SAIF POWER LIMITED

A Saif Group Company

Financial Report

For Nine Months Ended

September 30, 2019

CONTENTS

CORPORATE INFORMATION

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 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 SEPTEMBER 30, 2019

DEAR SHAREHOLDERS

The Board of Directors is pleased to present a brief overview of Company's financial and operational performance along with the consolidated and unconsolidated unaudited-condensed interim financial statements for the nine months ended September 30, 2019.

PRINCIPAL ACTIVITY

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

SUMMARY OF FINANCIAL PERFORMANCE

By the grace of Almighty Allah, the operations remained smooth and the performance has been steady. Your Company's net profit during the period was Rs. 2,699 million as against Rs. 2,306 million in the comparable period of 2018. Earnings per share (EPS) for the period is Rs. 6.99 (2018: Rs. 5.97).

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). 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.

SNGPL has 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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
	.....Rupees in Million.....	
Turnover	13,283	14,403
Operating Cost	9,529	11,382
Net Profit	2,699	2,306
Earnings per Share	6.99	5.97

FINANCIAL HIGHLIGHTS-CONSOLIDATED

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
	.....Rupees in Million.....	
Turnover	13,283	14,403
Operating Cost	9,529	11,382
Net Profit	2,697	2,304

OPERATIONAL HIGHLIGHTS

	Unit	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Dispatch Level	%	53.61%	77.23%
Capacity made available	GWHs	1,304	1,291

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. GOP is endeavoring to resolve this problem through measures like increase in electricity tariff, upgradation of transmission/grid network and, strict actions on non-recoveries.

DIVIDEND

The board has proposed an interim dividend of 10% (Rs. 1 per share) to the shareholders.

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

October 29, 2019
Islamabad

محترم حصص کنندگان!

بورڈ آف ڈائریکٹرز (BOD) کی جانب سے میں، کمپنی کی مالی اور آپریشنل کارکردگی کا ایک جامع جائزہ پیش کرتے ہوئے خوشی محسوس کر رہا ہوں جس کے ساتھ 30 ستمبر 2019ء کو ختم ہونے والے نو ماہ کے لیے کمپنی کے مستحکم اور غیر متزلزل غیر محاسبہ شدہ ملخص عبوری مالی بیانات بھی 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 "کمبائنڈ سائیکل تھرمل پاور پلانٹ" ہے جو کہ جنرل الیکٹرک فرانس کے دو طرفہ گیس ٹربائن اور سیمنز سویڈن کے ایک سٹیم ٹربائن پر مشتمل ہے اور اس پلانٹ کی مجموعی پیداواری صلاحیت 225 میگا واٹ ہے۔

مالیاتی کارکردگی کا خلاصہ:

خدا کے فضل سے، تمام آپریشنز ہموار رہے ہیں اور کارکردگی مستحکم رہی ہے۔ اس عرصہ کے دوران آپ کی کمپنی کا خالص منافع 2,699 ملین روپے تھا جب کہ اس کے مقابلے میں سال 2018ء میں اتنے ہی عرصہ کے دوران یہ منافع 2,306 ملین روپے تھا۔ اس عرصہ کے دوران فی شیئر آمدنی 6.99 روپے ہے (جو کہ 2018ء میں 5.97 روپے تھی)۔

زیر التواء 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 قابلِ ادا رقوم کے معاملے میں یہ رقم پہلے ہی ایڈجسٹ کی گئی ہے۔ اس عرصے 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 کورٹ آف انٹرنیشنل ثالثی (LCIA) کے سامنے ثالثی کی درخواست بھی دائر کی ہے۔ کمپنی کا مؤقف 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۔

پاور 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۔ پاور خریدار نے جزوی ایوارڈ اور فائنل ایوارڈ کو "یو کے" اور سول کورٹ لاہور میں بھی چیلنج کیا، تاہم، "یو کے کورٹس" سے دستبردار ہوگیا۔

مالی جھلکیاں۔ غیر متزلزل:

	30 ستمبر 2019ء کوختم ہونے والے نو ماہ	30 ستمبر 2018ء کوختم ہونے والے نو ماہ
	......................روپے ملین میں......................	
کاروبار	13,283	14,403
آپریٹنگ کے اخراجات	9,529	11,382
خالص منافع	2,699	2,306
فی شیئر آمدنی (روپے میں)	6.99	5.97

مالی جھلکیاں۔ مستحکم:

	30 ستمبر 2019ء کوختم ہونے والے نو ماہ	30 ستمبر 2018ء کوختم ہونے والے نو ماہ
	......................روپے ملین میں......................	
کاروبار	13,283	14,403
آپریٹنگ کے اخراجات	9,529	11,382
خالص منافع	2,697	2,304

آپریشنل کی جھلکیاں:

	یونٹ	30 ستمبر 2019ء کوختم ہونے والے نو ماہ	30 ستمبر 2018ء کوختم ہونے والے نو ماہ
ترسیل کا لیول	فیصدی	53.61%	77.23%
صلاحیت کی دستیابی	گیگا واٹس	1,304	1,291

بجلی کے خریداروں کی ادائیگی میں کمی کی وجہ سے بجلی پیدا کرنے کی صنعت فی الحال مشکل ترین صورتحال سے گذر 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 سرکلر قرضوں میں نمایاں کمی لانے کے لئے حکومتِ پاکستان بھی عمومی طور پر کوششیں کر رہی ہے۔ حکومتِ پاکستان، بجلی کے نرخوں میں اضافے، ٹرانسمیشن / گرڈ نیٹ ورک کی اپ گریڈیشن اور عدم بازیافتوں پر سخت ایکشن جیسے اقدامات کے ذریعے یہ مسئلہ حل کرنے کی کوشش کر رہی ہے۔

منافع جات

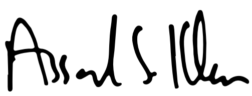
بورڈ نے حصص یافتگان کو 10 فیصد (ہر حصص پر 1 روپے) کا عبوری منافع تجویز کیا ہے۔

اظہارِ تشکر:

ہم اس موقع سے فائدہ اٹھاتے ہوئے اپنے ریگولیٹرز، مالیاتی اداروں، گاہکوں اور دیگر اسٹیک ہولڈرز کا شکریہ ادا کرتے ہیں کہ انہوں نے ہماری مسلسل حمایت اور رہنمائی کی۔

ڈائریکٹرز 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:



اسد سیف اللہ خان
ڈائریکٹر

اسلام آباد
29 اکتوبر 2019ء

Condensed Interim Unconsolidated Financial Statements

For Nine Months Ended

September 30, 2019

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2019

	Note	Un-audited September 30, 2019	Audited December 31, 2018
		(Rupees)	
Share Capital and Reserves			
Share capital	4	3,864,717,790	3,864,717,790
Unappropriated profit - revenue reserve		10,379,680,488	8,182,507,613
Total equity		14,244,398,278	12,047,225,403
Liabilities			
Long term financing	5	-	652,714,443
Sub-ordinated loan	6	765,673,095	799,618,050
Lease liabilities	7	13,720,014	8,808,920
Non-current liabilities		779,393,109	1,461,141,413
Trade and other payables		1,394,831,077	1,039,856,731
Short term borrowings	8	6,147,085,843	5,448,553,994
Current portion of non-current liabilities		2,115,506,684	2,486,085,146
Markup accrued	9	721,284,889	550,426,755
Unclaimed dividend		10,268,216	10,190,825
Current liabilities		10,388,976,709	9,535,113,451
Total liabilities		11,168,369,818	10,996,254,864
Total equity and liabilities		25,412,768,096	23,043,480,267
Contingencies and commitments	10		
Assets			
Property, plant and equipment	11	12,974,576,200	13,294,424,176
Investment in subsidiary	12	722,100,000	631,000,000
Long term deposits		4,122,160	3,331,810
Non-current assets		13,700,798,360	13,928,755,986
Advance income tax		14,250,849	13,980,237
Stock in trade - HSD		134,055,670	134,110,136
Trade debts	13	10,779,613,996	8,415,730,184
Other receivables	14	420,027,651	498,002,758
Advances		2,491,062	919,117
Trade deposits and short term prepayments	15	111,137,137	51,686,607
Bank balances		250,393,371	295,242
Current assets		11,711,969,736	9,114,724,281
Total assets		25,412,768,096	23,043,480,267

The annexed notes 1 to 22 form an integral part of these condensed interim unconsolidated financial statements.

Chief Financial Officer **Chief Executive Officer** **Director**

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

FOR NINE MONTHS ENDED SEPTEMBER 30, 2019

		Three months ended		Nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Note	(Rupees)			
Turnover - net	16	5,601,982,511	5,352,611,984	13,283,579,222	14,403,010,700
Cost of sales	17	(4,261,757,238)	(4,306,610,803)	(9,529,785,852)	(11,382,904,742)
Gross profit		1,340,225,273	1,046,001,181	3,753,793,370	3,020,105,958
Other income		101,507	1,197,495	1,573,262	1,943,148
Administrative expenses		(43,152,505)	(37,333,704)	(119,087,931)	(109,538,915)
Finance cost	18	(253,837,417)	(212,404,318)	(936,692,513)	(606,258,140)
Profit for the period		1,043,336,858	797,460,654	2,699,586,188	2,306,252,051
Earnings per share - basic and diluted		2.70	2.06	6.99	5.97

The annexed notes 1 to 22 form an integral part of these condensed interim unconsolidated financial statements.

Chief Financial Officer **Chief Executive Officer** **Director**

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

FOR NINE MONTHS ENDED SEPTEMBER 30, 2019

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
	(Rupees)			
Profit for the period	**1,043,336,858**	797,460,654	**2,699,586,188**	2,306,252,051
Other comprehensive income for the period	**-**	-	**-**	-
Total comprehensive income for the period	**1,043,336,858**	797,460,654	**2,699,586,188**	2,306,252,051

The annexed notes 1 to 22 form an integral part of these condensed interim unconsolidated financial statements.

Chief Financial Officer | **Chief Executive Officer** | **Director**

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

FOR NINE MONTHS ENDED SEPTEMBER 30, 2019

	Note	Nine months ended September 30, 2019	Nine months ended September 30, 2018
		(Rupees)	(Rupees)
Cash flows from operating activities			
Profit for the period		2,699,586,188	2,306,252,051
Adjustments for:			
Provision for staff retirement benefits - gratuity		7,084,541	3,889,091
Depreciation	11	450,508,738	445,176,479
Finance cost	18	936,692,513	546,686,542
Gain on sale of property, plant and equipment		(226,485)	(277,512)
Profit on deposit accounts		(1,008,969)	(6,006)
Return on investments		(236,301)	(1,410,050)
		4,092,400,225	3,300,310,595
Changes in:			
Stock in trade		54,466	(9,768,439)
Trade debts		(2,363,883,812)	(2,809,672,671)
Other receivables		77,975,107	(54,290,712)
Advances		(1,571,945)	734,780
Trade deposits and short term prepayments		(59,450,530)	(39,942,125)
Trade and other payables		364,204,735	(360,283,759)
Cash generated from operating activities		2,109,728,246	27,087,669
Income tax paid		(270,612)	(1,032,723)
Finance cost paid		(765,834,379)	(443,976,805)
Staff retirement benefits paid		(16,314,930)	(8,979,286)
Net cash generated from / (used in) operating activities		1,327,308,325	(426,901,145)
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	(9,581,242)	(3,788,305)
Increase in long term deposits		(790,350)	(188,100)
Proceeds from sale of property, plant and equipment		555,549	354,600
Investment in subsidiary		(91,100,000)	(10,625,000)
Profit on deposit accounts		1,008,969	6,006
Return on investments - receipts		236,301	1,410,050
Net cash used in investing activities		(99,670,773)	(12,830,749)
Cash flows from financing activities			
Repayment of long term financing	5	(1,179,114,085)	(916,585,112)
Dividend paid		(502,335,922)	(732,353,130)
Short term borrowings - net		698,531,849	2,089,483,499
Lease liabilities assumed / (paid)		5,378,735	(4,679,434)
Net cash (used in) / generated from financing activities		(977,539,423)	435,865,823
Net increase in cash and cash equivalents		250,098,129	(3,866,071)
Cash and cash equivalents at beginning of the period		295,242	4,424,504
Cash and cash equivalents at end of the period		250,393,371	558,433

The annexed notes 1 to 22 form an integral part of these condensed interim unconsolidated financial statements.

Chief Financial Officer **Chief Executive Officer** **Director**

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR NINE MONTHS ENDED SEPTEMBER 30, 2019

	Share capital	Unappropriated profit	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	-	2,306,252,051	2,306,252,051
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	2,306,252,051	2,306,252,051
Transaction with owners of the Company			
Distributions			
Final dividend 2017: Rs. 1.90 per share	-	(734,296,380)	(734,296,380)
Balance as at September 30, 2018 (Un-audited)	3,864,717,790	8,103,335,937	11,968,053,727
Balance as at January 01, 2019 (Audited)	**3,864,717,790**	**8,182,507,613**	**12,047,225,403**
Profit for the period	**-**	**2,699,586,188**	**2,699,586,188**
Other comprehensive income	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**2,699,586,188**	**2,699,586,188**
Transaction with owners of the Company			
Distributions			
Final dividend 2018: Rs. 1.30 per share	**-**	**(502,413,313)**	**(502,413,313)**
Balance as at September 30, 2019 (Un-audited)	**3,864,717,790**	**10,379,680,488**	**14,244,398,278**

The annexed notes 1 to 22 form an integral part of these condensed interim unconsolidated financial statements.

Chief Financial Officer **Chief Executive Officer** **Director**

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 unconsolidated financial statements of the Company for nine months ended September 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 lAS 34 or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.
The disclosures in these condensed interim unconsolidated 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 unconsolidated 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 unconsolidated 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 S.R.O 985(I)/2019 dated September 2, 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 S.R.O 986(I)/2019 dated September 2, 2019 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 unconsolidated 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. The Company has entered into 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, insurance and operation & maintenance.
Revenue from sale of electricity is recognized when or as the Company satisfies performance obligation by transferring the 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

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 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 September 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 January 01, 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 September 30, 2019 was Rs. 17,756,639. 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 condensed interim unconsolidated financial statements and carrying amount of lease liabilities as at September 30, 2019 was Rs. 17,883,501.

In respect of leases of office buildings as a lessee, the impact on these condensed interim unconsolidated financial statements 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 September 30, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

		Un-audited September 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	4,050,000,000	4,050,000,000
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	3,864,717,790	3,864,717,790

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.

		Note	Un-audited September 30, 2019	Audited December 31, 2018
			(Rupees)	
5	**Long term financing**			
	Balance at January 01		2,975,180,137	4,761,277,267
	Repayment during the period / year		(1,179,114,085)	(1,786,097,130)
			1,796,066,052	2,975,180,137
	Current portion of long term financing		(1,796,066,052)	(2,322,465,694)
	Balance at September 30 / December 31	5.1	-	652,714,443

5.1 Terms and conditions of all long term facilities are same as disclosed in financial statements for the year ended December 31, 2018.

		Note	Un-audited September 30, 2019	Audited December 31, 2018
			(Rupees)	
6	**Sub-ordinated loan - unsecured**			
	Balance at January 01		959,541,656	762,252,708
	Exchange loss capitalized	11	121,408,584	197,288,948
			1,080,950,240	959,541,656
	Current portion of sub-ordinated loan		(315,277,145)	(159,923,606)
	Balance at September 30 / December 31	6.1	765,673,095	799,618,050

6.1 Terms and conditions of the above loan are same as disclosed in financial statements for the year ended December 31, 2018.

		Un-audited September 30, 2019	Audited December 31, 2018
7	**Lease liabilities**	(Rupees)	
		Present value of minimum lease payments	Present value of minimum lease payments
	Within one year	4,163,487	3,695,846
	Later than one year and not later than five years	13,720,014	8,808,920
		17,883,501	12,504,766

		Un-audited September 30, 2019	Audited December 31, 2018
8 Short term borrowings	Note	(Rupees)	
Working capital facilities - secured	8.1	4,043,645,392	5,031,518,017
Short term musharakah facilities - secured	8.2	2,103,440,451	417,035,977
		6,147,085,843	5,448,553,994

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 HSD 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 HSD 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 September 30, 2019	Audited December 31, 2018
9 Markup accrued	(Rupees)	
Markup on long term financing	72,321,336	96,251,206
Markup on short term financing	214,534,696	108,530,059
Markup on sub-ordinated loan	434,428,857	345,645,490
	721,284,889	550,426,755

10 Contingencies and commitments

10.1 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. 95.15 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 September 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		9,581,242	4,034,117
Net book value of assets disposed off		(329,064)	(77,088)
Depreciation for the period / year		(450,508,738)	(594,432,179)
Capitalization of exchange loss	6	121,408,584	197,288,948
Balance at September 30 / December 31		12,974,576,200	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 9,110,000 fully paid ordinary shares of Rs. 10 each thus making total investment in subsidiary amounting to Rs. 722,100,000 constituting 96.28% of the issued share capital of SCL.

		Note	Un-audited September 30, 2019	Audited December 31, 2018
			(Rupees)	
13	**Trade debts - secured, considered good**			
	National Transmission and Despatch Company (NTDC)	13.1	**10,779,613,996**	8,415,730,184

13.1 Trade debts include an overdue amount of Rs 8.60 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 period, 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.

		Un-audited September 30, 2019	Audited December 31, 2018
14	**Other receivables**	(Rupees)	
	Workers' Profit Participation Fund (WPPF) receivable	**416,876,416**	496,240,240
	Other receivables	**3,151,235**	1,762,518
		420,027,651	498,002,758
15	**Trade deposits and short term prepayments**		
	Prepayments	**109,304,137**	49,101,107
	Security deposits	**1,833,000**	1,833,000
	Current portion of long term deposits	**-**	752,500
		111,137,137	51,686,607

		Un-audited Three months ended		Un-audited Nine months ended	
		September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
16	**Turnover - net**	(Rupees)			
	Gross Energy Purchase Price	**4,701,646,459**	4,817,355,280	**10,240,675,914**	12,622,610,410
	Less: Sales tax	**(683,145,212)**	(702,232,711)	**(1,487,961,457)**	(1,836,329,611)
		4,018,501,247	4,115,122,569	**8,752,714,457**	10,786,280,799
	Capacity Purchase Price	**1,583,481,264**	1,237,489,415	**4,530,864,765**	3,616,729,901
		5,601,982,511	5,352,611,984	**13,283,579,222**	14,403,010,700
17	**Cost of sales**				
	Raw material consumed	**3,735,380,311**	3,871,648,775	**8,146,403,601**	10,137,222,360
	Operation and maintenance	**305,984,566**	237,136,735	**743,372,552**	647,193,161
	Salaries and other benefits	**15,067,209**	12,758,169	**49,038,511**	41,983,915
	Electricity charges	**3,257,736**	1,718,685	**19,871,196**	10,923,510
	Insurance	**51,827,914**	35,543,176	**122,141,588**	102,682,633
	Depreciation	**149,321,620**	147,108,156	**445,803,336**	440,324,696
	Office expenses	**400,822**	369,012	**1,150,600**	1,160,160
	Travelling, conveyance and entertainment	**468,236**	230,878	**1,294,404**	735,086
	Repair and maintenance	**31,922**	72,767	**639,275**	601,136
	Communication	**16,902**	24,450	**70,789**	78,085
		4,261,757,238	4,306,610,803	**9,529,785,852**	11,382,904,742
18	**Finance cost**				
	Mark-up on long term borrowings	**87,200,108**	127,408,908	**292,594,669**	336,639,859
	Mark-up on short term borrowings	**214,847,703**	68,074,962	**540,634,415**	196,892,767
	Exchange (gain)/ loss	**(55,599,785)**	10,925,000	**88,709,631**	59,571,598
	Guarantee commission	**6,749,999**	5,749,999	**13,249,997**	12,250,599
	Bank and other charges	**639,392**	245,449	**1,503,801**	903,317
		253,837,417	212,404,318	**936,692,513**	606,258,140

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).

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.

	Note	Carrying Amount			Fair value			
		Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total
September 30, 2019				(Rupees)				
Financial assets measured at fair value		-	-	-	-	-	-	-
Financial assets not measured at fair value	19.2							
Long term deposits		4,122,160	-	4,122,160	-	-	-	-
Trade debts		10,779,613,996	-	10,779,613,996	-	-	-	-
Other receivables		420,027,651	-	420,027,651	-	-	-	-
Advances to employees		619,857	-	619,857	-	-	-	-
Security deposits		1,833,000	-	1,833,000	-	-	-	-
Bank balances		250,393,371	-	250,393,371	-	-	-	-
Total		11,456,610,035	-	11,456,610,035	-	-	-	-
Financial liabilities not measured at fair value	19.2							
Long term financing		-	1,796,066,052	1,796,066,052	-	-	-	-
Sub-ordinated loan		-	1,080,950,240	1,080,950,240	-	-	-	-
Lease liabilities		-	17,883,501	17,883,501	-	-	-	-
Trade and other payables	19.3	-	1,244,057,571	1,244,057,571	-	-	-	-
Short term borrowings		-	6,147,085,843	6,147,085,843	-	-	-	-
Markup accrued		-	721,284,889	721,284,889	-	-	-	-
Unclaimed dividend		-	10,268,216	10,268,216	-	-	-	-
Total		-	11,017,596,312	11,017,596,312	-	-	-	-

	Note	Carrying Amount			Fair value			
		Loans and receivables	Other financial Liabilities	Total	Level 1	Level 2	Level 3	Total
December 31, 2018				(Rupees)				
Financial assets measured at fair value		-	-	-	-	-	-	-
Financial assets not measured at fair value	19.2							
Long term deposits		4,084,310	-	4,084,310	-	-	-	-
Trade debts		8,415,730,184	-	8,415,730,184	-	-	-	-
Other receivables		498,002,758	-	498,002,758	-	-	-	-
Advances to employees		544,572	-	544,572	-	-	-	-
Security deposits		1,833,000	-	1,833,000	-	-	-	-
Bank balances		295,242	-	295,242	-	-	-	-
Total		8,920,490,066	-	8,920,490,066	-	-	-	-
Financial liabilities not measured at fair value	19.2							
Long term financing		-	2,975,180,137	2,975,180,137	-	-	-	-
Sub-ordinated loan		-	959,541,656	959,541,656	-	-	-	-
Lease liabilities		-	12,504,766	12,504,766	-	-	-	-
Trade and other payables	19.3	-	857,176,679	857,176,679	-	-	-	-
Short term borrowings		-	5,448,553,994	5,448,553,994	-	-	-	-
Markup accrued		-	550,426,755	550,426,755	-	-	-	-
Unclaimed dividend		-	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.

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 these financial statements. Transactions and balances with related parties other than those disclosed elsewhere in these condensed interim unconsolidated financial statements are as follows:

Transactions with related parties	Un-audited Nine months ended September 30, 2019	Un-audited Nine months ended September 30, 2018
	(Rupees)	(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
Saif Health Care Limited - Associated Company (Common directorship)		
Expenses incurred on behalf of the Company	-	167,040
Saif Textile Limited - Associated Company (Common directorship)		
Dividend	130	190
Key Management Personnel		
Dividend to Directors	20,802	22,804
Remuneration including benefits and perquisites to Key Management Personnel	47,023,781	39,174,022
Other related parties		
Contribution to Saif Power Limited - Staff Gratuity Fund	16,314,930	8,979,286

Balances with related parties	Un-audited September 30, 2019	Audited December 31, 2018
	(Rupees)	(Rupees)
Saif Holdings Limited - the Holding Company (51.04% shareholding-common directorship)		
Support service fee payable	221,525,725	221,525,725
Other related parties		
Payable to Saif Power Limited- Staff Gratuity Fund	7,084,541	16,314,930

21 Non adjusting event after reporting date

The Board of Directors proposed interim cash dividend of Rs. 1 per share in their meeting held on October 29, 2019.

22 Date of authorisation

These condensed interim unconsolidated financial statements were approved and authorized for issue by the Board of Directors in their meeting held on October 29, 2019.

Chief Financial Officer **Chief Executive Officer** **Director**

Condensed Interim Consolidated Financial Statements

For Nine Months Ended September 30, 2019

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2019

	Note	Un-audited September 30, 2019	Audited December 31, 2018
		(Rupees)	
Share Capital and Reserves			
Share capital	4	3,864,717,790	3,864,717,790
Unappropriated profit - revenue reserve		10,377,292,472	8,181,713,965
Equity attributable to the owners of the Company		14,242,010,262	12,046,431,755
Non controlling interests		27,359,179	19,609
Total equity		14,269,369,441	12,046,451,364
Liabilities			
Long term financing	5	-	652,714,443
Sub-ordinated loan	6	765,673,095	799,618,050
Lease liabilities	7	20,590,920	8,808,920
Deferred liability - gratuity	8	2,537,420	-
Non-current liabilities		788,801,435	1,461,141,413
Trade and other payables		1,461,446,460	1,114,195,632
Short term borrowings	9	6,147,085,843	5,473,050,970
Current portion of non-current liabilities		2,117,030,147	2,486,085,146
Markup accrued	10	721,284,889	550,426,755
Unclaimed dividend		10,268,216	10,190,825
Current liabilities		10,457,115,555	9,633,949,328
Total equity and liabilities		25,515,286,431	23,141,542,105
Contingencies and commitments	11		
Assets			
Property, plant and equipment	12	13,703,867,436	13,945,393,792
Project transaction cost		58,565,342	43,515,591
Goodwill		11,530,918	11,530,918
Long term deposits		4,122,160	3,331,810
Non-current assets		13,778,085,856	14,003,772,111
Advance income tax		23,508,489	22,846,495
Stock in trade - HSD		134,055,670	134,110,136
Trade debts	13	10,779,613,996	8,415,730,184
Other receivables	14	420,036,548	498,002,758
Advances		2,611,062	921,217
Trade deposits and short term prepayments	15	111,137,137	51,686,607
Cash and bank balances		266,237,673	14,472,597
Current assets		11,737,200,575	9,137,769,994
Total assets		25,515,286,431	23,141,542,105

The annexed notes 1 to 22 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 NINE MONTHS ENDED SEPTEMBER 30, 2019

	Note	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
		(Rupees)			
Turnover - net	16	5,601,982,511	5,352,611,984	13,283,579,222	14,403,010,700
Cost of sales	17	(4,261,757,238)	(4,306,610,803)	(9,529,785,852)	(11,382,904,742)
Gross profit		1,340,225,273	1,046,001,181	3,753,793,370	3,020,105,958
Other income		412,250	1,352,931	2,401,874	2,098,584
Administrative expenses		(44,128,191)	(38,932,413)	(121,383,952)	(111,137,623)
Finance cost	18	(254,133,031)	(212,419,367)	(937,356,812)	(606,273,189)
Profit for the period		1,042,376,301	796,002,332	2,697,454,480	2,304,793,730
Profit/ (loss) attributable to:					
- Owners of the Company		1,042,402,829	796,005,072	2,697,508,432	2,304,796,470
- Non-controlling interests		(26,528)	(2,740)	(53,952)	(2,740)
		1,042,376,301	796,002,332	2,697,454,480	2,304,793,730

The annexed notes 1 to 22 form an integral part of these condensed interim consolidated financial statements.

Chief Financial Officer **Chief Executive Officer** **Director**

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

FOR NINE MONTHS ENDED SEPTEMBER 30, 2019

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
	(Rupees)			
Profit for the period	**1,042,376,301**	796,002,332	**2,697,454,480**	2,304,793,730
Other comprehensive income for the period	**-**	-	**-**	-
Total comprehensive income for the period	**1,042,376,301**	796,002,332	**2,697,454,480**	2,304,793,730
Total comprehensive income attributable to:				
- Owners of the Company	**1,042,402,829**	796,005,072	**2,697,508,432**	2,304,796,470
- Non-controlling interests	**(26,528)**	(2,740)	**(53,952)**	(2,740)
	1,042,376,301	796,002,332	**2,697,454,480**	2,304,793,730

The annexed notes 1 to 22 form an integral part of these condensed interim consolidated financial statements.

Chief Financial Officer **Chief Executive Officer** **Director**

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

FOR NINE MONTHS ENDED SEPTEMBER 30, 2019

	Note	Nine months ended September 30, 2019	September 30, 2018
		(Rupees)	
Cash flows from operating activities			
Profit for the period		2,697,454,480	2,304,793,730
Adjustments for:			
Provision for staff retirement benefits - gratuity		7,084,541	3,889,091
Depreciation	12	451,776,421	445,176,479
Finance cost	18	937,356,812	546,686,542
Gain on sale of property, plant and equipment		(226,485)	(277,512)
Profit on deposit accounts		(1,009,038)	(6,006)
Return on investments		(1,166,351)	(1,410,050)
Operating profit before working capital changes		4,091,270,380	3,298,852,274
Changes in:			
Stock in trade		54,466	(9,768,439)
Trade debts		(2,363,883,812)	(2,809,672,671)
Other receivables		77,966,210	(54,319,309)
Advances		(1,689,845)	725,480
Trade deposits and short term prepayments		(59,450,530)	(39,942,125)
Trade and other payables		359,018,637	(371,448,093)
Cash generated from operating activities		2,103,285,506	14,427,117
Income tax paid		(661,994)	(1,211,989)
Finance cost paid		(766,498,678)	(443,976,805)
Staff retirement benefits paid		(16,314,930)	(8,979,286)
Net cash generated from / (used in) operating activities		1,319,809,904	(439,740,963)
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(89,170,545)	(9,936,057)
Increase in long term deposits		(790,350)	(188,100)
Proceeds from sale of property, plant and equipment		555,549	354,600
Acquisition of subsidiary, net of cash acquired		-	10,537,815
Profit on deposit accounts		1,009,038	6,006
Movement in Project Transaction cost		(15,049,751)	
Return on investments - receipts		1,166,351	1,410,050
Net cash used in investing activities		(102,279,708)	2,184,314
Cash flows from financing activities			
Repayment of long term financing	5	(1,179,114,085)	(916,585,112)
Dividend paid		(502,335,922)	(732,353,130)
Receipt/ (payment) against issuance of shares of the Subsidiary Company		27,876,910	-
Short term borrowings - net		674,034,873	2,089,483,499
Lease liabilities assumed / (paid)		13,773,104	(4,679,434)
Net cash (used in) / generated from financing activities		(965,765,120)	435,865,823
Net increase / (decrease) in cash and cash equivalents		251,765,076	(1,690,826)
Cash and cash equivalents at beginning of the period		14,472,597	4,424,504
Cash and cash equivalents at end of the period		266,237,673	2,733,678

The annexed notes 1 to 22 form an integral part of these condensed interim consolidated financial statements.

Chief Financial Officer **Chief Executive Officer** **Director**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR NINE MONTHS ENDED SEPTEMBER 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	-	2,304,796,470	(2,740)	2,304,793,730
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	2,304,796,470	(2,740)	2,304,793,730
Transaction with owners of the Company				
Distributions				
Final dividend 2017: Rs. 1.90 per share	-	(734,296,380)	-	(734,296,380)
Changes in ownership interests				
Acquisition of subsidiary with NCI	-	-	(4,008)	(4,008)
Total transactions with owners of the Company	-	(734,296,380)	(4,008)	(734,300,388)
Balance as at September 30, 2018	3,864,717,790	8,101,880,356	(6,748)	11,966,591,398
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	**-**	**2,697,508,432**	**(53,952)**	**2,697,454,480**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**2,697,508,432**	**(53,952)**	**2,697,454,480**
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	**-**	**-**	**27,876,910**	**27,876,910**
Disposal of share to NCI without a change in control	**-**	**483,388**	**(483,388)**	**-**
Total changes in ownership interests	**-**	**483,388**	**27,393,522**	**27,876,910**
Total transactions with owners of the Company	**-**	**(501,929,925)**	**27,393,522**	**(474,536,403)**
Balance as at September 30, 2019	**3,864,717,790**	**10,377,292,472**	**27,359,179**	**14,269,369,441**

The annexed notes 1 to 22 form an integral part of these condensed interim consolidated financial statements.

Chief Financial Officer **Chief Executive Officer** **Director**

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 Holding 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 S.R.O 985(I)/2019 dated September 2, 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 S.R.O 986(I)/2019 dated September 2, 2019 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 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.

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Long term deposits	Loans and receivable	Amortized cost
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, the 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 September 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 January 01, 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 September 30, 2019 was Rs. 27,161,815. 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 September 30, 2019 was Rs. 26,277,870.

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 September 30, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

	Un-audited September 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	4,050,000,000	4,050,000,000
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	3,864,717,790	3,864,717,790

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.

	Note	Un-audited September 30, 2019	Audited December 31, 2018
		(Rupees)	
5 Long term financing			
Balance at January 01		2,975,180,137	4,761,277,267
Repayment during the period / year		(1,179,114,085)	(1,786,097,130)
		1,796,066,052	2,975,180,137
Current portion of long term financing		(1,796,066,052)	(2,322,465,694)
Balance at September 30 / December 31	5.1	-	652,714,443

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.

	Note	Un-audited September 30, 2019	Audited December 31, 2018
		(Rupees)	
6 Sub-ordinated loan - unsecured			
Balance at January 01		959,541,656	762,252,708
Exchange loss capitalized		121,408,584	197,288,948
		1,080,950,240	959,541,656
Current portion of sub-ordinated loan		(315,277,145)	(159,923,606)
Balance at September 30 / December 31	6.1	765,673,095	799,618,050

6.1 Terms and conditions of the above loan are same as disclosed in consolidated financial statements for the year ended December 31, 2018.

	Un-audited September 30, 2019	Audited December 31, 2018
7 Lease liabilities	(Rupees)	
	Present value of minimum lease payments	Present value of minimum lease payments
Within one year	5,686,950	3,695,846
Later than one year and not later than five years	20,590,920	8,808,920
	26,277,870	12,504,766

		Note	Un-audited September 30, 2019	Audited December 31, 2018
8	**Deferred liabilities - gratuity**		(Rupees)	
	Opening Balance		-	-
	Capitalized in Capital Work in progress		2,497,288	-
	Expense for the period		40,132	-
	Benefit paid during the period		-	-
	Closing Balance		2,537,420	-
9	**Short term borrowings**			
	Working capital facilities - secured	9.1	4,043,645,392	5,031,518,017
	Short term musharakah facilities - secured	9.2	2,103,440,451	417,035,977
	Loan from related party	9.3	-	24,496,976
			6,147,085,843	5,473,050,970

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 HSD 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 HSD 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).

9.3 This represents repayment in full, by the Subsidiary Company, of principal and interest accured amounting to Rs. 24.49 million in respect of loan obtained from the Controlling party

		Un-audited September 30, 2019	Audited December 31, 2018
10	**Markup accrued**	(Rupees)	
	Markup on long term financing	72,321,336	96,251,206
	Markup on short term financing	214,534,696	108,530,059
	Markup on sub-ordinated loan	434,428,857	345,645,490
		721,284,889	550,426,755

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.95.15 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.

		Note	Un-audited September 30, 2019	Audited December 31, 2018
12	**Property, plant and equipment**		(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		89,170,545	486,413,111
	Net Book value of assets disposed off		(329,064)	(77,088)
	Depreciation for the period / year		(451,776,421)	(594,521,390)
	Capitalization of exchange loss	6	121,408,584	197,288,948
	Balance at September 30 / December 31		13,703,867,436	13,945,393,792

		Note	Un-audited September 30, 2019	Audited December 31, 2018
13	**Trade debts - secured, considered good**		(Rupees)	
	National Transmission and Dispatch Company (NTDC)	13.1	10,779,613,996	8,415,730,184

13.1 Trade debts include an overdue amount of Rs 8.60 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 period, 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.

		Un-audited September 30, 2019	Audited December 31, 2018
14	**Other receivables**	(Rupees)	
	Workers' Profit Participation Fund (WPPF) receivable	416,885,313	496,240,240
	Other receivables	3,151,235	1,762,518
		420,036,548	498,002,758
15	**Trade deposits and short term prepayments**		
	Prepayments	109,304,137	49,101,107
	Security deposits	1,833,000	1,833,000
	Current portion of long term deposits	-	752,500
		111,137,137	51,686,607

		Un-audited		Un-audited	
		Three months ended		Nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
16	**Turnover - net**	(Rupees)			
	Gross Energy Purchase Price	4,701,646,459	4,817,355,280	10,240,675,914	12,622,610,410
	Less: Sales tax	(683,145,212)	(702,232,711)	(1,487,961,457)	(1,836,329,611)
		4,018,501,247	4,115,122,569	8,752,714,457	10,786,280,799
	Capacity Purchase Price	1,583,481,264	1,237,489,415	4,530,864,765	3,616,729,901
		5,601,982,511	5,352,611,984	13,283,579,222	14,403,010,700
17	**Cost of sales**				
	Raw material consumed	3,735,380,311	3,871,648,775	8,146,403,601	10,137,222,360
	Operation and maintenance	305,984,566	237,136,735	743,372,552	647,193,161
	Salaries and other benefits	15,067,209	12,758,169	49,038,511	41,983,915
	Electricity charges	3,257,736	1,718,685	19,871,196	10,923,510
	Insurance	51,827,914	35,543,176	122,141,588	102,682,633
	Depreciation	149,321,620	147,108,156	445,803,336	440,324,696
	Office expenses	400,822	369,012	1,150,600	1,160,160
	Travelling, conveyance and entertainment	468,236	230,878	1,294,404	735,086
	Repair and maintenance	31,922	72,767	639,275	601,136
	Communication	16,902	24,450	70,789	78,085
		4,261,757,238	4,306,610,803	9,529,785,852	11,382,904,742
18	**Finance cost**				
	Mark-up on long term borrowings	87,200,108	127,408,908	292,594,669	336,639,859
	Mark-up on short term borrowings	214,847,703	68,074,962	540,634,415	196,892,767
	Exchange (gain)/ loss	(55,599,785)	10,925,000	88,709,631	59,571,598
	Guarantee commission	6,749,999	5,749,999	13,249,997	12,250,599
	Bank and other charges	935,006	260,498	2,168,100	918,366
		254,133,031	212,419,367	937,356,812	606,273,189

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).

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.

	Note	Carrying Amount			Fair value			
		Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total
September 30, 2019		(Rupees)						
Financial assets measured at fair value		-	-	-	-	-	-	-
Financial assets not measured at fair value	19.2							
Long term deposits		4,122,160	-	4,122,160	-	-	-	-
Trade debts		10,779,613,996	-	10,779,613,996	-	-	-	-
Other receivables		420,036,548	-	420,036,548	-	-	-	-
Advances to employees		739,857	-	739,857	-	-	-	-
Security deposits		1,833,000	-	1,833,000	-	-	-	-
Bank balances		266,237,673	-	266,237,673	-	-	-	-
Total		11,472,583,234	-	11,472,583,234	-	-	-	-
Financial liabilities not measured at fair value	19.2							
Long term financing		-	1,796,066,052	1,796,066,052	-	-	-	-
Sub-ordinated loan		-	1,080,950,240	1,080,950,240	-	-	-	-
Lease liabilities		-	26,277,870	26,277,870	-	-	-	-
Deferred liability - gratuity		-	2,537,420	2,537,420	-	-	-	-
Trade and other payables	19.3	-	1,310,408,670	1,310,408,670	-	-	-	-
Short term borrowings		-	6,147,085,843	6,147,085,843	-	-	-	-
Markup accrued		-	721,284,889	721,284,889	-	-	-	-
Unclaimed dividend		-	10,268,216	10,268,216	-	-	-	-
Total		-	11,094,879,200	11,094,879,200	-	-	-	-

	Note	Carrying Amount			Fair value			
		Loan and receivable	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
December 31, 2018		(Rupees)						
Financial assets measured at fair value		-	-	-	-	-	-	-
Financial assets not measured at fair value	19.2							
Long term deposits		4,084,310	-	4,084,310	-	-	-	-
Trade debts		8,415,730,184	-	8,415,730,184	-	-	-	-
Other receivables		498,002,758	-	498,002,758	-	-	-	-
Advances to employees		546,672	-	546,672	-	-	-	-
Security deposits		1,833,000	-	1,833,000	-	-	-	-
Bank balances		14,472,597	-	14,472,597	-	-	-	-
Total		8,934,669,521	-	8,934,669,521	-	-	-	-
Financial liabilities not measured at fair value	19.2							
Long term financing		-	2,975,180,137	2,975,180,137	-	-	-	-
Sub-ordinated loan		-	959,541,656	959,541,656	-	-	-	-
Lease liabilities		-	12,504,766	12,504,766	-	-	-	-
Deferred liability - gratuity		-	-	-	-	-	-	-
Trade and other payables	19.3	-	931,466,135	931,466,135	-	-	-	-
Short term borrowings		-	5,473,050,970	5,473,050,970	-	-	-	-
Markup accrued		-	550,426,755	550,426,755	-	-	-	-
Unclaimed dividend		-	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.

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 Nine months ended September 30, 2019	Un-audited Nine months ended September 30, 2018
	(Rupees)	(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	25,859,500	-
Saif Health Care Limited - Associated Company (Common directorship)		
Expenses incurred on behalf of the Company	-	167,040
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	712,797	-
Key Management Personnel		
Dividend to Directors	20,802	22,804
Remuneration including benefits and perquisites to Key Management Personnel	60,735,209	40,374,022
Other related parties		
Contribution to Saif Power Limited - Staff Gratuity Fund	16,314,930	8,979,286

Balances with related parties	Un-audited September 30, 2019	Audited December 31, 2018
	(Rupees)	(Rupees)
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	491,322	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	7,084,541	16,314,930

21 Non adjusting event after reporting date

The Board of Directors proposed interim cash dividend of Rs. 1 per share in their meeting held on October 29, 2019.

22 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 October 29, 2019.

Chief Financial Officer **Chief Executive Officer** **Director**

Saif Group

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