounts:		
- Local currency	14,288	917
Deposit accounts:		
- Foreign currency (note 7.1)	3,345	2,969
- Local currency (note 7.2)	6,710	3,523
	<u>24,343</u>	<u>7,409</u>

(Amounts in thousand)

- 7.1 Foreign currency deposits carry return at the rate of 0.2% (December 31, 2017: 0.5%) per annum.
- 7.2 Local currency deposits carry return at the rate of 4.5% (December 31, 2017: 3.75%) per annum.
- 7.3 The Company maintains its bank balances under the conventional banking terms only.

	Unaudited September 30, 2018	Audited December 31, 2017
	----- Rupees -----	
8. BORROWINGS - secured		
Long term borrowings	4,358,201	4,871,233
Less: Current portion shown under current liabilities	2,405,119	2,051,918
	<u>1,953,082</u>	<u>2,819,315</u>

- 8.1 The Company entered into a financing agreement with a consortium comprising of international financial institutions amounting to US\$ 144,000. The finance carries markup at the rate of six months LIBOR plus 3% payable semi-annually over a period of twelve years. The principal is repayable in twenty semi-annual instalments commencing from December 15, 2010. As at September 30, 2018, the outstanding balance of the borrowing was US\$ 35,198 (December 31, 2017: US\$ 44,292).

The borrowing is secured by an equitable mortgage on the immovable property and the hypothecation of current and future assets of the Company, except receivables from NTDC in respect of Energy Purchase Price. Further, the Company has also extended a letter of credit in favour of the senior lenders, as referred to in note 10.

9. SHORT TERM BORROWINGS

The available facilities under these mark-up arrangements aggregates to Rs. 4,400,000 (2017: Rs. 4,400,000). The facilities carry mark-up at the rate of KIBOR plus 0.0% - 0.5% (2017: 3 month KIBOR plus 0.0% - 0.5%). The facilities are secured by (i) lien over Energy Purchase Price (EPP) account and charge over present and future receivables from the Power Purchaser in respect of EPP; and (ii) first charge over current assets of the Company and subordinated charge over present and future plant, machinery, equipment and other movable assets and immovable properties of the Company. The use of these facilities are restricted for payments of operations and maintenance cost of the power plant and payments to fuel suppliers against purchase of fuel.

(Amounts in thousand)

Unaudited Audited
September 30, December 31,
2018 2017
----- Rupees -----

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingent liabilities - Guarantee in favour of Sui Northern Gas Pipelines Limited in accordance with the terms of Gas Supply Agreement (GSA)

2,496,126 2,496,126

10.2 Commitments in respect of :

- letter of credit in favour of senior lenders (note 8.1)
- others

997,084 886,386
8,854 51,666
1,005,938 938,052

Unaudited		Unaudited	
Quarter ended		Nine months ended	
September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
----- Rupees -----			

11. SALES

Capacity purchase price	732,610	609,015	3,053,050	2,767,160
Energy purchase price (note 11.1)	<u>1,641,898</u>	<u>2,038,305</u>	<u>5,353,880</u>	<u>6,031,665</u>
	<u>2,374,508</u>	<u>2,647,320</u>	<u>8,406,930</u>	<u>8,798,825</u>

11.1 Energy purchase price is net of sales tax of Rs. 910,160 (2017: Rs. 1,025,383) for current period's sales invoices.

12. OTHER INCOME

Last year, other income includes insurance claim pertaining to auto transformer incident at Guddu in 2016 due to which the plant was on standby mode till the completion of repair work. During the completion of repair work, the Company's Energy Purchase Payments (EPP) were affected against which the Company had lodged a Business Interruption (BI) claim with the insurers. The Company received Rs. 110,000 in the last year in this respect.

(Amounts in thousand except for earnings per share)

	Unaudited		Unaudited	
	Quarter ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	Rupees			
13. WORKERS' PROFITS PARTICIPATION FUND AND WORKERS' WELFARE FUND				
Provision for				
- Workers' profits participation fund	16,716	15,353	96,207	92,664
- Workers' welfare fund	-	-	-	-
	16,716	15,353	96,207	92,664
Less:				
Recoverable from CPPA	(16,716)	(15,353)	(96,207)	(92,664)
	-	-	-	-

13.1 The Company is required to pay 5% of its profit to the Workers' profits participation fund. However, such payment will not effect the Company's overall profitability as this is recoverable from Central Power Purchasing Agency (CPPA) as a pass through item under Schedule I Part IV of the Power Purchase Agreement (PPA).

13.2 The Honorable Supreme Court (HSC) through order dated November 10, 2016 annulled the amendments made in the Workers' Welfare Fund Ordinance, 1971 through Finance Acts of 2006 and 2008, and restored the original ordinance under which Workers' welfare fund is not applicable on the income of the Company. Further, in case of the Company, Sindh Workers' Welfare Fund Act, 2014 is applicable, under which exempt income, i.e. income from power supply operations is not subject to Workers' welfare fund. Accordingly, no provision for Worker welfare fund has been recognised from 2016 and onwards; however, provisions in respect of prior periods, made under the Federal Workers' Welfare Fund Ordinance, 1971 have been retained.

14. EARNINGS PER SHARE

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

	Unaudited		Unaudited	
	Quarter ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	Rupees			
Profit for the period	334,225	306,968	1,923,859	1,852,906
	Number of shares			
Weighted average number of ordinary shares (in thousand)	323,800	323,800	323,800	323,800
	Rupees			
Earnings per share				
- basic and diluted	1.03	0.95	5.94	5.72

(Amounts in thousand)

Unaudited	
Nine months ended	
September 30, 2018	September 30, 2017
----- Rupees -----	

15. CASH GENERATED FROM OPERATIONS

Profit before taxation	1,924,131	1,853,286
Adjustment for non-cash charges and other items:		
- Depreciation	564,339	547,917
- Amortisation	13,454	13,494
- Reclassification of cash flow hedge to profit or loss	(653)	2,863
- Write-off of property, plant and equipment	4,856	-
- Finance cost	324,034	305,825
Working capital changes (note 15.1)	313,059	(81,674)
	<u>3,143,220</u>	<u>2,641,711</u>

15.1 Working capital changes

Decrease / (Increase) in current assets:

Inventories	(3,073)	(38,422)
Trade debts	(265,025)	(267,275)
Loans, advances, deposits, prepayments and other receivables - net	(494,732)	106,645
	<u>(762,830)</u>	<u>(199,052)</u>

(Decrease) / Increase in current liabilities:

Trade and other payables	1,075,889	117,378
	<u>313,059</u>	<u>(81,674)</u>

16. CASH AND CASH EQUIVALENTS

Balances with banks	24,343	66,019
Short term borrowings	(2,035,129)	(2,543,780)
Short term investments	49,588	50,000
	<u>(1,961,198)</u>	<u>(2,427,761)</u>

17. FINANCIAL MANAGEMENT AND FINANCIAL INSTRUMENTS

17.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

There have been no changes in the risk management policies during the period, consequently these condensed interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements.

(Amounts in thousand)

17.2 Fair value estimation

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

18. TRANSACTIONS WITH RELATED PARTIES

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

Nature of relationship	Nature of transactions	Unaudited	
		Nine months ended September 30, 2018	September 30, 2017
		----- Rupees -----	
Holding Company	Purchase of services	122,504	55,199
	Services rendered	17,269	139,618
	Contribution for Corporate Social Responsibility (CSR) activities	3,608	6,525
	Dividend paid	334,575	-
Associated undertakings	Purchase of services	53,706	54,119
	Services rendered	28,324	14,201
	Contribution for CSR activities	5,000	5,400
Key management personnel	Managerial remuneration	28,532	51,036
	Retirement benefit schemes	2,300	4,720
Staff retirement benefits	Managed and operated by the Company		
	- Gratuity fund	-	2,492
	Managed and operated by Engro Corporation Limited		
	- Gratuity fund	10,280	14,402
	- Provident fund	31,969	43,649
	- Pension fund	749	1,320

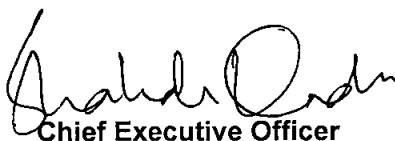
19. CORRESPONDING FIGURES

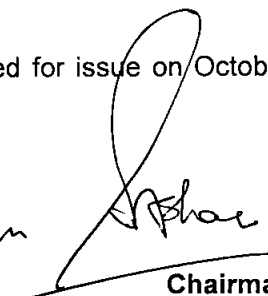
In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of annual financial statements of preceding financial year, whereas the condensed interim statement of profit or loss, condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 16, 2018 by the Board of Directors of the Company.


Chief Financial Officer


Chief Executive Officer


Chairman