



NISHAT

PAKGEN POWER LIMITED
HALF YEARLY REPORT
FOR THE PERIOD ENDED
JUNE 30, 2018



DELIVERING
A SUSTAINABLE ENERGY FUTURE

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COMPANY PROFILE

THE COMPANY	Pakgen Power Limited ("the Company") was incorporated in Pakistan on 22 June 1995 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 365 MW in Mehmood Kot, Muzaffargarh, Punjab, Pakistan.	
BOARD OF DIRECTORS	Mian Hassan Mansha Mr. Aurangzeb Firoz Mr. Shahid Malik Dr. Arif Bashir Mr. Farrukh Ifzal Mr. Hassan Nawaz Tarar Mr. Badar Ul Hassan	Chairman
CHIEF EXECUTIVE OFFICER	Mr. Ghazanfar Hussain Mirza	
AUDIT COMMITTEE	Mr. Farrukh Ifzal Mr. Aurangzeb Firoz Mr. Shahid Malik	Chairman
CHIEF FINANCIAL OFFICER	Mr. Khalid Qadeer Qureshi	
COMPANY SECRETARY	Mr. Khalid Mahmood Chohan	
BANKERS OF THE COMPANY	Habib Bank Limited The Bank of Punjab Silk Bank Limited United Bank Limited Allied Bank Limited National Bank of Pakistan Bank Alfalah Limited Faysal Bank Limited Askari Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited (Formerly NIB Bank Limited) Bank Islami Pakistan Limited Al Baraka Bank (Pakistan) 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 **Pakgen Power Limited "the Company"** are pleased to present their report together with operational and financial results of your Company duly reviewed by statutory auditors for the Half year ended 30 June 2018.

Your Company is engaged in power generation with a dependable capacity of 350.00 MW furnace oil fired power plant against a gross capacity of 365 MW. Its shares are listed on the Pakistan Stock exchange. The Sole purchaser of the power is Central Power Purchasing Agency (Guarantee) Limited (CPPA-G). We report that during the period under review power plant by achieving all the operating standards dispatched 549,534 MWH of electricity as compared with 835,698 MWH dispatched during the corresponding six months of the previous financial year. Resultantly the capacity factor remained at 36.3% as against 55.2% demonstrated in the comparable six months of the previous financial year.

Financial Results:

The financial results of the Company for period ended 30 June 2018 are as follows:

Financial Highlights	HALF YEAR ENDED	
	30 June 2018	30 June 2017
Revenue (Rs '000')	9,191,417	10,510,277
Gross profit (Rs '000')	1,069,263	1,076,516
Gross profit ratio to revenue (%)	11.63	10.24
After tax profit (Rs '000')	627,712	645,385
After tax profit ratio to revenue (%)	6.82	6.14
Earnings per share (Rs)	1.69	1.73

The Company has posted after tax Profit of Rs. 627.712 million as against Profit of Rs. 645.385 million incurred in the comparative period. The net Profit of the Company demonstrated the Profit per Share of Rs. 1.69 as against Rs. 1.73 Profit per share in the previous period. The main reason of variation in Profit is decrease in Liquidated damages as plant resumed operations during the period under reference.

The conclusions and recommendations of Justice @ Tassaduq Husain Jilani are not yet implemented. Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) is discussing the matter within government bodies to find a way forward.

Other significant matters

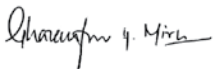
Due to induction of new and large size power generation facilities in the country, Pakgen Power Plant was dispatched less compared to past. The dispatch will depend on national demand, availability of RLNG and coal based plants in the system.

Acknowledgement

We wish to thank our valuable shareholders, CPPA(G), 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



(Ghazanfar Hussain Mirza)

Chief Executive Officer

Lahore: 20 August 2018

ڈائریکٹرز رپورٹ پاک جن پاور لمیٹڈ

پاک جن پاور لمیٹڈ ”کمپنی“ کے ڈائریکٹرز 30 جون 2018 مختتمہ ششماہی کے لئے آپ کی کمپنی کے آپریشنل اور مالیاتی نتائج پر مشتمل قانونی محاسب کی طرف سے باقاعدہ نظر ثانی شدہ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

آپ کی کمپنی 365 MW کی مجموعی صلاحیت کے برعکس 350.00 MW کی خاص صلاحیت کے ساتھ فرنس آئل فائرڈ پاور پلانٹ سے بجلی پیدا کرنے میں مصروف ہے۔ اس کے حصص پاکستان اسٹاک ایکسچینج میں درج ہیں۔ بجلی کا واحد خریدار سنٹرل پاور پراجیکٹ انجنیسی (گارنٹی) لمیٹڈ (CPPA-G) ہے۔

ہم بیان کرتے ہیں کہ زیر جائزہ مدت کے دوران پاور پلانٹ نے گزشتہ مالی سال کی اسی ششماہی کے دوران 835,698 MWH ترسیل کے مقابلے میں بجلی کی 549,534 MWH ترسیل کے تمام آپریٹنگ معیارات حاصل کئے ہیں۔ نتیجے میں صلاحیتی عنصر گزشتہ مالی سال کی ششماہی میں ظاہر کردہ 55.2 فیصد کے مقابلے 36.3 فیصد رہا ہے۔

مالیاتی نتائج:

30 جون 2018 کو ختم ہونے والی ششماہی کے لئے کمپنی کے مالیاتی نتائج مندرجہ ذیل ہیں:

مالی جھلکیاں	30 جون 2018 مختتمہ ششماہی	30 جون 2017 مختتمہ ششماہی
محصولات (000 روپے)	9,191,417	10,510,277
خام منافع (000 روپے)	1,069,263	1,076,516
خام منافع تناسب محصولات (فیصد)	11.63	10.14
بعد از ٹیکس منافع (000 روپے)	627,712	645,385
بعد از ٹیکس منافع تناسب محصولات (فیصد)	6.82	6.14
آمدن فی حصص (روپے)	1.69	1.73

کمپنی نے تقابلی مدت میں 645.35 ملین روپے منافع کے برعکس 627.712 ملین روپے بعد از ٹیکس منافع درج کیا ہے۔ کمپنی کا خالص منافع، گزشتہ مدت میں 1.73 روپے فی شیئر آمدن کے مقابلے میں 1.69 روپے فی شیئر آمدن ظاہر کرتا ہے۔ منافع میں فرق کی بڑی وجہ لیکویڈیٹی نقصانات میں کمی ہے کیونکہ پلانٹ کے آپریشنز پر جائزہ مدت کے دوران دوبارہ شروع ہوئے۔

جسٹس ریٹائرڈ تصدق حسین جیلانی کے نتائج اور سفارشات ابھی تک لاگو نہیں کی گئی ہیں۔ سنٹرل پاور پراجیکٹ انجنیسی (گارنٹی) لمیٹڈ (CPPA-G) مسائل کو حل کرنے کے لئے حکومتی اداروں کے ساتھ تبادلہ خیال کر رہا ہے۔

دیگر اہم معاملات

ملک میں نئی اور بڑے سائز کی پاور جنریشن سہولیات کی انڈکشن کی وجہ سے، پاک جن پاور پلانٹ نے ماضی کے مقابلے کم ترسیل کی۔ ترسیل کا انحصار قومی طلب RNLG کی دستیابی اور نظام میں کونڈریشن پلانٹس پر ہوگا۔

اظہار تشکر

ہم اپنے قابل قدر حصص داران CPA-G، مالی اداروں، قرض دہندگان، پاکستان اسٹیٹ آئل اور دیگر سپلائرز کے کمپنی پر اعتماد اور یقین اور ان کے قابل قدر تعاون کے شکر گزار ہیں جس نے کمپنی کو بہتر نتائج کے حصول کے قابل بنایا ہے۔

ہم ایک جدید اور حوصلہ افزا کام کے ماحول کے قیام اور پاور پلانٹ کے تمام شعبوں میں اعلیٰ سطح کی کارکردگی کو فروغ دینے کے لئے بھی انتظامیہ کی تعریف کرتے ہیں۔ ہم قابل ذکر نتائج کی فراہمی کے لئے کمپنی کے تمام عملہ کی مسلسل حمایت، سخت محنت اور عزم کو بھی سراہتے ہیں اور ہم کمپنی کے ساتھ ان کے طویل تعلقات چاہتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز

Shauqat y Mirza

جناب مظفر حسین مرزا

چیف ایگزیکٹو آفیسر

لاہور: 20 اگست 2018ء

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF PAKGEN POWER LIMITED REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of PAKGEN POWER LIMITED as at 30 June 2018 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of cash flows, and condensed interim statement of changes in equity, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and other comprehensive income and the notes forming part thereof for the quarters ended 30 June 2018 and 30 June 2017 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 2018.

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 statements 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 statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

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

The engagement partner on the audit resulting in this independent auditors' report is Mubashar Mehmood.



RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Mubashar Mehmood

Lahore: 20 August 2018

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	Un-audited 30 June 2018 (Rupees in thousand)	Audited 31 December 2017
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 400,000,000 (31 December 2017: 400,000,000) ordinary shares of Rupees 10 each		4,000,000	4,000,000
Issued, subscribed and paid-up share capital 372,081,591 (31 December 2017: 372,081,591) ordinary shares of Rupees 10 each		3,720,816	3,720,816
Capital reserve		116,959	116,959
Revenue reserve - Un-appropriated profit		12,022,045	11,766,415
Total equity		15,859,820	15,604,190
LIABILITIES			
NON-CURRENT LIABILITY			
Long-term finance - secured	5	111,456	334,369
CURRENT LIABILITIES			
Trade and other payables		987,157	1,169,600
Unclaimed dividend		20,648	5,337
Accrued mark-up / interest		114,670	108,124
Short-term borrowings		10,586,512	9,194,511
Loan from related party		870,000	-
Current portion of long-term finance	5	445,825	445,825
		13,024,812	10,923,397
Total liabilities		13,136,268	11,257,766
CONTINGENCIES AND COMMITMENTS			
	6		
TOTAL EQUITY AND LIABILITIES		28,996,088	26,861,956

The annexed notes form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

	Note	Un-audited 30 June 2018 (Rupees in thousand)	Audited 31 December 2017
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	8,078,472	8,525,337
Long-term loans		33,718	-
Long-term security deposit		300	300
		<u>8,112,490</u>	<u>8,525,637</u>
CURRENT ASSETS			
Stores, spare parts and other consumables		861,848	813,425
Fuel stock		901,732	420,331
Trade debts		16,119,519	14,166,522
Loan, advances and short-term prepayments		1,414,724	351,244
Other receivables		390,404	359,198
Sales tax recoverable		1,067,549	2,163,910
Cash and bank balances		127,822	61,689
		<u>20,883,598</u>	<u>18,336,319</u>
TOTAL ASSETS		<u><u>28,996,088</u></u>	<u><u>26,861,956</u></u>


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE HALF YEAR ENDED 30 JUNE 2018 (UN-AUDITED)

	Note	Half Year Ended		Quarter Ended	
		30 June	30 June	30 June	30 June
		2018	2017	2018	2017
		(Rupees in thousand)		(Rupees in thousand)	
REVENUE		9,191,417	10,510,277	5,079,953	5,656,271
COST OF SALES	8	(8,122,154)	(9,433,761)	(4,575,723)	(5,133,129)
GROSS PROFIT		1,069,263	1,076,516	504,230	523,142
ADMINISTRATIVE EXPENSES		(84,253)	(97,268)	(26,822)	(46,819)
OTHER EXPENSES		(1,657)	(11,649)	(926)	(11,110)
OTHER INCOME		18,663	5,255	15,599	1,584
PROFIT FROM OPERATIONS		1,002,016	972,854	492,081	466,797
FINANCE COST		(374,304)	(327,469)	(199,598)	(176,744)
PROFIT BEFORE TAXATION		627,712	645,385	292,483	290,053
TAXATION		-	-	-	-
PROFIT AFTER TAXATION		627,712	645,385	292,483	290,053
OTHER COMPREHENSIVE INCOME:					
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS ACCOUNT		-	-	-	-
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS ACCOUNT		-	-	-	-
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		627,712	645,385	292,483	290,053
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)		1.69	1.73	0.79	0.78

The annexed notes form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED 30 JUNE 2018 (UN-AUDITED)

		Half Year Ended	
Note	30 June 2018 (Rupees in thousand)	30 June 2017	
CASH FLOWS FROM OPERATING ACTIVITIES			
	Cash utilized in operations	9	
	Finance cost paid	(1,189,187)	(1,756,345)
	Interest income received	(367,758)	(294,347)
	Net increase in long term loans	17,824	4,409
	Income tax paid	(49,069)	-
	Gratuity paid	(6,425)	(5,505)
		(7,016)	(5,917)
	Net cash used in operating activities	(1,601,631)	(2,057,705)
CASH FLOWS FROM INVESTING ACTIVITIES			
	Capital expenditure on property, plant and equipment	(14,553)	(6,559)
	Net cash used in investing activities	(14,553)	(6,559)
CASH FLOWS FROM FINANCING ACTIVITIES			
	Repayment of long term finance	(222,913)	(222,913)
	Loan received from related party	870,000	-
	Dividend paid	(356,771)	(367,911)
	Net cash from / (used in) financing activities	290,316	(590,824)
	Net decrease in cash and cash equivalents	(1,325,868)	(2,655,088)
	Cash and cash equivalents at beginning of the period	(9,132,822)	(6,658,213)
	Cash and cash equivalents at end of the period	(10,458,690)	(9,313,301)
CASH AND CASH EQUIVALENTS			
	Cash in hand	230	110
	Cash at banks	127,592	139,504
	Short-term borrowings	(10,586,512)	(9,452,915)
		(10,458,690)	(9,313,301)

The annexed notes form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF
CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2018

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

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

Balance as at 31 December 2016 - audited	3,720,816	116,959	11,196,602	15,034,377
Transaction with owners - Final dividend for the year ended 31 December 2016 @ Rupee 1 per share	-	-	(372,082)	(372,082)
Profit for the half year ended 30 June 2017	-	-	645,385	645,385
Other comprehensive income for the half year ended 30 June 2017	-	-	-	-
Total comprehensive income for the half year ended 30 June 2017	-	-	645,385	645,385
Balance as at 30 June 2017 - un-audited	3,720,816	116,959	11,469,905	15,307,680
Transaction with owners - Interim dividend for the year ended 31 December 2017 @ Rupee 1 per share	-	-	(372,082)	(372,082)
Profit for the half year ended 31 December 2017	-	-	668,592	668,592
Other comprehensive income for the half year ended 31 December 2017	-	-	-	-
Total comprehensive income for the half year ended 31 December 2017	-	-	668,592	668,592
Balance as at 31 December 2017 - audited	3,720,816	116,959	11,766,415	15,604,190
Transaction with owners - Final dividend for the year ended 31 December 2017 @ Rupee 1 per share	-	-	(372,082)	(372,082)
Profit for the half year ended 30 June 2018	-	-	627,712	627,712
Other comprehensive income for the half year ended 30 June 2018	-	-	-	-
Total comprehensive income for the half year ended 30 June 2018	-	-	627,712	627,712
Balance as at 30 June 2018 - un-audited	3,720,816	116,959	12,022,045	15,859,820

The annexed notes form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

Pakgen Power Limited (“the Company”) was incorporated in Pakistan on 22 June 1995 under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017). The registered office of the Company is situated at 53-A, Lawrence Road, Lahore and head office is situated at 1-B, Aziz Avenue, Gulberg V, Lahore. The Company’s ordinary shares 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 365 MW in Mehmood Kot, Muzaffargarh, Punjab, Pakistan.

2. BASIS OF PREPARATION

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

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

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

2.2 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended 31 December 2017. These condensed interim financial statements are un-audited, however, have been subjected to limited scope review by the auditors and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Section 237 of the Companies Act, 2017.

3. ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of these condensed interim financial statements are same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 31 December 2017.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements 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 these condensed interim financial statements, 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 applied in the preceding audited annual published financial statements of the Company for the year ended 31 December 2017.

	Un-audited 30 June 2018 (Rupees in thousand)	Audited 31 December 2017
5. LONG-TERM FINANCE - SECURED		
Opening balance	780,194	1,226,019
Less: Repaid during the period / year	222,913	445,825
	557,281	780,194
Less: Current portion shown under current liabilities	445,825	445,825
	<u>111,456</u>	<u>334,369</u>

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

There is no significant change in the status of contingencies as disclosed in the preceding audited annual published financial statements of the Company for the year ended 31 December 2017 except for the following:

- 6.1.1** Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) has raised invoices for liquidated damages to the Company from 11th to 20th (up to April 2018) 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 CPPA-G in making timely payments. Liquidated damages invoiced to the Company amounts to Rupees 6,266 million (31 December 2017: Rupees 6,266 million). Out of these, the Company has accepted and paid Rupees 4,006.277 million (31 December 2017: Rupees 4,006 million). The Company disputes and rejects balance claims on account of liquidated damages that are raised by CPPA-G on the premise that its failure to dispatch electricity was due to CPPA-G's non-payment of dues on timely basis to the Company and consequential inability of the Company to make timely payments to its fuel supplier that resulted in inadequate level of electricity production owing to shortage of fuel. Against these the Company has raised invoice dispute notices to CPPA-G. The Company appointed mediation expert under the mechanism given in the Power Purchase Agreement (PPA). On 22 June 2017, the mediation expert gave his decision in favour of the Company. However, this decision is not binding on either party. The Company is in the process of negotiation with CPPA-G to settle the issue. The ultimate outcome of the matter cannot presently be determined, and consequently, no provision for such liquidated damages has been made in these condensed interim financial statements.

	Un-audited 30 June 2018 (Rupees in thousand)	Audited 31 December 2017
6.2 Commitments		
6.2.1 Commitments in respect of letters of credit for capital expenditure	-	43,832
6.2.2 Commitments in respect of other than capital expenditure	<u>255,743</u>	<u>279,302</u>

	Un-audited 30 June 2018 (Rupees in thousand)	Audited 31 December 2017
7. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 7.1)	8,050,761	8,482,603
Capital work-in-progress (Note 7.2)	27,711	42,734
	<u>8,078,472</u>	<u>8,525,337</u>
7.1 Operating fixed assets		
Opening book value	8,482,603	9,298,612
Add: Cost of additions during the period / year (Note 7.1.1)	29,576	112,360
Less: Book value of derecognitions during the period / year (Note 7.1.2)	388	10,813
Less: Depreciation charged during the period / year	461,030	917,556
Closing book value	<u>8,050,761</u>	<u>8,482,603</u>
7.1.1 Cost of additions		
Buildings on freehold land	-	7,844
Plant and machinery	28,992	103,914
Office equipment	574	122
Electric equipment and appliances	10	480
	<u>29,576</u>	<u>112,360</u>
7.1.2 Book value of derecognitions		
Plant and machinery		
- Cost	579	49,451
- Less: Accumulated depreciation	191	38,638
	<u>388</u>	<u>10,813</u>
7.2 Capital work-in-progress		
Plant and machinery	<u>27,711</u>	<u>41,734</u>

	Un-audited Half Year Ended		Un-audited Quarter Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	(Rupees in thousand)		(Rupees in thousand)	
8. COST OF SALES				
Fuel cost	7,199,905	8,480,855	4,086,787	4,582,067
Operation and maintenance costs	234,013	331,304	132,833	235,932
Insurance	229,074	224,587	114,537	112,280
Depreciation	459,111	396,952	242,838	204,097
Liquidated damages to CPPA-G	51	63	25	61
Others	-	-	(1,297)	(1,308)
	<u>8,122,154</u>	<u>9,433,761</u>	<u>4,575,723</u>	<u>5,133,129</u>

	Un-audited Half Year Ended	
	30 June 2018	30 June 2017
	(Rupees in thousand)	
9. CASH UTILIZED IN OPERATIONS		
Profit before taxation	627,712	645,385
Adjustments for non-cash charges and other items:		
Depreciation	461,030	398,945
Provision for gratuity	7,016	5,917
Loss on derecognition of operating fixed assets	388	9,790
Impairment loss on long term investment in associated company	-	842
Interest income	(17,824)	(4,409)
Finance cost	374,304	327,469
Cash flows from operating activities before working capital changes	<u>1,452,626</u>	<u>1,383,939</u>
Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and other consumables	(48,423)	(21,820)
Fuel stock	(481,401)	(86,089)
Trade debts	(1,952,997)	(2,511,608)
Loan, advances and short-term prepayments	(1,041,704)	8,369
Other receivables	(31,206)	(32,269)
Sales tax recoverable	1,096,361	(374,237)
	<u>(2,459,370)</u>	<u>(3,017,654)</u>
Decrease in trade and other payables	(182,443)	(122,630)
	<u>(1,189,187)</u>	<u>(1,756,345)</u>

10. TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of transaction	(Un-audited) Half Year Ended		(Un-audited) Quarter Ended	
		30 June 2018 (Rupees in thousand)	30 June 2017	30 June 2018 (Rupees in thousand)	30 June 2017
Associated companies	Insurance premium	271,686	260,330	134,290	130,180
	Insurance claims	364	-	364	-
	Share of expenses	-	181,002	(5,400)	94,982
	Share of rental income	-	846	-	(250)
	Rent expense	3,139	3,139	1,569	1,569
	Flying services	29,463	33,395	10,063	19,689
	Dividend	124,471	240,114	124,471	240,114
	Boarding lodging services	17	317	-	317
	Purchase of stores	180	-	180	-
	Interest charged	14,713	-	14,713	-
	Loan made	1,000,000	-	1,000,000	-
	Markup paid	5,769	22,283	5,769	18,175
	Loan obtained	870,000	1,000,000	870,000	1,000,000
	Stores and spares transferred to	-	4,026	-	4,026
Stores and spares transferred from	-	19,521	-	19,521	
Key management personnel	Remuneration	16,064	12,427	5,041	8,527
Staff retirement benefits plans	Contribution to provident fund	8,583	-	4,272	-
	Contribution to gratuity fund	7,016	-	3,508	-

Period end balances:

	Un-audited 30 June 2018 (Rupees in thousand)	Audited 31 December 2017
Short term loan payable to associated company	870,000	-
Short term loan receivable from associated company	1,000,000	-

11. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these condensed interim financial statements. To provide an indication about

the reliability of the inputs used in determining fair value, the Company classify its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

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 2017.

13. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 "Interim Financial Reporting", the condensed interim statement of financial position 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 statement of profit or loss and other comprehensive income, condensed interim statement of cash flows have been compared with the amounts 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 these condensed interim financial statements.

14. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 20 August 2018 by the Board of Directors of the Company.

15. GENERAL

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



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

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