



**Condensed Interim
Financial Information**
FOR SIX MONTHS ENDED
JUNE 30, 2019

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Board of Directors

Mrs. Hoor Yousafzai	Chairperson
Mr. Javed Saifullah Khan	Director
Mr. Osman Saifullah Khan	Director
Mr. Jehangir Saifullah Khan	Director
Mr. Assad Saifullah Khan	Director
Ms. Jehannaz Saifullah Khan	Director
Mr. Naved Abid Khan	Independent Director

Audit Committee

Mr. Naved Abid Khan	Chairman
Mr. Osman Saifullah Khan	Member
Mr. Jehangir Saifullah Khan	Member

Human Resource and Remuneration Committee

Mr. Naved Abid Khan	Chairman
Mr. Jehangir Saifullah Khan	Member
Mr. Assad Saifullah Khan	Member

Management

Mr. Sohail H Hydari
Chief Executive Officer

Mr. Hammad Mahmood
Chief Financial Officer

Mr. Ghias Ul Hassan
GM Power Plant

Mr. Waseemullah
Company Secretary

Auditors

M/s KPMG Taseer Hadi & Co.
Chartered Accountants
State Life Building No. 6,
Jinnah Avenue, Islamabad.

Legal Advisors

M/s Salahaiddin, Saif & Aslam
Attorneys at Law
M/s Cornelius, Lane & Mufti
Advocates & Solicitors

Registered/ Head Office

1st Floor, Kashmir Commercial Complex,
Fazal-ul-Haq Road Block E, Blue Area,
Islamabad, Pakistan.
Tel: +92-51-2271378-83
Fax: +92-51-2277670
Email: info.spl@saifgroup.com

Website

<http://www.saifpower.com>

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: +91-21-34168271
Email: secretariat@thk.com.pk
sfc@thk.com.pk

Bankers

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

Plant Location

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

DEAR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present a concise review of Company's financial and operational performance. The unaudited consolidated and unconsolidated condensed interim financial statements for the half Year ended June 30, 2019 are also attached.

PRINCIPAL ACTIVITY

Your Company is engaged in the generation of electricity which is supplied to the national grid. The 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 Almighty Allah, the operations remained smooth and the performance has been steady. Your Company's net profit during the period was Rs. 1,656 million as against Rs.1,509 million for the comparable period of 2018. Earnings per share (EPS) for the period is Rs. 4.29 (2018: Rs. 3.90).

PENDING ISSUES

In the case against SNGPL, the arbitration award in Company's favor for an amount of Rs.239.68 million was challenged by SNGPL both in civil court and in Lahore High Court (LHC). However, as expected, the LHC dismissed the petition from SNGPL. Supreme Court of Pakistan also disposed-off the appeal. Company has also filed a petition in the Civil Court Lahore to obtain the enforcement Decree in lieu of the Arbitration award. This amount has already been adjusted against payables to SNGPL. During the period, SNGPL has filed suit for recovery before District Judge (invested with Powers of the Gas utility Court), Lahore against this adjustment including a claim for a markup amount of Rs. 136.14 million from the dated of such adjustment.

They have also filed a request for Arbitration before LCIA. The Company's position is that no amount is payable to SNGPL and in any case, LCIA Arbitration is the only competent forum to decide on this case.

In the case against Power Purchaser, the Arbitrator has awarded Rs. 477.56 million in Company's favour along with related Costs. Company has filed a petition in Lahore High Court for its enforcement. Power Purchaser also challenged partial and final award in UK as well as in Civil Courts, however, it withdrew from UK courts.

FINANCIAL HIGHLIGHTS-UNCONSOLIDATED

	Half Year Ended June 30, 2019	Half Year Ended June 30, 2018
Rupees in Million.....	
Turnover	7,682	9,050
Operating Cost	5,268	7,076
Net Profit	1,656	1,509
Earnings per Share	4.29	3.90

FINANCIAL HIGHLIGHTS-CONSOLIDATED

	Half Year Ended June 30, 2019	Half Year Ended June 30, 2018
Rupees in Million.....	
Turnover	7,682	9,050
Operating Cost	5,268	7,076
Net Profit	1,655	1,509

OPERATIONAL HIGHLIGHTS

	Unit	Half year Ended June 30, 2019	Half year Ended June 30, 2018
Dispatch Level	%	45.76	77.01
Capacity made available	GWHs	871	858

Circular Debt

The power generation industry is currently going through a difficult liquidity situation due to shortfall in payments from the Power Purchaser. Receivables of the Company have thereby increased. Ministry of Energy (Power Division) is working on a Sukuk Bond to address this situation. GOP is also making efforts in general to significantly reduce the circular debt by end of 2020. Hopefully, this chronic problem will be resolved through measures like increase in electricity tariff, upgradation of transmission/grid network and, strict actions on non recoveries.

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.

On behalf of the Board,



Assad Saifullah Khan

Director

August 28, 2019

Islamabad

مالی جھلکیاں - مستحکم:

30 جون 2019ء کو ختم ہونے والا نصف سال	30 جون 2018ء کو ختم ہونے والا نصف سال	روپے ملین میں
9,050	7,682	کاروبار
7,076	5,268	آپریٹنگ کے اخراجات
1,509	1,655	خالص منافع

آپریٹنگ جھلکیاں:

یونٹ	30 جون 2019ء کو ختم ہونے والا نصف سال	30 جون 2018ء کو ختم ہونے والا نصف سال
تزیل کا یول	45.76	77.01
صلاحیت کی دستیابی	871	858
فیصدی	گیگا واٹس	

سرگرمی:

بجلی کے خریداروں کی ادائیگی میں کمی کی وجہ سے بجلی پیدا کرنے کی صنعت فی الحال مشکل ترین صورتحال سے گزر رہی ہے۔ کمپنی کی وصولیوں میں اضافہ ہوا ہے۔ اس صورتحال سے نمٹنے کے لئے وزارت توانائی (پاور ڈویژن) ایک سکوک بانڈ پر کام کر رہی ہے۔ 2020ء کے آخر تک سرگرمیوں میں نمایاں کمی لانے کے لئے حکومت پاکستان بھی عمومی طور پر کوششیں کر رہی ہے۔ امید ہے کہ بجلی کے نرخوں میں اضافے، ٹرانسمیشن / گریڈیشن ورک کی اپ گریڈیشن اور عدم بازیافتوں پر سخت ایکشن جیسے اقدامات کے ذریعے یہ دائمی مسئلہ حل ہو جائے گا۔

اعمالیہ نکتہ:

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

بورڈ آف ڈائریکٹرز کی نیابت سے:

Asad Ali

اسد سیف اللہ خان

ڈائریکٹر

اسلام آباد

28 اگست 2019ء

محرم حصص کشندگان:

بورڈ آف ڈائریکٹرز (BOD) کی جانب سے، کمپنی کی مالی اور آپریشنل کارکردگی کا ایک جامع جائزہ پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔ 30 جون 2019ء کو ختم ہونے والے نصف سال کے لیے کمپنی کے اور غیر متزلزل غیر محاسبہ شدہ عبوری مالی بیانات بھی ساتھ منسلک ہیں۔

اہم سرگرمی:

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

مالیاتی کارکردگی کا خلاصہ:

خدا کے فضل سے، تمام آپریشنز مہوار رہے ہیں اور کارکردگی مستحکم رہی ہے۔ اس عرصہ کے دوران آپ کی کمپنی کا خالص منافع 1,656 ملین روپے تھا جب کہ اس کے مقابلے میں سال 2018ء میں اتنے ہی عرصہ کے دوران یہ منافع 1,509 ملین روپے تھا۔ اس عرصہ کے دوران فی شیئر آمدنی 4.29 روپے ہے (جو کہ 2018ء میں 3.90 روپے تھی)۔

دیباچہ مسائل:

سوئی ناردرن گیس کے خلاف معاملے میں، 239.68 ملین روپے کے لئے کمپنی کے حق میں ثالثی ایوارڈ کو سوئی ناردرن کی طرف سے سول کورٹ اور لاہور ہائی کورٹ دونوں میں چیلنج کیا گیا تھا۔ تاہم، توقع کے مطابق، لاہور ہائی کورٹ نے سوئی ناردرن کی جانب سے دائر درخواست کو مسترد کر دیا۔ سپریم کورٹ آف پاکستان نے بھی اسے رد کر دیا۔ کمپنی نے ثالثی ایوارڈ کے عوض میں فرمان حاصل کرنے کے لئے سول کورٹ لاہور میں ایک درخواست بھی درج کی ہے۔ سوئی ناردرن گیس کو قابل ادا رقم کے معاملے میں یہ رقم پہلے ہی ایڈجسٹ کی گئی ہے۔ اس عرصہ کے دوران، سوئی ناردرن گیس نے اس ایڈجسٹمنٹ کے خلاف ڈسٹرکٹ جج (گیس یوٹیلیٹی کورٹ کے اختیارات کے ساتھ سرمایہ کاری) کے سامنے بازیابی کے لئے مقدمہ دائر کیا ہے، جس میں اس طرح کی ایڈجسٹمنٹ کی تاریخ سے 136.14 ملین روپے کی مارک اپ کی رقم کا دعویٰ بھی شامل ہے۔

انہوں نے لندن کی عالمی ثالثی عدالت (LCIA) کے سامنے ثالثی کی درخواست بھی دائر کی ہے۔ کمپنی کا موقف ہے کہ سوئی ناردرن گیس کو کوئی رقم قابل ادائیگی نہیں ہے اور کسی بھی صورت میں، "ایل سی آئی اے" ثالثی اس معاملے کا فیصلہ کرنے والا واحد قابل فورم ہے۔

بجلی خریدار کے معاملے میں، ثالثی نے کمپنی کے حق میں متعلقہ اخراجات کے ساتھ ساتھ 477.56 ملین روپے ایوارڈ کیے ہیں۔ کمپنی نے اس کے نفاذ کے لئے لاہور ہائی کورٹ میں درخواست دی ہے۔ بجلی خریدار نے جزوی ایوارڈ اور فاسل ایوارڈ کو "برطانیہ" اور سول کورٹ لاہور میں بھی چیلنج کیا، تاہم، "برطانوی عدالت" سے دستبردار ہو گیا۔

مالی جھلکیاں - غیر متزلزل:

30 جون 2019ء کو ختم ہونے والا نصف سال	30 جون 2018ء کو ختم ہونے والا نصف سال	روپے ملین میں
9,050	7,682	کاروبار
7,076	5,268	آپریٹنگ کے اخراجات
1,509	1,656	خالص منافع
3.90	4.29	فی شیئر آمدنی (روپے میں)

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Saif Power Limited ("the Company") as at 30 June 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these 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 financial statements based on our review.

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 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 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 notes 13.2 and 13.3 to the interim financial statements, which describe the matters regarding recoverability and adjustments of certain trade debts. Our conclusion is not modified in respect of these matters.

Other matter

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarter ended 30 June 2019, have not been reviewed and we do not express a conclusion on them.

The engagement partner on the audit resulting in this independent auditors' report is Inam Ullah Kakra.

Islamabad
28 August 2019


KPMG Taseer Hadi & Co.
Chartered Accountants

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

		Un-audited June 30, 2019	Audited December 31, 2018
	Note	(Rupees)	
Share Capital and Reserves			
Share capital	4	3,864,717,790	3,864,717,790
Unappropriated profit - revenue reserve		9,336,343,630	8,182,507,613
Total equity		13,201,061,420	12,047,225,403
Liabilities			
Long term financing	5	-	652,714,443
Sub-ordinated loan	6	851,067,246	799,618,050
Lease liabilities	7	12,519,197	8,808,920
Non-current liabilities		863,586,443	1,461,141,413
Trade and other payables		1,600,655,512	1,039,856,731
Short term borrowings	8	6,390,174,988	5,448,553,994
Current portion of non-current liabilities		2,624,691,475	2,486,085,146
Markup accrued	9	694,774,728	550,426,755
Unclaimed dividend		10,837,293	10,190,825
Current liabilities		11,321,133,996	9,535,113,451
Total liabilities		12,184,720,439	10,996,254,864
Total equity and liabilities		25,385,781,859	23,043,480,267
Contingencies and commitments			
	10		
Assets			
Property, plant and equipment	11	13,176,828,293	13,294,424,176
Investment in subsidiary	12	702,000,000	631,000,000
Long term deposits		3,761,560	3,331,810
Non-current assets		13,882,589,853	13,928,755,986
Advance income tax		14,184,448	13,980,237
Stock in trade - HSD		134,055,670	134,110,136
Trade debts	13	10,920,257,724	8,415,730,184
Other receivables	14	426,597,316	498,002,758
Advances		2,677,837	919,117
Trade deposits and short term prepayments	15	5,014,162	51,686,607
Bank balances		404,849	295,242
Current assets		11,503,192,006	9,114,724,281
Total assets		25,385,781,859	23,043,480,267

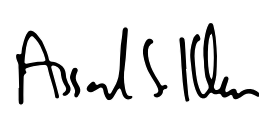
The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

FOR SIX MONTHS ENDED JUNE 30, 2019

		Three months ended		Six months ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Note	(Rupees)			
Turnover - net	16	5,292,659,765	4,971,759,596	7,681,596,711	9,050,398,716
Cost of sales	17	(4,044,832,533)	(3,987,259,156)	(5,268,028,614)	(7,076,293,939)
Gross profit		1,247,827,232	984,500,440	2,413,568,097	1,974,104,777
Other income		1,008,969	243,500	1,471,755	745,653
Administrative expenses		(40,434,420)	(36,723,725)	(75,935,426)	(72,205,211)
Finance cost	18	(408,744,222)	(190,684,070)	(682,855,096)	(393,853,822)
Profit for the period		799,657,559	757,336,145	1,656,249,330	1,508,791,397
Earnings per share - basic and diluted		2.07	1.96	4.29	3.90

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR SIX MONTHS ENDED JUNE 30, 2019

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(Rupees)			
Profit for the period	799,657,559	757,336,145	1,656,249,330	1,508,791,397
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	799,657,559	757,336,145	1,656,249,330	1,508,791,397

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR SIX MONTHS ENDED JUNE 30, 2019

		Six months ended	
		June 30, 2019	June 30, 2018
	Note	(Rupees)	
Cash flows from operating activities			
Profit for the period		1,656,249,330	1,508,791,397
<i>Adjustments for:</i>			
Provision for staff retirement benefits - gratuity		4,697,077	2,579,441
Depreciation	11	299,371,372	296,431,051
Finance cost	18	682,855,096	393,853,822
Gain on sale of property, plant and equipment		(226,485)	(277,512)
Profit on deposit accounts		(1,008,969)	(5,914)
Return on investments		(236,301)	(212,647)
		2,641,701,120	2,201,159,638
Changes in:			
Stock in trade		54,466	243,264
Trade debts		(2,504,527,540)	(1,741,095,616)
Other receivables		71,405,442	(76,680,782)
Advances		(1,758,720)	146,775
Trade deposits and short term prepayments		46,672,445	(75,366,024)
Trade and other payables		572,416,634	(254,285,816)
<i>Cash generated from operating activities</i>		825,963,847	54,121,439
Income tax paid		(204,211)	(880,681)
Finance cost paid		(538,507,123)	(304,443,360)
Staff retirement benefits paid		(16,314,930)	(8,979,286)
Net cash generated from / (used in) operating activities		270,937,583	(260,181,888)
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	(6,889,892)	(3,683,598)
Increase in long term deposits		(429,750)	-
Proceeds from sale of property, plant and equipment		555,549	354,600
Investment in subsidiary		(71,000,000)	(10,625,000)
Profit on deposit accounts		1,008,969	5,914
Return on investments - receipts		236,301	212,647
Net cash used in investing activities		(76,518,823)	(13,735,437)
Cash flows from financing activities			
Repayment of long term financing	5	(638,306,014)	(916,585,112)
Dividend paid		(501,766,845)	(722,656,151)
Short term borrowings - net		941,620,994	2,066,412,915
Lease liabilities assumed / (paid)		4,142,712	(3,100,981)
Net cash (used in) / generated from financing activities		(194,309,153)	424,070,671
Net increase in cash and cash equivalents		109,607	150,153,346
Cash and cash equivalents at beginning of the period		295,242	4,424,504
Cash and cash equivalents at end of the period		404,849	154,577,850

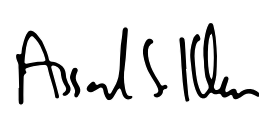
The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR SIX MONTHS ENDED JUNE 30, 2019

	Share capital	Unappropriated profit (Rupees)	Total equity
Balance as at January 01, 2018 (Audited)	3,864,717,790	6,531,380,266	10,396,098,056
Profit for the period	-	1,508,791,397	1,508,791,397
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	1,508,791,397	1,508,791,397
Transaction with owners of the Company			
Distributions			
Final dividend 2017: Rs. 1.90 per share	-	(734,296,380)	(734,296,380)
Balance as at June 30, 2018 (Un-audited)	<u>3,864,717,790</u>	<u>7,305,875,283</u>	<u>11,170,593,073</u>
Balance as at January 01, 2019 (Audited)	<u>3,864,717,790</u>	<u>8,182,507,613</u>	<u>12,047,225,403</u>
Profit for the period	-	1,656,249,330	1,656,249,330
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	1,656,249,330	1,656,249,330
Transaction with owners of the Company			
Distributions			
Final dividend 2018: Rs. 1.30 per share	-	(502,413,313)	(502,413,313)
Balance as at June 30, 2019 (Un-audited)	<u>3,864,717,790</u>	<u>9,336,343,630</u>	<u>13,201,061,420</u>

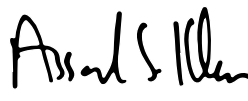
The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

1 Reporting entity

Saif Power Limited ("the Company") was incorporated in Pakistan on November 11, 2004 as a public limited company under the repealed Companies Ordinance, 1984 (which has now been replaced by the Companies Act, 2017) and commenced operations from April 30, 2010. 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) and sell the electricity to National Transmission and Despatch Company (NTDC). The Company is a subsidiary of Saif Holdings Limited ("the Holding Company") with shareholding of 51.04% (December 31, 2018: 51.04%) ordinary shares.

2 Basis of preparation

These condensed interim financial statements of the Company for six months ended June 30, 2019 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;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The disclosures in these condensed interim financial statements do not include the information reported in annual financial statements and should therefore be read in conjunction with the financial statements of the Company for the year ended December 31, 2018.

These condensed interim financial statements are separate financial statements of the Company in which investment in subsidiary has been accounted for at cost less accumulated impairment loss, if any.

These condensed interim financial statements are unaudited and are being submitted to the members as required under Section 237 of the Companies Act, 2017 and the listing regulations of the Pakistan Stock Exchange.

2.1 Exemptions from application of IFRS 9 "Financial Instruments" and IFRS 16 "Leases".

Through press release dated August 22, 2019, the Securities and Exchange Commission of Pakistan (SECP) has exempted applicability of International Financial Reporting Standards (IFRS) 9 in respect of debts due from Government of Pakistan to power supply chain companies for a limited period of three years i.e. till June 30, 2021. Accordingly, the management believes that requirements of IFRS 9 relating to expected credit loss on its trade debts are not applicable to the Company.

Further, control of the Company's plant due to purchase of total output by NTDC and other arrangement under the Power Purchase Agreement (PPA) was classified as a lease under IFRIC 4 "Determining whether an Arrangement Contains a Lease" which due to exemption available to the Company were not accounted for as a lease in prior years. During the period IFRS 16 became applicable to the Company and the Company's arrangement with NTDC falls under the definition of a lease under IFRS 16, however, the SECP through above mentioned press release has also extended the earlier exemption from IFRIC 4 to all companies, which have entered into power purchase arrangements before January 01, 2019. The Company signed its Power Purchase Agreement with NTDC on April 30, 2007, accordingly, requirement of lease accounting relating to the Company's arrangement with NTDC were not applicable to the Company.

3 Significant accounting policies and use of judgments and estimates

The accounting policies and the methods of computations adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's audited financial statements for the year ended December 31, 2018 except for changes described below. The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending December 31, 2019.

(a) IFRS-15 Revenue from contracts with customers

Applicable for accounting periods beginning on or after July 1, 2018 this standard establishes a single comprehensive model for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 customer loyalty programs, IFRIC 15 agreements for the construction of real estate, IFRIC 18 transfers of assets from customers and SIC 31 Revenue-barter transaction involving advertising services..

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

The Company has entered PPA with NTDC for a period of 30 years starting from its Commercial Operation Date i.e. April 30, 2010. Under the PPA, the Company is obligated to sell and deliver all output of the Complex in accordance with provisions of PPA. The Company's arrangement with NTDC falls under the definition of lease under IFRS 16 for which exemption is available to the Company (refer note 2.1). Accordingly, revenue in respect of Capacity Purchase Price (CPP) is recognized when due at rates specified under the PPA and revised reference tariff determined by National Electric Power Regulatory Authority (NEPRA) and after incorporation of relevant applicable quarterly indexation.

PPA also contains other performance obligations i.e. sale of electricity and insurance and operation & maintenance.

Revenue from sale of electricity is recognized when or as the Company satisfies performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The Company principally satisfies its performance obligation in respect of supply of electricity upon transmission of electricity and related fuel cost component of the tariff determined by National Electric Power Regulatory Authority (NEPRA) is invoiced to the customer as part of Energy Purchase Price (EPP).

Revenue associated with the operating phase of the PPA i.e. insurance and operations & maintenance of the plant is measured based on the consideration specified in contract with customer. Revenue from contract with customer is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The Company principally satisfies its performance obligations of insurance, operations and maintenance over time and the amount of revenue is recognized based on the consideration specified in the PPA. Consideration for operating phase of the PPA i.e. Insurance and fixed O&M component of tariff is billed to customer as part of CPP whereas variable O&M component is billed to customer as part of EPP. The amount of revenue recognised in respect of operating phase excludes the estimates of variable consideration as it is not highly probable that a significant reversal in the amount of cumulative revenue recognised will occur in future when the uncertainty associated with the variable consideration is subsequently resolved.

(b) IFRS-9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9") that replaces IAS 39 Financial Instruments: recognition and measurement ("IAS 39") and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification & measurement, impairment and hedge accounting. IFRS 9 introduces a single approach to determining whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The three principal classification categories under the new standard for financial instruments are: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL"). The classification of financial instruments under IFRS 9 is generally based on the business model in which a financial instrument is managed and its contractual cash flow characteristics. The previous categories under IAS 39 of held to maturity, loans and receivables and available for sale have been removed. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39; however, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income.

The following table explains the original measurement categories under IAS 39 and new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 01, 2019.

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Long term deposits	Loans and receivable	Amortized cost
Trade debts	Loans and receivable	Amortized cost
Other receivables	Loans and receivable	Amortized cost
Advances to employees	Loans and receivable	Amortized cost
Security deposits	Loans and receivable	Amortized cost
Bank balances	Loans and receivable	Amortized cost
Financial Liabilities		
Long term financing	Amortized cost	Amortized cost
Sub-ordinated loan	Amortized cost	Amortized cost
Lease liabilities	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Short term borrowings	Amortized cost	Amortized cost
Markup accrued	Amortized cost	Amortized cost
Unclaimed dividend	Amortized cost	Amortized cost

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

There is no change in the carrying amounts of financial assets and financial liabilities at the initial application date of IFRS-9, except for a change in accounting classification under IFRS - 9 from category under IAS - 39 as disclosed in the above table.

The Company did not formerly apply hedge accounting to its financial instruments and has not elected to apply hedge accounting to any of its financial instruments upon adoption of IFRS 9.

Impact of new impairment model

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected loss” model. The new impairment model applies to financial instruments measured at amortized cost, and contract assets and debt investments measured at FVTOCI. Under IFRS 9, credit losses will be recognized earlier than under IAS 39. The standard also provides a simplified approach to measuring expected credit losses using a lifetime expected loss allowance. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate loss allowance. As disclosed in note 2.1, the SECP has exempted applicability of International Financial Reporting Standards (IFRS) 9 in respect of debts due from Government of Pakistan to power supply chain companies for a limited period of three years i.e. till June 30, 2021. Accordingly, the Company believes that requirements of IFRS 9 relating to expected credit loss on its trade debts were not applicable to the Company for the period ended June 30, 2019.

(c) IFRS-16 Leases

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The Company arrangement with NTDC falls under the definition of a lease under IFRS 16, however, requirement of lessor accounting under IFRS 16 relating to this arrangement has been exempted by SECP as explained in note 2.1.

The Company has applied IFRS 16 using the modified retrospective approach for arrangements not covered in exemptions from SECP, under which the cumulative effect of initial application is recognised in retained earnings at January 01, 2019. Accordingly, the comparative information presented for 2018 are not required to be restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(i) Definition of Lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 ‘Determining Whether an Arrangement contains a Lease’. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after June 30, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Company leased assets primarily comprising office buildings and motor vehicles. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

Upon transition to IFRS 16 in respect of existing finance leases of vehicles, there was no impact as of January 01, 2019 except for nomenclature of leased assets to right-of-use assets. The Company presents right-of-use assets within ‘property, plant and equipment’. The carrying amounts of right-of-use assets as at June 30, 2019 was Rs. 13,973,236. The Company presents lease liabilities on face of the statement of financial position and amounts becoming due within next twelve months are presented within “current portion of non-current liabilities in these interim financial statement and carrying amount of lease liabilities as at June 30, 2019 was Rs. 16,647,478.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

In respect of leases of office buildings as a lessee, the impact on these interim financial statement was not material and accordingly right-of-use assets for leases of office buildings and related liabilities have not been incorporated in these interim financial statements.

(ii) Significant accounting policies

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

(iii) Transition

Previously, the Company classified property leases as operating leases under IAS 17. These include rental premises of head office and guest houses.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Company has not applied this approach; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all leases.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company leases a number of vehicles. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at June 30, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

		Un-audited June 30, 2019	Audited December 31, 2018
		(Rupees)	
4 SHARE CAPITAL			
4.1 Authorized share capital			
405,000,000 (December 31, 2018: 405,000,000) ordinary shares of Rs.10 each		<u>4,050,000,000</u>	<u>4,050,000,000</u>
4.2 Issued, subscribed and paid-up capital			
386,471,779 (December 31, 2018: 386,471,779) ordinary shares of Rs. 10 each fully paid in cash		<u>3,864,717,790</u>	<u>3,864,717,790</u>
4.3 Saif Holdings Limited ("the Holding Company") holds 197,272,619 i.e. 51.04% (December 31, 2018: 197,272,619) ordinary shares of Rs.10/- each at the reporting date. Further, 16,002 (December 31, 2018: 12,502) and 100 (December 31, 2018: 100) ordinary shares of Rs. 10 each are held by directors and a related party respectively. Orastar Limited held 66,022,504 (December 31, 2018: 66,022,504) ordinary shares of the Company.			
		Un-audited June 30, 2019	Audited December 31, 2018
	Note	(Rupees)	
5 Long term financing			
Balance at January 01		<u>2,975,180,137</u>	4,761,277,267
Repayment during the period / year		<u>(638,306,014)</u>	(1,786,097,130)
		<u>2,336,874,123</u>	2,975,180,137
Current portion of long term financing		<u>(2,336,874,123)</u>	(2,322,465,694)
Balance at June 30 / December 31	5.1	<u>-</u>	<u>652,714,443</u>
5.1 Terms and conditions of all long term facilities are same as disclosed in financial statements for the year ended December 31, 2018.			
		Un-audited June 30, 2019	Audited December 31, 2018
	Note	(Rupees)	
6 Sub-ordinated loan - unsecured			
Balance at January 01		<u>959,541,656</u>	762,252,708
Exchange loss capitalized	11	<u>175,214,661</u>	197,288,948
		<u>1,134,756,317</u>	959,541,656
Current portion of sub-ordinated loan		<u>(283,689,071)</u>	(159,923,606)
Balance at June 30 / December 31	6.1	<u>851,067,246</u>	<u>799,618,050</u>
6.1 Terms and conditions of the above loan are same as disclosed in financial statements for the year ended December 31, 2018.			

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

		Un-audited June 30, 2019	Audited December 31, 2018
		(Rupees)	
7	Lease liabilities	Present value of minimum lease payments	Present value of minimum lease payments
	Within one year	4,128,281	3,695,846
	Later than one year and not later than five years	12,519,197	8,808,920
		16,647,478	12,504,766
8	Short term borrowings	Note	
	Working capital facilities - secured	8.1	5,065,726,851
	Short term musharakah facilities - secured	8.2	1,324,448,137
			6,390,174,988

8.1 The Company has obtained working capital facilities amounting to Rs. 7.33 billion (December 31, 2018: Rs. 8.65 billion) from several commercial banks for meeting the working capital requirements, expiring on various dates during 2019. The facilities are secured by pari passu charge on fuel stocks inventory and energy purchase price receivables of the Company up to Rs. 10.14 billion (December 31, 2018: Rs. 12.77 billion) and subordinated/ ranking charge on all present and future fixed assets and properties of the Company for an amount of Rs. 0.99 billion (December 31, 2018: Rs. 1.41 billion).

8.2 The Company has obtained short term Islamic finance facilities from Islamic banks subject to a maximum limit of Rs. 4.05 billion (December 31, 2018: Rs. 1.25 billion). These facilities are secured by pari passu charge on fuel stock and energy purchase price receivables of the Company up to Rs. 5.36 billion (December 31, 2018: Rs. 1.63 billion) and subordinated/ ranking charge on all present and future fixed assets and properties of the Company up to Rs. 0.65 billion (December 31, 2018: Rs. 0.225 billion).

		Un-audited June 30, 2019	Audited December 31, 2018
		(Rupees)	
9	Markup accrued		
	Markup on long term financing	81,504,382	96,251,206
	Markup on short term financing	172,467,381	108,530,059
	Markup on sub-ordinated loan	440,802,965	345,645,490
		694,774,728	550,426,755

10 Contingencies and commitments

10.1 Contingencies

All contingencies and commitments are same as those disclosed in financial statements for the year ended December 31, 2018 except for the following changes:

Sui Northern Gas Pipelines Limited (SNGPL) has claimed an amount of Rs. 92.92 million (December 31, 2018: Rs. 89.28 million) on account of late payment by the Company against SNGPL's invoices of Regasified Liquefied Natural Gas (RLNG). SNGPL submitted these RLNG invoices to the Company without getting determination of RLNG tariff from Oil and Gas Regulatory Authority (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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

		Un-audited June 30, 2019	Audited December 31, 2018
11 Property, plant and equipment	Note	(Rupees)	
Balance at January 01		13,294,424,176	13,687,610,378
Additions during the period / year		6,889,892	4,034,117
Net book value of assets disposed off		(329,064)	(77,088)
Depreciation for the period / year		(299,371,372)	(594,432,179)
Capitalization of exchange loss	6	175,214,661	197,288,948
Balance at June 30 / December 31		13,176,828,293	13,294,424,176

12 Investment in subsidiary

This represents equity investment in Saif Cement Limited ("SCL"). SCL is setting up a cement manufacturing plant in Saidulwali Village, Paharpur, Dera Ismail Khan, Khyber Pakhtunkhawa (KP). The Company, during the period, acquired additional 7,100,000 fully paid ordinary shares of Rs. 10 each thus making total investment in subsidiary amounting to Rs. 702,000,000 constituting 96.28% of the issued share capital of SCL.

		Un-audited June 30, 2019	Audited December 31, 2018
13 Trade debts - secured, considered good	Note	(Rupees)	
National Transmission and Despatch Company (NTDC)	13.1	10,920,257,724	8,415,730,184

13.1 Trade debts include an overdue amount of Rs 8.62 billion (December 31, 2018: Rs. 6.72 billion). The Company considers this amount to be fully recoverable because this is secured by way of guarantee issued by the Government of Pakistan (GoP) under the Implementation Agreement (IA). Additionally, trade debts are subject to markup on delayed payments under PPA at the rate of KIBOR + 4.5% per annum except RLNG fuel invoices which are subject to markup of KIBOR+2% for first 30 days and after 30 days markup will be KIBOR+4.5%.

13.2 Included in trade debts is an amount of Rs. 477.56 million (December 31, 2018: 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.

The Company along with other Independent Power Producers (IPPs) agreed with NTDC to resolve the dispute through dispute resolution mechanism (appointment of expert) under the PPA. In his decision the expert in August 2015 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 conform to requirements of PPA relating to Expert decision within 30 days, the IPPs went to London Court of International Arbitration (LCIA).

Sole arbitrator appointed by LCIA issued a partial final award on June 08, 2017 wherein it was inter alia held that the expert determination is final and binding. Thereafter, a final award was issued by the sole arbitrator on October 29, 2017 pursuant to which NTDC was ordered to pay Rs. 477.56 million (December 31, 2018: Rs. 477.56 million) along with cost of proceedings, interest from the date of expert determination till payment by NTDC, after Arbitrator decision to the Company. The Company filed petitions before Lahore High Court for enforcement of partial final award and final award on June 17, 2017 and November 30, 2017 respectively, for which proceedings are pending. NTDC has also challenged the partial award and final award in English courts as well as Civil Court, Lahore, however, it withdrew this case from the English Courts.

13.3 During year ended December 31, 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 (LCIA). SNGPL disputed the adjustment/set off amount of Award in the Lahore High Court, however, the court dismissed this petition of SNGPL. Thereafter, SNGPL filed appeal before the Supreme Court of Pakistan which, disposed off the appeal by stating that, the judgement of the Lahore High Court to the extent it decides on merits the question of the Company's right to set off is set aside (without prejudice to the rights of the parties). SNGPL has also challenged the award in Civil Court, Lahore, on April 21, 2016 which is pending adjudication. On June 07, 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 (inclusive of the aforementioned amount of Rs. 239.68 million) from payable to SNGPL as such amount was allowed by the LCIA in its award. During the six months ended June 30, 2019, SNGPL has filed suit for recovery before District Judge, Lahore (Invested with Powers of the Gas Utility Court) on March 01, 2019 against this adjustment including a claim for markup amounting to Rs. 136.14 million from the date of such adjustment and also has filed a request for Arbitration before LCIA on March 22, 2019. The Company's position is that no amount is payable to SNGPL and in any case, LCIA Arbitration is the only competent forum to decide on this case.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

			Un-audited June 30, 2019	Audited December 31, 2018
			(Rupees)	
14	Other receivables			
	Workers' Profit Participation Fund (WPPF) receivable		423,938,122	496,240,240
	Other receivables		2,659,194	1,762,518
			426,597,316	498,002,758
15	Trade deposits and short term prepayments			
	Prepayments		2,933,462	49,101,107
	Security deposits		1,833,000	1,833,000
	Current portion of long term deposits		247,700	752,500
			5,014,162	51,686,607

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

19 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 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).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

19.1 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				
Note		Amortised cost	Amortised cost	Total (Rupees)	Level 1	Level 2	Level 3	Total
June 30, 2019								
Financial assets measured at fair value								
Financial assets not measured at fair value								
19.2	Long term deposits	4,009,260	-	4,009,260	-	-	-	-
	Trade debts	10,920,257,724	-	10,920,257,724	-	-	-	-
	Other receivables	426,597,316	-	426,597,316	-	-	-	-
	Advances to employees	778,194	-	778,194	-	-	-	-
	Security deposits	1,833,000	-	1,833,000	-	-	-	-
	Bank balances	404,849	-	404,849	-	-	-	-
	Total	11,353,880,343	-	11,353,880,343	-	-	-	-
Financial liabilities not measured at fair value								
19.2	Long term financing	-	2,336,874,123	2,336,874,123	-	-	-	-
	Sub-ordinated loan	-	1,134,756,317	1,134,756,317	-	-	-	-
	Lease liabilities	-	16,647,478	16,647,478	-	-	-	-
19.3	Trade and other payables	-	1,336,137,503	1,336,137,503	-	-	-	-
	Short term borrowings	-	6,390,174,988	6,390,174,988	-	-	-	-
	Markup accrued	-	694,774,728	694,774,728	-	-	-	-
	Unclaimed dividend	-	10,837,293	10,837,293	-	-	-	-
	Total	-	11,920,202,430	11,920,202,430	-	-	-	-

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

Note	Carrying Amount		Fair value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
(Rupees)						
December 31, 2018						
Financial assets measured at fair value						
Financial assets not measured at fair value						
19.2	4,084,310	-	4,084,310	-	-	-
	8,415,730,184	-	8,415,730,184	-	-	-
	498,002,758	-	498,002,758	-	-	-
	544,572	-	544,572	-	-	-
	1,833,000	-	1,833,000	-	-	-
	295,242	-	295,242	-	-	-
Total	8,920,490,066	-	8,920,490,066	-	-	-
Financial liabilities not measured at fair value						
19.2	-	2,975,180,137	2,975,180,137	-	-	-
	-	959,541,656	959,541,656	-	-	-
	-	12,504,766	12,504,766	-	-	-
19.3	-	857,176,679	857,176,679	-	-	-
	-	5,448,553,994	5,448,553,994	-	-	-
	-	550,426,755	550,426,755	-	-	-
	-	10,190,825	10,190,825	-	-	-
Total	-	10,813,574,812	10,813,574,812	-	-	-

19.2 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.

19.3 It excludes withholding tax payable, sales tax payable and payable against WPPF.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

20 Related party transactions and balances

The Company is subsidiary of Saif Holdings Limited ("the Holding Company"), therefore the Holding Company and all associated undertakings of the Holding Company are related parties of the Company. Other related parties comprise of directors, key management personnel, entities over which directors are able to exercise significant influence and major shareholders. Balances and other arrangements with Orastar Limited have been disclosed in note 4.3, 6 and 9 to the financial statements. Transactions and balances with related parties other than those disclosed elsewhere in these condensed interim financial statements are as follows:

Transactions with related parties

Saif Holdings Limited - the Holding Company (51.04% shareholding-common directorship)

	Un-audited Six months ended June 30, 2019	June 30, 2018
Rent	-	675,000
Dividend	256,454,405	374,817,976
Expenses incurred on behalf of the Company	-	128,840

Saif Health Care Limited - Associated Company (Common directorship)

Expenses incurred on behalf of the Company	-	269,533
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Saif Textile Limited - Associated Company (Common directorship)

Dividend	130	190
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Key Management Personnel

Dividend to Directors	20,802	22,804
Remuneration including benefits and perquisites to Key Management Personnel	32,735,561	29,000,681

Other related parties

Contribution to Saif Power Limited - Staff Gratuity Fund	16,314,930	8,979,286
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Un-audited June 30, 2019	Audited December 31, 2018
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Balances with related parties

Saif Holdings Limited - the Holding Company (51.04% shareholding-common directorship)

Support service fee payable	221,525,725	221,525,725
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Other related parties

Payable to Saif Power Limited- Staff Gratuity Fund	4,697,077	16,314,930
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21 Date of authorisation

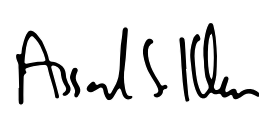
These condensed interim financial statements were approved and authorized for issue by the Board of Directors in their meeting held on August 28, 2019.



Chief Financial Officer



Chief Executive Officer



Director

Condensed Interim Consolidated Financial Statements

FOR SIX MONTHS ENDED
JUNE 30, 2019

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

		Un-audited June 30, 2019	Audited December 31, 2018
	Note	(Rupees)	
Share Capital and Reserves			
Share capital	4	3,864,717,790	3,864,717,790
Unappropriated profit - revenue reserve		9,334,880,440	8,181,713,965
Equity attributable to the owners of the Company		13,199,598,230	12,046,431,755
Non controlling interests		26,618,350	19,609
Total equity		13,226,216,580	12,046,451,364
Liabilities			
Long term financing	5	-	652,714,443
Sub-ordinated loan	6	851,067,246	799,618,050
Lease liabilities	7	19,783,544	8,808,920
Deferred liability - gratuity	8	2,537,420	-
Non-current liabilities		873,388,210	1,461,141,413
Trade and other payables		1,665,741,162	1,114,195,632
Short term borrowings	9	6,390,174,988	5,473,050,970
Current portion of non-current liabilities		2,626,169,038	2,486,085,146
Markup accrued	10	694,774,728	550,426,755
Unclaimed dividend		10,837,293	10,190,825
Current liabilities		11,387,697,209	9,633,949,328
Total equity and liabilities		25,487,301,999	23,141,542,105
Contingencies and commitments			
	11		
Assets			
Property, plant and equipment	12	13,886,260,292	13,945,393,792
Project transaction cost		60,458,441	43,515,591
Goodwill		11,530,918	11,530,918
Long term deposits		3,761,560	3,331,810
Non-current assets		13,962,011,211	14,003,772,111
Advance income tax		23,373,974	22,846,495
Stock in trade - HSD		134,055,670	134,110,136
Trade debts	13	10,920,257,724	8,415,730,184
Other receivables	14	426,597,316	498,002,758
Advances		2,677,837	921,217
Trade deposits and short term prepayments	15	5,014,162	51,686,607
Cash and bank balances		13,314,105	14,472,597
Current assets		11,525,290,788	9,137,769,994
Total assets		25,487,301,999	23,141,542,105

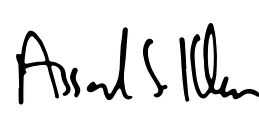
The annexed notes 1 to 21 form an integral part of these condensed interim consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

FOR SIX MONTHS ENDED JUNE 30, 2019

		Three months ended		Six months ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Note	(Rupees)			
Turnover - net	16	5,292,659,765	4,971,759,596	7,681,596,711	9,050,398,716
Cost of sales	17	(4,044,832,533)	(3,987,259,156)	(5,268,028,614)	(7,076,293,939)
Gross profit		1,247,827,232	984,500,440	2,413,568,097	1,974,104,777
Other income		1,320,583	243,500	1,989,624	745,653
Administrative expenses		(41,154,514)	(36,723,725)	(77,255,761)	(72,205,211)
Finance cost	18	(409,020,072)	(190,684,070)	(683,223,781)	(393,853,822)
Profit for the period		798,973,229	757,336,145	1,655,078,179	1,508,791,397
Profit/ (loss) attributable to:					
- Owners of the Company		798,995,009	757,336,145	1,655,100,702	1,508,791,397
- Non-controlling interests		(21,780)	-	(22,523)	-
		798,973,229	757,336,145	1,655,078,179	1,508,791,397

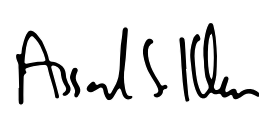
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Chief Financial Officer



Chief Executive Officer



Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR SIX MONTHS ENDED JUNE 30, 2019

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(Rupees)			
Profit for the period	798,973,229	757,336,145	1,655,078,179	1,508,791,397
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	798,973,229	757,336,145	1,655,078,179	1,508,791,397
Total comprehensive income attributable to:				
- Owners of the Company	798,995,009	757,336,145	1,655,100,702	1,508,791,397
- Non-controlling interests	(21,780)	-	(22,523)	-
	798,973,229	757,336,145	1,655,078,179	1,508,791,397

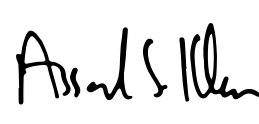
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Chief Financial Officer



Chief Executive Officer



Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR SIX MONTHS ENDED JUNE 30, 2019

		Six months ended	
		June 30, 2019	June 30, 2018
	Note	(Rupees)	
Cash flows from operating activities			
Profit for the period		1,655,078,179	1,508,791,397
<i>Adjustments for:</i>			
Provision for staff retirement benefits - gratuity		4,697,077	2,579,441
Depreciation	12	300,031,394	296,431,051
Finance cost	18	683,223,781	393,853,822
Gain on sale of property, plant and equipment		(226,485)	(277,512)
Profit on deposit accounts		(1,008,969)	(5,914)
Return on investments		(754,170)	(212,647)
Operating profit before working capital changes		2,641,040,807	2,201,159,638
Changes in:			
Stock in trade		54,466	243,264
Trade debts		(2,504,527,540)	(1,741,095,616)
Other receivables		71,405,442	(76,680,782)
Advances		(1,756,620)	146,775
Trade deposits and short term prepayments		46,672,445	(75,366,024)
Trade and other payables		565,700,803	(254,285,816)
<i>Cash generated from operating activities</i>		818,589,803	54,121,439
Income tax paid		(527,479)	(880,681)
Finance cost paid		(538,875,808)	(304,443,360)
Staff retirement benefits paid		(16,314,930)	(8,979,286)
Net cash generated from / (used in) operating activities		262,871,586	(260,181,888)
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(66,012,297)	(3,683,598)
Increase in long term deposits		(429,750)	-
Proceeds from sale of property, plant and equipment		555,549	354,600
Investment in subsidiary		-	(10,625,000)
Profit on deposit accounts		1,008,969	5,914
Movement in Project Transaction cost		(16,942,850)	-
Return on investments - receipts		754,170	212,647
Net cash used in investing activities		(81,066,209)	(13,735,437)
Cash flows from financing activities			
Repayment of long term financing	5	(638,306,014)	(916,585,112)
Dividend paid		(501,766,845)	(722,656,151)
Receipt/ (payment) against issuance of shares of the Subsidiary Company		27,100,350	-
Short term borrowings - net		917,124,018	2,066,412,915
Lease liabilities assumed / (paid)		12,884,622	(3,100,981)
Net cash (used in) / generated from financing activities		(182,963,869)	424,070,671
Net increase / (decrease) in cash and cash equivalents		(1,158,492)	150,153,346
Cash and cash equivalents at beginning of the period		14,472,597	4,424,504
Cash and cash equivalents at end of the period		13,314,105	154,577,850

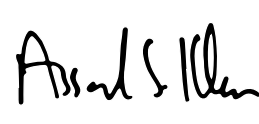
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Chief Financial Officer



Chief Executive Officer



Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR SIX MONTHS ENDED JUNE 30, 2019

	Share capital	Unappropriated profit	Non-Controlling interest	Total equity
	(Rupees)			
Balance as at January 01, 2018 (Audited)	3,864,717,790	6,531,380,266	-	10,396,098,056
Profit for the period	-	1,508,791,397	-	1,508,791,397
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	1,508,791,397	-	1,508,791,397
Transaction with owners of the Company				
Distributions				
Final dividend 2017: Rs. 1.90 per share	-	(734,296,380)	-	(734,296,380)
Balance as at June 30, 2018	<u>3,864,717,790</u>	<u>7,305,875,283</u>	<u>-</u>	<u>11,170,593,073</u>
Balance as at January 01, 2019 (Audited)	3,864,717,790	8,181,713,965	19,609	12,046,451,364
Profit for the period	-	1,655,100,702	(22,523)	1,655,078,179
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	1,655,100,702	(22,523)	1,655,078,179
Transaction with owners of the Company				
Distributions				
Final dividend 2018: Rs. 1.30 per share	-	(502,413,313)	-	(502,413,313)
Changes in ownership interests				
Consideration paid by NCI for acquisition of shares	-	-	27,100,350	27,100,350
Disposal of share to NCI without a change in control	-	479,086	(479,086)	-
Total changes in ownership interests	-	479,086	26,621,264	27,100,350
Total transactions with owners of the Company	-	(501,934,227)	26,621,264	(475,312,963)
Balance as at June 30, 2019	<u>3,864,717,790</u>	<u>9,334,880,440</u>	<u>26,618,350</u>	<u>13,226,216,580</u>

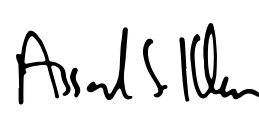
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Chief Financial Officer



Chief Executive Officer



Director

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

1 Reporting entity

Saif Power Limited ("the Company") was incorporated in Pakistan on November 11, 2004 as a public limited company under the repealed Companies Ordinance, 1984 (which has now been replaced by the Companies Act, 2017) and commenced operations from April 30, 2010. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The Company is a subsidiary of Saif Holdings Limited ("the Controlling Party") with shareholding of 51.04% (December 31, 2018: 51.04%) ordinary shares.

The Group consists of Saif Power Limited (the Company) and Saif Cement 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) and sell the electricity to National Transmission and Dispatch Company (NTDC).

Subsidiary

Saif Cement Limited (the Subsidiary Company) is a public limited company incorporated in Pakistan on January 13, 2017 under the repealed Companies Ordinance, 1984 (which has now been replaced by the Companies Act, 2017).

The Subsidiary Company is engaged in the construction of Greenfield Cement Production Plant of 6,500 tons per day clinker production line on an EPC Turnkey Contracting Basis near D.I. Khan, Khyber Pakhtunkhwa province. Thereafter, the principal business of the Subsidiary Company will be production and sale of cement.

2 Basis of preparation

These condensed interim consolidated financial statements include the financial statements of the Company and its Subsidiary (collectively "the Group"). The financial statements of the Subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies.

These condensed interim consolidated 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;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The disclosures in these condensed interim consolidated financial statements do not include the information reported in annual financial statements and should therefore be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2018.

These condensed interim consolidated financial statements are unaudited and are being submitted to the members as required under Section 237 of the Companies Act, 2017 and the listing regulations of the Pakistan Stock Exchange.

2.1 Exemptions from application of IFRS 9 "Financial Instruments" and IFRS 16 "Leases".

Through press release dated August 22, 2019, the Securities and Exchange Commission of Pakistan (SECP) has exempted applicability of International Financial Reporting Standards (IFRS) 9 in respect of debts due from Government of Pakistan to power supply chain companies for a limited period of three years i.e. till June 30, 2021. Accordingly, the management believes that requirements of IFRS 9 relating to expected credit loss on its trade debts are not applicable to the Company.

Further, control of the Company's plant due to purchase of total output by NTDC and other arrangement under the Power Purchase Agreement (PPA) was classified as a lease under IFRIC 4 "Determining whether an Arrangement Contains a Lease" which due to exemption available to the Company were not accounted for as a lease in prior years. During the period IFRS 16 became applicable to the Company and the Company's arrangement with NTDC falls under the definition of a lease under IFRS 16, however, the SECP through above mentioned press release has also extended the earlier exemption from IFRIC 4 to all companies, which have entered

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

into power purchase arrangements before January 01, 2019. The Company signed its Power Purchase Agreement with NTDC on April 30, 2007, accordingly, requirement of lease accounting relating to the Company's arrangement with NTDC were not applicable to the Company.

3 Significant accounting policies and use of judgments and estimates

The accounting policies and the methods of computations adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the audited financial statements for the year ended December 31, 2018 except for changes described below. The changes in accounting policies are also expected to be reflected in the consolidated financial statements as at and for the year ending December 31, 2019.

(a) IFRS-15 Revenue from contracts with customers

Applicable for accounting periods beginning on or after July 1, 2018 this standard establishes a single comprehensive model for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 customer loyalty programs, IFRIC 15 agreements for the construction of real estate, IFRIC 18 transfers of assets from customers and SIC 31 Revenue-barter transaction involving advertising services.

The Company has entered PPA with NTDC for a period of 30 years starting from its Commercial Operation Date i.e. April 30, 2010. Under the PPA, the Company is obligated to sell and deliver all output of the Complex in accordance with provisions of PPA. The Company's arrangement with NTDC falls under the definition of lease under IFRS 16 for which exemption is available to the Company (refer note 2.1). Accordingly, revenue in respect of Capacity Purchase Price (CPP) is recognized when due at rates specified under the PPA and revised reference tariff determined by National Electric Power Regulatory Authority (NEPRA) and after incorporation of relevant applicable quarterly indexation.

PPA also contains other performance obligations i.e. sale of electricity and insurance and operation & maintenance.

Revenue from sale of electricity is recognized when or as the Company satisfies performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The Company principally satisfies its performance obligation in respect of supply of electricity upon transmission of electricity and related fuel cost component of the tariff determined by National Electric Power Regulatory Authority (NEPRA) is invoiced to the customer as part of Energy Purchase Price (EPP).

Revenue associated with the operating phase of the PPA i.e. insurance and operations & maintenance of the plant is measured based on the consideration specified in contract with customer. Revenue from contract with customer is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The Company principally satisfies its performance obligations of insurance, operations and maintenance over time and the amount of revenue is recognized based on the consideration specified in the PPA. Consideration for operating phase of the PPA i.e. Insurance and fixed O&M component of tariff is billed to customer as part of CPP whereas variable O&M component is billed to customer as part of EPP. The amount of revenue recognised in respect of operating phase excludes the estimates of variable consideration as it is not highly probable that a significant reversal in the amount of cumulative revenue recognised will occur in future when the uncertainty associated with the variable consideration is subsequently resolved.

(b) IFRS-9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9") that replaces IAS 39 Financial Instruments: recognition and measurement ("IAS 39") and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification & measurement, impairment and hedge accounting. IFRS 9 introduces a single approach to determining whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The three principal classification categories under the new standard for financial instruments are: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL"). The classification of financial instruments under IFRS 9 is generally based on the business model in which a financial instrument is managed and its contractual cash flow characteristics. The previous categories under IAS 39 of held to maturity, loans and receivables and available for sale have been removed. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39; however, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income.

The following table explains the original measurement categories under IAS 39 and new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 01, 2019.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Long term deposits	Loans and receivable	Amortized cost
Trade debts	Loans and receivable	Amortized cost
Other receivables	Loans and receivable	Amortized cost
Advances to employees	Loans and receivable	Amortized cost
Security deposits	Loans and receivable	Amortized cost
Bank balances	Loans and receivable	Amortized cost
Financial Liabilities		
Long term financing	Amortized cost	Amortized cost
Sub-ordinated loan	Amortized cost	Amortized cost
Lease liabilities	Amortized cost	Amortized cost
Deferred liability - gratuity	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Short term borrowings	Amortized cost	Amortized cost
Markup accrued	Amortized cost	Amortized cost
Unclaimed dividend	Amortized cost	Amortized cost

There is no change in the carrying amounts of financial assets and financial liabilities at the initial application date of IFRS-9, except for a change in accounting classification under IFRS - 9 from category under IAS - 39 as disclosed in the above table.

The Group did not formerly apply hedge accounting to its financial instruments and has not elected to apply hedge accounting to any of its financial instruments upon adoption of IFRS 9.

Impact of new impairment model

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected loss” model. The new impairment model applies to financial instruments measured at amortized cost, and contract assets and debt investments measured at FVTOCI. Under IFRS 9, credit losses will be recognized earlier than under IAS 39. The standard also provides a simplified approach to measuring expected credit losses using a lifetime expected loss allowance. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate loss allowance. As disclosed in note 2.1, the SECP has exempted applicability of International Financial Reporting Standards (IFRS) 9 in respect of debts due from Government of Pakistan to power supply chain companies for a limited period of three years i.e. till June 30, 2021. Accordingly, management believes that requirements of IFRS 9 relating to expected credit loss on its trade debts were not applicable to the Company for the period ended June 30, 2019.

(c) IFRS-16 Leases

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The Company’s arrangement with NTDC falls under the definition of a lease under IFRS 16, however, requirement of lessor accounting under IFRS 16 relating to this arrangement has been exempted by SECP as explained in note 2.1.

The Group has applied IFRS 16 using the modified retrospective approach for arrangements not covered in exemptions from SECP, under which the cumulative effect of initial application is recognised in retained earnings at January 01, 2019. Accordingly, the comparative information presented for 2018 are not required to be restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(i) Definition of Lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 ‘Determining Whether an Arrangement contains a Lease’. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after June 30, 2019.

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FOR SIX MONTHS ENDED JUNE 30, 2019

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Group leased assets primarily comprising office buildings and motor vehicles. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

Upon transition to IFRS 16 in respect of existing finance leases of vehicles, there was no impact as of January 01, 2019 except for nomenclature of leased assets to right-of-use assets. The Group presents right-of-use assets within 'property, plant and equipment'. The carrying amounts of right-of-use assets as at June 30, 2019 was Rs. 23,900,922. The Group presents lease liabilities on face of the statement of financial position and amounts becoming due within next twelve months are presented within "current portion of non-current liabilities" in these condensed interim consolidated financial statements and carrying amount of lease liabilities as at June 30, 2019 was Rs. 25,389,388.

In respect of leases of office buildings as a lessee, the impact on these interim financial statement was not material and accordingly right-of-use assets for leases of office buildings and related liabilities have not been incorporated in these condensed interim consolidated financial statements.

(ii) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

(iii) Transition

Previously, the Group classified property leases as operating leases under IAS 17. These include rental premises of head office and guest houses.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group has not applied this approach; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases a number of vehicles. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at June 30, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

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FOR SIX MONTHS ENDED JUNE 30, 2019

		Un-audited June 30, 2019	Audited December 31, 2018
		(Rupees)	
4 SHARE CAPITAL			
4.1 Authorized share capital			
405,000,000 (December 31, 2018: 405,000,000) ordinary shares of Rs.10 each		<u>4,050,000,000</u>	<u>4,050,000,000</u>
4.2 Issued, subscribed and paid-up capital			
386,471,779 (December 31, 2018: 386,471,779) ordinary shares of Rs. 10 each fully paid in cash		<u>3,864,717,790</u>	<u>3,864,717,790</u>
4.3 Saif Holdings Limited ("the Controlling Party") holds 197,272,619 i.e. 51.04% (December 31, 2018: 197,272,619) ordinary shares of Rs.10/- each at the reporting date. Further, 16,002 (December 31, 2018: 12,502) and 100 (December 31, 2018: 100) ordinary shares of Rs. 10 each are held by directors and a related party respectively. Orastar Limited held 66,022,504 (December 31, 2018: 66,022,504) ordinary shares of the Company.			
		Un-audited June 30, 2019	Audited December 31, 2018
	Note	(Rupees)	
5 Long term financing			
Balance at January 01		<u>2,975,180,137</u>	4,761,277,267
Repayment during the period / year		<u>(638,306,014)</u>	(1,786,097,130)
		<u>2,336,874,123</u>	2,975,180,137
Current portion of long term financing		<u>(2,336,874,123)</u>	(2,322,465,694)
Balance at June 30 / December 31	5.1	<u>-</u>	<u>652,714,443</u>
5.1 Terms and conditions of all long term facilities are same as disclosed in consolidated financial statements for the year ended December 31, 2018.			
		Un-audited June 30, 2019	Audited December 31, 2018
	Note	(Rupees)	
6 Sub-ordinated loan - unsecured			
Balance at January 01		<u>959,541,656</u>	762,252,708
Exchange loss capitalized		<u>175,214,661</u>	197,288,948
		<u>1,134,756,317</u>	959,541,656
Current portion of sub-ordinated loan		<u>(283,689,071)</u>	(159,923,606)
Balance at June 30 / December 31	6.1	<u>851,067,246</u>	<u>799,618,050</u>
6.1 Terms and conditions of the above loan are same as disclosed in consolidated financial statements for the year ended December 31, 2018.			

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FOR SIX MONTHS ENDED JUNE 30, 2019

		Un-audited June 30, 2019	Audited December 31, 2018
		(Rupees)	
7	Lease liabilities	Present value of minimum lease payments	Present value of minimum lease payments
	Within one year	5,605,844	3,695,846
	Later than one year and not later than five years	19,783,544	8,808,920
		25,389,388	12,504,766
		Un-audited June 30, 2019	Audited December 31, 2018
		(Rupees)	
8	Deferred liabilities - gratuity		
	Opening Balance	-	-
	Capitalized in Capital Work in progress	2,497,288	-
	Expense for the year	40,132	-
	Benefit paid during the year	-	-
	Closing Balance	2,537,420	-
		Un-audited June 30, 2019	Audited December 31, 2018
		(Rupees)	
9	Short term borrowings	Note	
	Working capital facilities - secured	9.1	5,065,726,851
	Short term musharakah facilities - secured	9.2	1,324,448,137
			6,390,174,988
9.1	The Company has obtained working capital facilities amounting to Rs. 7.33 billion (December 31, 2018: Rs. 8.65 billion) from several commercial banks for meeting the working capital requirements, expiring on various dates during 2019. The facilities are secured by pari passu charge on fuel stocks inventory and energy purchase price receivables of the Company up to Rs. 10.14 billion (December 31, 2018: Rs. 12.77 billion) and subordinated/ ranking charge on all present and future fixed assets and properties of the Company for an amount of Rs. 0.99 billion (December 31, 2018: Rs. 1.41 billion).		
9.2	The Company has obtained short term Islamic finance facilities from Islamic banks subject to a maximum limit of Rs. 4.05 billion (December 31, 2018: Rs. 1.25 billion). These facilities are secured by pari passu charge on fuel stock and energy purchase price receivables of the Company up to Rs. 5.36 billion (December 31, 2018: Rs. 1.63 billion) and subordinated/ ranking charge on all present and future fixed assets and properties of the Company up to Rs. 0.65 billion (December 31, 2018: Rs. 0.23 billion).		
		Un-audited June 30, 2019	Audited December 31, 2018
		(Rupees)	
10	Markup accrued		
	Markup on long term financing	81,504,382	96,251,206
	Markup on short term financing	172,467,381	108,530,059
	Markup on sub-ordinated loan	440,802,965	345,645,490
		694,774,728	550,426,755

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

11 Contingencies and commitments

11.1 Contingencies

All contingencies and commitments are same as those disclosed in consolidated financial statements for the year ended December 31, 2018 except for the following changes:

Sui Northern Gas Pipelines Limited (SNGPL) has claimed an amount of Rs.92.92 million (December 31, 2018: Rs 89.28 million) on account of late payment by the Company against SNGPL's invoices of Regasified Liquefied Natural Gas (RLNG). SNGPL submitted these RLNG invoices to the Company without getting determination of RLNG tariff from Oil and Gas Regulatory Authority (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.

		Un-audited June 30, 2019	Audited December 31, 2018
12 Property, plant and equipment	Note	(Rupees)	
Balance at January 01		13,945,393,792	13,687,610,378
Acquisition through business combination		-	168,679,833
Additions during the period / year		66,012,297	486,413,111
Net Book value of assets disposed off		(329,064)	(77,088)
Depreciation for the period / year		(300,031,394)	(594,521,390)
Capitalization of exchange loss		175,214,661	197,288,948
Balance at June 30 / December 31		13,886,260,292	13,945,393,792
13 Trade debts - secured, considered good			
National Transmission and Dispatch Company (NTDC)	13.1	10,920,257,724	8,415,730,184

13.1 Trade debts include an overdue amount of Rs 8.62 billion (December 31, 2018: Rs. 6.72 billion). The Company considers this amount to be fully recoverable because this is secured by way of guarantee issued by the Government of Pakistan (GoP) under the Implementation Agreement (IA). Additionally, trade debts are subject to markup on delayed payments under PPA at the rate of KIBOR + 4.5% per annum except RLNG fuel invoices which are subject to markup of KIBOR+2% for first 30 days and after 30 days markup will be KIBOR+4.5%.

13.2 Included in trade debts is an amount of Rs. 477.56 million (December 31, 2018: 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.

The Company along with other Independent Power Producers (IPPs) agreed with NTDC to resolve the dispute through dispute resolution mechanism (appointment of expert) under the PPA. In his decision the expert in August 2015 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 conform to requirements of PPA relating to Expert decision within 30 days, the IPPs went to London Court of International Arbitration (LCIA).

Sole arbitrator appointed by LCIA issued a partial final award on June 08, 2017 wherein it was inter alia held that the expert determination is final and binding. Thereafter, a final award was issued by the sole arbitrator on October 29, 2017 pursuant to which NTDC was ordered to pay Rs. 477.56 million (December 31, 2018: Rs. 477.56 million) along with cost of proceedings, interest from the date of expert determination till payment by NTDC, after Arbitrator decision to the Company. The Company filed petitions before Lahore High Court for enforcement of partial final award and final award on June 17, 2017 and November 30, 2017 respectively, for which proceedings are pending. NTDC has also challenged the partial award and final award in English courts as well as Civil Court, Lahore, however, it withdrew this case from the English Courts.

13.3 During year ended December 31, 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 (LCIA). SNGPL disputed the adjustment/set off amount of Award in the Lahore High Court, however, the court dismissed this petition of SNGPL. Thereafter, SNGPL filed appeal before the Supreme Court of Pakistan which, disposed off the appeal by stating that, the judgement of the Lahore High Court to the extent it decides on merits the question of the Company's right to set off is set aside (without prejudice to the rights of the parties). SNGPL has also challenged the award in Civil Court, Lahore, on April 21, 2016 which is pending adjudication. On June 07, 2016 the Company filed a petition in the Civil Court Lahore

FOR SIX MONTHS ENDED JUNE 30, 2019

	Un-audited June 30, 2019	Audited December 31, 2018
	(Rupees)	
14 Other receivables		
Workers' Profit Participation Fund (WPPF) receivable	423,938,122	496,240,240
Other receivables	2,659,194	1,762,518
	426,597,316	498,002,758
15 Trade deposits and short term prepayments		
Prepayments	2,933,462	49,101,107
Security deposits	1,833,000	1,833,000
Current portion of long term deposits	247,700	752,500
	5,014,162	51,686,607
	Un-audited	Un-audited
	Three months ended	Six months ended
	June 30,	June 30,
	2019	2019
	June 30,	June 30,
	2018	2018
	(Rupees)	
16 Turnover - net		
Gross Energy Purchase Price	4,490,457,557	4,433,443,872
Less: Sales tax	(652,459,644)	(644,175,606)
	3,837,997,913	4,734,213,210
Capacity Purchase Price	1,454,661,852	1,182,491,330
	5,292,659,765	7,681,596,711
17 Cost of sales		
Raw material consumed	3,569,166,693	3,557,913,276
Operation and maintenance	266,146,085	224,083,127
Salaries and other benefits	19,428,296	18,423,208
Electricity charges	4,880,525	4,451,634
Insurance	35,543,176	34,477,438
Depreciation	148,362,227	146,749,856
Office expenses	341,814	236,572
Travelling, conveyance and entertainment	382,729	189,749
Repair and maintenance	557,635	448,800
Communication	23,353	37,067
Other expenses	-	248,429
	4,044,832,533	5,268,028,614
18 Finance cost		
Mark-up on long term borrowings	96,090,713	107,339,504
Mark-up on short term borrowings	171,973,670	56,932,091
Exchange loss	137,056,312	22,716,082
Guarantee commission	3,249,998	3,200,300
Bank and other charges	649,379	496,093
	409,020,072	683,223,781

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FOR SIX MONTHS ENDED JUNE 30, 2019

19 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 Group 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 Group 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 Group 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 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).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

19.1 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				
Note		Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total
(Rupees)								
June 30, 2019								
Financial assets measured at fair value								
Financial assets not measured at fair value								
19.2	Long term deposits	4,009,260	-	4,009,260	-	-	-	-
	Trade debts	10,920,257,724	-	10,920,257,724	-	-	-	-
	Other receivables	426,597,316	-	426,597,316	-	-	-	-
	Advances to employees	778,194	-	778,194	-	-	-	-
	Security deposits	1,833,000	-	1,833,000	-	-	-	-
	Bank balances	13,314,105	-	13,314,105	-	-	-	-
	Total	11,366,789,599	-	11,366,789,599	-	-	-	-
Financial liabilities not measured at fair value								
19.2	Long term financing	-	2,336,874,123	2,336,874,123	-	-	-	-
	Sub-ordinated loan	-	1,134,756,317	1,134,756,317	-	-	-	-
	Lease liabilities	-	25,389,388	25,389,388	-	-	-	-
	Deferred liability - gratuity	-	2,537,420	2,537,420	-	-	-	-
19.3	Trade and other payables	-	1,400,630,096	1,400,630,096	-	-	-	-
	Short term borrowings	-	6,390,174,988	6,390,174,988	-	-	-	-
	Markup accrued	-	694,774,728	694,774,728	-	-	-	-
	Unclaimed dividend	-	10,837,293	10,837,293	-	-	-	-
	Total	-	11,995,974,353	11,995,974,353	-	-	-	-

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

Note	Carrying Amount		Fair value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
(Rupees)						
December 31, 2018						
Financial assets measured at fair value						
Financial assets not measured at fair value						
19.2	4,084,310	-	4,084,310	-	-	-
	8,415,730,184	-	8,415,730,184	-	-	-
	498,002,758	-	498,002,758	-	-	-
	546,672	-	546,672	-	-	-
	1,833,000	-	1,833,000	-	-	-
	14,472,597	-	14,472,597	-	-	-
Total	8,934,669,521	-	8,934,669,521	-	-	-
Financial liabilities not measured at fair value						
19.2	-	2,975,180,137	2,975,180,137	-	-	-
	-	959,541,656	959,541,656	-	-	-
	-	12,504,766	12,504,766	-	-	-
	-	-	-	-	-	-
19.3	-	931,466,135	931,466,135	-	-	-
	-	5,473,050,970	5,473,050,970	-	-	-
	-	550,426,755	550,426,755	-	-	-
	-	10,190,825	10,190,825	-	-	-
Total	-	10,912,361,244	10,912,361,244	-	-	-

19.2 The Group 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.

19.3 It excludes withholding tax payable, sales tax payable and payable against WPPF.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED JUNE 30, 2019

20 Related party transactions and balances

The Company is subsidiary of Saif Holdings Limited ("the Controlling Party"), therefore the Controlling Party, the Subsidiary Company and all associated undertakings of the Controlling Party are related parties of the Group. Other related parties comprise of directors, key management personnel, entities over which directors are able to exercise significant influence and major shareholders. Balances and other arrangements with Orastar Limited have been disclosed in note 4.3, 6 and 9 to the financial statements. Transactions and balances with related parties other than those disclosed elsewhere in these condensed interim consolidated financial statements are as follows:

Transactions with related parties

	Un-audited Six months ended June 30, 2019	June 30, 2018
	(Rupees)	
Saif Holdings Limited - the Holding Company (51.04% shareholding-common directorship)		
Rent	-	675,000
Dividend	256,454,405	374,817,976
Expenses incurred on behalf of the Company	-	128,840
Issuance of shares by Saif Cement Limited against equity advance received	25,564,500	-
Saif Health Care Limited - Associated Company (Common directorship)		
Expenses incurred on behalf of the Company	-	269,533
Saif Textile Limited - Associated Company (Common directorship)		
Dividend	130	190
JSK Feeds Limited - Associated Company (Common directorship)		
Expenses incurred on behalf of Saif Cement Limited	563,782	-
Key Management Personnel		
Dividend to Directors	20,802	22,804
Remuneration including benefits and perquisites to Key Management Personnel	42,736,989	29,000,681
Other related parties		
Contribution to Saif Power Limited - Staff Gratuity Fund	16,314,930	8,979,286
	Un-audited June 30, 2019	Audited December 31, 2018
	(Rupees)	
Balances with related parties		
Saif Holdings Limited - the Holding Company (51.04% shareholding-common directorship)		
Support service fee payable	221,525,725	221,525,725
JSK Feeds Limited - Associated Company (Common directorship)		
Payable against expenses incurred on behalf of Saif Cement Limited	420,661	1,211,517
Saif Energy Limited - Associated Company (Common directorship)		
Payable against expenses incurred on behalf of Saif Cement Limited	-	15,860
Other related parties		
Payable to Saif Power Limited- Staff Gratuity Fund	4,697,077	16,314,930

21 Date of authorization

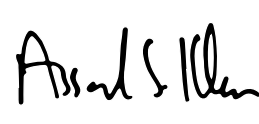
These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors in their meeting held on August 28, 2019.



Chief Financial Officer



Chief Executive Officer



Director



SAIF POWER LIMITED

1st Floor, Kashmir Commercial Complex (KCC),
Fazal-ul-Haq Road, Block E, Blue Area, Islamabad.
Tel: +92-51-2271378-83, Fax: +92-51-2277670
www.saifpower.com