

HALF YEARLY REPORT

FOR THE PERIOD ENDED JUNE 30, 2017



NISHAT

LALPIR POWER LIMITED

CONTENTS

Company Profile	02
Directors' Report	04
Auditor's Report to the Members on Review of Condensed Interim Financial Information	08
Condensed Interim Balance Sheet	10
Condensed Interim Profit and Loss Account and other Comprehensive Income	12
Condensed Interim Cash Flow Statement.....	13
Condensed Interim Statement of Changes in Equity	14
Selected Notes to the Condensed Interim Financial Information	15



COMPANY PROFILE

THE COMPANY

Lalpir Power Limited ("the Company") was incorporated in Pakistan on 8 May 1994 under the Companies Ordinance, 1984. The registered office is situated at 53-A, Lawrence Road, Lahore. The principal activities of the Company are to own, operate and maintain an oil fired power station ("the Complex") having gross capacity of 362 MW in Mehmood Kot, Muzaffargarh, Punjab, Pakistan.

BOARD OF DIRECTORS

Mian Hassan Mansha	Chairman
Mr. Aurangzeb Feroz	Chief Executive Officer
Mr. Jawaid Iqbal	
Mr. Khalid Qadeer Qureshi	
Mr. Mahmood Akhtar	
Mr. Kamran Rasool	
Mr. Muhammad Azam	

AUDIT COMMITTEE

Mr. Jawaid Iqbal	Chairman
Mr. Kamran Rasool	
Mr. Mahmood Akhtar	

HR & R COMMITTEE

Mian Hassan Mansha	Member/Chairman
Mr. Kamran Rasool	Member
Mr. Mahmood Akhtar	Member

CHIEF FINANCIAL OFFICER

Mr. Khalid Qadeer Qureshi

COMPANY SECRETARY

Mr. Khalid Mahmood Chohan

BANKERS OF THE COMPANY

Habib Bank Limited
The Bank of Punjab
United Bank Limited
Allied Bank Limited
National Bank of Pakistan
Bank Alfalah Limited
Faysal Bank Limited
Askari Bank Limited
Habib Metropolitan Bank Limited
NIB Bank Limited
MCB Bank Limited
Bank Islami Pakistan Limited
Standard Chartered Bank (Pakistan) Limited
Al Baraka Bank (Pakistan) Limited
Pakbrunei Investment company
Meezan Bank Limited

AUDITOR OF THE COMPANY

Riaz Ahmad & Co.
Chartered Accountants

**LEGAL ADVISOR OF
THE COMPANY**

Mr. M. Aurangzeb Khan
Advocate High Court

REGISTERED OFFICE

53-A, Lawrence Road,
Lahore-Pakistan
UAN: 042-111-11-33-33

HEAD OFFICE

1-B, Aziz Avenue, Gulberg-V,
Lahore- Pakistan
Tel: 042-35717090-96
Fax: 042-35717239

SHARE REGISTRAR

Central Depository Company of Pakistan Limited
CDC House,99-B, Block-B, S.M.C.H.S
Shahra-e-Faisal, Karachi – 74400
Tel: (92-21) 111-111-500
Fax: (92-21) 34326053

PLANT

Mehmood Kot, Muzaffargarh,
Punjab – Pakistan.



DIRECTORS' REPORT

The Directors of **Lalpir Power Limited** ("the Company") are pleased to present their report together with operational and financial results of your Company for the Half year ended 30 June 2017.

Your Company is engaged in power generation with a net capacity of 350.00 MW furnace oil fired power plant against a gross capacity of 362 MW. The Sole purchaser of the power is Water and Power Development Authority (WAPDA). We report that during the period under review power plant, by achieving all the operating standards, dispatched 834,459 MWH of electricity as compared with 941,686 MWH dispatched during the corresponding six months of the previous financial year. Resultantly the capacity factor remained at 54.9% as against 61.8% demonstrated in the comparable six months of the previous financial year.

Financial Results:

The financial results of the Company for the half year ended 30 June 2017 are as follows:

Financial Highlights	HALF YEAR ENDED	
	30 June 2017	30 June 2016
Revenue (Rs '000')	10,470,415	7,804,626
Gross profit (Rs '000')	1,062,068	1,011,213
Gross profit ratio to revenue (%)	10.14	12.96
After tax profit (Rs '000')	627,206	572,364
After tax profit ratio to revenue (%)	5.99	7.33
Earnings per share (Rs)	1.65	1.51

The Company has posted after tax profit of Rs. 627.206 million as against Rs. 572.364 million earned in the comparative period. The net profits of the Company demonstrated the Earning per Share of Rs. 1.65 as against Rs. 1.51 earned per share in the previous period.

As earlier reported that WAPDA has raised invoices for liquidated damages to the company on account of short supply of electricity by the company. The Company had disputed and rejected balance claims on account of liquidated damages that were raised by WAPDA on the premise that its failure to dispatch electricity was due to WAPDA's non-payment of dues on timely basis to the Company and consequential inability of the Company to make timely payments to its fuel suppliers that resulted in inadequate level of electricity production owing to shortage of fuel.

The Company and WAPDA appointed former Chief Justice of Pakistan, Justice Tassaduq Husain Jilani as The Expert, under the mechanism given in the PPA. After a comprehensive process including written statements and arguments, On 22 June 2017, The Honourable Expert, issued his conclusions and recommendations. The conclusion upheld Company's position that WAPDA cannot claim liquidated damages for a caused by WAPDA.

Company has requested WAPDA to withdraw its invoices for liquidated damages and waiting for a formal response.

Other significant matters

On 30 September 2016, Company had entered into an agreement with General Electric (GE) for their assistance in improvement in plant performance. The project, called PEPI, has been rolled out in the first six months of 2017. Dedicated teams from both side are working on possible areas of improvement some of which will be implemented in the one month planned shutdown in October 2017. When successfully implemented, these measures will help reduce the fuel losses (Delta Loss). The gain will be shared equally by both of the companies.

Dividend Distribution

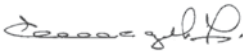
The Company continues to honor its commitment of safeguarding the shareholders' interests and takes immense pleasure in informing you that the Board, in their meeting held on August 15, 2017 has announced 1st Interim Cash Dividend at the rate of PKR 1/- per share (i.e. 10%) for the half year ended June 30, 2017 for which the date of entitlement has been fixed as 9 September 2017 to 16 September 2017.

Acknowledgement

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

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

For and on behalf of the Board of Directors



(Mr. Aurangzeb Feroz)

Chief Executive Officer

Lahore: August 15, 2017



ڈائریکٹر رپورٹ لال پیر پاور لمیٹڈ

لال پیر پاور لمیٹڈ ”کمپنی“ کے ڈائریکٹر 30 جون 2017 مختتمہ ششماہی کے لئے آپ کی کمپنی کے آپریشنل اور مالیاتی نتائج پر مشتمل اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

آپ کی کمپنی 362 MW کی مجموعی صلاحیت کے برعکس 350.00 MW کی خالص صلاحیت کے ساتھ فرنس آئل فائرڈ پاور پلانٹ سے بجلی پیدا کرنے میں مصروف ہے۔ بجلی کا واحد خریدار وائرڈ پاور ڈیپلمنٹ اتھارٹی (واپڈا) ہے۔

ہم بیان کرتے ہیں کہ زیر جائزہ مدت کے دوران پاور پلانٹ نے گزشتہ مالی سال کی اسی ششماہی کے دوران 941,686 MWH ترسیل کے مقابلے میں بجلی کی 834,459 MWH ترسیل کے تمام آپریٹنگ معیارات حاصل کئے ہیں۔ نتیجے میں صلاحیتی عنصر گزشتہ مالی سال کی ششماہی میں ظاہر کردہ 61.8 فیصد کے مقابلے میں 54.9 فیصد رہا ہے۔

مالیاتی نتائج:

30 جون 2017ء کو ختم ہونے والی ششماہی کے لئے کمپنی کے مالیاتی نتائج مندرجہ ذیل ہیں:

مالی جھلکیاں	30 جون 2017ء مختتمہ ششماہی	30 جون 2016ء مختتمہ ششماہی
محصولات (000 روپے)	10,470,415	7,804,626
خام منافع (000 روپے)	1,062,068	1,011,213
خام منافع تناسب محصولات (فیصد)	10.14	12.96
بعد از ٹیکس منافع (000 روپے)	627,206	572,364
بعد از ٹیکس منافع تناسب محصولات (فیصد)	5.99	7.33
آمدن فی حصص (روپے)	1.65	1.51

کمپنی نے تقابلی مدت میں 572.364 ملین روپے کے برعکس 627.206 ملین روپے بعد از ٹیکس منافع درج کیا ہے۔ کمپنی کا خالص منافع، گزشتہ مدت میں 1.51 روپے فی شیئر آمدن کے مقابلے میں 1.65 روپے فی شیئر آمدن ظاہر کرتا ہے۔

جیسا کہ پہلے بیان کیا گیا ہے کہ واپڈا نے کمپنی کی طرف سے بجلی کی فراہمی میں قلت کے سبب کمپنی کو لیکویڈیٹی نقصانات پہنچانے کے لئے انوائسز اٹھائی ہیں۔ کمپنی پریسمز پرواپڈا کے لیکویڈیٹی نقصانات پر متنازعہ رہتی ہے اور دعوے کو مسترد کرتی ہے کیونکہ بجلی کی ترسیل میں یہ ناکامی کمپنی کے واجبات واپڈا کی طرف سے بروقت ادائیگی نہ ہونے اور کمپنی کی اپنے ایندھن سپلائرز کو بروقت ادائیگیوں کی نااہلیت کی وجہ سے تھی جس کے نتیجے میں ایندھن کی قلت کے سبب بجلی کی پیداوار کی ناکافی سطح رہی ہے۔

کمپنی اور واپڈا نے PPA میں دیئے گئے میکانزم کے تحت، سابقہ چیف جسٹس پاکستان، جسٹس تصدق حسین جیلانی کو

بطور ایکسپریٹ مقرر کیا ہے۔ تحریری بیانات اور دلائل سمیت ایک جامع عمل کے بعد 22 جون 2017 کو معزز ماہر نے اپنے نتائج اور سفارشات جاری کی ہیں۔ نتیجہ کمپنی کی حیثیت کو قائم رکھتا ہے کہ واپڈا کی جانب سے نقصانات کی بدولت واپڈا لیکویڈیٹی نقصانات کا دعویٰ نہیں کر سکتا ہے۔

کمپنی نے واپڈا سے لیکویڈیٹی نقصانات کے لئے اپنی انوائسز واپس لینے کی درخواست کی ہے اور رسمی جواب کا انتظار کر رہی ہے۔

دیگر اہم معاملات

30 ستمبر 2016 کو، کمپنی نے پلانٹ کی کارکردگی میں بہتری میں اپنی مدد کے لئے جنرل الیکٹرک (جی ای) کے ساتھ ایک معاہدہ کیا تھا۔ PEPI منصوبے کو 2017 کے پہلے چھ مہینوں میں ختم کر دیا گیا ہے۔ دونوں طرف سے وقف شدہ ٹیمیں بہتری کے ممکنہ شعبوں پر کام کر رہے ہیں جن میں سے کچھ اکتوبر 2017 میں ایک مہینہ کی مقررہ بندش میں لاگو کیے جائیں گے۔ جب کامیابی سے اطلاق ہوا، تو ان اقدامات سے ایندھن کے نقصانات (ڈیلٹا نقصان) کو کم کرنے میں مدد ملے گی۔ فائدہ میں دونوں کمپنیاں مساوی طور پر شریک ہوں گی۔

منافع منقسمہ کی تقسیم

کمپنی کو اپنے حصص داران کے مفادات کی حفاظت کے عزم کا اعزاز حاصل ہے اور آپ کو مطلع کرنے میں بہت خوشی محسوس کرتے ہیں کہ بورڈ نے 15 اگست 2017ء میں منعقدہ اپنے اجلاس میں، 30 جون 2017ء منجمنہ ششماہی کے لئے ایک پاکستانی روپے فی شیئر (یعنی 10 فی صد) کی شرح پر پہلے عبوری نقد منافع منقسمہ کا اعلان کیا ہے۔ جس کے لئے استحقاق کی تاریخ 9 ستمبر 2017ء تا 16 ستمبر 2017ء مقرر کی گئی ہے۔

اظہار تشکر

ہم اپنے قابل قدر حصص داران، واپڈا، مالی اداروں، قرض دہندگان، پاکستان اسٹیٹ آئل اور دیگر سپلائرز کے کمپنی پر اعتماد اور یقین اور انک کے قابل قدر تعاون کے شکر گزار ہیں جس نے کمپنی کو بہتر نتائج کے حصول کے قابل بنایا ہے۔ ہم، ایک جدید اور حوصلہ افزاء کام کے ماحول کے قیام اور پاور پلانٹ کے تمام شعبوں میں اعلیٰ سطح کی کارکردگی کو فروغ دینے کے لئے بھی انتظامیہ کی تعریف کرتے ہیں۔ ہم قابل ذکر نتائج کی فراہمی کے لئے کمپنی کے تمام عملہ کی مسلسل حمایت، سخت محنت اور عزم کو بھی سراہتے ہیں اور ہم کمپنی کے ساتھ ان کے طویل تعلقات چاہتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز

جناب اورنگ زیب فیروز

چیف ایگزیکٹو آفیسر

لاہور:

15 اگست 2017ء



AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of LALPIR POWER LIMITED as at 30 June 2017 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (herein after referred to as "condensed interim financial information"), for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended 30 June 2017 and 30 June 2016 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 30 June 2017.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended 30 June 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to Note 6.1.1 to the condensed interim financial information which describes the uncertainty regarding outcome of claims lodged by Central Power Purchasing Agency (CPPA), which have been disputed by the company. Our conclusion is not qualified in respect of this matter.



RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Mubashar Mehmood

Lahore: August 15, 2017



CONDENSED INTERIM BALANCE SHEET

As at 30 June 2017

	Note	Un-audited 30 June 2017 (Rupees in thousand)	Audited 31 December 2016
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 500,000,000 (31 December 2016: 500,000,000) ordinary shares of Rupees 10 each		5,000,000	5,000,000
Issued, subscribed and paid-up share capital 379,838,733 (31 December 2016: 379,838,733) ordinary shares of Rupees 10 each		3,798,387	3,798,387
Capital reserve		107,004	107,004
Revenue reserve - un-appropriated profit		8,960,606	8,713,239
Total equity		12,865,997	12,618,630
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term financing	5	506,930	783,438
Employee benefit - gratuity		22,747	19,207
		529,677	802,645
CURRENT LIABILITIES			
Trade and other payables		921,735	1,116,226
Accrued mark-up / profit		132,129	95,424
Short-term borrowings		10,999,211	8,631,862
Current portion of long-term financing	5	553,015	553,015
		12,606,090	10,396,527
Total liabilities		13,135,767	11,199,172
CONTINGENCIES AND COMMITMENTS			
	6		
TOTAL EQUITY AND LIABILITIES		26,001,764	23,817,802

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

CHIEF EXECUTIVE

	Note	Un-audited 30 June 2017 (Rupees in thousand)	Audited 31 December 2016
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	9,462,802	9,868,334
Investment property		10,160	10,201
Long term investment		-	842
Long-term loans to employees		55,432	54,076
Long term security deposit		300	300
		<hr/> 9,528,694	<hr/> 9,933,753
CURRENT ASSETS			
Stores, spare parts and other consumables		973,292	976,655
Fuel stock		352,018	349,471
Trade debts		10,749,987	8,596,673
Loans, advances and short-term prepayment		1,450,710	1,101,782
Other receivables		269,250	237,654
Sales tax recoverable		2,478,253	2,120,067
Cash and bank balances		199,560	501,747
		<hr/> 16,473,070	<hr/> 13,884,049
TOTAL ASSETS		<hr/> <hr/> 26,001,764	<hr/> <hr/> 23,817,802



DIRECTOR



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED 30 JUNE 2017 (UN-AUDITED)

	Note	Half Year Ended		Quarter Ended	
		30 June	30 June	30 June	30 June
		2017	2016	2017	2016
		(Rupees in thousand)		(Rupees in thousand)	
REVENUE		10,470,415	7,804,626	6,114,543	4,617,417
COST OF SALES	8	(9,408,347)	(6,793,413)	(5,604,111)	(4,082,008)
GROSS PROFIT		1,062,068	1,011,213	510,432	535,409
ADMINISTRATIVE EXPENSES		(84,933)	(89,519)	(19,905)	(39,779)
OTHER EXPENSES		(8,135)	(1,039)	(7,596)	(519)
OTHER INCOME		28,963	6,888	27,378	5,714
PROFIT FROM OPERATIONS		997,963	927,543	510,309	500,825
FINANCE COST		(370,757)	(355,105)	(203,051)	(174,241)
SHARE OF LOSS FROM ASSOCIATED COMPANY		-	(74)	-	(74)
PROFIT BEFORE TAXATION		627,206	572,364	307,258	326,510
TAXATION		-	-	-	-
PROFIT AFTER TAXATION		627,206	572,364	307,258	326,510
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		627,206	572,364	307,258	326,510
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)		1.65	1.51	0.81	0.86

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


CHIEF EXECUTIVE


DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2017 (UN-AUDITED)

		Half Year Ended	
	Note	30 June 2017 (Rupees in thousand)	30 June 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized in operations	9	(1,656,423)	(2,408,112)
Finance cost paid		(334,052)	(386,169)
Interest income received		23,051	96
Net increase in long term loans to employees		(1,651)	(5,717)
Income tax paid		(6,791)	(6,183)
Gratuity paid		(2,377)	5,093
Net cash used in operating activities		(1,978,243)	(2,800,992)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(57,087)	(135,257)
Proceeds from disposal of operating fixed assets		19,929	1,094
Net cash used in investing activities		(37,158)	(134,163)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing		(276,508)	(276,507)
Dividend paid		(377,627)	(379,685)
Net cash used in financing activities		(654,135)	(656,192)
Net decrease in cash and cash equivalents		(2,669,536)	(3,591,347)
Cash and cash equivalents at beginning of the period		(8,130,115)	(5,928,467)
Cash and cash equivalents at end of the period		(10,799,651)	(9,519,814)
CASH AND CASH EQUIVALENTS			
Cash in hand		461	417
Cash at banks		199,099	769
Short-term borrowings		(10,999,211)	(9,521,000)
		(10,799,651)	(9,519,814)

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


CHIEF EXECUTIVE


DIRECTOR



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2017 (UN-AUDITED)

SHARE CAPITAL	RESERVES		TOTAL EQUITY
	Capital	Revenue	
	Retained payments reserve	Un- appropriated profit	

(-----Rupees in thousand-----)

Balance as at 31 December 2015 - audited	3,798,387	107,004	8,480,672	12,386,063
Transaction with owners - Final dividend for the year ended 31 December 2015 @ Rupee 1 per share	-	-	(379,839)	(379,839)
Profit for the half year ended 30 June 2016	-	-	572,364	572,364
Other comprehensive income for the half year ended 30 June 2016	-	-	-	-
Total comprehensive income for the half year ended 30 June 2016	-	-	572,364	572,364
Balance as at 30 June 2016 - un-audited	3,798,387	107,004	8,673,197	12,578,588
Transaction with owners - Interim dividend for the year ended 31 December 2016 @ Rupee 1 per share	-	-	(379,839)	(379,839)
Profit for the half year ended 31 December 2016	-	-	422,333	422,333
Other comprehensive loss for the half year ended 31 December 2016	-	-	(2,452)	(2,452)
Total comprehensive income for the half year ended 31 December 2016	-	-	419,881	419,881
Balance as at 31 December 2016 - audited	3,798,387	107,004	8,713,239	12,618,630
Transaction with owners - Final dividend for the year ended 31 December 2016 @ Rupee 1 per share	-	-	(379,839)	(379,839)
Profit for the half year ended 30 June 2017	-	-	627,206	627,206
Other comprehensive income for the half year ended 30 June 2017	-	-	-	-
Total comprehensive income for the half year ended 30 June 2017	-	-	627,206	627,206
Balance as at 30 June 2017 - un-audited	3,798,387	107,004	8,960,606	12,865,997

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


CHIEF EXECUTIVE


DIRECTOR

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED 30 JUNE 2017 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

Lalpir Power Limited ("the Company") was incorporated in Pakistan on 08 May 1994 under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017). The registered office of the Company is situated at 53-A, Lawrence Road, Lahore. The ordinary shares of the Company are listed on Pakistan Stock Exchange Limited. The principal activities of the Company are to own, operate and maintain an oil fired power station ("the Complex") having gross capacity of 362 MW in Mehmood Kot, Muzaffargarh, Punjab, Pakistan.

2. BASIS OF PREPARATION

This condensed interim financial information is unaudited but subject to limited scope review by the statutory auditors and is being submitted to shareholders as required by section 245 of the repealed Companies Ordinance, 1984. This condensed interim financial information of the Company for the half year ended 30 June 2017 has been prepared in accordance with the requirements of International Accounting Standards (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed. This condensed interim financial information should be read in conjunction with the preceding audited annual published financial statements of the Company for the year ended 31 December 2016.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 on 30 May 2017. SECP vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that the companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures about Companies Operations and has also enhanced the definition of related parties.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 31 December 2016.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information in conformity with approved accounting 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 expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and key sources of estimation and uncertainty were the same as those that were applied in the preceding audited annual published financial statements of the Company for the year ended 31 December 2016.



5. LONG TERM FINANCING

	Un-audited 30 June 2017 (Rupees in thousand)	Audited 31 December 2016
Opening balance	1,336,453	1,889,468
Less: Repaid during the period / year	276,508	553,015
	1,059,945	1,336,453
Less: Current portion shown under current liabilities	553,015	553,015
	506,930	783,438

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

There is no significant change in the status of contingencies disclosed in the preceding audited annual published financial statements of the Company for the year ended 31 December 2016 except for the following:

6.1.1 Central Power Purchasing Agency (CPPA) has raised invoices for liquidated damages to the Company from 11th to 20th (up to April 2017) agreement year (after taking into account forced outage allowance stipulated under the terms of Power Purchase Agreement - PPA) on account of short supply of electricity by the Company, which was due to cash constraints of the Company as a result of default by CPPA in making timely payments. Liquidated damages invoiced to the Company amounts to Rupees 3,521.173 million (31 December 2016: Rupees 3,520 million). Out of these, the Company has accepted and paid Rupees 22.297 million (31 December 2016: Rupees 22.13 million). The Company disputes and rejects balance claims on account of liquidated damages that are raised by CPPA on the premise that its failure to dispatch electricity was due to CPPA's non-payment of dues on timely basis to the Company and consequential inability of the Company to make timely payments to its fuel supplier that resulted in inadequate level of electricity production owing to shortage of fuel. Against these the Company has raised invoice dispute notices to CPPA. The Company appointed mediation expert under the mechanism given in the PPA. On 22 June 2017, the mediation expert gave his decision in favour of the Company. However, this decision is not binding on either party. The Company is in the process of negotiation with CPPA to settle the issue. The ultimate outcome of the matter cannot presently be determined, and consequently, no provision for such liquidated damages has been made in this condensed interim financial information.

6.1.2 During the period, CPPA issued a notice on 20 March 2017, disputing all the invoices of the Company on the grounds that the Company was in default of its obligations under the PPA and accordingly not eligible for the cost of working capital claimed and adjustment on account of heat rate savings. The Company challenged the dispute notice in the Honourable Lahore High Court ("the Court"). The Court issued a stay order restraining CPPA from disputing any invoice of the Company. The management is of the view that there are meritorious grounds available to defend the dispute notice and consequently, no provision has been made in this condensed interim financial information.

6.2 Commitments

6.2.1 The Company has entered into a contract for a period of thirty years for purchase of fuel from Pakistan State Oil Company Limited (PSO). Under the terms of Fuel Supply Agreement (FSA), the Company is not required to buy any minimum quantity of fuel from PSO.

	Un-audited 30 June 2017 (Rupees in thousand)	Audited 31 December 2016
6.2.2 Commitments in respect of letters of credit for capital expenditure	41,912	34,251
6.2.3 Commitments in respect of other than capital expenditure	5,331	291,260
7. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 7.1)	9,259,544	9,632,917
Capital work-in-progress (Note 7.2)	203,258	235,417
	9,462,802	9,868,334
7.1 Operating fixed assets		
Opening book value	9,632,917	9,649,568
Add: Cost of additions during the period / year (Note 7.1.1)	89,246	817,771
Less: Book value of disposals / derecognitions during the period / year (Note 7.1.2)	26,221	6,388
Less: Depreciation charged during the period / year	436,398	828,034
Closing book value	9,259,544	9,632,917
7.1.1 Cost of additions		
Buildings on freehold land	39,953	2,354
Plant and machinery	42,644	784,716
Furniture and fixtures	36	532
Vehicles	4,325	20,542
Office equipment	1,571	5,040
Electric equipment and appliances	712	4,583
Telephone installation	5	4
	89,246	817,771
7.1.2 Book value of disposals / derecognitions		
Cost		
- Plant and machinery	12,495	39,657
- Vehicles	22,634	3,222
	35,129	42,879
Less: Accumulated depreciation	8,908	36,491
	26,221	6,388
7.2 Capital work-in-progress		
Civil works	-	39,588
Plant and machinery	203,258	195,829
	203,258	235,417



	(Un-audited) Half Year Ended		(Un-audited) Quarter Ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	(Rupees in thousand)		(Rupees in thousand)	
8. COST OF SALES				
Fuel cost	8,548,450	5,986,865	5,151,650	3,647,005
Operation and maintenance costs	223,880	194,587	124,277	115,988
Insurance	216,663	216,663	108,318	108,331
Depreciation	419,210	395,200	221,114	211,885
Liquidated damages to CPPA	144	98	123	87
Others	-	-	(1,371)	(1,288)
	<u>9,408,347</u>	<u>6,793,413</u>	<u>5,604,111</u>	<u>4,082,008</u>

	Un-audited Half Year Ended	
	30 June 2017	30 June 2016
	(Rupees in thousand)	
9. CASH UTILIZED IN OPERATIONS		
Profit before taxation	627,206	572,364
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	436,398	412,085
Depreciation on investment property	41	41
Provision for gratuity	5,917	5,872
Loss on disposal / derecognition of operating fixed assets	6,292	-
Share of loss from associated company	-	74
Impairment loss on long term investment in associated company	842	-
Interest income	(23,051)	(96)
Finance cost	370,757	355,105
Cash flows from operating activities before working capital changes	<u>1,424,402</u>	<u>1,345,445</u>
Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and other consumables	3,363	(30,755)
Fuel stock	(2,547)	222,974
Trade debts	(2,153,314)	(1,189,891)
Loans, advances and short-term prepayment	(341,842)	(2,409,817)
Other receivables	(31,596)	(29,748)
Sales tax recoverable	(358,186)	(248,628)
	<u>(2,884,122)</u>	<u>(3,685,865)</u>
Decrease in trade and other payables	<u>(196,703)</u>	<u>(67,692)</u>
	<u>(1,656,423)</u>	<u>(2,408,112)</u>

10. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, key management personnel and staff retirement benefit plans. The Company in the normal course of business carries out transactions with these related parties. Details of transactions with related parties are as follows:

Relationship with the Company	Nature of transaction	(Un-audited) Half Year Ended		(Un-audited) Quarter Ended	
		30 June 2017 (Rupees in thousand)	30 June 2016 (Rupees in thousand)	30 June 2017 (Rupees in thousand)	30 June 2016 (Rupees in thousand)
Associated companies	Insurance premium	262,870	265,966	124,785	140,839
	Insurance claims	1,002	823	1,002	823
	Dividend paid	196,646	212,590	196,646	212,590
	Share of expenses	181,002	159,783	94,982	82,717
	Share of rental income	846	840	(250)	421
	Flying expense	-	871	-	871
	Rent expense	3,140	3,140	2,465	1,570
	Boarding lodging services	441	73	441	73
	Purchase of stores	132	1,944	132	1,944
	Interest charged	22,283	7,466	13,175	7,466
	Loan made	1,000,000	1,000,000	1,000,000	1,000,000
	Stores and spares transferred to	19,521	3,370	19,521	3,370
	Stores and spares transferred from	4,026	1,182	4,026	1,182
Key management personnel	Remuneration	4,414	3,809	3,018	2,433
Staff retirement benefits plans	Contribution to provident fund	16,423	14,864	12,290	11,155
	Contribution to gratuity fund	11,834	11,744	8,875	8,808

Un-audited
30 June 2017
(Rupees in thousand)

Audited
31 December 2016

Period end balances:

Short term loan receivable from associated company	1,000,000	656,500
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10.1 The Company shares premises, employees and other common costs with its associated company, Pakgen Power Limited on fifty-fifty basis in accordance with "Shared Facilities Agreement".

11. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended 31 December 2016.

The carrying values of all financial assets and financial liabilities reflected in this condensed interim financial information approximate to their fair values.



12. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company at their meeting held on 15 August, 2017 has proposed cash dividend of Rupees 1/- per share. However, this event has been considered as a non-adjusting event under International Accounting Standard (IAS) 10 "Events after the Reporting Period" and has not been recognized in this condensed interim financial information.

13. CORRESPONDING FIGURES

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

Corresponding figures have been re-arranged and reclassified, wherever necessary for the purpose of comparison, however, no significant re-arrangements and reclassifications have been made in this condensed interim financial information.

14. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue on 15 August, 2017 by the Board of Directors of the Company.

15. GENERAL

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

CHIEF EXECUTIVE

DIRECTOR

BOOK POST

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N I S H A T

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