

LALPIR POWER LIMITED



SECY/STOCKEXC/

October 27, 2020

The General Manager,
Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
KARACHI.

SUB: TRANSMISSION OF QUARTERLY REPORT FOR THE PERIOD ENDED 30-09-2020

Dear Sir,

In compliance with the provisions of Section 237 of the Companies Act, 2017, read with PSX Notice No. PSX/N-4207 dated July 13, 2018 we have to inform you that the Quarterly Reports of Lalpir Power Limited for the period ended September 30, 2020 together with Directors' report have been transmitted through PUCARS and also available on Company's website.

You may also please inform the TRE Certificate Holders of the Exchange accordingly.

Thanking you,

Yours truly,


KHALID MAHMOOD CHOCHAN
COMPANY SECRETARY

HEAD OFFICE

: 1-B, AZIZ AVENUE, CANAL BANK, GULBERG V, LAHORE. TEL: +92-42-35717090-96, 35717159-63, FAX: +92-42-35717239, WEBSITE: www.lalpir.com, E-MAIL: lalpir@lalpir.com

REGISTERED OFFICE

: NISHAT HOUSE, 53/A, LAWRENCE ROAD, LAHORE. TEL: 111-113-333 FAX: +92-42-36367414

POWER STATIONS

: LALPIR THERMAL POWER STATIONS, P.O. BOX NO. 89, MUZAFFARGARH. PC-34200, PAKISTAN. TEL: +92-66-2300030 FAX: +92-66-2300260, www.lalpir.com



N I S H A T

LALPIR POWER LIMITED

**THIRD QUARTERLY REPORT
FOR THE PERIOD ENDED
30 SEPTEMBER 2020**

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COMPANY PROFILE

THE COMPANY	Lalpir Power Limited (“the Company”) was incorporated in Pakistan on 8 May 1994 under the Companies Ordinance, 1984 now the Companies Act, 2017. The registered office is situated at 53-A, Lawrence Road, Lahore. The principal activities of the Company are to own, operate and maintain an oil fired power station (“the Complex”) having gross capacity of 362 MW in Mehmood Kot, Muzaffargarh, Punjab, Pakistan.	
BOARD OF DIRECTORS	Mian Hassan Mansha Mr. Aurangzeb Firoz Mr. Jawaid Iqbal Mr. Muhammad Azam Mr. Inayat Ullah Niazi Mrs. Hajra Arham Mr. Mahmood Akhtar	Chairman
CHIEF EXECUTIVE OFFICER	Mr. Mahmood Akhtar	
AUDIT COMMITTEE	Mr. Jawaid Iqbal Mr. Inayat Ullah Niazi Mrs. Hajra Arham	Chairman
HUMAN RESOURCE & REMUNERATION(HR &R) COMMITTEE	Mr. Jawaid Iqbal Mian Hassan Mansha Mr. Inayat Ullah Niazi	Chairman
CHIEF FINANCIAL OFFICER	Mr. Awais Majeed Khan	
COMPANY SECRETARY	Mr. Khalid Mahmood Chohan	
BANKERS OF THE COMPANY	Habib Bank Limited The Bank of Punjab United Bank Limited Allied Bank Limited National Bank of Pakistan Bank Alfalah Limited Faysal Bank Limited Askari Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited Bank Islami Pakistan Limited Standard Chartered Bank (Pakistan) Limited Al Baraka Bank (Pakistan) Limited Meezan Bank Limited Silk Bank Limited	
AUDITOR OF THE COMPANY	Riaz Ahmad & Co. Chartered Accountants	
LEGAL ADVISOR OF THE COMPANY	Mr. M. Aurangzeb Khan Advocate High Court	
REGISTERED OFFICE	53-A, Lawrence Road, Lahore-Pakistan UAN: +92 42-111-11-33-33 Fax: +92 42 36367414	
HEAD OFFICE	1-B, Aziz Avenue, Gulberg-V, Lahore- Pakistan Tel: +92 42 35717090-96 Fax: +92 42 35717239	
SHARE REGISTRAR	Central Depository Company of Pakistan Limited CDC House,99-B, Block-B, S.M.C.H.S Shahra-e-Faisal, Karachi – 74400 Tel: (92-21) 111-111-500 Fax: (92-21) 34326053	
PLANT	Mehmood Kot, Muzaffargarh, Punjab – Pakistan.	

DIRECTORS' REPORT

The Directors of **Lalpir Power Limited** ("the Company") are pleased to present their report together with the Condensed Interim Financial Information for the period ended 30 September 2020.

We report that during the period under review power plant dispatched 236,898 MWH of electricity as compared with 388,696 MWH dispatched during the corresponding nine months of the previous financial year. Resultantly, the capacity factor remained at 10.3% as against 16.9% demonstrated in the comparable nine months of the previous financial year.

OPERATIONAL FINANCIAL RESULTS:

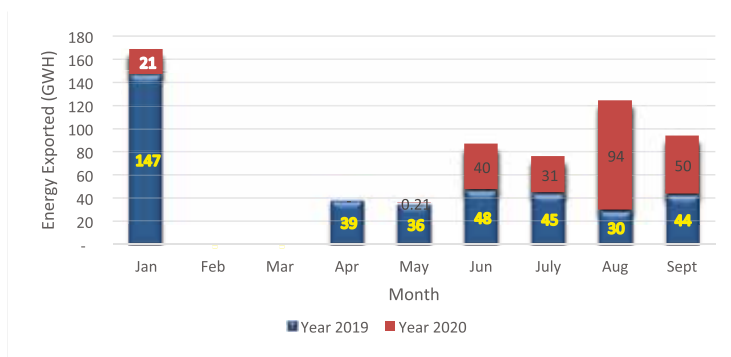
The financial results of the Company for the Period ended 30 September 2020 are as follows:

Financial Highlights	PERIOD ENDED	
	30 September 2020	30 September 2019
Revenue (Rs '000')	9,110,893	10,820,208
Gross profit (Rs '000')	3,938,038	2,912,386
After tax profit (Rs '000')	2,648,890	1,563,752
Earnings per share (Rs)	6.97	4.12

The Company has posted after tax profit of Rs. 2.648 billion as against Rs 1.563 billion earned in the comparative period. The net profits of the Company demonstrated the Earning per Share of Rs 6.97 as against Rs. 4.12 Earning per share in the comparable previous period.

Our sole customer Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) remains unable to meet its obligations in accordance with the Power Purchase Agreement (PPA) which are secured under a sovereign guarantee of Government of Pakistan. The Company took up the matter with CPPA-G and Private Power & Infrastructure Board ('PPIB') by giving notices of default pursuant to provisions of Power Purchase Agreement and Implementation Agreement. As on September 30, 2020, an amount of Rupees 20.073 billion was outstanding against CPPA-G.

Graphical representation of Energy Exported during nine months 2020 in comparison with 2019 is as follows:



Corporate objectives:

Being a responsible and reliable energy company, we aim to facilitate the nation in reducing its cost of energy by maintaining high efficiency and availability of plant.

COMPOSITION OF BOARD:

Total number of Directors:	
(a) Male	6
(b) Female:	1
Composition:	
(i) Independent Directors	2
(ii) Non-executive Directors	4
(iii) Executive Directors	1

COMMITTEES OF THE BOARD:

Audit Committee of the Board:

Sr. #	Name of Directors	
1	Mr. Jawaid Iqbal	(Member/Chairman)
2	Mr. Inayat Ullah Niazi	(Member)
3	Mrs. Hajra Arham	(Member)

Human Resource & Remuneration (HR&R) Committee:

Sr. #	Name of Member	
1.	Mr. Hassan Mansha	(Member)
2.	Mr. Jawaid Iqbal	(Member/Chairman)
3	Mr. Inayat Ullah Niazi	(Member)

DIRECTORS' REMUNERATION:

The company does not pay remuneration to its non-executive directors including independent directors except for meeting fee. Aggregate amount of remuneration paid to executive and non-executive directors have been disclosed in note 9 of the annexed financial statements.

APPROPRIATIONS

The Board of Directors of the Company at their meeting held on 26 October 2020 has proposed cash dividend of Rupees 1 per share (i.e. 10%) for the period ended 30 September 2020, for which the date of entitlement has been fixed as 17 November 2020 to 23 November 2020.

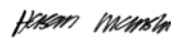
ACKNOWLEDGEMENT:

The board appreciates the management for establishing a modern and motivating working climate and promoting high levels of performance in all areas of the power plant. We also appreciate the efforts of the company's workforce for delivering remarkable results and we wish for their long relationship with the Company.

For and on behalf of the Board of Directors



(Mr. Mahmood Akhter)
Chief Executive Officer
Lahore: 26 October 2020



Mian Hassan Mansha
Director

ڈائریکٹرز رپورٹ لال پیر پاور لمیٹڈ

لال پیر پاور لمیٹڈ "دی کمپنی" کے ڈائریکٹرز 30 ستمبر 2020ء مختتمہ مدت کے لئے آپ کی کمپنی کے آپریشن اور مالیاتی نتائج پر مشتمل اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

ہم بیان کرتے ہیں کہ زیر جائزہ مدت کے دوران پاور پلانٹ نے گزشتہ مالی سال کی اسی نو ماہی مدت کے دوران 388,696 MWH ترسیل کے مقابلہ میں 236,898 MWH بجلی ترسیل کی گئی۔ نتیجتاً گزشتہ مالی سال کی اسی نو ماہی مدت میں کمپنی ٹیکس فیصد کے مقابلہ میں 10.3 فیصد رہا۔

مالیاتی نتائج:

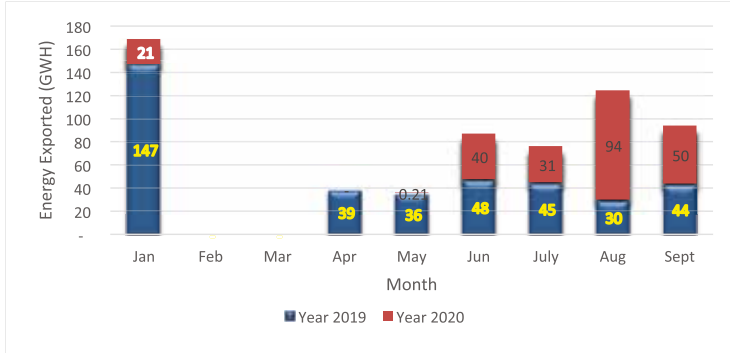
30 ستمبر 2020ء کو ختم ہونے والی مدت کے لئے کمپنی کے مالیاتی نتائج مندرجہ ذیل ہیں:

مالی بھلکیاں	30 ستمبر 2020ء مختتمہ نو ماہی	30 ستمبر 2019ء مختتمہ نو ماہی
محصولات (000 روپے)	9,110,893	10,820,208
مجموعی منافع (000 روپے)	3,938,038	2,912,386
بعد از ٹیکس منافع (000 روپے)	2,648,890	1,563,752
آمدن فی حصص (روپے)	6.97	4.12

کمپنی نے ٹیکس کے بعد منافع 2.648 بلین روپے درج کیا جبکہ تقابلی مدت میں 1.563 بلین روپے منافع حاصل ہوا تھا۔ کمپنی کے خالص منافع نے گزشتہ مدت میں 4.12 روپے فی حصص منافع کے مقابلہ میں 6.97 روپے فی حصص منافع ظاہر کیا ہے۔

ہماری واحد صارف سنٹرل پاور پراجیکٹ ایجنسی (گارنٹی) لمیٹڈ (CPPA-G) بجلی کی خریداری کے معاہدے (PPA) جو حکومت پاکستان کی ایک خود مختار ضمانت کے تحت حاصل کیا گیا ہے کے مطابق اپنی ذمہ داریوں کو پورا کرنے کے قابل نہیں رہا۔ کمپنی نے بجلی کی خریداری کے معاہدے اور عملدرآمد معاہدے کی دفعات کی پیروی میں نا دہندگی کے نوٹسز دیتے ہوئے CPPA-G اور پرائیویٹ پاور اینڈ انفراسٹرکچر بورڈ (PPIB) کے ہاں معاملہ کو اجاگر کیا ہے۔ 30 ستمبر 2020 کو سنٹرل پاور پراجیکٹ ایجنسی (گارنٹی) لمیٹڈ (CPPA-G) کے ذمہ بقایا رقم 20.073 بلین روپے تھی۔

2019 کے موازنہ میں نومبر 2020 کے دوران بجلی کی ترسیل کی گرافیکل نمائندگی حسب ذیل ہے:



کارپوریٹ مقاصد:

ایک ذمہ دار اور قابل اعتماد توانائی کمپنی ہونے کے ناطے، ہم اعلیٰ کارکردگی اور پلانٹ کی دستیابی کو برقرار رکھتے ہوئے بجلی کے اخراجات کم کرنے میں قوم کو سہولت فراہم کرنا چاہتے ہیں۔

بورڈ کی تشکیل:

ڈائریکٹرز کی کل تعداد	
6	(a) مرد
1	(b) خاتون
	تشکیل
2	(i) آزاد ڈائریکٹرز
4	(ii) نان ایگزیکٹو ڈائریکٹرز
1	(iii) ایگزیکٹو ڈائریکٹرز

بورڈ کی کمیٹیاں:

بورڈ کی آڈٹ کمیٹی:

نمبر شمار	نام ڈائریکٹرز
1	جناب جاوید اقبال (رکن / چیئر مین)
2	جناب عنایت اللہ نیازی (رکن)
3	محترمہ ہاجرہ ارحم (رکن)

ہیومن ریسورس اینڈ ریمیزیشن (HR&R) کمیٹی:

نمبر شمار	نام رکن
1	جناب حسن منشاء (رکن)
2	جناب جاوید اقبال (رکن/چیئر مین)
3	جناب عنایت اللہ نیازی (رکن)

ڈائریکٹرز کا مشاہرہ:

کمپنی اپنے آزاد ڈائریکٹرز سمیت نان ایگزیکٹو ڈائریکٹرز کو اجلاس فیس کے علاوہ کوئی مشاہرہ ادا نہیں کرتی ہے۔ ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹرز کو ادا کئے جانے والے مشاہرہ کی مجموعی رقم منسلک مالی حسابات کے نوٹ 9 میں منکشف ہے۔

تصرفات:

کمپنی کے بورڈ آف ڈائریکٹرز نے 26 اکتوبر 2020 کو منعقدہ اپنے اجلاس میں 30 ستمبر 2020 کو ختم ہونے والی مدت کے لئے 1 روپے فی حصص (یعنی 10 فیصد) کا نقد منافع تجویز کیا ہے، جس کے لئے استحقاق کی تاریخ 17 نومبر 2020 تا 23 نومبر 2020 مقرر کی گئی ہے۔

اظہار تشکر

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

منجانب مجلس نفعیاء

Hasan Muneem

میماں حسن منشاء

ڈائریکٹر

Jalal Uddin

(جناب محمود اختر)

چیف ایگزیکٹو آفیسر

لاہور: 26 اکتوبر 2020ء

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (Un-audited)

As at 30 September 2020

	Note	Un-audited 30 September 2020 (Rupees in thousand)	Audited 31 December 2019
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 500,000,000 (31 December 2019: 500,000,000) ordinary shares of Rupees 10 each		5,000,000	5,000,000
Issued, subscribed and paid-up share capital 379,838,733 (31 December 2019: 379,838,733) ordinary shares of Rupees 10 each		3,798,387	3,798,387
Capital reserve		107,004	107,004
Revenue reserve - Un Appropriated Profit		13,096,040	10,921,948
Total Equity		17,001,431	14,827,339
LIABILITIES			
NON - CURRENT LIABILITIES			
Long - term financing	4	68,896	-
Employee benefit - gratuity		14,100	21,135
		82,996	21,135
CURRENT LIABILITIES			
Trade and other payables		1,034,201	542,252
Unclaimed dividend		5,638	3,813
Accrued mark-up / profit		208,658	384,420
Short-term borrowings		12,147,492	13,778,044
Current portion of long- term finance	4	41,338	-
		13,437,327	14,708,529
Total liabilities		13,520,323	14,729,664
CONTINGENCIES AND COMMITMENTS			
	5		
TOTAL EQUITY AND LIABILITIES		30,521,754	29,557,003

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


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

	Note	Un-audited 30 September 2020 (Rupees in thousand)	Audited 31 December 2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	7,046,958	7,865,468
Investment property		92,946	93,481
Long-term loans to employees		32,163	27,988
Long Term security deposit		350	350
		<u>7,172,417</u>	<u>7,987,287</u>
CURRENT ASSETS			
Stores, spare parts and other consumables		922,654	927,288
Fuel stock		359,182	447,890
Trade debts		20,073,124	17,665,105
Loans, advances and short-term prepayments		314,647	313,786
Loan to Associated Company		350,000	350,000
Accrued Interest		3,121	4,420
Other receivables		358,575	280,216
Sales tax recoverable		814,586	1,427,671
Cash and bank balances		153,448	153,340
		<u>23,349,337</u>	<u>21,569,716</u>
TOTAL ASSETS		<u><u>30,521,754</u></u>	<u><u>29,557,003</u></u>



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Un-audited)

For the Quarter and Period Ended 30 September 2020

	Note	Period Ended		Quarter Ended	
		30 September	30 September	30 September	30 September
		2020	2019	2020	2019
		(Rupees in thousand)		(Rupees in thousand)	
REVENUE		9,110,893	10,820,208	4,254,351	3,797,149
COST OF SALES	7	(5,172,855)	(7,907,822)	(3,100,430)	(2,738,690)
GROSS PROFIT		3,938,038	2,912,386	1,153,921	1,058,459
ADMINISTRATIVE EXPENSES		(237,877)	(198,840)	(109,740)	(80,131)
OTHER OPERATING EXPENSES		(2,400)	(2,459)	(778)	(1,080)
OTHER INCOME		33,524	94,084	8,775	27,490
PROFIT FROM OPERATIONS		3,731,285	2,805,171	1,052,178	1,004,738
FINANCE COST		(1,082,395)	(1,241,419)	(238,321)	(491,611)
PROFIT BEFORE TAXATION		2,648,890	1,563,752	813,857	513,127
TAXATION		-	-	-	-
PROFIT AFTER TAXATION		2,648,890	1,563,752	813,857	513,127
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,648,890	1,563,752	813,857	513,127
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)		6.97	4.12	2.14	1.35

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



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the Period Ended 30 September 2020

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

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

Balance as at 31 December 2018 - audited	3,798,387	107,004	9,267,326	13,172,717
Transaction with owners:				
Final dividend for the period ended 31 December 2018 @ Rupee 1 per share	-	-	(379,839)	(379,839)
			(379,839)	(379,839)
Profit for the period ended 30 September 2019	-	-	1,563,752	1,563,752
Other Comprehensive income for the period ended 30 September 2019	-	-	-	-
Total comprehensive income for the period ended 30 September 2019	-	-	1,563,752	1,563,752
Balance as at 30 September 2019 (Un-audited)	3,798,387	107,004	10,451,239	14,356,630
Balance as at 31 December 2019 (audited)	3,798,387	107,004	10,921,948	14,827,339
Final dividend for the year ended 31 December 2019 @ Rupee 1 per share	-	-	-	-
Interim Dividend @ Rupee 1.25 per Share	-	-	(474,798)	(474,798)
Transaction with owners directly recognized in equity	-	-	(474,798)	(474,798)
Profit for the period ended 30 September 2020	-	-	2,648,890	2,648,890
Other Comprehensive income for the period ended 30 September 2020	-	-	-	-
Total comprehensive income for the period ended 30 September 2020	-	-	2,648,890	2,648,890
Balance as at 30 September 2020 (Un-audited)	3,798,387	107,004	13,096,040	17,001,431

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



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

**CONDENSED INTERIM STATEMENT OF
CASH FLOWS** (Un-audited)
For the Period Ended 30 September 2020

	Note	Period Ended	
		30 September 2020 (Rupees in thousand)	30 September 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (utilized in) operations	8	3,258,204	(203,235)
Finance cost paid		(1,258,157)	(1,069,408)
Interest income received		30,777	79,677
Net decrease / (increase) in long term loans to employees		(4,175)	10,769
Income tax paid		(6,409)	(5,431)
Gratuity paid		(18,840)	(11,069)
Net cash generated from / (used) in operating activities		2,001,400	(1,198,697)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(9,253)	(46,695)
Loans received back from associated company		-	650,000
Proceeds from sale of property, plant and equipment		(48)	10,375
Net cash (used in) / generated from investing activities		(9,301)	613,680
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loan		-	(230,423)
Long term financing obtained		110,234	-
Interest income recovered from related party		1,299	5,144
Dividends paid		(472,972)	(380,045)
Net cash used in financing activities		(361,439)	(605,324)
Net increase / (decrease) in cash and cash equivalents		1,630,660	(1,190,341)
Cash and cash equivalents at beginning of the period		(13,624,704)	(11,643,081)
Cash and cash equivalents at end of the period		(11,994,044)	(12,833,422)

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


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) For the Quarter and Period Ended 30 September 2020

1. THE COMPANY AND ITS OPERATIONS

Lalpir Power Limited (“the Company”) was incorporated in Pakistan on 08 May 1994 under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017). The registered office of the Company is situated at 53-A, Lawrence Road, Lahore. The ordinary shares of the Company are listed on Pakistan Stock Exchange Limited. The principal activities of the Company are to own, operate and maintain a fuel fired power station (“the Complex”) having gross capacity of 362 MW in Mehmood Kot, Muzaffargarh, Punjab, Pakistan. The Company has a Power Purchase Agreement (PPA) with its sole customer, Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for 30 years which commenced from 06 November 1997.

2. BASIS OF PREPARATION

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

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

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

2.2 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended 31 December 2019. These condensed interim financial statements are un-audited and are being submitted to the members as required by Section 237 of the Companies Act, 2017.

3. ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of these condensed interim financial statements are same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 31 December 2019.

3.1 Critical Accounting Estimates and Judgments

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

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 31 December 2019.

	Un-audited 30 September 2020 (Rupees in thousand)	Audited 31 December 2019
4. LONG TERM FINANCING		
Opening balance	-	783,438
Add: Obtained during the period/year	110,234	-
Less: Repaid during the period/year	-	553,015
	-	230,423
Less Current portion shown under current liabilities	41,338	230,423
	<u>68,896</u>	<u>-</u>

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

There is no significant change in the status of contingencies as disclosed in the preceding audited annual published financial statements of the Company for the year ended 31 December 2019 except for the following:

- 5.1.1** Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) has raised invoices for liquidated damages to the Company from 11th to 22nd (up to August 2019) agreement year (after taking into account forced outage allowance stipulated under the terms of Power Purchase Agreement) on account of short supply of electricity by the Company, which was due to cash constraints of the Company as a result of default by CPPA-G in making timely payments. Liquidated damages invoiced to the Company amounts to Rupees 3,343.482 million (31 December 2019: Rupees 3,343.369 million). Out of these, the Company has accepted and paid Rupees 35.465 million (31 December 2019: Rupees 35.341 million). The Company disputes and rejects balance claims on account of liquidated damages that are raised by CPPA-G on the premise that its failure to dispatch electricity was due to CPPA-G's non-payment of dues on timely basis to the Company and consequential inability of the Company to make timely payments to its fuel supplier that resulted in inadequate level of electricity production owing to shortage of fuel. Against these the Company has raised invoice dispute notices to CPPA-G. The Company appointed mediation expert under the mechanism given in the Power Purchase Agreement (PPA). On 22 June 2017, the mediation expert gave his decision in favour of the Company. However, this decision is not binding on either party.

During the year ended 31 December 2018, the Company has filed case for arbitration in the International Chamber of Commerce (ICC) to resolve the following matters, as per the mechanism allowed by PPA for resolution of disputes:

- On various occasions, CPPA-G has sought to set off amounts allegedly owed to it as liquidated damages against amounts it must pay to the Company as part of its obligations to make capacity payments. On 8 January 2018, CPPA-G wrote to the Company, threatening to set off a total of Rupees 3.334 billion which it considers as allegedly due to it, against capacity payment invoices to be issued by the Company.

The far-reaching implications of CPPA-G's threat to take unilateral action left the Company with no option but to approach the courts of Pakistan for interim relief, until the matter gets resolved finally through arbitration, in accordance with the provisions of the PPA. In its orders dated 16 January 2018, the Lahore High Court suspended the legal effect of CPPA-G's 8 January 2018 letter on an interim basis.

- CPPA-G sent a number of letters to the Company, purporting to deduct amounts from the energy payments due to the Company on the basis that it had procured fuel from suppliers other than the Pakistan State Oil Company Limited ("PSO"). Amounts withheld on this account from the invoices of the Company totaled Rupees 192.813 million. PPA does not allow CPPA-G to dispute invoices on the basis that fuel was procured from a provider other than PSO. Neither is CPPA-G permitted to retroactively dispute invoices, many months or years after they have become due.

- CPPA-G is required to provide and renew a Letter of Credit. Letter of Credit must allow access to "immediately available funds", which "shall be in an amount equal to an aggregate of two (2) Months of capacity payments plus energy payments". CPPA-G has failed to renew the Letters of Credit, following their expiry on 23 December 2010.

- In addition to its persistent failure to make timely energy and capacity payments, CPPA-G has also failed to comply with its obligation to pay interest to the Company. PPA provides that "Late payments shall bear interest". As a result, a total of Rupees 683.173 million in unpaid interest is due at the date of the latest invoice submitted by the Company (till the date of request for arbitration).

An arbitrator has been appointed and hearing was held in September 2020. The ultimate outcome of the matter cannot presently be determined, and consequently, no provision for such liquidated damages and amounts withheld by CPPA-G has been made in these condensed interim financial statements.

5.1.2 On 28 September 2018, the Company has challenged, before Honourable Lahore High Court, Lahore, the vires of clauses (h) and (i) to sub-section (1) of section 8 of the Sales Tax Act, 1990 whereby claim of input sales tax in respect of building materials has been disallowed. The Honourable Lahore High Court, Lahore on 24 October 2019 has passed order against the Company and the Company being aggrieved with the order has preferred Intra Court Appeal before the Honourable Lahore High Court, Lahore. The Company has claimed input sales tax amounting to Rupees 4.213 million paid on such goods in its respective monthly sales tax returns. On 29 January 2020, the Honorable Lahore High Court, Lahore has modified its earlier order dated 24 October 2019 and remanded back the case to assessing / adjudicating officer to interpret clauses (h) and (i) to sub-section (1) of section 8 of the Sales Tax Act, 1990 on case to case basis. Based on the decision of the Court, the management is confident of favorable outcome of the matter.

5.2 Commitments

5.2.1 Commitments in respect of other than capital expenditure

Un-audited 30 September 2020 (Rupees in thousand)	Audited 31 December 2019
28,150	4,120

	Un-audited 30 September 2020 (Rupees in thousand)	Audited 31 December 2019
6. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 6.1)	7,044,896	7,743,066
Capital work-in-progress (Note 6.2)	2,062	122,402
	7,046,958	7,865,468
6.1 Operating fixed assets		
Opening book value	7,743,066	8,814,685
Add: Cost of addition during the period / year (Note 6.1.1)	129,592	51,049
Less: Book value of deletions / derecognition during the period / year (Note 6.1.2)	8	35,565
Less: Depreciation charged during the period / year	827,754	1,087,103
Closing book value	7,044,896	7,743,066
6.1.1 Cost of additions		
Plant and machinery	126,517	42,865
Furniture and fixtures	304	42
Vehicles	-	4,180
Office equipment	2,229	3,198
Electric equipment and appliances	542	764
	129,592	51,049
6.1.2 Book value of deletions / derecognition		
Cost		
- Plant and machinery	-	27,312
- Vehicles	136	61,398
- Office Equipment	118	-
	254	88,710
Less: Accumulated depreciation	246	53,145
	8	35,565
6.2 Capital work-in-progress		
Plant and machinery	2,062	122,402
	2,062	122,402

	Un-audited Nine Months Ended		Un-audited Quarter Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	(Rupees in thousand)		(Rupees in thousand)	
7. COST OF SALES				
Fuel cost	3,531,337	6,273,075	2,554,899	2,184,635
Operation and maintenance costs	335,030	373,154	98,792	90,438
Insurance cost	540,086	454,499	187,901	181,325
Depreciation	766,278	807,024	258,838	282,236
Liquidated damages to WAPDA	124	70	-	56
	<u>5,172,855</u>	<u>7,907,822</u>	<u>3,100,430</u>	<u>2,738,690</u>

	Un-audited Nine Months Ended	
	30 September	30 September
	2020	2019
	(Rupees in thousand)	
8. CASH GENERATED FROM OPERATIONS		
Profit before taxation	2,648,890	1,563,752
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	827,754	807,024
Depreciation on investment property	535	3,278
Provision for gratuity	11,805	9,681
Loss on disposal / derecognition of operating fixed assets	56	10,837
Interest income	(30,777)	(79,677)
Finance cost	1,082,395	1,241,419
Cash flows from operating activities before working capital changes	<u>4,540,658</u>	<u>3,556,314</u>
Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and other consumables	4,634	(104,360)
Fuel stock	88,708	21,644
Trade debts	(2,408,019)	(3,275,511)
Loans, advances and short-term prepayments	5,548	(34,579)
Other receivables	(78,359)	178,020
Sales tax recoverable	613,085	(125,829)
	<u>(1,774,403)</u>	<u>(3,340,615)</u>
Increase / (Decrease) in trade and other payables	491,949	(418,933)
Cash generated from / (utilized in) operations	<u>3,258,204</u>	<u>(203,235)</u>

9. TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of transaction	(Un-audited) Nine Months Period Ended		(Un-audited) Quarter Ended	
		30 September		30 September	
		2020 (Rupees in thousand)	2019	2020 (Rupees in thousand)	2019
Associated undertakings	Insurance premium	672,253	621,948	313,633	293,347
	Insurance claim received	1,572	1,937	(693)	413
	Dividend paid	265,737	212,590	265,737	-
	Rent Expenses	5,234	4,710	2,094	1,570
	Boarding lodging services	-	373	(43)	313
	Purchase of stores	123	236	26	91
	Purchase of Vehicle	-	4,182	-	-
	Repair and Maintenance of Vehicle	157	-	118	-
	Interest Charged	29,954	79,660	7,325	20,929
	Loan Obtained	3,936,000	2,494,962	-	-
	Loan Repaid	3,795,086	2,035,876	500,000	374,395
	Loan Made	350,000	464,307	-	(1)
	Loan Recovered	350,000	1,114,308	-	650,000
Interest Paid	13,960	38,299	(7,206)	26,864	
Key management personnel	Remuneration	15,466	10,832	4,816	1,800
Staff Retirement benefits plans	Contribution to provident funds	15,689	13,882	5,186	4,558
	Contribution to gratuity funds	11,805	9,681	3,935	3,227

	Un-audited 30 September 2020 (Rupees in thousand)	Audited 31 December 2019
Period end balances:		
Short term loan receivable from associated company	350,000	350,000
Short term loan payable to associated company	300,000	659,086
Accrued interest on loan to associated companies	3,121	4,420
Accrued mark-up on loan from associated company	69	8,131

10. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these condensed interim financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classify its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

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

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

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

11. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended 31 December 2019.

12. IMPACT OF COVID-19

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help curtail the spread of virus. There is a significant increase in economic uncertainty. The Company has a PPA with its sole customer, CPPA-G for 30 years which commenced from 06 November 1997. Further, under the provisions of PPA, all receivables from CPPA-G are backed by sovereign guarantee of Government of Pakistan. Consequently, there is no impact on recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the event, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cashflow in the future.

13. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company at their meeting held on 26 October 2020 has proposed cash dividend of Rupees 1 per share (i.e. 10%). However, this event has been considered as a non-adjusting event under International Accounting Standard (IAS) 10 “Events after the Reporting Period” and has not been recognized in this condensed interim financial information.

14. CORRESPONDING FIGURES

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

Corresponding figures have been re-arranged and reclassified, wherever necessary for the purpose of comparison, however, no significant re-arrangements and reclassifications have been made in these condensed interim financial statements.

15. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors of the Company and authorized for issue on 26 October 2020.

16. GENERAL

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



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

BOOK POST

PRINTED MATTER

UPC



N I S H A T

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