



LALPIR POWER LIMITED

HALF YEARLY REPORT

FOR THE PERIOD ENDED
JUNE 30, 2016

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. Kamran Rasool	
Mr. Khalid Qadeer Qureshi	
Mr. Muhammad Azam	
Mr. Mahmood Akhtar	

AUDIT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mian Hassan Mansha	Chairman
Mr. Kamran Rasool	
Mr. Ghazanfar Hhusain Mirza	

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
 KASB Bank 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 2016.

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 941,686 MWH of electricity as compared with 1,039,285 MWH dispatched during the corresponding six months of the previous financial year. Resultantly the capacity factor remained at 61.8% as against 68.8% 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 2016 are as follows:

Financial Highlights	HALF YEAR ENDED	
	30 June 2016	30 June 2015
Revenue (Rs '000')	7,804,626	12,360,264
Gross profit (Rs '000')	1,011,213	1,154,564
Gross profit ratio to revenue (%)	12.96	9.34
After tax profit (Rs '000')	572,364	635,930
After tax profit ratio to revenue (%)	7.33	5.15
Earnings per share (Rs)	1.51	1.67

The Company has posted after tax profit of Rs. million as 572.364 against Rs 635.930 million earned in the comparative period. The net profits of the Company demonstrated the Earning per Share of Rs 1.51 as against Rs. 1.67 earned per share in the previous period. Main reason for variation in net profit for period ended 30th June-16 in Comparison with period ended 30th June-15 is decrease in Delayed payment interest revenue charged to WAPDA and increase in insurance charges.

With respect to auditor's comments in their report we report that WAPDA has raised invoices for liquidate damages to the company on account of short supply of electricity by the company. The Company disputes and rejects balance claims on account of liquidated damages that are 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.

Against these the Company has raised invoice dispute notices to WAPDA. The Company after mediation with WAPDA has appointed the expert, under the mechanism given in the PPA, who has commenced his work. Further, according to legal advice available with the Company, there are adequate grounds to defend any claim by WAPDA for such liquidated damages.

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 23, 2016 has announced 1st Interim Cash Dividend at the rate of PKR 1/- per share (i.e. 10%) for the half year ended June 30, 2016 for which the date of entitlement has been fixed as 24 September 2016 to 30 September 2016.

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: 23 August 2016



ڈائریکٹرز رپورٹ لال پیر پاور لمیٹڈ

لال پیر پاور لمیٹڈ "دی کمپنی" کے ڈائریکٹرز 30 جون 2016 مختصر 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 رہی ہے۔ بجلی کا واحد خریدار وائٹ ہاؤس پاور ڈیولپمنٹ اتھارٹی (واپڈا) ہے۔

زیر جائزہ مدت کے دوران ہم رپورٹ کرتے ہیں کہ پاور پلانٹ گزشتہ مالی سال کے اسی چھ ماہ کے دوران 1,039,285 MWH ترسیل کے مقابلے میں بجلی کی 941,686 MWH ترسیل کے تمام آپریٹنگ معیارات حاصل کئے ہیں۔ نتیجے میں صلاحیتی عنصر گزشتہ مالی سال کے مقابلے کے چھ ماہ میں ظاہر کردہ 68.8 فیصد کے برعکس 61.8 فیصد رہا ہے۔

مالیاتی نتائج:

30 جون 2016 کو ختم ہونے والی ششماہی کے لئے کمپنی کے مالیاتی نتائج مندرجہ ذیل ہیں:

مالی جھلکایاں	30 جون 2016	30 جون 2015
محصولات (000 روپے)	7,804,626	12,360,264
خام منافع (000 روپے)	1,011,213	1,154,564
خام منافع تناسب محصولات (فیصد)	12.96	9.34
بعد از ٹیکس منافع (000 روپے)	572,364	635,930
بعد از ٹیکس منافع تناسب محصولات (فیصد)	7.33	5.15
آمدن فی شخص (روپے)	1.51	1.67

کمپنی نے تقابلی مدت میں 635,930 ملین روپے آمدن کے برعکس 572,364 ملین روپے بعد از ٹیکس منافع درج کیا ہے۔ کمپنی کا خالص منافع، گزشتہ مدت میں (1.67) روپے فی شیئر آمدن کے مقابلے میں 1.51 روپے فی شیئر آمدن ظاہر کرتا ہے۔ 30 جون 2015 کو اختتام مدت کے مقابلے میں 30 جون 2016 کو اختتام مدت کے خالص منافع میں تبدیلی کی بنیاد واپڈا سے وصول ہونے والے منافع کی ادائیگی میں تاخیر میں کی ہے۔

آڈیٹرز کی رپورٹ میں ان کے تبصرے سے ہم بیان کرتے ہیں کہ واپڈا نے کمپنی کو Liquidated Damages کی انوائسز جاری کی ہیں جسکی وجہ بجلی کی مطلوبہ مقدار فراہم نہ کرنا ہے۔ کمپنی واپڈا کی طرف سے اس دعویٰ کو مسترد کرتے ہوئے یہ موقف اختیار کرتی ہے کہ بجلی کی مطلوبہ مقدار فراہم نہ کر پانا واپڈا کی طرف سے واجبات کی بروقت ادائیگی نہ ہونے کی بنیاد ہے۔ جس کی وجہ سے کمپنی اپنے ایندھن سپلائرز کو بروقت ادائیگی نہ کر سکی اور یہ کہ ایندھن میں کمی کی وجہ سے بجلی کی مطلوبہ پیداوار حاصل ہو سکی۔

اس کے خلاف کمپنی نے واپڈا کو انوائس تنازعہ کا نوٹس جاری کر دیا ہے۔ واپڈا کے ساتھ ثالثی کے بعد کمپنی نے PPA میں دیئے گئے میکانزم کے تحت ماہر مقرر کیا ہے جس نے اپنا کام شروع کر دیا ہے۔ اس کے علاوہ، کمپنی کے ہاں دستیاب قانونی مشیر کے مطابق، اس طرح کے نقصانات کے لئے واپڈا کی طرف سے کسی بھی دعویٰ کا دفاع کرنے کے لئے کافی وجوہات موجود ہیں۔

منافع منقسمہ کی تقسیم
کمپنی اپنے حصص یافتگان کے مفادات کا تحفظ کرنے کے عزم کا پاس جاری رکھے ہوئے ہے اور آپ کو مطلع کرنے میں انتہائی خوشی محسوس کرتی ہے کہ بورڈ نے 23 اگست 2016 کو منقسمہ اپنے اجلاس میں 30 جون 2016 کو ختم ہونے والے نصف سال کے لئے پہلے عبوری نقد منافع منقسمہ بشرح -/ PKR 1 فی شیئر (یعنی 10%) کا اعلان کیا ہے جس کے لئے استحقاق کی تاریخ 24 ستمبر 2016 تا 30 ستمبر 2016 مقرر کی گئی ہے۔

اعتراف

ہم اپنے قابل قدر حصص یافتگان، واپڈا، مالیاتی اداروں، قرض دہندہ، پاکستان اسٹیٹ آئل اور دیگر سپلائرز، کے کمپنی میں ان کے اعتماد اور یقین اور ان کی قابل قدر حمایت کا شکریہ ادا کرنا چاہتے ہیں جنہوں نے کمپنی کو بہتر نتائج حاصل کرنے 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 ایگزیکٹوز اور 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

اورنگ زیب فیروز
چیف ایگزیکٹو آفیسر

لاہور: 23 اگست 2016



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 2016 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 2016 and 30 June 2015 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 2016.

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 2016 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 6.1.2 to the condensed interim financial information which describes the uncertainty regarding outcome of claims lodged by Water and Power Development Authority (WAPDA), 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: 23 August 2016



CONDENSED INTERIM BALANCE SHEET

As at 30 June 2016

	Note	Un-audited 30 June 2016 (Rupees in thousand)	Audited 31 December 2015
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 500,000,000 (31 December 2015: 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 2015: 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		8,673,197	8,480,672
Total equity		12,578,588	12,386,063
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term financing	5	1,059,946	1,336,453
Employee benefit - gratuity		32,956	21,991
		1,092,902	1,358,444
CURRENT LIABILITIES			
Trade and other payables		375,115	442,653
Accrued mark-up / profit		105,819	136,883
Short-term borrowings		9,521,000	6,609,569
Current portion of long-term financing	5	553,015	553,015
		10,554,949	7,742,120
Total liabilities		11,647,851	9,100,564
CONTINGENCIES AND COMMITMENTS	6		
TOTAL EQUITY AND LIABILITIES		24,226,439	21,486,627

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


 CHIEF EXECUTIVE

	Note	Un-audited 30 June 2016 (Rupees in thousand)	Audited 31 December 2015
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	9,968,217	10,246,139
Investment property		10,243	10,284
Long term investment		895	969
Long-term loans to employees		45,927	55,955
Long term security deposit		300	300
		<u>10,025,582</u>	<u>10,313,647</u>
CURRENT ASSETS			
Stores, spare parts and other consumables		964,167	933,412
Fuel stock		183,996	406,970
Trade debts		7,867,217	6,677,326
Loans, advances and short-term prepayments		3,171,746	740,001
Other receivables		217,570	187,822
Sales tax recoverable		1,794,975	1,546,347
Cash and bank balances		1,186	681,102
		<u>14,200,857</u>	<u>11,172,980</u>
TOTAL ASSETS		<u><u>24,226,439</u></u>	<u><u>21,486,627</u></u>



DIRECTOR



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2016 (UN-AUDITED)

	Note	Half Year Ended		Quarter Ended	
		30 June	30 June	30 June	30 June
		2016	2015	2016	2015
		(Rupees in thousand)		(Rupees in thousand)	
REVENUE		7,804,626	12,360,264	4,617,417	6,308,154
COST OF SALES	8	(6,793,413)	(11,205,700)	(4,082,008)	(5,814,415)
GROSS PROFIT		1,011,213	1,154,564	535,409	493,739
ADMINISTRATIVE EXPENSES		(89,519)	(81,584)	(39,779)	(46,182)
OTHER EXPENSES		(1,039)	(4,259)	(519)	(3,741)
OTHER INCOME		6,888	2,168	5,714	4,557
		927,543	1,070,889	500,825	448,373
FINANCE COST		(355,105)	(433,868)	(174,241)	(196,674)
SHARE OF LOSS FROM ASSOCIATED COMPANY		(74)	(1,091)	(74)	(1,091)
PROFIT BEFORE TAXATION		572,364	635,930	326,510	250,608
TAXATION		-	-	-	-
PROFIT AFTER TAXATION		572,364	635,930	326,510	250,608
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		572,364	635,930	326,510	250,608
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)		1.51	1.67	0.86	0.66

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 2016 (UN-AUDITED)

		Half Year Ended	
		30 June 2016	30 June 2015
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (utilized in) / generated from operations	9	(2,408,112)	1,063,489
Finance cost paid		(386,169)	(476,293)
Interest income received		96	67
Long-term loans to employees - net		(5,717)	(2,795)
Income tax paid		(6,183)	(3,097)
Gratuity		5,093	4,690
Net cash (utilized in) / generated from operating activities		(2,800,992)	586,061
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(135,257)	(65,776)
Proceeds from disposal of operating fixed assets		1,094	9,239
Net cash used in investing activities		(134,163)	(56,537)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing		(276,507)	-
Dividend paid		(379,685)	(379,428)
Net cash used in financing activities		(656,192)	(379,428)
Net (decrease) / increase in cash and cash equivalents		(3,591,347)	150,096
Cash and cash equivalents at beginning of the period		(5,928,467)	(7,286,252)
Cash and cash equivalents at end of the period		(9,519,814)	(7,136,156)
CASH AND CASH EQUIVALENTS			
Cash in hand		417	7
Cash at banks		769	195,344
Short-term borrowings		(9,521,000)	(7,331,507)
		(9,519,814)	(7,136,156)

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 2016 (UN-AUDITED)

SHARE CAPITAL	RESERVES		TOTAL EQUITY	
	Capital	Revenue		
	Retained payments reserve	Un- appropriated profit		
(-----Rupees in thousand-----)				
Balance as at 31 December 2014 - audited	3,798,387	107,004	8,392,946	12,298,337
Transactions with owners - Final dividend for the year ended 31 December 2014 @ Rupee 1 per share	-	-	(379,839)	(379,839)
Profit for the half year ended 30 June 2015	-	-	635,930	635,930
Other comprehensive income for the half year ended 30 June 2015	-	-	-	-
Total comprehensive income for the half year ended 30 June 2015	-	-	635,930	635,930
Balance as at 30 June 2015 - un-audited	3,798,387	107,004	8,649,037	12,554,428
Transactions with owners - Interim dividend for the year ended 31 December 2015 @ Rupee 1 per share	-	-	(379,839)	(379,839)
Profit for the half year ended 31 December 2015	-	-	213,933	213,933
Other comprehensive loss for the half year ended 31 December 2015	-	-	(2,459)	(2,459)
Total comprehensive income for the half year ended 31 December 2015	-	-	211,474	211,474
Balance as at 31 December 2015 - audited	3,798,387	107,004	8,480,672	12,386,063
Transactions 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

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 2016 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

Lalpir Power Limited (“the Company”) was incorporated in Pakistan on 08 May 1994 under the Companies Ordinance, 1984. 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 Companies Ordinance, 1984. This condensed interim financial information of the Company for the half year ended 30 June 2016 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 Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the 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 2015.

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 2015.

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 2015.



5. LONG TERM FINANCING

	Un-audited 30 June 2016 (Rupees in thousand)	Audited 31 December 2015
Opening balance	1,889,468	1,990,839
Less: Repaid during the period / year	276,507	101,371
	1,612,961	1,889,468
Less: Current portion shown under current liabilities	553,015	553,015
	1,059,946	1,336,453

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

- 6.1.1 Up to the year ended 31 December 2002, the Company had recorded and paid to the Federal Treasury contributions on its annual profit as per the provisions of the Companies Profits (Workers' Participation) Act, 1968 (the Act).

Based on legal advice, the Company filed a petition on 15 April 2004 in the Lahore High Court challenging the application of the Act to the Company on the grounds that since inception the Company has not employed any person who falls within the definition of the term "Worker" as per the provisions of the Act. The Company asserts that it had erroneously deposited in the past certain sums with Federal Treasury as contributions of Workers' Profit Participation Fund (WPPF) and Workers' Welfare Fund (WWF), although it was not obligated to make such payments. The petition was filed subsequent to the Company's receipt of the Federal Board of Revenue's Income Tax / Wealth Tax Circle's letter dated 30 March 2004 directing the Company to allocate five percent of its net profit towards the WPPF and deposit the un-utilized amount of the WPPF in the Federal Treasury. The petition had been filed against the Labour, Manpower and Overseas Pakistani Division of Ministry of Labour, Manpower and Overseas Pakistanis.

The management, based on legal advice, asserts that if the Company does not succeed in the above petition and it is held that the scheme is applicable to the Company, any payments that the Company is ultimately required to make under the provision of the Act are considered as pass through items recoverable from Water and Power Development Authority (WAPDA) under the provisions of the Power Purchase Agreement (PPA). Consequently, there will be no impact on its financial position and its results of operations, even if it does not succeed in the above petition.

Consequent to the amendments that have been made in the Act through the Finance Act, 2006, the Company is required to pay 5% of its profits to WPPF from the financial year 2006. The Company established a workers' profit participation fund to comply with the requirements of the Companies Profit (Workers' Participation) Act, 1968. The changes to the law will not affect the aforementioned petition filed by the Company. The Company expects a favourable outcome of the matter.

- 6.1.2 WAPDA has raised invoices for liquidated damages to the Company from 11th to 19th (up to April 2016) agreement year (after taking into account forced outage allowance stipulated under the terms of Power Purchase Agreement) 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 WAPDA in making timely payments. Liquidated damages invoiced to the Company amounts to Rupees 3,405 million (31 December 2015: Rupees 3,405

million). Out of these the Company has accepted and paid Rupees 22.038 million (31 December 2015: Rupees 21.94 million). The Company disputes and rejects balance claims on account of liquidated damages that are raised by WAPDA on the premise that its failure to despatch 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. Against these the Company has raised invoice dispute notices to WAPDA. The Company has appointed mediation expert under the mechanism given in the PPA. Further, according to legal advice available with the Company, there are adequate grounds to defend any claim by WAPDA for such liquidated damages since these conditions were imposed on the Company due to circumstances beyond its control. 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.

- 6.1.3 The Deputy Commissioner Inland Revenue (DCIR) issued order to the Company in which sales tax refund claims amounting to Rupees 910.122 million for the tax periods from November 2008 to July 2012 were rejected by apportioning input sales tax between capacity invoices and energy invoices and allowed input sales tax allocated to energy invoices only. Against aforesaid order, the Company filed appeal before Commissioner Inland Revenue (Appeals) [CIR(A)] which was decided in favour of the Company. Against the order of CIR(A), tax department filed appeal before the Appellate Tribunal Inland Revenue (ATIR). ATIR decided the case in favour of tax department and vacated the order passed by CIR(A). Against the decision of ATIR, the Company has filed reference application in the Honourable Lahore High Court ("the Court") which is in the process of hearing. Further, DCIR issued show cause notice to the Company for the tax periods from August 2009 to December 2012 declaring refund claims amounting to Rupees 1,971.516 million being inadmissible on aforesaid grounds. The Company challenged the show cause notice before the Court along with reply of the show cause notice to DCIR. The Court, as an interim relief, stayed the proceedings of the show cause notice during the pendency of the proceedings before the Court. The management is of the view that there are meritorious grounds available to defend the foregoing rejection. Consequently, no provision for such rejection has been made in this condensed interim financial information.
- 6.1.4 The tax authorities completed assessment proceedings under section 122(5A) of the Income Tax Ordinance, 2001 for the tax years 2009 to 2014 creating a demand of Rupees 971.329 million on account of interest on delayed payments by WAPDA not been offered for tax. As per tax authorities, interest on delayed payments falls under the head income from other sources and is not exempt from tax as the same is not covered under clause 132, Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Company filed appeals against foregoing assessment proceedings before Commissioner Inland Revenue (Appeals) [CIR(A)], which were decided in favour of the Company. Against the orders of CIR(A), tax authorities have filed appeals before the Appellate Tribunal Inland Revenue (ATIR) which are in the process of hearing. Based on tax advisor's opinion and CIR(A)'s decision in favour of the Company, the management is confident that the matter will be decided in favour of the Company and accordingly no provision has been made in this condensed interim financial information.
- 6.1.5 The Deputy Commissioner Inland Revenue (DCIR), through an assessment order, rejected the deferred sales tax refund claims of different tax periods amounting to Rupees 81.850 million on the grounds that the Company has failed to prove admissibility of refund claims in the light of objection raised by Sales Tax Automated Refund Repository (STARR). The Company filed an appeal before CIR(A) which has not yet been taken up for hearing. The management is of the view that there are meritorious grounds available to defend the foregoing rejection. Consequently, no provision for such rejection has been made in this condensed interim financial information.



6.1.6 The banks of the Company have issued a letter of credit in favour of Water and Power Development Authority (WAPDA) for an amount of Rupees 596 million (31 December 2015: Rupees 596 million) to meet its obligations under the Power Purchase Agreement (PPA).

6.1.7 The bank of the Company has issued a letter of guarantee in favour of Outreach (Private) Limited - fuel supplier for an amount of Rupees Nil (31 December 2015: Rupees 100 million).

6.1.8 Post dated cheques amounting to Rupees Nil (31 December 2015: Rupees 218 million) were issued in favour of fuel suppliers against purchase of fuel.

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 2016 (Rupees in thousand)	Audited 31 December 2015
6.2.2 Commitments in respect of letters of credit for capital expenditure	207,776	278,009
6.2.3 Commitments in respect of other than capital expenditure	79,815	278,403
7. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 7.1)	9,528,439	9,649,568
Capital work-in-progress (Note 7.2)	439,778	596,571
	<u>9,968,217</u>	<u>10,246,139</u>
7.1 Operating fixed assets		
Opening book value	9,649,568	10,231,231
Add: Cost of additions during the period / year (Note 7.1.1)	292,050	450,343
Less: Book value of deletions / derecognitions during the period / year (Note 7.1.2)	1,094	255,852
Less: Transferred to investment property	-	10,367
Less: Depreciation charged during the period / year	412,085	765,787
Closing book value	<u>9,528,439</u>	<u>9,649,568</u>

	Un-audited 30 June 2016 (Rupees in thousand)	Audited 31 December 2015
7.1.1 Cost of additions		
Buildings on freehold land	2,354	-
Plant and machinery	284,008	430,054
Furniture and fixtures	469	5
Vehicles	-	17,601
Office equipment	1,323	2,588
Electric equipment and appliances	3,896	95
	<u>292,050</u>	<u>450,343</u>
7.1.2 Book value of deletions / derecognitions		
Cost		
- Plant and machinery	26,246	496,625
- Vehicles	2,118	22,119
- Office equipment	-	27
- Furniture and fixtures	-	59
	<u>28,364</u>	<u>518,830</u>
Less: Accumulated depreciation	27,270	262,978
	<u>1,094</u>	<u>255,852</u>
7.2 Capital work-in-progress		
Civil works	35,556	20,285
Plant and machinery	404,222	576,014
Others	-	272
	<u>439,778</u>	<u>596,571</u>

	(Un-audited) Half Year Ended		(Un-audited) Quarter Ended	
	30 June 2016 (Rupees in thousand)	30 June 2015	30 June 2016 (Rupees in thousand)	30 June 2015
8. COST OF SALES				
Fuel cost	5,986,865	10,476,564	3,647,005	5,437,831
Operation and maintenance costs	194,587	203,131	115,988	119,315
Insurance	216,663	158,058	108,331	79,018
Depreciation	395,200	365,366	211,885	177,832
Liquidated damages to WAPDA	98	502	87	47
Others	-	2,079	(1,288)	372
	<u>6,793,413</u>	<u>11,205,700</u>	<u>4,082,008</u>	<u>5,814,415</u>



(Un-audited)
Half Year Ended

9. CASH GENERATED FROM OPERATIONS

	30 June 2016 (Rupees in thousand)	30 June 2015
Profit before taxation	572,364	635,930
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	412,085	389,041
Depreciation on investment property	41	-
Provision for gratuity	5,872	5,481
Loss on disposal of operating fixed assets	-	3,222
Share of loss from associated company	74	1,091
Interest income	(96)	(67)
Finance cost	355,105	433,868
Cash flows from operating activities before working capital changes	1,345,445	1,468,566
(Increase) / decrease in current assets:		
Stores, spare parts and other consumables	(30,755)	(15,646)
Fuel stock	222,974	(882,644)
Trade debts	(1,189,891)	(160,783)
Loans, advances and short-term prepayments	(2,409,817)	(17,754)
Other receivables	(29,748)	(31,833)
Sales tax recoverable	(248,628)	(46,764)
	(3,685,865)	(1,155,424)
(Decrease) / increase in trade and other payables	(67,692)	750,347
	(2,408,112)	1,063,489

10. INFORMATION FOR ALL SHARES ISLAMIC INDEX SCREENING

Description	Un-audited 30 June 2016		Audited 31 December 2015	
	Carried under		Carried under	
	Shariah non-compliant arrangements	Shariah compliant arrangements	Shariah non-compliant arrangements	Shariah compliant arrangements

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

10.1 Assets

Loans and advances

Long term loans to employees	-	86,890	-	81,173
Loans and advances	1,000,000	1,738,093	-	363,084
Long term security deposits	-	300	-	300

Bank balances	763	6	680,949	-
----------------------	-----	---	---------	---

Description	Un-audited 30 June 2016		Audited 31 December 2015	
	Carried under		Carried under	
	Shariah non-compliant arrangements	Shariah compliant arrangements	Shariah non-compliant arrangements	Shariah compliant arrangements

10.2 Liabilities

Loan and advances

(Rupees in thousand)				
Long term financing	161,037	1,451,924	188,643	1,700,825
Short term borrowings	6,546,001	2,974,999	3,106,577	3,502,992

Description	Un-audited 30 June 2016		Un-audited 30 June 2015	
	Carried under		Carried under	
	Shariah non-compliant arrangements	Shariah compliant arrangements	Shariah non-compliant arrangements	Shariah compliant arrangements

10.3

Profit on deposits with banks

(Rupees in thousand)				
Income				
	96	-	67	-

(Un-audited)
Half Year Ended

10.4 Sources of other income

(Rupees in thousand)		
	30 June 2016	30 June 2015
Profit of deposits with banks	96	67
Scrap sale	4,692	-
Rental income	2,100	2,101

10.5 Whole revenue of the Company is from power generation.

10.6 Relationship with banks

Name	Relationship with	
	Non Islamic window operations	With Islamic windows operations
National Bank of Pakistan	✓	-
Allied Bank Limited	✓	-
Askari Bank Limited	✓	-
Bank Alfalah Limited	✓	-
Faysal Bank Limited	✓	-
Habib Bank Limited	✓	✓
Habib Metropolitan Bank Limited	✓	-
MCB Bank Limited	✓	-
NIB Bank Limited	✓	-
Standard Chartered Bank (Pakistan) Limited	✓	✓
United Bank Limited	✓	-
Al-Baraka Bank (Pakistan) Limited	-	✓
Bank Islami Pakistan Limited	-	✓
Meezan Bank Limited	-	✓
The Bank of Punjab	✓	-



11. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated undertakings, key management personnel and staff retirement benefit plans. Transactions with related parties include expenses charged between these parties. 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 2016 (Rupees in thousand)	30 June 2015	30 June 2016 (Rupees in thousand)	30 June 2015
Associated companies	Insurance premium	265,966	194,624	140,839	91,993
	Insurance claims	823	1,317	823	1,317
	Dividend paid	212,590	212,590	212,590	212,590
	Share of expenses	159,783	153,367	82,717	80,781
	Share of rental income	840	803	421	405
	Flying expense	871	-	871	-
	Rent expense	3,140	3,140	1,570	1,570
	Boarding lodging services	73	377	73	377
	Purchase of stores	1,944	458	1,944	458
	Sale of operating fixed assets	-	60	-	60
	Interest charged	7,466	-	7,466	-
	Loan made	1,000,000	-	1,000,000	-
	Stores and spares transferred to Stores and spares transferred from	3,370	-	3,370	-
	Key management personnel	Remuneration	1,182	-	1,182
Staff retirement benefits plans	Contribution to provident fund	3,809	3,554	2,433	2,280
	Contribution to gratuity fund	14,864	13,226	11,155	9,933
		11,744	10,962	8,808	8,221

Un-audited 30 June 2016 (Rupees in thousand)	Audited 31 December 2015
---	--------------------------------

Period end balances:

Payable to associated companies	1,275	-
Short term loan receivable from associated company	1,000,000	-

11.1 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".

12. 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 2015.

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

13. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company at their meeting held on 23 August 2016 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.

14. 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.

15. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue on 23 August 2016 by the Board of Directors of the Company.

16. GENERAL

Figures have been rounded off to the nearest thousand Rupees.


CHIEF EXECUTIVE


DIRECTOR



BOOK POST

PRINTED MATTER

UPC



N I S H A T

53-A, Lawrence Road, Lahore

Tel: 042-36367812-16

Fax: 042-36367414

UAN: 042-111-11-33-33