



QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2017



SAIF POWER LIMITED
A Saif Group Company



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

Pepper Blair

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Ms. Hoor Yousafzai
Mr. Osman Saifullah Khan
Mr. Omar Saifullah Khan
Mr. Jehangir Saifullah Khan
Mr. Assad Saifullah Khan
Ms. Jehannaz Saifullah Khan
Vacant Position

Chairperson
Director
Director/CEO
Director
Director
Director
Director

REGISTERED / HEAD OFFICE

4th Floor, Kashmir Commercial
Complex, Fazal-e- Haq Road,
Block E, Blue Area, Islamabad
Tel: +92-51-2271378-83
Fax: +92-51-2277670
Email: info.spl@saifgroup.com
Website: www.saifpower.com

AUDIT COMMITTEE

Mr. Osman Saifullah Khan
Mr. Jehangir Saifullah Khan
Vacant Position

Chairman
Member
Member

PLANT LOCATION

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Assad Saifullah Khan
Ms. Hoor Yousafzai
Mr. Jehangir Saifullah Khan

Chairman
Member
Member

MANAGEMENT

Dpty. CHIEF EXECUTIVE OFFICER

Mr. Sohail H Hydari

CHIEF FINANCIAL OFFICER

Mr. Hammad Mehmood

COMPANY SECRETARY

Mr. Waseemullah

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 nine months period ended 30 September, 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. 1,971 million as against of 2016: Rs.1,673 million for the comparable period. An earnings per share (EPS) for the period is Rs.5.10 (2016: Rs.4.33).

PENDING ISSUES

The arbitration award in Company's favor for an amount of Rs.239.68 million against SNGPL was challenged by SNGPL in Lahore High Court (LHC). However, as expected, the LHC dismissed the petition from SNGPL in Company's favour. Last year, The Company filed a petition in LHC to obtain decree in lieu of the arbitration award and adjusted the an amount of Rs. 270.66 million against payables to SNGPL. At the same time company has kept Arbitration against NTDC alive in case it has to revert back to NTDC. There is remote a possibility since the amount already been awarded against 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

30 September		
	2017	2016
	(Rs. in Million)	(Rs. in Million)
Turnover	10,899	9,057
Net profit	1,971	1,673
Earning per share (Rs.)	5.10	4.33
Dispatch Level	42.27%	65.86%
Capacity Made Available-GWHs	1,142	1,215

	30 September 2017	31 December 2016
	(Rs. in Million)	(Rs. in Million)
Property, Plant and Equipment	13,800	14,213
Net Worth	9,776	9,216
Long term financing	5,613	6,499
Short term borrowings	1,904	1,267

forced to go into arbitration the arbitrator has furnished the award in favour of the company. It has been held, inter alia, that the expert determination is final and binding and the arbitration is at the stage of quantification of amounts payable to the Company. NTDC has challenged this award in Civil Court Lahore.

FUTURE OUTLOOK

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

ACKNOWLEDGEMENTS

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
October 25, 2017

Chairperson

سیف پاور لیٹڈ

ممبران کے لیے ڈائریکٹرز کی رپورٹ

کمپنی کو قابل ادا ہونے والی رقم کا تعین کرے۔ این ٹی ڈی سی (NTDC) نے اس اعزاز کو سول کورٹ لاہور میں چیلنج کیا ہے۔

محترم ممبران!

اہم آپریشنل اور مالیاتی ڈیٹا:

30 ستمبر 2016 (دوپہن میں)	30 ستمبر 2017 (دوپہن میں)
9,057	10,899
1,673	1,971
4.33	5.10
65.86%	42.27%
1,215	1,142
31 ستمبر 2016 (دوپہن میں)	30 ستمبر 2017 (دوپہن میں)
14,213	13,800
9,216	9,776
6,499	5,613
1,267	1,904

مستقبل کے امکانات:

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

اظہار تشکر:

ہم اس موقع سے فائدہ اٹھاتے ہوئے اپنے ریگولیٹرز، مالیاتی اداروں، گاہکوں اور دیگر اسٹیک ہولڈرز کا شکر یہ 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 یکارتہ میں رکھنا چاہتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے:

چیئر پرسن

اسلام آباد
25 اکتوبر، 2017ء

میں بورڈ آف ڈائریکٹرز (BOD) کی جانب سے، 30 ستمبر، 2017ء کو ختم ہونے والی تیسری 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 رہی ہوں۔

اہم سرگرمی:

آپ کی کمپنی بجلی پیدا کرنے میں مصروف ہے جو کہ نیشنل گرڈ (بڑے بڑے پاور اسٹیشنز کو ملانے کے لیے بائی وولٹیج پاور لائنز کے نیٹ ورک) کو مہیا کی جاتی ہے۔ آپ کی کمپنی کے پاس "کمبائنڈ" سیکٹر میں پاور پلانٹ ہے جو کہ جنرل الیکٹرک فرانس کے دو گیس ٹربائن اور سیمینسو پلانٹ 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 1,971 ملین روپے تھا جب کہ اس کے مقابلے میں سال 2016ء میں اتنے ہی عرصہ کے دوران یہ منافع 1,673 ملین روپے تھا۔ مذکورہ عرصہ کی فی شیئر آمدنی 5.10 روپے ہے (جو کہ 2016ء میں 4.33 روپے تھی)۔

زیاتر مسائل:

سوئی ناردرن گیس کے خلاف 239.68 ملین روپے کے لئے کمپنی کے حق میں ثالثی ایوارڈ کو سوئی ناردرن کی طرف سے لاہور ہائی کورٹ 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۔ گزشتہ سال، کمپنی نے ثالثی اعزاز کے عوض میں فیصلہ حاصل کرنے کے لئے لاہور ہائی کورٹ میں ایک درخواست دائر کی ہے اور سوئی ناردرن گیس پائپ لائن (SNGPL) کی ادائیگیوں کے مقابلے میں 270.66 ملین روپے کی رقم کو ایڈجسٹ کیا ہے۔ اسی دوران کمپنی نے این ٹی ڈی سی (NTDC) کے خلاف ثالثی بھی رکھی ہے اگر اسے این ٹی ڈی سی (NTDC) کی طرف واپس لوٹنا پڑے کیونکہ اس کے بہت کم امکانات ہیں چونکہ سوئی ناردرن گیس پائپ لائن (SNGPL) کے خلاف رقم کی ادائیگی کا فیصلہ ہو چکا ہے۔

ایکسپرت 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 پی (IPPs) کے ساتھ ساتھ آپ کی کمپنی کو بھی ثالثی میں جانے پر مجبور کیا گیا۔ ثالث نے کمپنی کے حق میں فیصلہ پیش کیا ہے۔ دیگر چیزوں کے ساتھ ساتھ، یہ طے ہوا ہے کہ ماہر کا فیصلہ حتمی اور لاگو ہے نیز ثالث اس مرحلہ میں سے کہ وہ

CONDENSED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2017

	Note	Un-audited 30 September 2017 Rupees	Audited 31 December 2016 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		3,864,717,790	3,864,717,790
Unappropriated profit		5,911,420,023	5,351,061,011
		9,776,137,813	9,215,778,801
NON-CURRENT LIABILITIES			
Long term financing-secured	4	3,844,691,352	4,761,277,269
Sub-ordinated loan-unsecured	5	727,416,720	722,932,879
Liabilities against assets subject to finance lease	6	12,885,854	2,015,640
Deferred liability - gratuity		-	36,235,421
		4,584,993,926	5,522,461,209
CURRENT LIABILITIES			
Trade and other payables		1,399,879,223	1,126,812,998
Markup accrued		365,913,857	359,724,299
Short term borrowings	7	1,903,838,851	1,266,873,073
Current portion of non-current liabilities		1,773,766,920	1,742,259,627
Total Equity and Liabilities		5,443,398,851	4,495,669,997
		19,804,530,590	19,233,910,007
CONTINGENCIES AND COMMITMENTS			
	8		

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

CONDENSED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2017

		Un-audited 30 September 2017 Rupees	Audited 31 December 2016 Rupees
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	9	13,800,286,033	14,213,512,866
Long term deposits	10	5,115,910	4,674,560
		13,805,401,943	14,218,187,426
CURRENT ASSETS			
Stock in trade - HSD		113,643,669	128,114,620
Trade debts	11	5,397,219,725	4,377,319,135
Advances-considered good		15,916,778	2,320,034
Trade deposits and short term prepayments	12	80,870,484	47,174,940
Other receivables	13	377,247,430	296,082,915
Advance income tax		12,250,853	11,947,872
Short term Investment	14	-	150,000,000
Bank balances	15	1,979,708	2,763,065
		5,999,128,647	5,015,722,581
TOTAL ASSETS		19,804,530,590	19,233,910,007

DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

	Note	For the quarter ended		For the nine months period ended	
		30 September 2017 Rupees	30 September 2016 Rupees	30 September 2017 Rupees	30 September 2016 Rupees
Turnover - net	16	3,276,139,503	3,153,685,566	10,899,721,707	9,057,170,987
Cost of sales	17	(2,408,424,800)	(2,404,286,053)	(8,296,689,415)	(6,685,253,750)
Gross profit		867,714,703	749,399,513	2,603,032,292	2,371,917,237
Administrative expenses		(41,464,323)	(33,088,946)	(120,768,540)	(101,614,287)
Finance cost	18	(178,785,115)	(186,428,543)	(514,952,806)	(608,475,475)
Other income	19	822,128	4,913,484	3,670,059	11,637,204
Profit for the period		648,287,393	534,795,508	1,970,981,005	1,673,464,679
Earnings per share- basic and diluted	20	1.68	1.38	5.10	4.33

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

	<u>For the quarter ended</u>		<u>For the nine months period ended</u>	
	30 September 2017 Rupees	30 September 2016 Rupees	30 September 2017 Rupees	30 September 2016 Rupees
Profit for the period	648,287,393	534,795,508	1,970,981,005	1,673,464,679
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	648,287,393	534,795,508	1,970,981,005	1,673,464,679

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

		Nine Months Ended	
	Note	30 September 2017 Rupees	30 September 2016 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period		1,970,981,005	1,673,464,679
Adjustments for:			
Depreciation		443,533,628	441,959,210
Gain on sale of property, plant and equipment		(37,965)	(1,944,179)
Provision for staff retirement benefits - gratuity		5,898,130	5,552,637
Finance cost		514,246,232	608,051,524
Profit on deposit accounts		(99,745)	(542,114)
Return on investments		(3,532,349)	(9,150,911)
Operating profit before working capital changes		2,930,988,936	2,717,390,846
Changes in:			
Stock in trade		14,470,951	10,639,833
Trade debts		(1,019,900,590)	828,764,924
Advances		843,349	1,390,330
Trade deposits and short term prepayments		(33,695,544)	(32,476,474)
Other receivable		(95,570,467)	(56,710,227)
Trade and other payables		254,118,583	(774,913,529)
		(879,733,718)	(23,305,143)
Cash generated from operating activities		2,051,255,219	2,694,085,703
Payment against deferred liability - gratuity		(23,185,909)	(4,350,898)
Income tax paid		(337,122)	(460,794)
Finance cost paid		(508,056,674)	(639,241,324)
Cash generated from operating activities		1,519,675,513	2,050,032,687
CASH FLOWS BY INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(25,822,952)	(792,532)
Proceeds from disposal of property, plant and equipment		37,965	3,324,580
(Increase) in long term deposits		(441,350)	(752,500)
Profit on deposit accounts		99,745	542,114
Return on investments - receipt		3,532,349	9,150,911
Net cash (used in)/ generated from investing activities		(22,594,243)	11,472,573
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(886,571,450)	(960,373,831)
Dividend paid		(1,410,621,993)	(289,853,834)
Increase / (decrease) short term borrowings		636,965,778	(299,868,791)
Increase / (decrease) in finance lease liabilities		12,363,038	(2,824,306)
NET CASH USED IN FINANCING ACTIVITIES		(1,647,864,627)	(1,552,920,762)
Net increase / (decrease) in cash and cash equivalents		(150,783,357)	508,584,498
Cash and cash equivalents at beginning of the period		152,763,065	4,765,461
Cash and cash equivalents at end of the period	21	1,979,708	513,349,959

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

	Share capital <u>Rupees</u>	Unappropriated profit <u>Rupees</u>	Total <u>Rupees</u>
Balance at 01 January 2016-audited	3,864,717,790	4,006,987,470	7,871,705,260
Total comprehensive income for the period			
Profit for the period	-	1,673,464,679	1,673,464,679
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	1,673,464,679	1,673,464,679
Transactions with owners of the company			
Distributions			
Final dividend: Rs. 0.75 per share	-	(289,853,834)	(289,853,834)
First Interim dividend 2016: Rs. 1.75 per share	-	(676,325,613)	(676,325,613)
Balance at 30 September 2016	3,864,717,790	4,714,272,702	8,578,990,492
Balance at 01 January 2017	3,864,717,790	5,351,061,011	9,215,778,801
Total comprehensive income for the period			
Profit for the period	-	1,970,981,005	1,970,981,005
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	1,970,981,005	1,970,981,005
Transaction with owners of the company			
Distributions			
Final dividend 2016:Rs. 1.90 per share	-	(734,296,380)	(734,296,380)
First interim dividend 2017:Rs.1.75 per share	-	(676,325,613)	(676,325,613)
Balance at 30 September 2017	3,864,717,790	5,911,420,023	9,776,137,813

The annexed notes 1 to 24 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 are 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 4th Floor, Kashmir Commercial Complex Fazal-ul-Haq Road, Block E, 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 nine months ended 30 September 2017 have 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 requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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 statement of cash flows and condensed interim statement of changes in equity are stated from un-audited interim financial statements for the nine months period ended 30 September 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 regulations of Pakistan Stock Exchange Limited.

The Companies Act, 2017 was promulgated on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that all the companies whose financial year, including quarterly and other interim period, closes on or before December 31, 2017, shall prepare their financial statements, including interim financial statements, in accordance with the provisions of the repealed Companies Ordinance, 1984.

3 SIGNIFICANT ACCOUNTING POLICIES AND USE OF JUDGEMENTS AND ESTIMATES

The accounting policies applied in this condensed interim financial information are the same as those applied in the last annual financial statements.

In preparing this condensed interim financial information, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied in preparation of annual audited financial statements for the year ended 31 December 2016.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

		Un-audited 2017 Rupees	Audited 2016 Rupees
4 LONG TERM FINANCING - SECURED	Note		
Balance at 01 January		6,499,483,656	7,823,222,915
Repayment during the period / year		<u>(886,571,450)</u>	<u>(1,323,739,259)</u>
		5,612,912,206	6,499,483,656
Current portion of long term financing		<u>(1,768,220,854)</u>	<u>(1,738,206,387)</u>
Balance at 30 September/31 December	4.1	<u>3,844,691,352</u>	<u>4,761,277,269</u>
4.1 Terms and conditions of all long term facilities are same as disclosed in annual financial statements for the year ended 31 December 2016.			
		Un-audited Rupees	Audited Rupees
5 SUB-ORDINATED LOAN-UNESCURED	Note		
Balance at 01 January		722,932,877	65,965,049
Effect of rescheduling		-	656,967,830
Net exchange loss capitalized	5.1	4,483,843	-
Balance at 30 September / 31 December		<u>727,416,720</u>	<u>722,932,879</u>
5.1 Terms and conditions of all long term facilities are same as disclosed in annual financial statements for the year ended 31 December 2016.			
6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
	Note	Un-audited Rupees	Audited Rupees
		Present value of minimum lease payments	Present value of minimum lease payments
Within one year - conventional banks		5,546,065	4,053,240
Later than one year and not later than five years		<u>12,885,854</u>	<u>2,015,640</u>
		<u>18,431,919</u>	<u>6,068,880</u>
7 SHORT TERM BORROWINGS - SECURED			
Working capital facilities		1,628,839,251	951,873,158
Short term loan facilities		-	265,000,000
Short term musharakah / murabaha facilities	7.1	274,999,600	49,999,915
		<u>1,903,838,851</u>	<u>1,266,873,073</u>
7.1 The terms and conditions of short term borrowings are same as disclosed in the annual financial statements for the year ended 31 December 2016.			

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies:

- 8.1.1** All contingencies and commitments are the same as those disclosed in annual financial statements for the year ended 31 December 2016, except for the following changes;

SNGPL has claimed an amount of Rs. 81.91 million on account of late payment by the Company against SNGPL's invoices of Regasified Liquefied 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.

8.2 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.

		Un-audited 30 September 2017 Rupees	Audited 31 December 2016 Rupees
9 PROPERTY, PLANT AND EQUIPMENT	Note		
Operating fixed assets	9.1	13,800,286,033	14,213,512,866

9.1 Operating fixed assets

Opening balance	14,213,512,866	14,802,174,440
Additions during the period / year	25,822,952	1,114,373
Book value of disposals	-	(1,528,122)
Depreciation for the period / year	(443,533,628)	(588,247,825)
Adjustment of exchange loss	4,483,843	-
Closing balance	13,800,286,033	14,213,512,866

10 LONG TERM DEPOSITS

Security deposit - bank	1,281,200	4,674,560
Security deposit - modaraba company	3,834,710	-
	5,115,910	4,674,560

This represents security deposits on finance lease facilities obtained from conventional banks and ijarah facilities obtained from a modaraba company which are adjustable against lease rentals at the end of lease term.

11 TRADE DEBTS- SECURED, CONSIDERED GOOD

		Un-audited 30 September 2017 Rupees	Audited 31 December 2016 Rupees
National Transmission and Despatch Company (NTDC)	Note 11.1	5,397,219,725	4,377,319,135

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

11.1 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 Power Purchase Agreement (PPA) at the rate of KIBOR + 4.5% per annum.

11.2 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 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 PPA.

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 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.

During the nine months ended 30 September 2017, the arbitrator has furnished the award in favour of the Company. It has been held, inter alia, that the expert determination is final and binding and the arbitration is at the stage of quantification of amounts payable to the Company. NTDC has challenged this award in Civil Court Lahore.

11.3 During year ended 31 December 2016, an amount of Rs. 239.68 million relating to capacity purchase price not acknowledged by NTDC was adjusted by the Company against payable to SNGPL pursuant to award in favour of the Company for the whole amount by the London Court of International Arbitration (Arbitrator). SNGPL disputed the Award in the Lahore High Court but Lahore High Court dismissed this petition of SNGPL. During the year ended 31 December 2016, the Company filed a petition in the Civil Court Lahore to obtain a Decree in lieu of the arbitration award and also adjusted an amount of Rs. 270.66 million from payable to SNGPL as such amount was allowed by the Arbitrator in its award.

The Company also took up legal proceedings against both, NTDC to keep its rights and claims intact. However, in the case against NTDC, the expert determined that NTDC is not obliged to pay such capacity amounts to the Company. The Company has kept Arbitration against NTDC alive in case it has to revert back to NTDC possibility of which is remote since the amount already been awarded against SNGPL.

12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Un-audited 30 September 2017 Rupees	Audited 31 December 2016 Rupees
Deposits	1,038,000	1,038,000
Prepayments	79,832,484	46,136,940
	80,870,484	47,174,940

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

13 OTHER RECEIVABLES

	Un-audited 30 September 2017 Rupees	Audited 31 December 2016 Rupees
Sales tax receivable	-	18,400,940
Receivable against WPPF	374,661,359	276,112,309
Other receivables	2,586,071	1,569,666
	377,247,430	296,082,915

14 SHORT TERM INVESTMENTS

Treasury Bills	-	150,000,000
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15 BANKBALANCES

	Note	Un-audited 30 September 2017 Rupees	Audited 31 December 2016 Rupees
At banks			
Local currency			
Current accounts		198,782	289,318
Deposit accounts		1,159,856	1,923,446
		1,358,638	2,212,764
Foreign Currency	15.2	415,941	345,309
Current accounts	15.1 & 15.2	205,129	204,992
Deposit accounts		621,070	550,301
		1,979,708	2,763,065

15.1 Balances with banks carry mark-up ranging from 3.78 % to 3.80 % (2016: 3.84 to 3.99%) per annum.

15.2 This represents an amount of USD 5,200 thousand (2016: USD 5,251 thousand) in US Dollar deposit and current accounts.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

	Quarter ended		Nine Months ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	Rupees	Rupees	Rupees	Rupees
16 TURNOVER - NET				
Gross Energy Purchase Price (EPP)	2,952,805,224	2,590,332,319	9,987,479,408	7,364,312,245
Less: sales tax	(752,484,981)	(442,073,978)	(2,313,778,883)	(1,413,271,961)
	2,200,320,243	2,148,258,341	7,673,700,525	5,951,040,284
Capacity Purchase Price (CPP)	1,075,819,260	1,005,427,225	3,226,021,182	3,106,130,703
	3,276,139,503	3,153,685,566	10,899,721,707	9,057,170,987
17 COST OF SALES				
Raw material consumed	2,004,119,908	2,014,249,546	7,048,635,290	5,526,287,800
Operation and maintenance	200,689,931	193,751,534	641,576,891	570,381,113
Salaries and other benefits	11,804,551	9,418,632	38,025,081	31,685,409
Electricity charges	11,626,828	6,732,659	28,830,557	17,595,974
Insurance	33,387,842	33,612,790	99,502,804	99,624,924
Depreciation	146,106,947	146,054,430	438,215,807	438,163,289
Office expenses	237,568	218,293	725,156	713,317
Traveling, conveyance and entertainment	285,674	107,056	720,347	473,880
Repair and maintenance	19,610	52,507	166,434	98,852
Communication	49,098	21,770	114,746	91,880
Others	96,843	66,836	176,302	137,312
	2,408,424,800	2,404,286,053	8,296,689,415	6,685,253,750
18 FINANCE COST				
Mark-up on long term borrowings	137,287,782	169,081,793	433,072,806	541,910,963
Mark-up on short term borrowings	25,744,450	6,100,116	65,272,792	40,577,575
Exchange loss	688,692	270,940	706,574	423,951
Bank and other charges	15,064,191	10,975,694	15,900,634	25,562,986
	178,785,115	186,428,543	514,952,806	608,475,475
19 OTHER INCOME				
Income from financial assets				
Income on deposits and investments	822,128	3,474,071	3,632,094	9,693,025
Income from non - financial assets				
Gain on disposal of property, plant and equipment	-	1,439,413	37,965	1,944,179
	822,128	4,913,484	3,670,059	11,637,204

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

	Quarter ended		Nine Months ended	
	30 September 2017 Rupees	30 September 2016 Rupees	30 September 2017 Rupees	30 September 2016 Rupees
20 EARNING PER SHARE				
Profit for the period (Rupees)	648,287,393	534,795,508	1,970,981,005	1,673,464,679
Weighted average number of shares	386,471,779	386,471,779	386,471,779	386,471,779
Earnings per share - Basic (Rupees)	1.68	1.38	5.10	4.33

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

		30 September 2017 Rupees	30 September 2016 Rupees
21 CASH AND CASH EQUIVALENTS	Note		
Short term investments	14	-	104,702,360
Bank balances	15	1,979,708	4,723,213
		1,979,708	109,425,573

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

'Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

'The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

¹- Quoted prices (unadjusted) in active markets for identical assets or Liabilities (level 1).

¹- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

¹- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

22.1 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		Carrying Amount				Fair value			
On-balance sheet financial instruments	Note	Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 September 2017									
(Rupees)									
Financial assets measured at fair value		-	-	-	-	-	-	-	-
Financial assets not measured at fair value	22.2								
Short term investments		-	-	-	-	-	-	-	-
Trade debts		-	5,397,219,725	-	5,397,219,725	-	-	-	-
Trade deposits		-	1,038,000	-	1,038,000	-	-	-	-
Other receivables		-	2,586,071	-	2,586,071	-	-	-	-
Bank balances		-	1,979,708	-	1,979,708	-	-	-	-
Total		-	5,402,823,504	-	5,402,823,504	-	-	-	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

Note	Carrying Amount				Fair value			
	Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees)								
Financial liabilities not measured at fair value								
Long term financing	-	-	5,612,912,206	5,612,912,206	-	-	-	-
Sub-ordinated loan	-	-	727,416,720	727,416,720	-	-	-	-
Liabilities against assets subject to modaraba lease	-	-	18,431,919	18,431,919	-	-	-	-
Trade and other payables 22.2 & 22.3	-	-	1,248,663,390	1,248,663,390	-	-	-	-
Markup accrued 22.2	-	-	365,913,857	365,913,857	-	-	-	-
Short term borrowings 22.2	-	-	1,903,838,851	1,903,838,851	-	-	-	-
Total	-	-	9,877,176,943	9,877,176,943	-	-	-	-
31 December 2016								
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets not measured at fair value 22.2	-	-	-	-	-	-	-	-
Short term investments	-	150,000,000	-	150,000,000	-	-	-	-
Long term investments	-	4,674,560	-	4,674,560	-	-	-	-
Trade debts	-	4,377,319,135	-	4,377,319,135	-	-	-	-
Trade deposits	-	1,038,000	-	1,038,000	-	-	-	-
Other receivables	-	1,569,666	-	1,569,666	-	-	-	-
Bank balances	-	2,763,065	-	2,763,065	-	-	-	-
Total	-	4,537,364,426	-	4,537,364,426	-	-	-	-
Financial liabilities measured at fair value								
Financial liabilities not measured at fair value								
Long term financing	-	-	6,499,483,656	6,499,483,656	-	-	-	-
Sub-ordinated loan	-	-	722,932,879	722,932,879	-	-	-	-
Liabilities against assets subject to finance lease	-	-	6,068,880	6,068,880	-	-	-	-
Trade and other payables 22.2 & 22.3	-	-	1,006,047,069	1,006,047,069	-	-	-	-
Markup accrued 22.2	-	-	359,724,299	359,724,299	-	-	-	-
Short term borrowings 22.2	-	-	1,266,873,073	1,266,873,073	-	-	-	-
Total	-	-	9,861,129,856	9,861,129,856	-	-	-	-

22.2 The Company has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

22.3 It excludes withholding tax payable and payable against WPPF.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

	Un-audited 30 September 2017 Rupees	Un-audited 30 September 2016 Rupees
23 RELATED PARTY TRANSACTIONS		
Transactions with related parties during the period are as follows:		
Transactions with Holding Company		
Rent	4,130,244	4,030,056
Dividend	720,045,059	493,181,547
Transactions with associated undertakings due to common directorship		
Expenses incurred on behalf of the company	290,152	131,544
Dividend	365	325
Transaction with key management personnel		
Dividend	59,008	35,004
Remuneration, allowances and benefits	52,361,933	41,984,702

24 GENERAL

24.1 Figures have been rounded off to the nearest rupee.

24.2 These financial statements were approved by the Board of Directors in their meeting held on 25 October, 2017.



Jama Punji

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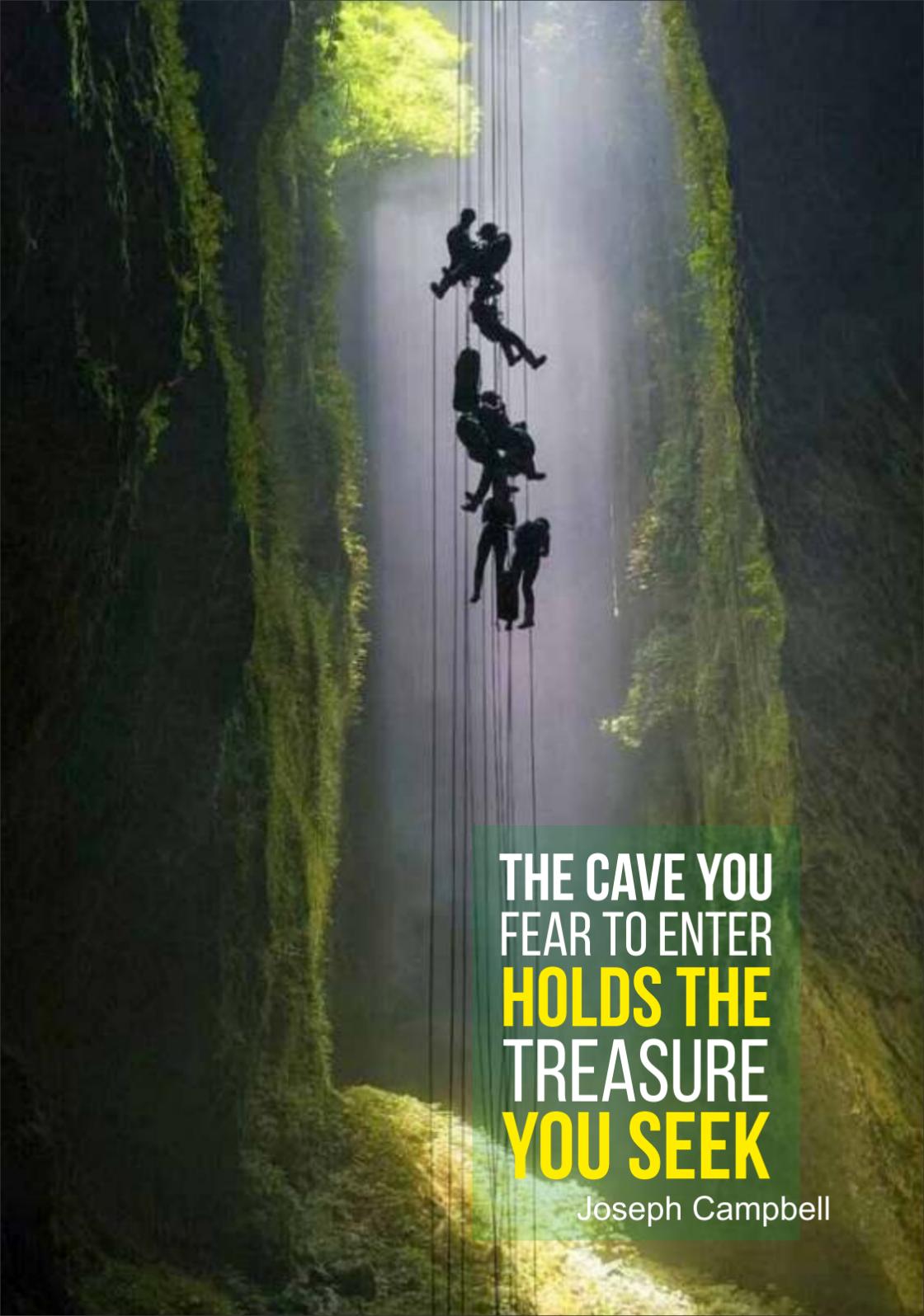


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A group of people are rappelling down a dark, mossy cave wall. They are silhouetted against a bright, glowing opening at the top of the cave. The walls are covered in green moss and the atmosphere is misty. The text is overlaid on the bottom right of the image.

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FEAR TO ENTER
HOLDS THE
TREASURE
YOU SEEK**

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Azad Jammu & Kashmir



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