# QUARTERLY REPORT

## FOR THE FIRST QUARTER ENDED 31 MARCH 2017

SAIF POWER LIMITED
A Saif Group Company

ANYBODY CAN
STAND ATOP
A MOUNTAIN,
BUT FEW WILL
CLIMB ONE
Pepper Blair

# CONTENTS


| | |
|---|---|
| Corporate Information | 1 |
| Directors' Report to the Members | 4 |
| Condensed Interim Balance Sheet | 6 |
| Condensed Interim Profit and Loss Account | 8 |
| Condensed Interim Statement of Comprehensive Income | 9 |
| Condensed Interim Cash Flow Statement | 10 |
| Condensed Interim Statement of Changes in Equity | 11 |
| Notes to the Condensed Interim Financial Information | 12 |

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

| | |
|---|---|
| Mr. Salim Saifullah Khan | Chairman |
| Mr. Javed Saifullah Khan | Director |
| Mr. Anwar Saifullah Khan | Director |
| Mr. Osman Saifullah Khan | Director |
| Mr. Omar Saifullah Khan | CEO/Director |
| Ms. Hoor Yousafzai | Director |
| Mr. Jehangir Saifullah Khan | Director |

## AUDIT COMMITTEE

| | |
|---|---|
| Mr. Javed Saifullah Khan | Chairman |
| Mr. Salim Saifullah Khan | Member |
| Ms. Hoor Yousafzai | Member |

## HUMAN RESOURCE AND REMUNERATION COMMITTEE

| | |
|---|---|
| Mr. Salim Saifullah Khan | Chairman |
| Mr. Jehangir Saifullah Khan | Member |
| Ms. Hoor Yousafzai | Member |

## MANAGEMENT

### Dpty. CHIEF EXECUTIVE OFFICER
Mr. Sohail H Hydari

### CHIEF FINANCIAL OFFICER
Mr. Hammad Mehmood

### COMPANY SECRETARY
Mr. Waseemullah

## REGISTERED / HEAD OFFICE

4th Floor Kulsum Plaza,
Jinnah Avenue, Blue Area
Islamabad Pakistan
Tel: +92-51-2342155-60
Fax: +92-51-2342177
Email: info.spl@saifgroup.com

## PLANT LOCATION

Chak 56/5L, Qadarabad
Multan Road, District Sahiwal
Punjab, Pakistan

## WEBSITE

http://www.saifgroup.com/power.php

## BANKERS

Allied Bank Limited
Askari Bank Limited
Bank AL Baraka (Pakistan) Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Ltd
Faysal Bank Limited
Habib Bank Limited
JS Bank Limited
National Bank of Pakistan
Pak Brunei Investment Company
Pak Oman Investment Company Limited
Saudi Pak Industrial and Agricultural
Investment Company Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited
Meezan Bank Limited
Habib Metropolitan Bank Limited

## AUDITORS

M/s KPMG Taseer Hadi & Co
Chartered Accountants
State life building no 6
Jinnah Avenue
Islamabad

## LEGAL ADVISORS

M/s Cornelius, Lane & Mufti
Advocates & Solicitors

M/s Slahauddin, Saif & Aslam
Attorneys at Law

## SHARE REGISTRAR

THK Associates (Private) Ltd.
1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi
75400, P.O Box. No: 8533
Tel: +92-21-111-000-322
Fax: +92- 21- 34168271
Email: secretariat@thk.com.pk

# DIRECTORS' REPORT TO THE MEMBERS

**Dear Members,**

On behalf of the Board of Directors, I have the pleasure in presenting this report along with the condensed interim financial information of your Company for the Ist Quarter ended 31 March, 2017.

## PRINCIPAL ACTIVITY

Your Company is engaged in the generation of electricity which is supplied to the national grid. Your Company owns and operates a combined cycle thermal power plant consisting of two gas turbines sourced from General Electric-France and one steam turbine sourced from Siemens-Sweden with a gross capacity of 225 MW.

## SUMMARY OF FINANCIAL PERFORMANCE

By the grace of God, the operations remained smooth and the performance has been steady. Your Company's net profit for during the period was Rs. 657 million as against of 2016: Rs. 609 million for the comparable period. Earnings per share (EPS) for the period is Rs.1.70 (2016: Rs.1.58).

## PENDING ISSUES

The arbitration award in Company's favor for an amount of Rs.239.68 million against SNGPL was challenged by SNGPL both in Civil court and in Lahore High Court. However, as expected, the LHC dismissed the petition from SNGPL in Company's favour. This amount has already been adjusted against payables to SNGPL.

The Expert's determination in favor of the Company and against NTDC for an amount of Rs.477.56 million was not paid by the Power Purchaser and therefore your company along with other IPPs was forced to go into arbitration. In the meantime, PPIB has obtained a temporary stay from a civil court against initiation of arbitration proceedings. According to our legal advisors, the civil court has no jurisdiction in such a case and the arbitrator will continue with the proceedings.

| | 31 March | |
|---|---|---|
| | 2017 (Rs. in Million) | 2016 (Rs. in Million) |
| Turnover | 2,824 | 2,729 |
| Net profit | 657 | 609 |
| Earning per share (Rs.) | 1.70 | 1.58 |
| Dispatch Level | 33.26% | 40.93% |
| Capacity Made Available-GWHs | 392 | 373 |

| | 31 March 2017 (Rs. in Million) | 31 December 2016 (Rs. in Million) |
|---|---|---|
| Property, Plant and Equipment | 14,081 | 14,213 |
| Net Worth | 9,138 | 9,216 |
| Long term financing | 6,106 | 6,499 |
| Short term borrowings | 542 | 1,267 |

## Future Outlook

We are confident that with the sustained efforts, the Company will be able to ensure growth

.

## Acknowledgments

We would like to take this opportunity to thank our regulators, financial institutions, customers and other stakeholders for their continuous support and guidance.

The Directors also place on record their appreciation for the hard work and devotion of the employees towards the improved performance of the Company.

For and behalf of the Board of Directors'

Islamabad
April 25, 2017

Salim Saifullah Khan
**Chairman**

# سیف پاور لمیٹڈ

# ممبران کے لیے ڈائریکٹرز کی رپورٹ

محترم ممبران!

بورڈ آف ڈائریکٹرز (BOD) کی جانب سے میں، 31 مارچ 2017ء کو ختم ہونے والی پہلی سہ ماہی کے لئے آپ کی کمپنی کے "غیر محاسبہ شدہ ملخص عبوری مالی بیانات" کے ساتھ ساتھ اس رپورٹ کو پیش کرنے کا اعزاز حاصل کر رہا ہوں۔

## اہم سرگرمی:

آپ کی کمپنی بجلی پیدا کرنے میں مصروف ہے جو کہ نیشنل گرڈ (بڑے بڑے پاور اسٹیشنز کو ملانے کے لیے ہائی وولٹیج پاور لائنز کے نیٹ ورک) کو مہیا کی جاتی ہے۔ آپ کی کمپنی کے پاس "کمبائنڈ سائیکل تھرمل پاور پلانٹ" ہے جو کہ جنرل الیکٹرک فرانس کے دو طرفہ گیس ٹربائن اور سیمنز سویڈن کے ایک سٹیم ٹربائن پر مشتمل ہے اور اس پلانٹ کی مجموعی پیداواری صلاحیت 225 میگاواٹ ہے۔

## مالیاتی کارکردگی کا خلاصہ:

خدا کے فضل سے، تمام آپریشنز ہموار رہے ہیں اور کارکردگی مستحکم رہی ہے۔ مذکورہ عرصہ کے دوران آپ کی کمپنی کا خالص منافع 657 ملین روپے تھا جب کہ اس کے مقابلے میں سال 2016ء میں اتنے ہی عرصہ کے دوران یہ منافع 609 ملین روپے تھا۔ مذکورہ عرصہ کی فی شیئر آمدنی 1.70 روپے ہے (جو کہ 2016ء میں 1.58 روپے تھی)۔

## زیرالتواء مسائل:

سوئی ناردرن گیس کے خلاف 239.68 ملین روپے کے لئے کمپنی کے حق میں ثالثی ایوارڈ کو سوئی ناردرن کی طرف سے سول عدالت اور لاہور ہائی کورٹ دونوں میں چیلنج کیا گیا تھا۔ تاہم، توقع کے مطابق، لاہور ہائی کورٹ نے کمپنی کے حق میں سوئی ناردرن کی جانب سے دائر درخواست کو مسترد کر دیا۔ یہ رقم پہلے ہی سوئی ناردرن کو قابلِ ادائیگی رقم کے برخلاف ایڈجسٹ کر دی گئی ہے۔

ایکسپورٹ کا فیصلہ بھی کمپنی کے حق میں اور "NTDC" کے خلاف ہے اور اس کی وجہ 477.56 ملین روپے کی وہ رقم ہے جو کہ بجلی خریداروں کی طرف سے ادا نہیں کی گئی اور اس کے حصول کے لیے دوسرے آئی پی پیز (IPPs) کے ساتھ ساتھ آپ کی کمپنی کو بھی ثالثی میں جانے پر مجبور کیا گیا۔ اسی دوران، پی پی آئی بی (PPIB) نے، ثالثی کارروائی شروع کرنے کے خلاف سول کورٹ سے ایک عارضی قیام حاصل کر لیا ہے۔ ہمارے قانونی مشیروں کے مطابق، سول عدالت کو ایسی صورت میں ایسا کوئی اختیار نہیں اور ثالث اپنی کارروائی کو جاری رکھے گا۔

## اہم آپریشنل اور مالیاتی ڈیٹا:

| | 31 مارچ 2017ء (روپے ملین میں) | 31 مارچ 2016ء (روپے ملین میں) |
|---|---|---|
| کاروبار | 2,824 | 2,729 |
| خالص منافع | 657 | 609 |
| فی شیئر آمدنی (روپے) | 1.70 | 1.58 |
| ترسیل کا لیول | 33.26% | 40.93% |
| میسر میگاواٹ آورز کی گنجائش | 392 | 373 |

| | 31 مارچ 2017ء (روپے ملین میں) | 31 دسمبر 2016ء (روپے ملین میں) |
|---|---|---|
| پراپرٹی، پلانٹ اور سامان | 14,081 | 14,213 |
| نیٹ ایکویٹی | 9,138 | 9,216 |
| طویل مدتی فنانسنگ | 6,106 | 6,499 |
| مختصر مدت کے قرضے | 542 | 1,267 |

## مستقبل کے امکانات:

ہمیں یقین ہے کہ مسلسل کوششوں کے ساتھ، کمپنی ترقی کو یقینی بنانے کے قابل ہو جائے گی۔

## اظہارِ تشکر:

ہم اس موقع سے فائدہ اٹھاتے ہوئے اپنے ریگولیٹرز، مالیاتی اداروں، گاہکوں اور دیگر اسٹیک ہولڈرز کا شکریہ ادا کرتے ہیں کہ انہوں نے ہماری مسلسل حمایت اور رہنمائی کی۔ ڈائریکٹرز بھی کمپنی کی بہتر کارکردگی کے حوالے سے ملازمین کی محنت اور لگن کی تعریف کرتے ہیں اور اپنی اس تعریف کو ریکارڈ میں رکھنا چاہتے ہیں۔

**بورڈ آف ڈائریکٹرز کی جگہ اور بورڈ کی نیابت سے:**

سلیم سیف اللہ خان
بورڈ کے چیئرمین

اسلام آباد
25 اپریل، 2017ء

# CONDENSED INTERIM BALANCE SHEET
# AS AT 31 MARCH 2017

| | Note | Un-audited 31 March 2017 Rupees | Audited 31 December 2016 Rupees |
|---|---|---|---|
| **SHARE CAPITAL AND RESERVES** | | | |
| Share capital | | **3,864,717,790** | 3,864,717,790 |
| Unappropriated profit | | **5,273,861,016** | 5,351,061,011 |
| | | **9,138,578,806** | 9,215,778,801 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term financing-secured | 4 | **4,463,370,746** | 4,761,277,269 |
| Sub-ordinated loan-unsecured | 5 | **723,277,791** | 722,932,879 |
| Liabilities against assets subject to finance lease-secured | | **2,767,118** | 2,015,640 |
| Deferred liability - gratuity | | **38,090,260** | 36,235,421 |
| | | **5,227,505,915** | 5,522,461,209 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 6 | **2,601,503,470** | 1,126,812,998 |
| Markup accrued | | **354,754,358** | 359,724,299 |
| Short term borrowings | | **542,122,146** | 1,266,873,073 |
| Current portion of non-current liabilities | | **1,658,416,520** | 1,742,259,627 |
| | | **5,156,796,494** | 4,495,669,997 |
| | | **19,522,881,215** | 19,233,910,007 |
| **CONTINGENCIES AND COMMITMENTS** | 7 | | |

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

**CHIEF EXECUTIVE OFFICER**

| | Note | Un-audited 31 March 2017 Rupees | Audited 31 December 2016 Rupees |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 8 | **14,080,720,287** | 14,213,512,866 |
| Long term deposits | | **4,874,560** | 4,674,560 |
| | | **14,085,594,847** | 14,218,187,426 |
| **CURRENT ASSETS** | | | |
| Stock in trade - HSD | | **151,159,358** | 128,114,620 |
| Trade debts, secured-sondidered good | 9 | **4,921,134,966** | 4,377,319,135 |
| Advances-considered good | | **7,685,428** | 2,320,034 |
| Trade deposits and short term prepayments | | **15,049,901** | 47,174,940 |
| Other receivables | | **328,636,028** | 296,082,915 |
| Advance income tax | | **12,211,263** | 11,947,872 |
| Bank balances | | **1,409,424** | 152,763,065 |
| | | **5,437,286,368** | 5,015,722,581 |
| | | **19,522,881,215** | 19,233,910,007 |

**DIRECTOR**

# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
# FOR THE FIRST QUARTER ENDED 31 MARCH 2017

| | Note | **Un-audited 31 March 2017 Rupees** | Un-audited 31 March 2016 Rupees |
|---|---|---|---|
| Turnover - net | | **2,824,424,705** | 2,729,005,358 |
| Cost of sales | **10** | **(1,969,206,866)** | (1,876,408,567) |
| **Gross profit** | | **855,217,839** | 852,596,791 |
| Administrative expenses | | **(33,034,387)** | (23,470,741) |
| Finance cost | | **(166,667,675)** | (220,851,083) |
| Other income | | **1,580,608** | 808,599 |
| **Profit for the period** | | **657,096,385** | 609,083,566 |
| Earnings per share- basic and diluted | **11** | **1.70** | 1.58 |

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
# FOR THE FIRST QUARTER ENDED 31 MARCH 2017

| | For the quarter ended | |
|---|---|---|
| | **31 March 2017 Rupees** | 31 March 2016 Rupees |
| **Profit for the period** | **657,096,385** | 609,083,566 |
| **Other comprehensive income for the period** | | |
| *Items that will never be reclassified to profit and loss account* | - | - |
| **Total comprehensive income for the period** | **657,096,385** | 609,083,566 |

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**

# CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
# FOR THE FIRST QUARTER ENDED 31 MARCH 2017

| | Note | Un-audited 31 March 2017 Rupees | Un-audited 31 March 2016 Rupees |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| **Net cash generated from/ (used in) operating activities** | **12** | **967,203,973** | (194,774,703) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(14,067,421)** | (307,833) |
| Proceeds from disposal of property, plant and equipment | | **-** | 1,129,780 |
| Long-tern deposits | | **(200,000)** | - |
| Profit on deposit accounts | | **171** | 28,951 |
| Return on investments - receipt | | **1,580,437** | 319,682 |
| **Net cash generated from investing activities** | | **(12,686,813)** | **1,170,580** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Repayment of long term financing | | **(393,114,010)** | - |
| Short term borrowings - net | | **(724,750,927)** | 244,201,844 |
| Dividend Paid | | **(121,768)** | - |
| Repayment of liabilities against assets subject to finance lease | | **12,115,904** | (919,553) |
| **Net cash generated/(used in) financing activities** | | **(1,105,870,801)** | **243,282,290** |
| **Net (decrease) / increase in cash and cash equivalents** | | **(151,353,641)** | 49,678,167 |
| **Cash and cash equivalents at beginning of the period** | | **152,763,065** | 4,765,461 |
| **Cash and cash equivalents at end of the period** | | **1,409,424** | **54,443,628** |

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE FIRST QUARTER ENDED 31 MARCH 2017

| | Share Capital Rupees | Unappropriated Profit Rupees | Total Rupees |
|---|---|---|---|
| **Balance as at 01 January 2016 (Audited)** | **3,864,717,790** | 4,006,987,470 | 7,871,705,260 |
| Profit for the first quarter | | 609,083,566 | 609,083,566 |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the period** | | 609,083,566 | 609,083,566 |
| First dividend 2015 @ Rs. 0.75 per share | | (289,853,836) | (289,853,836) |
| **Balance as at 31 March 2016-audited** | 3,864,717,790 | 4,326,217,200 | 8,190,934,990 |
| **Balance as at 01 January 2017 -audited** | **3,864,717,790** | **5,351,061,011** | **9,215,778,801** |
| Profit for the first quarter | | **657,096,385** | **657,096,385** |
| Other comprehensive income | | - | - |
| **Total comprehensive income** | | 657,096,385 | 657,096,385 |
| Final dividend 2016 @ Rs. 1.90 per share | | **(734,296,380)** | **(734,296,380)** |
| **Balance as at 31 March 2017-un-audited** | **3,864,717,790** | **5,273,861,016** | **9,138,578,806** |

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE FIRST QUARTER ENDED 31 MARCH 2017

## 1 STATUS AND NATURE OF OPERATIONS

Saif Power Limited ("the Company") was incorporated in Pakistan on 11 November 2004 as a public limited Company under the Companies Ordinance 1984. The shares of the Company were listed on Karachi Stock Exchange Limited however, due to integration of all three exchange of Pakistan into Pakistan Stock Exchange Limited effective 11 January 2016, the shares of the Company are now quoted on Pakistan Stock Exchange Limited. The principal activities of the Company are to own, operate and maintain a combined cycle power plant having nameplate capacity of 225 MW (ISO) in district Sahiwal, Punjab, Pakistan and sell the electricity to National Transmission and Despatch Company (NTDC). The registered office of the Company is situated at Kulsum Plaza, Blue Area, Islamabad. The Company has commenced operations from 30 April 2010. The Company is a subsidiary of Saif Holdings Limited (the Holding Company) with shareholding of 51.04% shares (2016: 51.04%).

## 2 BASIS OF PREPARATION

This condensed interim financial information of the Company for the First Quarter Ended 31 March, 2017 has been prepared in accordance with the requirements of International Accounting Standard 34 -Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

The disclosures in this condensed interim financial information, do not include those reported for full audited annual financial statements and should therefore be read in conjunction with the audited annual financial statements for the year ended 31 December 2016. Comparative condensed interim balance sheet is extracted from the audited annual financial statements as of 31 December 2016, whereas comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are stated from un-audited interim financial statements for the three months period ended 31 March 2016.

This condensed interim financial information is unaudited and is being submitted to the members as required under Section 245 of the Companies Ordinance, 1984 and listing regulations of Pakistan Stock Exchange Limited.

## 3 ACCOUNTING POLICIES , ESTIMATES AND JUDGEMENTS

The accounting policies, significant judgements made in the application of accounting policies, key sources of estimations, the methods of computation adopted in preparation of this condensed interim financial information and financial risk management policies are the same as those applied in preparation of annual audited financial statements for the year ended 31 December 2016.

| | Note | Un-audited 31 March 2017 Rupees | Audited 31 December 2016 Rupees |
|---|---|---|---|
| **4 LONG TERM FINANCING - SECURED** | | | |
| Syndicate term finance facility under SFA | | **5,062,455,289** | 5,388,869,013 |
| Syndicate tern finance facility under TFFA | | **1,043,914,357** | 1,110,614,643 |
| | | **6,106,369,646** | 6,499,483,656 |
| Current portion of long tern financing | | **(1,642,998,899)** | (1,738,206,387) |
| | | **4,463,370,746** | 4,761,277,269 |
| **5 SUB-ORDINATED LOAN-UNESCURED** | | | |
| Opening balance | | **722,932,879** | 65,965,049 |
| Exchange loss capitalize | | **344,912** | - |
| Effect of rescheduling | | - | 656,967,830 |
| | | **723,277,791** | 722,932,879 |
| Current portion of long tern financing | | **-** | - |
| | | **723,277,791** | 722,932,879 |
| **6 TRADE AND OTHER PAYABLES** | | | |
| Creditors | | **1,445,344,215** | 741,911,837 |
| Accrued liabilities | | **42,640,006** | 35,149,708 |
| Dividend payable | | **739,337,509** | 5,162,897 |
| Withholding tax payable | | **1,375,066** | 5,149,261 |
| Payable against WPPF | | **148,471,487** | 115,616,668 |
| Support services fee payable to Holding Company | | **221,525,725** | 221,525,725 |
| Other payables | | **2,809,461** | 2,296,902 |
| | | **2,601,503,470** | 1,126,812,998 |

## 7 CONTINGENCIES AND COMMITMENTS

### 7.1 Contingencies:

**7.1.1** The Tax authorities, during 2014, raised sales tax demand of Rs. 1,498.51 million by partially disallowing input sales tax for the tax periods 2010 to 2013 by apportioning the total claim to energy purchase price and capacity purchase price, the later being exempt from sales tax and related input tax being inadmissible. On appeal filed by the Company, the Appellate Tribunal Inland Revenue (ATIR) remanded back the case to be decided in line with expected judgment of the Honorable High Court in parallel cases. Consequently, at present, the aforesaid tax demand is no more payable. Tax Authorities, against the decision of ATIR, had filed reference application under section 47 of the Sales Tax Act, 1990 before Honorable Islamabad High Court. However, in case the matter is eventually resolved against the Company, the tax payment will be claimable under the Power Purchase Agreement.

Based on the advice of the Company's tax consultants and decision of ATIR, management believes that the contention of tax department even after filing of reference application does not commensurate with the related statutory provisions and the issue is likely to be decided in favour of the Company as there are meritorious grounds to defend the Company's stance in respect of the above mentioned issue.

**7.1.2** SNGPL has claimed an amount of Rs. 75.24 million on account of late payment by the Company against SNGPL's invoices of Regasified Liquified Natural Gas (RLNG). SNGPL submitted these invoices to the Company without getting determination from OGRA. The Company has considered such SNGPL invoices to be invalid without OGRA determination. Therefore, no provision for the above mentioned amount has been made in these financial statements.

## 7.2 Commitments:

The Company is committed to pay monthly fee and milestone payments to its O&M contractors as per terms agreed in the Operations & Maintenance (O&M) agreement.

| | Note | Un-audited 31 March 2017 Rupees | Audited 31 December 2016 Rupees |
|---|---|---|---|
| **8 PROPERTY, PLANT AND EQUIPMENT** | | | |
| Operating fixed assets | 8.1 | **14,080,720,287** | 14,213,512,866 |
| **8.1 Operating fixed Assets Cost** | | | |
| *Opening balance* | | **18,040,081,297** | 18,044,193,871 |
| Add: additions during the period/year | | | |
| Furniture and fixture | | **-** | 275,954 |
| Computers | | **69,000** | 441,531 |
| Office equipment | | **81,579** | 327,433 |
| Motorcycle and Bicycle | | **-** | 69,455 |
| Vehicle Leased | | **13,916,842** | - |
| | | **14,067,421** | 1,114,373 |
| Less: Disposal made during the period/year | | **-** | (5,226,947) |
| Adjustment of exchange loss on sub-ordinated loan | | **344,861** | - |
| *Closing balance* | | **18,054,493,579** | 18,040,081,297 |
| **Depreciation** | | | |
| *Opening balance* | | **3,826,568,426** | 3,242,019,431 |
| Depreciation for the period/year | | **147,204,866** | 588,247,825 |
| Depreciation on assets disposed of | | **-** | (3,698,825) |
| *Closing balance* | | **3,973,773,292** | 3,826,568,431 |
| **Written Down Value** | | **14,080,720,287** | 14,213,512,866 |

| | Note | Un-audited 31 March 2017 Rupees | Audited 31 December 2016 Rupees |
|---|---|---|---|
| **9 TRADE DEBTS - CONSIDERED GOOD** | | | |
| National Transmission and Dispatch Company (NTDC) | **9.1** | **4,921,134,966** | 4,377,319,135 |

**9.1** These are secured by way of guarantee issued by the Government of Pakistan (GoP) under the Implementation Agreement (IA). These are subject to mark-up on delayed payments under section 9.6 (d) of PPA at the rate of KIBOR + 4.5% per annum.

**9.2** Included in trade debts is an amount of Rs. 477.56 million (2016: Rs. 477.56 million) relating to capacity purchase price not acknowledged by National Transmission and Despatch Company (NTDC) as the plant was not fully available for power generation. However, the sole reason of this under-utilization of plant capacity was non-availability of fuel owing to non-payment by NTDC.

Since management considers that the primary reason for claiming these payments is that plant was available, however, could not buy fuel to generate electricity due to non-payment by NTDC, therefore, management believes that Company cannot be penalized in the form of payment deductions due to NTDC's default of making timely payments under the Power Purchase Agreement. The Company along with other IPPs had agreed with NTDC to resolve the dispute through dispute resolution mechanism (appointment of expert) under the PPA. In his decision, the expert determined that the amount mentioned above is payable to the Company and accordingly the Company has claimed the said amount from NTDC. Since NTDC did not confirm to the requirements of PPA relating to expert decision within 30 days, the IPPs went to London Court of International Arbitration (LCIA) to request the arbitrator to make the judgement of the expert as final and binding.

Subsequently, The Government of Pakistan ('GOP') through Private Power & Infrastructure Board ('PPIB') has filed a case in the court of Senior Civil Judge, Lahore with a mala fide intention to try to stop the arbitrator from making such award. The legal advisers of the Company and of others IPPs are dealing with this matter in the Civil Court and, a response has already been submitted. Initially, NTDC also filed a stay application in the LCIA before the Arbitrator to stay the arbitration proceedings which the Arbitrator refused to accept. The LCIA will communicate the process going forward.

**9.3** During the year, an amount of Rs. 239.68 million (2016: Rs. 239.68 million) relating to capacity purchase price not acknowledged by NTDC was adjusted by the Company against payable to SNGPL. According to the management, the sole reason for this was non-availability of gas by SNGPL. The Company took up legal proceedings against both, NTDC and SNGPL, to keep its rights and claims intact.

In the case against NTDC, the expert determined that NTDC is not obliged to pay such capacity amounts to the Company, whereas in the case against SNGPL in the London Court of International Arbitration, the arbitrator has given a binding award in favour of the Company for the whole amount.

SNGPL disputed the Award in the Lahore High Court but Lahore High Court dismissed this petition of SNGPL. The Company has during the year filed a petition in the Civil Court Lahore to obtain Decree in lieu of the arbitration award and has also adjusted an amount of Rs. 270.66 million from payable to SNGPL as such amount was allowed by Arbitrator in its award. At the same time, the Company has kept Arbitration against NTDC alive in case it has to revert back to NTDC (which now does not look like a possibility since the amount has already been awarded against SNGPL).

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE FIRST QUARTER ENDED 31 MARCH 2017

| | **Un-audited 31 March 2017 Rupees** | Un-audited 31 March 2016 Rupees |
|---|---|---|
| **10 COST OF SALES** | | |
| Raw material consumed | **1,597,725,168** | 1,507,416,028 |
| Operation and maintenance | **169,348,455** | 169,809,728 |
| Salaries and other benefits | **10,553,856** | 10,081,865 |
| Electricity charges | **12,024,569** | 9,599,014 |
| Insurance | **32,874,843** | 32,885,140 |
| Depreciation | **146,054,430** | 146,025,641 |
| Office expenses | **279,636** | 273,833 |
| Travelling, conveyance and entertainment | **186,257** | 244,364 |
| Repair and maintenance | **96,924** | 14,371 |
| Communication | **28,989** | 37,567 |
| Others | **33,739** | 21,016 |
| | **1,969,206,866** | 1,876,408,567 |
| **11 EARNINGS PER SHARE** | | |
| Profit for the period (Rupees) | **657,096,385** | 609,083,566 |
| Weighted average number of shares | **386,471,779** | 386,471,779 |
| Earnings per share - Basic (Rupees) | **1.70** | 1.58 |

There is no dilution effect on the basic earnings per share of the Company.

## 12 CASH GENERATED FROM OPERATIONS

| | | |
|---|---|---|
| Profit for the period | **657,096,385** | 609,083,566 |
| ***Adjustments for non cash items:*** | | |
| Depreciation | **147,204,866** | 147,255,645 |
| Gain on sale of property, plant and equipment | **-** | (459,966) |
| Provision for staff retirement benefits - gratuity | **1,944,439** | 1,844,124 |
| Finance cost | **166,649,831** | 220,851,083 |
| Profit on deposit accounts | **(171)** | (28,951) |
| Return on investments | **(1,580,437)** | (319,682) |
| ***Operating profit before working capital changes*** | **971,314,913** | 978,225,819 |
| **(Increase) / decrease in current assets** | | |
| Advances | **(5,365,394)** | (1,028,591) |
| Trade deposits and prepayments | **32,125,039** | 33,658,188 |
| Other receivable | **(32,553,113)** | (20,118,369) |
| Stock in trade | **(23,044,738)** | 15,203,779 |
| Trade debts | **(543,815,831)** | 400,910,484 |
| | **(572,654,037)** | 428,625,492 |
| Increase (decrease) in trade and other payables | **740,515,860** | (1,370,773,691) |
| ***Cash generated from operations*** | **1,139,176,736** | 36,077,620 |
| Staff retirement benefits paid | **(89,600)** | (3,980,787) |
| Income taxes paid | **(263,391)** | (146,357) |
| Finance cost paid | **(171,619,772)** | (226,725,178) |
| ***Net cash generated from/(used in) Operating activities*** | **967,203,973** | (194,774,703) |

## 13 FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements for the year ended 31 December 2016.

## 14 RELATED PARTY TRANSACTIONS

| | **Un-audited 31 March 2017 Rupees** | Un-audited 31 March 2016 Rupees |
|---|---|---|
| **Transactions with Holding Company** | | |
| Rent | **1,293,642** | 1,355,265 |
| **Transactions with associated undertakings due to common directorship** | | |
| Expenses incurred on behalf of the company | **55,680** | - |
| **Transaction with key management personnel** | | |
| Remuneration to key management personal | **15,930,301** | 12,260,167 |

## 15 CORRESPONDING FIGURES

In order to comply with the requirements of IAS 34 - 'Interim Financial Reporting', the condensed interim balance sheet have been compared with the balances of annual audited financial statements of preceding financial year ended December 31, 2016, whereas the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity have been compared with the balances of comparable period as per the un-audited financial statements of the Company for period ended 31 March, 2016.

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

## 16 DATE OF AUTHORIZING FOR ISSUE

This condensed interim financial information was authorised for issue on 25 April, 2017 by the Board of Directors of the Company.

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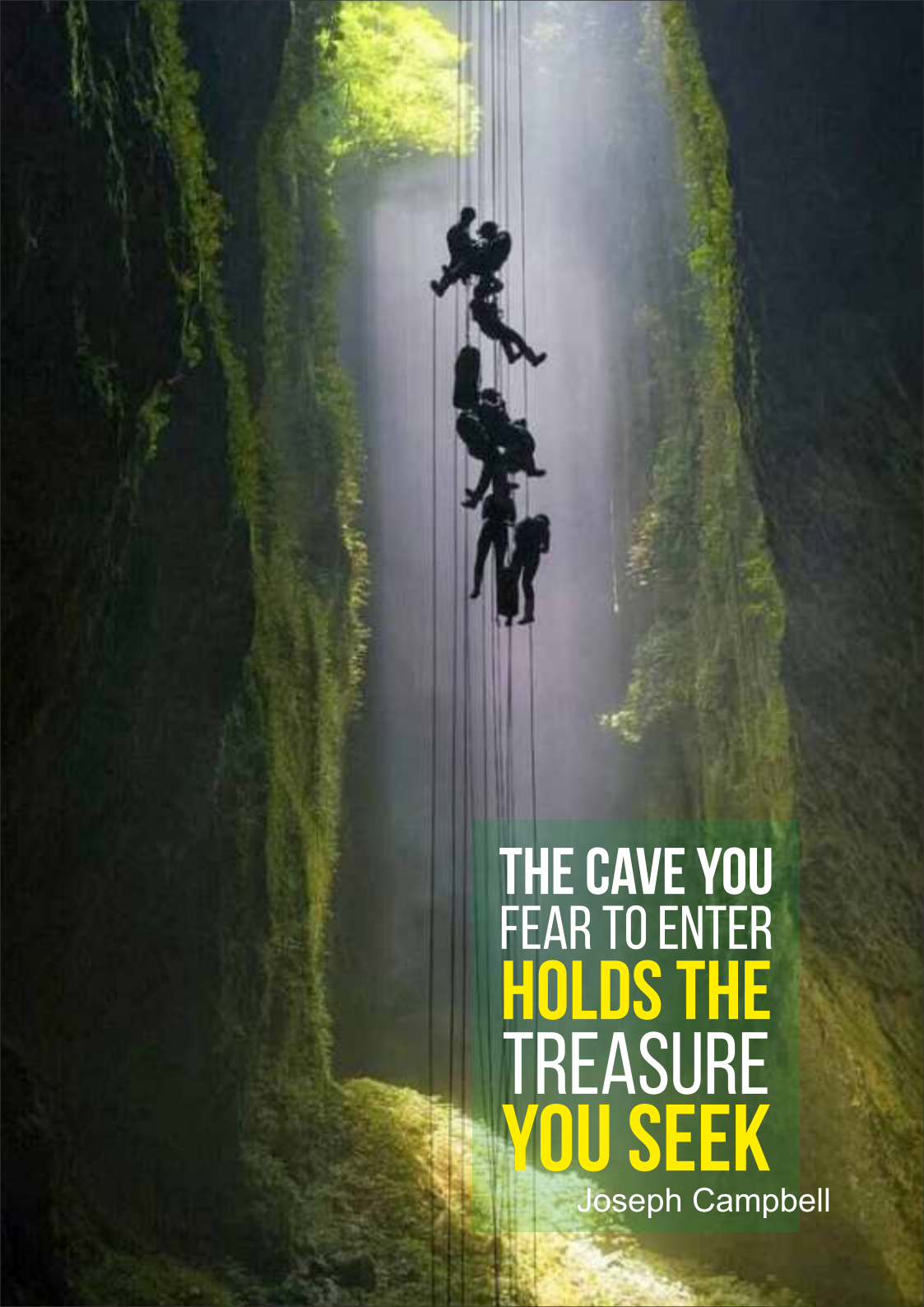
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