engro powergen qadirpur

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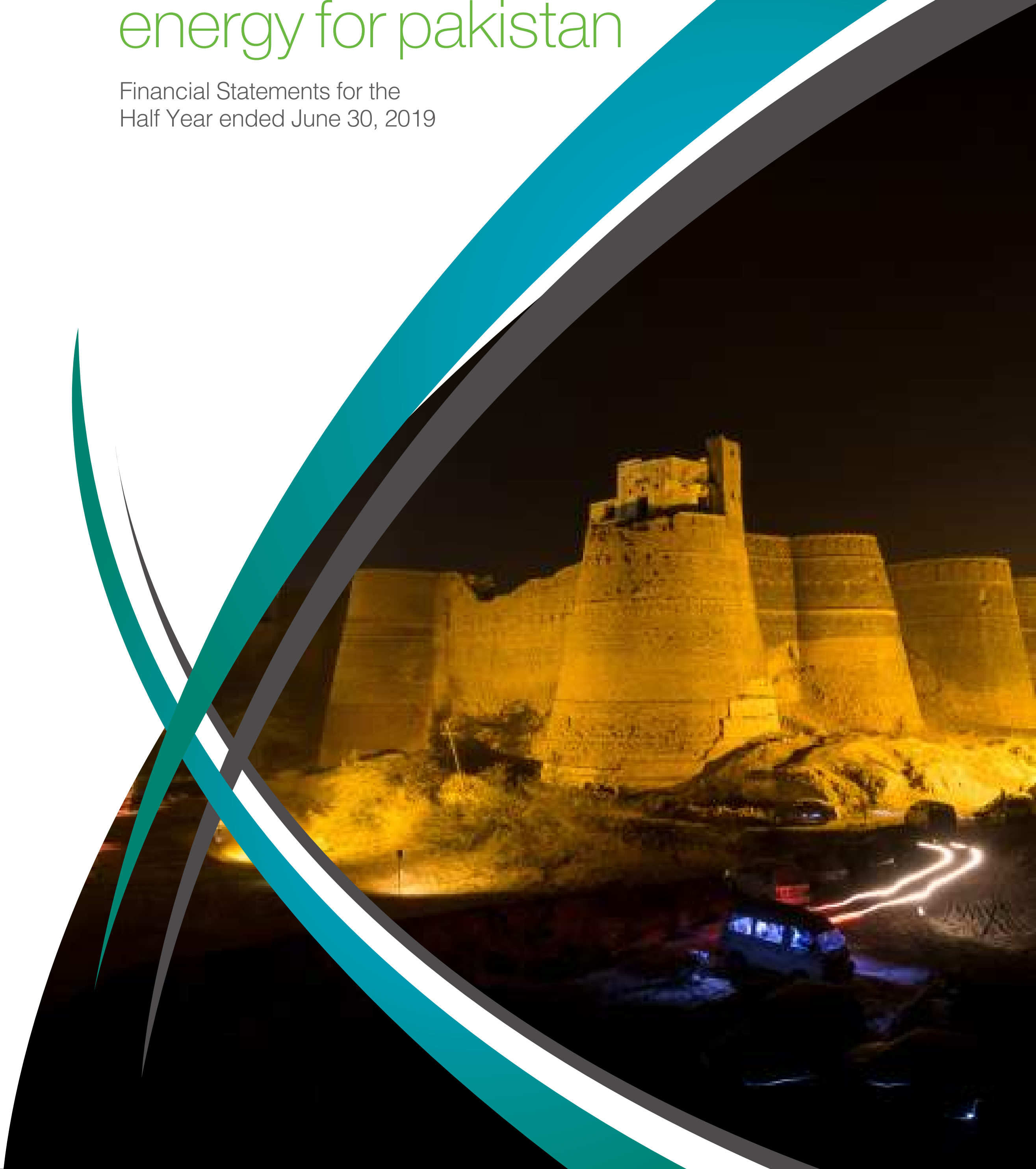
Financial Statements for the
Half Year ended June 30, 2019



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COMPANY INFORMATION

Board of Directors	Ahsan Zafar Syed - Chairman Shahab Qader - Chief Executive Officer Aliya Yusuf Hasnain Moochhala Javed Akbar Shabbir Hashmi Shahid Hamid Pracha Vaqar Zakaria
Board Audit Commitee	Javed Akbar - Chairperson Shabbir Hashmi Aliya Yusuf
Company Secretary	Khawaja Haider Abbas
Chief Financial Officer	Rabia Wafah Khan
Corporate Audit Manager	Syed Zaib Zaman Shah
Bankers / Development Finance Institution (DFI)	Albaraka Bank Ltd. Allied Bank Ltd. Bank Alfalah Ltd. Faysal Bank Ltd. Habibsons Bank Ltd. London National Bank of Pakistan MCB Bank Ltd. Pak Kuwait Investment Company (Pvt) Ltd. Soneri Bank Ltd. The Bank of Punjab
Auditors	A.F. Ferguson & Co., Chartered Accountants State Life Building No. 1-C I.I. Chundrigar Road Karachi-74000, Pakistan Tel: +92 (21) 32426682-5 / 32426711-5 Fax: +92 (21) 32415007 / 32427938
Registered Office	16th Floor, The Harbor Front Building, HC-3, Marine Drive, Block 4, Clifton, Karachi-75600, Pakistan UAN: +92 (21) 111-211-211 PABX: +92 (21) 35297875-84
Plant	Engro Powergen Qadirpur Plant Site Deh Belo Sanghari Taluka, District Ghotki, Sindh
Share Registrar	FAMCO Associates (Private) Limited 8-F, Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahra-e-Faisal, Karachi, Pakistan Tel: +92 (21) 34380101 - 5 Fax: +92 (21) 34380106
Website	www.engroenergy.com

engro powergen qadirpur

DIRECTORS' REVIEW AND CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2019

ENGRO POWERGEN QADIRPUR LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2019

The Directors of Engro Powergen Qadirpur Limited (EPQL) are pleased to present the unaudited financial information and a review of the Company's performance for the half year ended June 30, 2019.

Operating Performance

The EPQL Plant demonstrated a billable availability factor of 100% in 1H 2019 compared to 99.8% in the same period last year. It dispatched a total Net Electrical Output (NEO) of 661 GwH to the national grid with a load factor of 71.3% compared to 87% in 1H 2018. The decline in load factor this year was primarily on account of gas supplier's compressor issues which resulted in supply disruptions and Gas curtailment due to depletion of Qadirpur Gas Field.

The Company maintained its high level of commitment towards Health, Safety & Environment (HSE) standards.

Financial Performance

Sales revenue for the period was PKR 7,234 Mn compared to PKR 6,032 Mn in the same period last year. The increase in sales revenue is mainly attributable to a higher USD indexation and higher gas price vs last year.

Gross profit for the period stood at PKR 2,069 Mn as compared to PKR 1,805 Mn in the same period last year. Net finance cost for the period stood at PKR 72 Mn vs PKR 109 Mn in 1H 2018. The decrease in net financing cost is on account of higher interest income billed to the Power Purchaser on account of rising circular debt.

Overdue receivable from NTDC stood at PKR 7,879 Mn as on June 30, 2019 vs PKR 6,133 Mn as on December 31, 2018. Similarly, overdue payable to SNGPL on June 30, 2019 was PKR 5,252 Mn vs PKR 3,605 Mn as on December 31, 2018.

The Company earned a net profit of PKR 1,867 Mn in 1H, 2019 as compared to PKR 1,590 Mn in 1H 2018. Earnings per share were PKR 5.77 vs PKR 4.91 when compared to the same period last year.

The Board is pleased to recommend an interim cash dividend of PKR 1.5 per share for the period ended June 30, 2019.

Near Term Outlook

As envisaged in the Implementation Agreement, EPQL is now facing gas curtailment from Qadirpur gas field as it depletes and has made its Plant available on mixed mode i.e. comingling of gas and HSD from September 7, 2018 onwards. Thereafter, EPQL received a revised gas depletion profile from the Gas Supplier and issued the Projected Gas Depletion Notice dated March 7, 2019. Under the Implementation Agreement, once gas curtailment reaches a certain point, EPQL is allowed a one-time conversion to an alternate fuel. The GoP is obligated to reimburse the Company for such a fuel conversion and subsequent operations on alternate fuel. Accordingly, the Company has commenced work on finding a long-term alternate fuel option by engaging the PPIB and other stakeholders.

Shahab Qader
Chief Executive Officer

Ahsan Zafar Syed
Chairman

Karachi: August 29, 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Engro Powergen Qadirpur Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Engro Powergen Qadirpur Limited as at June 30, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of profit and loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of profit and loss and other comprehensive income for the quarters ended June 30, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2019.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 2.2 to the accompanying interim financial statements, which describes that the Securities and Exchange Commission of Pakistan (SECP) through its press release dated August 22, 2019 has stated that it has extended the earlier exemption from IFRIC 4, now International Financial Reporting Standard 16 – Leases to all companies which have entered into power purchase arrangements before January 1, 2019 and the Company has prepared its interim financial statements consistent with prior years accordingly. The notification in this respect is pending final approval by the Policy Board of SECP. Our conclusion is not modified in respect of this matter.

The engagement partner on the review resulting in this independent auditor's report is Osama Kapadia.

Chartered Accountants
Karachi
Date: August 29, 2019

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■ KARACHI ■ LAHORE ■ ISLAMABAD

(Amounts in thousand)

ENGRO POWERGEN QADIRPUR LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	13,845,569	13,664,179
Intangible assets		66,205	70,945
Long term loans and advances		62,599	100,057
Long term deposits		2,574	2,574
		13,976,947	13,837,755
Current assets			
Inventories		886,803	895,149
Trade debts	5	9,707,675	7,421,800
Contract asset		81,740	179,905
Short term investment	6	48,717	50,004
Loans, advances, deposits and prepayments		57,143	130,540
Other receivables	7	1,692,457	1,581,560
Taxes recoverable		64,707	64,152
Balances with banks	8	81,443	12,740
		12,620,685	10,335,850
TOTAL ASSETS		26,597,632	24,173,605
EQUITY AND LIABILITIES			
Equity			
Share capital		3,238,000	3,238,000
Share premium		80,777	80,777
Maintenance reserve		227,182	227,182
Hedging reserve		13,766	14,199
Unappropriated profit		9,543,066	7,972,617
Total Equity		13,102,791	11,532,775
LIABILITIES			
Non-current liability			
Borrowings	9	-	758,568
Current liabilities			
Trade and other payables		6,928,417	5,241,411
Unclaimed dividend		23,641	23,933
Accrued interest / mark-up		67,763	53,892
Short term borrowings	10	3,878,725	3,758,495
Current portion of long term borrowings	9	2,596,295	2,804,531
		13,494,841	11,882,262
Total Liabilities		13,494,841	12,640,830
Contingencies and Commitments	11		
TOTAL EQUITY AND LIABILITIES		26,597,632	24,173,605

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

Rabia Wafah Khan	**Shahab Qader**	**Ahsan Zafar Syed**
Chief Financial Officer	Chief Executive Officer	Chairman

(Amounts in thousand except for earnings per share)

ENGRO POWERGEN QADIRPUR LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

		Quarter ended		Half year ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Note	Rupees			
Sales	12	3,934,954	3,189,649	7,233,728	6,032,422
Cost of sales		(2,657,006)	(2,145,686)	(5,164,271)	(4,227,258)
Gross profit		1,277,948	1,043,963	2,069,457	1,805,164
Administrative expenses		(14,360)	(34,906)	(36,219)	(66,544)
Other expenses	13	(78,945)	(20,013)	(92,616)	(40,516)
Other income		1,192	1,129	1,449	1,129
Profit from operations		1,185,835	990,173	1,942,071	1,699,233
Finance cost		(30,996)	(69,531)	(72,022)	(109,409)
Workers' profits participation fund and Workers' welfare fund	14	-	-	-	-
Profit before taxation		1,154,839	920,642	1,870,049	1,589,824
Taxation		(404)	(97)	(2,662)	(190)
Profit for the period		1,154,435	920,545	1,867,387	1,589,634
Earnings per share - basic and diluted	15	3.57	2.84	5.77	4.91

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

Rabia Wafah Khan	**Shahab Qader**	**Ahsan Zafar Syed**
Chief Financial Officer	Chief Executive Officer	Chairman

(Amounts in thousand)

ENGRO POWERGEN QADIRPUR LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

	Quarter ended		Half year ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees			
Profit for the period	1,154,435	920,545	1,867,387	1,589,634
Other comprehensive income / (loss) :				
Item that may be reclassified subsequently to profit or loss:				
Hedging reserve - gain for the period	-	46,379	-	64,679
Less: Reclassified to profit or loss	(218)	(839)	(433)	(432)
	(218)	45,540	(433)	64,247
Total comprehensive income for the period	1,154,217	966,085	1,866,954	1,653,881

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

Rabia Wafah Khan	Shahab Qader	Ahsan Zafar Syed
Chief Financial Officer	Chief Executive Officer	Chairman

(Amounts in thousand)

ENGRO POWERGEN QADIRPUR LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2019

		Reserves				
		Capital		Revenue		
	Share capital	Share premium	Maintenance reserve	Unappropriated profit	Hedging reserve	Total
	Rupees					
Balance as at January 1, 2018 (Audited)	3,238,000	80,777	227,182	6,316,404	(49,606)	9,812,757
Total comprehensive income for the half year ended June 30, 2018	-	-	-	1,589,634	64,247	1,653,881
Transactions with owners						
Final dividend for the year ended December 31, 2017 @ Rs. 1.50 per share	-	-	-	(485,700)	-	(485,700)
Balance as at June 30, 2018 (Unaudited)	3,238,000	80,777	227,182	7,420,338	14,641	10,980,938
Total comprehensive income for the half year ended December 31, 2018	-	-	-	1,037,979	(442)	1,037,537
1st interim dividend for the year ended December 31, 2018 @ Rs. 1.50 per share	-	-	-	(485,700)	-	(485,700)
Balance as at January 1, 2019 (Audited)	3,238,000	80,777	227,182	7,972,617	14,199	11,532,775
Effect of change in accounting policies due to adoption of IFRS 9 - Note 3.2	-	-	-	(296,938)	-	(296,938)
Adjusted balance as at January 1, 2019	3,238,000	80,777	227,182	7,675,679	14,199	11,235,837
Total comprehensive income for the half year ended June 30, 2019	-	-	-	1,867,387	(433)	1,866,954
Balance as at June 30, 2019 (Unaudited)	3,238,000	80,777	227,182	9,543,066	13,766	13,102,791

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

Rabia Wafah Khan	Shahab Qader	Ahsan Zafar Syed
Chief Financial Officer	Chief Executive Officer	Chairman

(Amounts in thousand)

ENGRO POWERGEN QADIRPUR LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

	Note	Half year ended June 30, 2019	Half year ended June 30, 2018
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	1,698,018	2,677,802
Taxes paid		(3,217)	(1,186)
Finance income received		9,181	656
Long term loans, advances and deposits - net		61,392	(43,061)
Net cash generated from operating activities		1,765,374	2,634,211
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(21,785)	(74,214)
Purchase of intangible assets		(17,638)	-
Net cash utilised in investing activities		(39,423)	(74,214)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowing		(1,511,359)	(1,040,218)
Finance cost paid		(267,406)	(213,078)
Dividends paid		-	(482,111)
Net cash utilised in financing activities		(1,778,765)	(1,735,407)
Net (decrease) / increase in cash and cash equivalents		(52,814)	824,590
Cash and cash equivalents at beginning of the period		(3,695,751)	(3,151,263)
Cash and cash equivalents at end of the period	17	(3,748,565)	(2,326,673)

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

Rabia Wafah Khan	**Shahab Qader**	**Ahsan Zafar Syed**
Chief Financial Officer	Chief Executive Officer	Chairman

1. LEGAL STATUS AND OPERATIONS

1.1 Engro Powergen Qadirpur Limited (the Company), is a public listed company, incorporated in Pakistan, under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017), and its shares are quoted on the Pakistan Stock Exchange Limited. The Company is a subsidiary of Engro Energy Limited, which is a wholly owned subsidiary of Engro Corporation Limited. Engro Corporation Limited is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company).The Company's registered office is located at 16th floor, Harbour Front Building, Plot Number HC-3, Marine Drive, Block 4, Scheme No. 5, Clifton, Karachi.

1.2 The Company was established with the primary objective to undertake the business of power generation and sale. The Company owns a 217.3 MW combined cycle power plant located in District of Ghotki, Sindh and commenced commercial operations therefrom on March 27, 2010. The electricity generated is transmitted to the National Transmission and Despatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007. This PPA is for a period of 25 years.

2. BASIS OF PREPARATION

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

The cumulative figures for the half year ended June 30, 2019 presented in these condensed interim financial statements have been subjected to limited scope review by the auditors, as required under section 237 of the Companies Act, 2017. These condensed interim financial statements do not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2018.

The preparation of these condensed interim financial statements in conformity with the approved accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty are the same as those that were applied to the financial statements for the year ended December 31, 2018, except for the following:

Expected credit losses (ECL) allowance

The ECL estimate is based on assumptions such as the historical credit loss experience, discount rate and expected future cash flows and their probability of occurence. The Company reviews the ECL model on quarterly basis.

2.2 **Initial application of standards, amendments or an interpretation to existing standards.**

(a) Standards, interpretations and amendments to published approved accounting and reporting standards that became effective during the period

The following accounting standards became effective for the first time for the half year ended June 30, 2019 and are relevant to the Company.

IFRS 9 'Financial instruments' (effective for reporting periods ending on or after June 30, 2019)

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, not recycling.

The standard also includes an expected credit losses (ECL) model that replaces the current incurred loss impairment model. The ECL model involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

The adoption of IFRS 9 from January 1, 2019 by the Company has resulted in change in accounting policies. The Company has applied IFRS 9 retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," however, it has elected not to restate comparative information as permitted under the transitional provisions of the standard.

(Amounts in thousand)

Furthermore, on January 1, 2019, the management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from the reclassification as at that date are as follows:

	Classification & Measurement category		Carrying amount	
	Original	New	Original	New
	IAS 39	IFRS 9	Rupees	
Non-current financial assets				
Long term loans and advances	Loans and Receivables	Amortized Cost	100,057	100,057
Long term deposits	Loans and Receivables	Amortized Cost	2,574	2,574
Current financial assets				
Trade debts	Loans and Receivables	Amortized Cost	7,421,800	7,421,800
Contract asset	Loans and Receivables	Amortized Cost	179,905	179,905
Short term investment	Held to Maturity	Amortized Cost	50,004	50,004
Loans to employees	Loans and Receivables	Amortized Cost	41,053	41,053
Other receivables	Loans and Receivables	Amortized Cost	1,581,560	1,581,560
Balances with banks	Loans and Receivables	Amortized Cost	12,740	12,740
Current financial liabilities				
Borrowings	Amortized Cost	Amortized Cost	6,563,026	6,563,026
Trade and other payables	Amortized Cost	Amortized Cost	4,790,300	4,790,300
Unclaimed dividend	Amortized Cost	Amortized Cost	23,933	23,933
Accrued interest / mark-up	Amortized Cost	Amortized Cost	53,892	53,892

**Prior year figures were restated as a result of applying the new expected credit loss model on adoption of IFRS 9. The effects of the restatement of opening balances and reserves is detailed in note 3.2. The reclassifications of the financial instruments did not result in any changes to measurements.*

IFRS 15 'Revenue from contracts with customers' (effective from accounting period beginning on or after July 1, 2018)

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

The Company is engaged in the business of power generation and sale. Sales to National Transmission and Despatch Company (NTDC), the sole customer of the Company, are governed by the Power Purchase Agreement. The Company has assessed that the performance obligations in the contract with the customer are the following:

- Making Capacity available to NTDC; and
- Delivering Net Electrical Output (NEO) to NTDC.

The Company has concluded that the impact of this standard is not material on the condensed interim financial statements.

IFRS 16 'Leases' (effective for accounting periods beginning on or after January 1, 2019)

This standard replaces the existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

The SECP through its press release dated August 22, 2019 has extended its earlier exemption from IFRIC 4, now IFRS 16 to all companies which have entered into power purchase arrangements before January 1, 2019. The notification in this respect is pending final approval by the Policy Board of the SECP and is expected to be issued in the coming days. Accordingly, the Company has prepared these condensed interim financial statements consistent with prior years. Apart from the above, the adoption of IFRS 16 does not have any significant impact on the condensed interim financial statements of the Company during the current period.

3. ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2018, except for the following:

3.1.1 Revenue Recognition

The Company recognises revenue when the following performance obligations are satisfied:

- Capacity revenue is recognised based on the capacity made available to NTDC; and
- Energy revenue is recognised based on the Net Electrical Output (NEO) delivered to NTDC.

Capacity and Energy revenue is recognised based on the rates determined under the mechanism laid down in the PPA.

3.1.2 Trade debts and other receivables

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company holds the trade debts and other receivables with the objective to collect contractual cash flows and, therefore, measures them subsequently at amortised cost using effective interest method. Provision for impairment is recognized for lifetime expected credit losses under the simplified model for trade debts. For all other receivables, expected credit losses are recognised based on 12 month expected credit losses, and the receivables are assesed for significant increase in credit risk, in the event of which life time expected credit losses are recognised.

The amount of the provision is charged to the statement of profit or loss and other comprehensive income. Trade debts and other receivables considered irrecoverable are written-off.

3.1.3 Leases

The Company recognised leases as a right-of-use asset and corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constance period rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

(Amounts in thousand)

3.2 The following table presents the transitional impact of adoption of IFRS 9 on the opening statement of financial position of the Company as at January 1, 2019.

	As originally presented January 1, 2019	Impact of IFRS 9 Classification and measurement	Impact of IFRS 9 Impairment	Restated January 1, 2019
	Rupees			
Current assets				
Other receivable	1,581,560	-	(296,938)	1,284,622
Equity				
Unappropriated profit	7,972,617	-	(296,938)	7,675,679

3.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

	Unaudited June 30, 2019	Audited December 31, 2018
	Rupees	
4. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value (notes 4.1 and 4.2)	13,502,532	13,322,804
Capital work-in-progress	53,535	34,601
Capital spares	289,502	306,774
	13,845,569	13,664,179

4.1 Major additions to operating assets during the period / year were as follows:

	Rate of depreciation (%)	Unaudited June 30, 2019	Audited December 31, 2018
		Rupees	
Plant & machinery - including capitalisation of exchange loss	4 - 16	575,721	1,134,280
Freehold land	-	-	26,938
Buildings & civil works	2.5 - 8	2,444	63,010
Furniture, fixtures and equipment	15 - 25	90	19,264
		578,255	1,243,492

4.2 During the period, assets costing Nil (December 31, 2018: Rs. 5,612), having net book value of Nil (December 31, 2018: Rs. 4,856) were written-off.

(Amounts in thousand)

		Unaudited June 30, 2019	Audited December 31, 2018
		Rupees	
5.	**TRADE DEBTS - Secured**		
	Considered good	9,707,675	7,421,800

5.1 Trade debts, including delayed payment charges, are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and as such are considered good.

5.2 Trade debts include:

- Rs. 2,995,086 (December 31, 2018: Rs. 2,456,974) which is neither past due nor impaired; and
- Rs. 6,712,589 (December 31, 2018: Rs. 4,964,826) which is overdue but not impaired. The overdue receivables carry mark-up at the rate of KIBOR plus 4.5% per annum. The ageing of overdue receivables is as follows:

	Unaudited June 30, 2019	Audited December 31, 2018
	Rupees	
- Upto 3 months	3,679,965	2,829,697
- 3 to 6 months	3,032,624	2,135,129
	6,712,589	4,964,826

6. SHORT TERM INVESTMENTS

Amortised cost

Investments have been made in conventional Treasury Bills. The rate of mark-up on this investment is 12.65% (December 31, 2018: 10.28%) per annum.

		Unaudited June 30, 2019	Audited December 31, 2018
		Rupees	
7.	**OTHER RECEIVABLES**		
	Considered good	1,692,457	1,581,560
	Considered doubtful	349,204	-
		2,041,661	1,581,560
	Provision for expected credit losses (note 7.1)	(349,204)	-
		1,692,457	1,581,560
7.1	Movement in provision for expected credit losses:		
	Balance at the beginning of the period	-	-
	Effect of change in accounting policies due to adoption of IFRS 9	296,938	-
	Balance as at January 1, 2019	296,938	-
	Expected credit losses charge for the period	52,266	-
	Balance at the end of the period	349,204	-

(Amounts in thousand)

	Unaudited June 30, 2019	Audited December 31, 2018
	Rupees	
8. BALANCES WITH BANKS		
Current accounts:		
- Local currency	585	2,357
Deposit accounts:		
- Foreign currency (note 8.1)	4,516	3,757
- Local currency (note 8.2)	76,342	6,626
	81,443	12,740

8.1 Foreign currency deposits carry return at the rate of 0.1% (December 31, 2018: 0.1%) per annum.

8.2 Local currency deposits carry return at the rate of 8%-10.25% (December 31, 2018: 8%) per annum.

8.3 The Company maintains its bank balances under the conventional banking terms only.

	Unaudited June 30, 2019	Audited December 31, 2018
	Rupees	
9. BORROWINGS - Secured		
Long term borrowings	2,596,295	3,563,099
Less: Current portion shown under current liabilities	2,596,295	2,804,531
	-	758,568

9.1 The Company entered into a financing agreement with a consortium comprising of international financial institutions amounting to USD 144,000. The finance carries markup at the rate of six months LIBOR plus 3% payable semi-annually over a period of twelve years. The principal is repayable in twenty semi-annual instalments commencing from December 15, 2010. As at June 30, 2019, the outstanding balance of the borrowing was USD 15,849 (December 31, 2018: USD 25,722).

The borrowing is secured by an equitable mortgage on the immovable property and the hypothecation of current and future assets of the Company, except receivables from NTDC in respect of Energy Purchase Price. Further, the Company has also extended a letter of credit in favour of the senior lenders, as referred to in note 12.

10. SHORT TERM BORROWINGS

The available facilities under these mark-up arrangements aggregate to Rs. 5,000,000 (December 31, 2018: Rs. 4,500,000). The facilities carry mark-up at the rate of 3 - 6 month KIBOR plus 0.0% - 0.5% (December 31, 2018: 3 - 6 month KIBOR plus 0.0% - 0.5%). The facilities are secured by (i) lien over Energy Purchase Price (EPP) account and charge over present and future receivables from the Power Purchaser in respect of EPP; and (ii) first charge over current assets of the Company and subordinated charge over present and future plant, machinery, equipment and other movable assets and immovable properties of the Company. The use of these facilities are restricted for payments of operations and maintenance cost of the power plant and payments to fuel suppliers against purchase of fuel.

(Amounts in thousand)

	Unaudited June 30, 2019	Audited December 31, 2018
	Rupees	
11. CONTINGENCIES AND COMMITMENTS		
11.1 Contingent liabilities - Guarantee in favour of Sui Northern Gas Pipelines Limited in accordance with the terms of Gas Supply Agreement (GSA)	2,496,126	2,496,126
11.2 Commitments in respect of :		
- letter of credit in favour of senior lenders (note 9)	1,319,552	1,115,804
- others	45,249	148,105
	1,364,801	1,263,909

	Unaudited		Unaudited	
	Quarter ended		Half year ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees			
12. SALES				
Capacity purchase price	1,605,235	1,391,992	2,747,464	2,320,440
Energy purchase price (note 12.1)	2,329,719	1,797,657	4,486,264	3,711,982
	3,934,954	3,189,649	7,233,728	6,032,422

12.1 Energy purchase price is net of sales tax of Rs. 762,665 (2018: Rs. 631,037) for current period's sales invoices.

13. OTHER EXPENSES

Includes expected credit losses charge for the period amounting to Rs. 52,266 (2018: Nil) as disclosed in note 7.1.

	Unaudited		Unaudited	
	Quarter ended		Half year ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees			
14. WORKERS' PROFIT PARTICIPATION FUND AND WORKERS' WELFARE FUND				
Provision for				
- Workers' profits participation fund	57,854	46,039	93,502	79,491
- Workers' welfare fund	-	-	-	-
	57,854	46,039	93,502	79,491
Less:				
Recoverable from CPPA	(57,854)	(46,039)	(93,502)	(79,491)
	-	-	-	-

15. EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	Unaudited Quarter ended June 30, 2019	Unaudited Quarter ended June 30, 2018	Unaudited Half year ended June 30, 2019	Unaudited Half year ended June 30, 2018
	Rupees			
Profit for the period	1,154,435	920,545	1,867,387	1,589,634
	Number of shares			
Weighted average number of ordinary shares (in thousand)	323,800	323,800	323,800	323,800
	Rupees			
Earnings per share - basic and diluted	3.57	2.84	5.77	4.91

16. CASH GENERATED FROM OPERATIONS

	Unaudited Half year ended June 30, 2019	Unaudited Half year ended June 30, 2018
	Rupees	
Profit before taxation	1,870,049	1,589,824
Adjustment for non-cash charges and other items:		
- Depreciation	398,527	383,542
- Amortisation	4,740	4,908
- Provisions	22,163	52,040
- Expected credit losses charge	52,266	-
- Reclassification of cash flow hedge to profit or loss	(433)	(432)
- Amortisation of transaction cost	4,061	4,061
- Finance income	(9,181)	(656)
- Finance cost	281,277	214,872
Working capital changes (note 16.1)	(925,451)	429,643
	1,698,018	2,677,802

16.1 Working capital changes

Decrease / (Increase) in current assets:		
Inventories	8,346	(9,546)
Trade debts and contract asset	(2,187,710)	(394,095)
Other receivables	(460,101)	(243,285)
Loans, advances, deposits and prepayments	49,463	(30,717)
	(2,590,002)	(677,643)
(Decrease) / Increase in current liabilities:		
Trade and other payables	1,664,551	1,107,286
	(925,451)	429,643

(Amounts in thousand)

	Unaudited June 30, 2019		Unaudited June 30, 2018
		Rupees	
17. CASH AND CASH EQUIVALENTS			
Balances with banks	81,443		102,422
Short term borrowings	(3,878,725)		(2,478,958)
Short term investments	48,717		49,863
	(3,748,565)		(2,326,673)

18. FINANCIAL MANAGEMENT AND FINANCIAL INSTRUMENTS

18.1 **Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

There have been no changes in the risk management policies during the period, consequently these condensed interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements.

18.2 **Fair value estimation**

The carrying value of all financial assets and liabilities reflected in these condensed interim financial statements approximate their fair values.

19. TRANSACTIONS WITH RELATED PARTIES

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

		Unaudited		
		Half year ended		
Nature of relationship	**Nature of transactions**	**June 30, 2019**		**June 30, 2018**
			Rupees	
Holding company	Purchase of services	79,987		63,922
	Services rendered	27,382		14,337
	Contribution for Corporate Social Responsibility (CSR) activities	5,550		2,647
	Dividend paid	-		334,575
Associated companies	Purchase of services	4,150		48,032
	Services rendered	238,813		23,915
	Operation and maintenance fee	561,377		-
Key management personnel	Managerial remuneration including bonuses	8,649		16,463
	Contribution / Charge for retirement benefit schemes	747		1,329
Staff retirement benefits	Managed and operated by Engro Corporation Limited			
	- Gratuity fund	5,823		7,035
	- Provident fund	16,030		21,672
	- Pension fund	-		489

(Amounts in thousand)

20. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of annual financial statements of preceding financial year, whereas the condensed interim statement of profit or loss, condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary. Following major reclassification has been made during the period:

Description	Reclassified		Amount
	From	To	(Rupees)
Legal and professional services	Cost of sales	Other expenses	12,477
Legal and professional services	Administrative expenses	Other expenses	19,878
Contributions for corporate social responsibility	Administrative expenses	Other expenses	7,754
Trade debts	Trade debts	Contract asset	179,905
Other receivables	Loans, advances, deposits, prepayments and other receivables	Other receivables	1,581,560

21. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on August 29, 2019 by the Board of Directors of the Company.

Rabia Wafah Khan
Chief Financial Officer

Shahab Qader
Chief Executive Officer

Ahsan Zafar Syed
Chairman

کمپنی نے 2019 کی پہلی ششماہی میں 1,867 ملین پاکستانی روپے کا مجموعی منافع کمایا جو 2018 کی پہلی ششماہی میں 1,590 ملین پاکستانی روپے تھا۔ گزشتہ سال کی اسی مدت کے مقابلے میں فی حصص آمدنی 5.77 پاکستانی روپے تھی جو کہ گزشتہ سال 4.91 پاکستانی روپے تھی۔

بورڈ انتہائی مسرت کے ساتھ اختتام مدت 30 جون 2019 کے لیے، 1.5 روپے فی حصص کے عبوری کیش ڈیویڈنڈ کی تجویز پیش کرتا ہے۔

مستقبل قریب کا منظرنامہ

امپلیمینٹیشن ایگریمنٹ کے مطابق ای پی کیو ایل کو اب قادر پور گیس فیلڈ میں گیس ختم ہونے کے باعث گیس کی کمی کا سامنا کرنا پڑ رہا ہے اور اس کا پلانٹ مکس موڈ پر دستیاب ہے یعنی 7 ستمبر 2018 سے گیس اور HSD کی ملاوٹ کے بعد سے۔ چنانچہ، ای پی کیو ایل کو گیس فراہم کرنے والوں کی جانب سے گیس کی کمی سے متعلق ایک ترمیم شدہ پروفائل ملا اور اس نے 7 مارچ 2019 کو متوقع گیس کی کمی کا نوٹس جاری کیا۔ امپلیمینٹیشن ایگریمنٹ کے تحت ایک بار جب گیس کی قلت ایک خاص درجے پر پہنچ جاتی ہے تو ای پی کیو ایل کو متبادل ایندھن میں ایک وقتی تبدیلی کی اجازت مل جاتی ہے۔ حکومتِ پاکستان ایندھن کی تبدیلی اور متبادل ایندھن کیلئے کمپنی کو معاوضہ ادا کرنے کی پابند ہے۔ اسی طرح، کمپنی نے PPIB اور دیگر اسٹیک ہولڈرز کی شمولیت سے طویل مدتی متبادل ایندھن تلاش کرنے کیلئے کام شروع کر دیا ہے۔

شہاب قادر	احسان ظفر سید
چیف ایگزیکٹو آفیسر	ڈائریکٹر

29 اگست 2019

اینگرو پاور جین قادر پور لمیٹڈ

حصص یافتگان کیلئے ڈائریکٹرز کا تجزیہ

30 جون 2019 کو ختم ہونے والے ششماہی کیلئے

اینگرو پاور جین قادر پور لمیٹڈ (EPQL) کے ڈائریکٹرز انتہائی مسرت کے ساتھ غیر آڈٹ شدہ مالیاتی معلومات اور 30 جون 2019 کو ختم ہونے والی ششماہی کیلئے کمپنی کی کارکردگی کا جائزہ پیش کرتے ہیں۔

آپریٹنگ کارکردگی

ای پی کیو ایل نے 2019 کی پہلی ششماہی میں billable capacity کی 100 فیصد دستیابی ممکن بنائی جو کہ گزشتہ سال کی اسی مدت میں 99.8 فیصد تھی۔ اس کے ذریعے 71.3 فیصد کا لوڈ فیکٹر کے ساتھ 661 گیگاواٹ کا مجموعی نیٹ الیکٹریکل آؤٹ پُٹ (NEO) قومی گرڈ کو دیا گیا، جو کہ 2018 کی پہلی ششماہی میں 87 فیصد تھا۔ اس سال لوڈ فیکٹر میں کمی گیس سپلائرز کے کمپریسر کے مسائل کی وجہ سے سپلائی میں خلل اور قادر پور گیس فیلڈ میں گیس کی قلت کے باعث تھی۔

کمپنی نے صحت، تحفظ اور ماحول (HSE) کے اعلیٰ معیار کو برقرار رکھا۔

مالیاتی کارکردگی

اس مدت کیلئے فروخت کی آمدن 7,234 ملین پاکستانی روپے تھی جو گزشتہ سال اسی مدت میں 6,032 ملین پاکستانی روپے تھی۔

فروخت کی آمدنی میں اضافہ بنیادی طور پر گزشتہ سال کے مقابلے میں امریکی ڈالر کی قیمت میں اضافے اور گیس کی قیمت میں اضافے کی وجہ سے ہے۔

مجموعی منافع 2,069 ملین پاکستانی روپے رہا جو کہ گزشتہ سال اسی مدت میں 1,805 ملین پاکستانی روپے تھا۔ اس مدت کیلئے مجموعی مالیاتی اخراجات 72 ملین پاکستانی روپے ہے جو کہ 2018 کی پہلی ششماہی میں 109 ملین پاکستانی روپے تھی۔ مجموعی مالیاتی اخراجات میں کمی بڑھتے ہوئے قرض کی وجہ سے خریدار کیلئے زیادہ سودی آمدنی کی وصولی کے باعث ہے۔

30 جون 2019 کو NTDC سے واجب الادا رقم 7,879 ملین پاکستانی روپے ہے جو کہ 31 دسمبر 2018 کو 6,133 ملین پاکستانی روپے تھی۔ اسی طرح 30 جون 2019 کو SNGPL کو واجب الادا رقم 5,252 ملین پاکستانی روپے تھی، جو 31 دسمبر 2018 کو 3,605 ملین پاکستانی روپے تھی۔

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