



**Interim Financial Information**  
Half Year Ended December 31, 2016  
(Unaudited)



**NISHAT  
CHUNIAN**  
POWER LTD.



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# COMPANY INFORMATION

## **Board of Directors:**

Mrs. Farhat Saleem  
Chairperson  
Mr. Shahzad Saleem (Nominee NCL)  
Chief Executive  
Mr. Zain Shahzad (Nominee NCL)  
Director  
Mr. Asad Farooq (Nominee ABL)  
Director  
Mr. Aftab Ahmad Khan  
Director  
Mr. Muhammad Ali Zeb  
Director  
Mr. Kamran Rasool  
Director  
Mr. Wasif M. Khan  
Director

## **AUDIT COMMITTEE:**

Mr. Wasif M. Khan  
Chairman  
Mr. Aftab Ahmad Khan  
Member  
Mr. Muhammad Ali Zeb  
Member

## **HR & R COMMITTEE:**

Mrs. Farhat Saleem  
Chairperson  
Mr. Aftab Ahmad Khan  
Member  
Mr. Kamran Rasool  
Member

## **CHIEF FINANCIAL OFFICER/MANAGING DIRECTOR:**

Mr. Farrukh Ifzal

## **COMPANY SECRETARY:**

Mr. Muhammad Bilal

## **BANKERS TO THE COMPANY:**

Allied Bank Limited  
Askari Bank Limited

Habib Bank Limited  
United Bank Limited  
National Bank of Pakistan  
Faysal Bank Limited  
Summit Bank Limited  
Sindh Bank Limited  
Bank Alfalah Limited  
Habib Metropolitan Bank Limited  
Al Baraka Bank (Pakistan) Limited  
Meezan Bank Limited  
Burj Bank Limited  
The Bank of Punjab  
Dubai Islamic Bank Pakistan Limited

## **AUDITORS:**

A.F. Ferguson & Co.  
Chartered Accountants

## **LEGAL ADVISERS:**

Raja Muhammad Akram & Co.  
Advocates & Legal Consultants

Cornelius Lane & Mufti  
Advocates & Solicitors

## **REGISTERED & HEAD OFFICE:**

31-Q, Gulberg II,  
Lahore, Pakistan.  
Ph: 042-35761730  
Fax: 042-35878696-97  
www.nishat.net

## **SHARE REGISTRAR:**

Hameed Majeed Associates (Pvt) Limited  
1st Floor, H.M. House  
7-Bank Square, Lahore  
Ph: 042 37235081-2  
Fax: 042 37358817

## **PLANT:**

66-Km, Multan Raod, Pattoki  
Kasur.

# DIRECTORS' REPORT

Dear Shareholders

The board of directors is pleased to present the Condensed Interim Financial Information of the company for the quarter & half year ended December 31, 2016. For the half year, turnover was Rs. 7.42 billion (2015: 8.29 billion) with an after tax profit of Rs. 1.38 billion (2015: 1.66 billion) and earnings per share (EPS) of Rs. 3.76 (2015: 4.53).

Circular debt still presents a major challenge to the companies operating in the power sector. The "Central Power Purchasing Agency (Guarantee) Limited" (CPPA-G) has consistently been unable to meet its obligations to make timely payments to the company.

As on December 31, 2016, total receivables from CPPA-G were Rs. 7.64 billion out of which Rs. 5.54 billion were overdue. The company continues to take up the matter of overdue receivables not only with CPPA-G but also with the Ministry of Water and Power of the Government of Pakistan through Private Power & Infrastructure Board (PPIB).

Included in trade debts is an amount of Rs. 958 million deducted by CPPA-G from the Capacity Purchase Price invoices. Please refer note 10 to this Condensed Interim Financial Information for further details. Based on the advice of the company's legal counsel and Expert's determination, management feels that such amounts are likely to be recovered. Consequently, no provision for the above mentioned amount has been made in this Condensed Interim Financial Information.

During half year ended December 31, 2016, availability of the plant was 93.52% with a capacity factor of 74.29%.

For and on behalf of the Board

**Kamran Rasool (Director)**

Date: February 24, 2017

Lahore.

**Asad Farooq (Director)**

# DIRECTORS' REPORT

## محترم حصص یافتگان

یورڈ آف ڈائریکٹرز 31 دسمبر 2016ء چھترہ سرمایہ اور شہنائی میں کھٹی کی محمد عبوری مالی معلومات پیش کرتے ہوئے خوشی محسوس کرتا ہے۔ شہنائی کے لئے کل وصولی 7.42 بلین روپے (2015): 8.29 بلین) محاسبہ اور ٹیکس منافع 1.38 بلین روپے (2015: 1.66 بلین) اور فی شیئر آمدنی (EPS) 3.76 روپے (2015: 4.53) تھی۔

گرفٹ قرضے اب بھی بجلی کے شعبے میں کام کرنے والی کمپنیوں کے لیے ایک بڑا چیلنج ہے۔ "سنٹرل پاور پراجیکٹس ایجنسی (گارفٹ) لمیٹڈ" (CPPA-G) مسلسل کھٹی کو بروقت ادائیگی کی اپنی ذمہ داریوں کو پورا کرنے کے قابل نہیں رہا ہے۔

31 دسمبر 2016ء کی حیثیت کے مطابق CPPA-G سے کل واجب الادا 7.64 بلین روپے تھے جس میں سے 5.54 بلین روپے زائد ادا کیا جا رہا ہے۔ کھٹی نے زائد ادا کیا اور واجب الادا کا معاملہ صرف CPPA-G کے ساتھ بلکہ پانچویں پارٹنر انفراسٹرکچر یورڈ (پی پی آئی بی) کے ذریعے حکومت پاکستان کی پائی اور بجلی کی وزارت کے پاس بھی اجا کر گیا ہے۔

تجارتی قرض میں شامل 958 بلین روپے کی کھٹی پراجیکٹس کی مدد میں CPPA-G نے کٹوتی کی ہے۔ مزید تفصیلات کے لیے براہ مہربانی محمد عبوری مالی معلومات کا نوٹ 10 ملاحظہ کریں۔ کھٹی کے قانونی وکیل اور ماہرین کے مشورہ کی بنیاد پر انتظامیہ محسوس کرتی ہے کہ اس طرح کی قروم کی واپسی کا کوئی امکان ہے۔ چنانچہ محمد عبوری مالی معلومات میں مذکور رقم کے لئے کوئی شرائط نہیں رکھی گئی ہیں۔

31 دسمبر 2016ء کو ختم ہونے والی شہنائی کے دوران، پلانٹ کی دستیابی 74.29 فیصد کے حلاقیہ حصص کے ساتھ 93.52 فیصد تھی۔

## منجانب یورڈ

اسد فاروق (ڈائریکٹر)

کامران رسول (ڈائریکٹر)

تاریخ: 24 فروری 2017ء

لاہور

## Introduction

We have reviewed the accompanying condensed interim balance sheet of Nishat Chunian Power Limited as at December 31, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2015 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

## 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 information 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 information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

## Emphasis of matter

Without qualifying our conclusion, we draw attention to note 10 to the accompanying interim financial information, which describes the matter regarding recoverability of certain trade debts.

## Chartered Accountants,

### A.F. Ferguson & Co.

Chartered Accountants, Lahore.

Engagement Partner: Khurram Akbar Khan

February 24, 2017



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**NISHAT CHUNIAN POWER LIMITED**  
**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)**

AS AT DECEMBER 31, 2016

|   | Note | Un-audited<br>December 31,<br>2016<br>Rupees | Audited<br>June 30,<br>2016<br>Rupees |
|---|------|--|---------------------------------------|
| <b>EQUITY AND LIABILITIES</b>   |      |  |                                       |
| <b>SHARE CAPITAL AND RESERVES</b>   |      |  |                                       |
| Authorised share capital<br>385,000,000 (June 30, 2016: 385,000,000)<br>ordinary shares of Rs 10 each                     |      | 3,850,000,000                                | 3,850,000,000                         |
| Issued, subscribed and paid up share capital<br>367,346,939 (June 30, 2016: 367,346,939)<br>ordinary shares of Rs 10 each |      | 3,673,469,390                                | 3,673,469,390                         |
| Revenue reserve: Un-appropriated profit   |      | 3,897,829,556                                | 3,619,106,596                         |
|   |      | 7,571,298,946                                | 7,292,575,986                         |
| <b>NON-CURRENT LIABILITY</b>  |      |  |                                       |
| Long term financing - secured   | 6    | 6,576,751,516                                | 7,507,385,788                         |
| <b>CURRENT LIABILITIES</b>  |      |  |                                       |
| Current portion of long term financing - secured  | 6    | 1,794,002,504                                | 1,664,332,448                         |
| Short term borrowings - secured   |      | 5,303,509,891                                | 4,100,625,248                         |
| Short term loan from holding company - unsecured  | 7    | 400,000,000                                  | -                                     |
| Trade and other payables  |      | 1,033,501,820                                | 844,633,058                           |
| Accrued finance cost  |      | 246,842,561                                  | 269,628,043                           |
| Derivative financial instruments  |      | -  | 1,713,049                             |
|   |      | 8,777,856,775                                | 6,880,931,846                         |
| <b>CONTINGENCIES AND COMMITMENTS</b>  | 8    | -  | -                                     |
|   |      | 22,925,907,238                               | 21,680,893,620                        |

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

**STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984**

This condensed interim financial information has been signed by two directors instead of chief executive and one director, as the chief executive is for the time being not in Pakistan.

**Director**

**NISHAT CHUNIAN POWER LIMITED**  
**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)**

AS AT DECEMBER 31, 2016

|   | Note | Un-audited<br>December 31,<br>2016<br>Rupees | Audited<br>June 30,<br>2016<br>Rupees |
|---|------|--|---------------------------------------|
| <b>ASSETS</b>   |      |  |                                       |
| <b>NON-CURRENT ASSETS</b>                                       |      |  |                                       |
| Fixed assets  | 9    | 12,299,251,323                               | 12,814,881,104                        |
| Long term loans to executives                                   |      | 8,604,238                                    | 9,308,931                             |
| Long term security deposits                                     |      | 105,000                                      | 105,000                               |
|   |      | <u>12,307,960,561</u>                        | <u>12,824,295,035</u>                 |
| <b>CURRENT ASSETS</b>   |      |  |                                       |
| Stores and spares   |      | 617,834,013                                  | 687,666,696                           |
| Inventories   |      | 1,061,172,435                                | 524,883,404                           |
| Trade debts   | 10   | 7,642,683,317                                | 6,424,184,884                         |
| Loans, advances, deposits, prepayments<br>and other receivables |      | 1,122,427,376                                | 1,204,400,504                         |
| Income tax receivable   |      | 9,103,640                                    | 13,155,092                            |
| Cash and bank balances  |      | 164,725,896                                  | 2,308,005                             |
|   |      | 10,617,946,677                               | 8,856,598,585                         |
|   |      | <u>22,925,907,238</u>                        | <u>21,680,893,620</u>                 |

**Director**

**NISHAT CHUNIAN POWER LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016

|  | Note | Quarter ended          |                        | Half year ended        |                        |
|--|------|------------------------|------------------------|------------------------|------------------------|
|  |      | December 31,           | December 31,           | December 31,           | December 31,           |
|  |      | 2016                   | 2015                   | 2016                   | 2015                   |
|  |      | Rupees                 | Rupees                 | Rupees                 | Rupees                 |
| Sales                                  |      | 3,674,061,856          | 3,859,822,593          | 7,418,925,603          | 8,292,454,874          |
| Cost of sales                          | 11   | <u>(2,698,052,091)</u> | <u>(2,727,484,854)</u> | <u>(5,417,894,198)</u> | <u>(5,920,917,245)</u> |
| <b>Gross profit</b>                    |      | 976,009,765            | 1,132,337,739          | 2,001,031,406          | 2,371,537,629          |
| Administrative expenses                |      | (45,128,179)           | (33,399,065)           | (79,865,975)           | (66,334,807)           |
| Other expenses                         |      | (9,699,651)            | (9,046,147)            | (19,347,513)           | (12,129,176)           |
| Other income                           |      | (4,856,031)            | 5,101,455              | 18,974,901             | 12,143,842             |
| Finance cost                           |      | <u>(271,338,414)</u>   | <u>(304,522,054)</u>   | <u>(540,029,040)</u>   | <u>(641,951,690)</u>   |
| <b>Profit before taxation</b>          |      | 644,987,489            | 790,471,928            | 1,380,763,778          | 1,663,265,798          |
| Taxation                               |      | -                      | -                      | -                      | -                      |
| <b>Profit for the period</b>           |      | <u>644,987,489</u>     | <u>790,471,928</u>     | <u>1,380,763,778</u>   | <u>1,663,265,798</u>   |
| Earnings per share - basic and diluted |      | <u>1.756</u>           | <u>2.152</u>           | <u>3.759</u>           | <u>4.528</u>           |

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

**STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984**

This condensed interim financial information has been signed by two directors instead of chief executive and one director, as the chief executive is for the time being not in Pakistan.

**Director**

**Director**

**NISHAT CHUNIAN POWER LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016

|   | <b>Quarter ended</b> |                     | <b>Half year ended</b> |                      |
|---|----------------------|---------------------|------------------------|----------------------|
|   | <b>December 31,</b>  | <b>December 31,</b> | <b>December 31,</b>    | <b>December 31,</b>  |
|   | <b>2016</b>          | <b>2015</b>         | <b>2016</b>            | <b>2015</b>          |
|   | <b>Rupees</b>        | <b>Rupees</b>       | <b>Rupees</b>          | <b>Rupees</b>        |
| Profit for the period   | 644,987,489          | 790,471,928         | 1,380,763,778          | 1,663,265,798        |
| <b>Other comprehensive income:</b>  |                      |                     |                        |                      |
| <i>Items that may be reclassified subsequently to profit or loss</i>      | -                    | -                   | -                      | -                    |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | -                    | -                   | -                      | -                    |
|   | -                    | -                   | -                      | -                    |
| <b>Total comprehensive income for the period</b>                          | <b>644,987,489</b>   | <b>790,471,928</b>  | <b>1,380,763,778</b>   | <b>1,663,265,798</b> |

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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**Director**

**Director**

**NISHAT CHUNIAN POWER LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

|  | Share<br>capital     | Revenue reserve:<br>Un-appropriated<br>profit<br>Rupees | Total                |
|--|----------------------|---|----------------------|
| <b>Balance as on July 1, 2015 (audited)</b>  | 3,673,469,390        | 3,709,803,107   | 7,383,272,497        |
| Profit for the period  | -                    | 1,663,265,798   | 1,663,265,798        |
| Other comprehensive income for the period  | -                    | -   | -                    |
| <b>Total comprehensive income for the half year ended December 31, 2015</b>                            | -                    | 1,663,265,798   | 1,663,265,798        |
| Dividend to equity holders of the company:   |                      |   |                      |
| Final dividend for the year ended<br>June 30, 2015 @ Rs 2 per share                                    | -                    | (734,693,878)   | (734,693,878)        |
| Interim dividend for the first quarter ended<br>September 30, 2015 @ Rs 2 per share                    | -                    | (734,693,878)   | (734,693,878)        |
| <b>Total contributions by and distributions to owners of the company recognised directly in equity</b> | -                    | (1,469,387,756)   | (1,469,387,756)      |
| <b>Balance as on December 31, 2015 (un-audited)</b>  | <u>3,673,469,390</u> | <u>3,903,681,149</u>                                    | <u>7,577,150,539</u> |
| <b>Balance as on July 1, 2016 (audited)</b>  | 3,673,469,390        | 3,619,106,596   | 7,292,575,986        |
| Profit for the period  | -                    | 1,380,763,778   | 1,380,763,778        |
| Other comprehensive income for the period  | -                    | -   | -                    |
| <b>Total comprehensive income for the half year ended December 31, 2016</b>                            | -                    | 1,380,763,778   | 1,380,763,778        |
| Dividend to equity holders of the company:   |                      |   |                      |
| Final dividend for the year ended<br>June 30, 2016 @ Rs 1.5 per share                                  | -                    | (551,020,409)   | (551,020,409)        |
| Interim dividend for the first quarter ended<br>September 30, 2016 @ Rs 1.5 per share                  | -                    | (551,020,409)   | (551,020,409)        |
| <b>Total contributions by and distributions to owners of the company recognised directly in equity</b> | -                    | (1,102,040,818)   | (1,102,040,818)      |
| <b>Balance as on December 31, 2016 (un-audited)</b>  | <u>3,673,469,390</u> | <u>3,897,829,556</u>                                    | <u>7,571,298,946</u> |

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

**STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984**

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**Director**

**Director**

**NISHAT CHUNIAN POWER LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

|   |   | <b>Half year ended</b> |                        |
|---|---|------------------------|------------------------|
|   |   | <b>December 31,</b>    | <b>December 31,</b>    |
|   |   | <b>2016</b>            | <b>2015</b>            |
| <b>Note</b>                                 |   | <b>Rupees</b>          | <b>Rupees</b>          |
| <b>Cash flows from operating activities</b> |   |                        |                        |
|   | Cash generated from operations                                  | 1,184,420,096          | 4,055,459,864          |
|   | Finance cost paid   | (562,814,523)          | (711,732,010)          |
|   | Net income tax refund/(paid)                                    | 4,051,452              | (1,356,691)            |
|   | Retirement benefits paid  | (3,713,723)            | (3,647,310)            |
|   | Net decrease in long term loans to executives                   | 704,693                | 616,265                |
|   | <b>Net cash inflow from operating activities</b>                | <b>622,647,994</b>     | <b>3,339,340,118</b>   |
| <b>Cash flows from investing activities</b> |   |                        |                        |
|   | Fixed capital expenditure                                       | (162,722,857)          | (78,772,424)           |
|   | Proceeds from disposal of property, plant and equipment         | 92,780,488             | 42,227                 |
|   | Profit on bank deposits received                                | 409,872                | 18,333                 |
|   | <b>Net cash outflow from investing activities</b>               | <b>(69,532,497)</b>    | <b>(78,711,864)</b>    |
| <b>Cash flows from financing activities</b> |   |                        |                        |
|   | Repayment of long term financing                                | (800,964,216)          | (689,361,752)          |
|   | Receipt of short term loans from holding company                | 2,500,000,000          | -                      |
|   | Repayment of short term loans from holding company              | (2,100,000,000)        | -                      |
|   | Dividend paid   | (1,192,618,033)        | (1,467,244,251)        |
|   | <b>Net cash outflow from financing activities</b>               | <b>(1,593,582,249)</b> | <b>(2,156,606,003)</b> |
|   | <b>Net (decrease)/increase in cash and cash equivalents</b>     | <b>(1,040,466,752)</b> | <b>1,104,022,251</b>   |
|   | <b>Cash and cash equivalents at the beginning of the period</b> | <b>(4,098,317,243)</b> | <b>(5,339,585,073)</b> |
|   | <b>Cash and cash equivalents at the end of the period</b>       | <b>(5,138,783,995)</b> | <b>(4,235,562,822)</b> |

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**STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984**

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**Director**

**Director**

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016

## **1. The company and its activities**

Nishat Chunian Power Limited (the 'company') is a public limited company incorporated in Pakistan. The company is a subsidiary of Nishat (Chunian) Limited ('holding company'). The company's ordinary shares are listed on the Pakistan Stock Exchange Limited.

The principal activity of the company is to build, own, operate and maintain a fuel fired power station having gross capacity of 200 MW and net capacity of 195.722 MW at Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. The address of the registered office of the company is 31-Q, Gulberg II, Lahore. The company has a Power Purchase Agreement ('PPA') with its sole customer, National Transmission and Despatch Company Limited ('NTDC') for twenty five years which commenced from July 21, 2010.

## **2. Basis of preparation**

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The figures for the half year ended December 31, 2016 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements for the year ended June 30, 2016.

## **3. Significant accounting policies**

**3.1** The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended June 30, 2016.

## **3.2 Initial application of standards, amendments or an interpretation to existing standards**

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

### **3.2.1 Standards, amendments and interpretations to approved accounting standards that are effective in the current period**

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2016, but are considered currently not to be relevant or to have any significant effect on the company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in this condensed interim financial information.

### **3.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company**

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the company's accounting periods beginning on or after January 1, 2017, but are currently considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in this condensed interim financial information.



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#### 4. Accounting estimates

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements for the year ended June 30, 2016.

#### 5. Financial risk management

##### 5.1 Financial risk factors

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

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual financial statements as at June 30, 2016.

There have been no changes in the risk management department since year end or in any risk management policies.

##### 5.2 Fair value estimation

The carrying values of all financial assets and liabilities reflected in the condensed interim financial information approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

During the period, there were no significant changes in the business or economic circumstances that affect the fair value of the company's financial assets and financial liabilities. Furthermore, there were no reclassifications of financial assets.

|   | Un-audited<br>December 31,<br>2016<br>Rupees | Audited<br>June 30,<br>2016<br>Rupees |
|---|--|---------------------------------------|
| <b>6. Long term financing - secured</b>               |  |                                       |
| Opening balance                                       | 9,171,718,236                                | 10,604,150,708                        |
| Less: Repayments during the period/year               | <u>800,964,216</u>                           | <u>1,432,432,472</u>                  |
|   | 8,370,754,020                                | 9,171,718,236                         |
| Less: Current portion shown under current liabilities | <u>1,794,002,504</u>                         | <u>1,664,332,448</u>                  |
|   | <u>6,576,751,516</u>                         | <u>7,507,385,788</u>                  |

7. This represents an unsecured loan from the holding company. The rate of mark up charged during the period on the outstanding balance ranges from 8.02% to 8.12% per annum. The entire amount of loan has been repaid subsequent to the period end.

#### 8. Contingencies and commitments

##### 8.1 Contingencies

There is no significant change in contingencies from the preceding annual published financial statements of the company for the year ended June 30, 2016, except for the following:

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016

(i) During the financial year 2014, a sales tax demand of Rs 1,161.548 million was raised against the company through order dated November 28, 2013, by the Assistant Commissioner Inland Revenue ('ACIR') by disallowing input sales tax for the tax periods from July 2010 to June 2012. Such amount was disallowed on the grounds that the revenue derived by the company on account of 'capacity purchase price' was against a non-taxable supply and thus, the entire amount of input sales tax claimed by the company was required to be apportioned with only the input sales tax attributable to other revenue stream i.e. 'energy purchase price' admissible to the company. Against the aforesaid order, the company preferred an appeal before the Commissioner Inland Revenue (Appeals) ('CIR(A)') who vacated the ACIR's order on the issue regarding apportionment of input sales tax. However, the CIR(A) did not adjudicate upon the company's other grounds of appeal. Consequently, the company preferred an appeal before the Appellate Tribunal Inland Revenue ('ATIR') on the issues not adjudicated upon by the CIR(A) and the Department also preferred a second appeal before the ATIR against the CIR(A)'s order, both of which are pending adjudication.

Furthermore, during the financial year 2015, the Deputy Commissioner Inland Revenue ('DCIR') issued a show cause notice dated November 11, 2014, whereby intentions were shown to raise a sales tax demand of Rs 1,093.262 million by disallowing input sales tax claimed by the company for the tax periods from July 2010 to June 2012 on the abovementioned grounds of the ACIR. The company agitated the initiation of such proceedings through institution of a writ petition before the Lahore High Court ('LHC'). During the current period, LHC has disposed of the petition in the company's favour through its order dated October 31, 2016, by stating that there is no supply being made against 'capacity purchase price', hence, there is no existence of an "exempt supply". Accordingly, the company is free to reclaim or deduct input tax under the relevant provisions of Sales Tax Act, 1990. However, subsequent to the period end, the tax department has filed an appeal before the Supreme Court of Pakistan against the aforementioned LHC's order.

For the period July 2013 to June 2014, company's case was selected for audit by 'Federal Board of Revenue' ('FBR'), which selection was objected to, on jurisdictional basis, by company by way of filing a writ petition before LHC. While, LHC allowed the department to proceed with audit proceedings, it was directed that no adjudication order, consequent to conduct of audit, shall be passed after confronting the audit report. The audit proceedings were completed by the department during the financial year 2016 and audit report thereof was submitted to the company seeking explanations in regard to the issues raised therein. In the subject audit report, inter-alia, primarily a disallowance of input sales tax aggregating to Rs 622.263 million has been confronted on same grounds as explained above. Subsequent to period end, LHC through its order dated January 9, 2017 has allowed initiation of adjudication proceedings after issuance of audit report.

Based on the advice of the company's legal counsel and the abovementioned LHC's decision dated October 31, 2016, management considers that there exist meritorious grounds to support the company's stance that input sales tax incurred by the company is not legally required to be attributed to revenue representing 'capacity purchase price' and thus, disallowance proposed by the tax department would not be upheld by appellate authorities/courts. Consequently, no provision has been made in this condensed interim financial information on such account.

(ii) The banks have issued the following on behalf of the company:

Letter of guarantee of Rs 9.032 million (June 30, 2016: Rs 9.032 million) in favour of Director, Excise and Taxation, Karachi under direction of Sindh High Court in respect of suit filed for levy of infrastructure cess.

## 8.2 Commitments

Letters of credit and contracts other than for capital expenditure aggregating to Rs 8.224 million (June 30, 2016: Rs 61.160 million).

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016

|  | <b>Un-audited</b>            | <b>Audited</b>        |
|--|------------------------------|-----------------------|
|  | <b>December 31,</b>          | <b>June 30,</b>       |
| <b>9. Fixed assets</b>                         | <b>2016</b>                  | <b>2016</b>           |
|  | <b>Rupees</b>                | <b>Rupees</b>         |
| Property, plant and equipment:                 |                              |                       |
| - Operating fixed assets                       | - note 9.1<br>12,273,841,044 | 12,648,542,966        |
| - Capital work-in-progress                     | 6,097,740                    | 902,000               |
| - Major spare parts and standby equipment      | -                            | 162,636,138           |
| Intangible asset - computer software           | 19,312,538                   | 2,800,000             |
|  | <u>12,299,251,323</u>        | <u>12,814,881,104</u> |
| <b>9.1 Operating fixed assets</b>              |                              |                       |
| Opening book value                             | 12,648,542,966               | 13,376,169,747        |
| Additions during the period/year               | - note 9.1.1<br>302,096,249  | 445,394,843           |
| Book value of deletions during the period/year | - note 9.1.2<br>(87,388,926) | (1,844,365)           |
| Depreciation charged during the period/year    | (589,409,244)                | (1,171,177,259)       |
| Closing book value                             | <u>12,273,841,044</u>        | <u>12,648,542,966</u> |
| <b>9.1.1 Additions during the period/year</b>  |                              |                       |
| Buildings on freehold land                     | 4,327,946                    | 5,719,323             |
| Plant and machinery                            | 296,952,740                  | 384,932,180           |
| Computer equipment                             | 161,900                      | 8,401,946             |
| Office equipment                               | -                            | 27,007,007            |
| Vehicles                                       | 653,663                      | 19,334,387            |
|  | <u>302,096,249</u>           | <u>445,394,843</u>    |

**9.1.2** This includes disposal of freehold land and building at 31-C, Gulberg II, Lahore, having book value of Rs 86.702 million, that was sold during the period to the holding company against a consideration of Rs 91 million.

## 10. Trade debts

Included in trade debts is an amount of Rs 957.872 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.

Since management considers that the primary reason for claiming these payments is that plant was available, however, could not generate electricity due to non-payment by NTDC, therefore, management believes that company cannot be penalized in the form of payment deductions due to NTDC's default of making timely payments under the PPA. Hence, the company had taken up this issue at appropriate forums. On June 28, 2013, the company entered into a Memorandum of Understanding ("MoU") for cooperation on extension of credit terms with NTDC whereby it was agreed that the constitutional petition filed by the company before the Supreme Court of Pakistan on the abovementioned issue would be withdrawn unconditionally and it would be resolved through the dispute resolution mechanism under the PPA. Accordingly, as per terms of the MoU, the company applied for withdrawal of the aforesaid petition which is pending adjudication before Supreme Court of Pakistan. During the financial year 2014, the company in consultation with NTDC, appointed an Expert for dispute resolution under the PPA.

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016

During the previous year, the Expert gave his determination whereby the aforesaid amount was determined to be payable to the company by NTDC. Pursuant to the Expert's determination, the company demanded the payment of the aforesaid amount of Rs 957.872 million from NTDC that has not yet been paid by NTDC. Consequently, under the terms of PPA, the company filed petition for arbitration in The London Court of International Arbitration ('LCIA'), whereby an arbitrator was appointed and the matter is yet pending arbitration. In November 2015, the Government of Pakistan ('GOP') through Private Power & Infrastructure Board ('PPIB') filed a case in the court of Senior Civil Judge, Lahore, against the aforementioned decision of the Expert, praying it to be illegal, which is pending adjudication. Furthermore, NTDC filed a stay application in the LCIA before the Arbitrator to stay the arbitration proceedings. During the period, in response to NTDC's stay application, the Arbitrator through his order dated July 8, 2016, has declared that the arbitration shall proceed and has denied NTDC's request for a stay. Also, the Arbitrator has ordered NTDC to withdraw the abovementioned case filed in the court of Senior Civil Judge, Lahore and has refrained it from taking any further steps therein to disrupt the arbitration proceedings.

Based on the advice of the company's legal counsel and Expert's determination, management feels that the above amount is likely to be recovered by the company. Consequently, no provision for the above mentioned amount has been made in this condensed interim financial information.

|  | Un-audited<br>Quarter ended    |                                | Un-audited<br>Half year ended  |                                |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | December 31,<br>2016<br>Rupees | December 31,<br>2015<br>Rupees | December 31,<br>2016<br>Rupees | December 31,<br>2015<br>Rupees |
| <b>11. Cost of sales</b>               |                                |                                |                                |                                |
| Raw materials consumed                 | 2,251,656,292                  | 2,289,246,702                  | 4,528,021,487                  | 5,086,642,141                  |
| Salaries and other benefits            | 35,361,775                     | 30,669,995                     | 69,613,776                     | 63,391,898                     |
| Operations and maintenance             | -                              | (151,034,479)                  | -                              | (151,034,479)                  |
| Insurance                              | 42,113,301                     | 42,010,019                     | 85,125,717                     | 83,294,665                     |
| Stores and spares consumed             | 38,039,808                     | 236,323,004                    | 90,717,274                     | 272,357,886                    |
| Travelling and conveyance              | 4,107,413                      | 5,062,468                      | 8,476,740                      | 11,660,882                     |
| Repair and maintenance                 | 30,857,761                     | (2,376,755)                    | 40,205,680                     | 133,856                        |
| Postage and telephone                  | 486,745                        | 361,106                        | 1,197,830                      | 877,811                        |
| Entertainment                          | 5,492                          | 433,035                        | 112,060                        | 488,460                        |
| Fee and subscription                   | 450,000                        | 336,981                        | 3,281,907                      | 3,324,494                      |
| Depreciation on operating fixed assets | 289,518,125                    | 272,759,606                    | 580,425,650                    | 542,104,364                    |
| Amortization on intangible assets      | 903,350                        | -                              | 1,204,467                      | -                              |
| Miscellaneous                          | 4,552,029                      | 3,693,172                      | 9,511,610                      | 7,675,267                      |
|  | <b>2,698,052,091</b>           | <b>2,727,484,854</b>           | <b>5,417,894,198</b>           | <b>5,920,917,245</b>           |

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016

|  | <b>Un-audited</b>            |                              |
|--|------------------------------|------------------------------|
|  | <b>Half year ended</b>       |                              |
|  | <b>December 31,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|  | <b>Rupees</b>                | <b>Rupees</b>                |
| <b>12. Cash generated from operations</b>                            |                              |                              |
| Profit before taxation   | 1,380,763,778                | 1,663,265,798                |
| Adjustment for non cash charges and other items:                     |                              |                              |
| - Depreciation on operating fixed assets                             | 589,409,244                  | 549,000,913                  |
| - Amortization on intangible assets                                  | 1,554,467                    | 350,000                      |
| - Profit on bank deposits  | (409,872)                    | (24,368)                     |
| - Finance cost   | 540,029,040                  | 641,951,690                  |
| - Fair value (gain)/loss on derivative financial instruments         | (1,713,049)                  | 2,353,924                    |
| - Provision for employee retirement benefits                         | 3,713,723                    | 3,647,310                    |
| - Gain on disposal of operating fixed assets                         | (5,391,562)                  | -                            |
| - Reversal of excess provision for operation and maintenance expense | -                            | (141,067,711)                |
| Profit before working capital changes                                | <u>2,507,955,771</u>         | <u>2,719,477,556</u>         |
| Effect on cash flow due to working capital changes:                  |                              |                              |
| <b>(Increase)/decrease in current assets:</b>                        |                              |                              |
| - Stores and spares  | 69,832,683                   | 102,119,644                  |
| - Inventories  | (536,289,031)                | 495,478,313                  |
| - Trade debts  | (1,218,498,433)              | 602,422,950                  |
| - Loans, advances, deposits, prepayments and other receivables       | 81,973,128                   | 192,079,382                  |
|  | <u>(1,602,981,653)</u>       | <u>1,392,100,289</u>         |
| <b>Increase/(decrease) in current liabilities:</b>                   |                              |                              |
| - Trade and other payables   | 279,445,978                  | (56,117,981)                 |
|  | <u>(1,323,535,675)</u>       | <u>1,335,982,308</u>         |
|  | <u>1,184,420,096</u>         | <u>4,055,459,864</u>         |
| <b>13. Cash and cash equivalents</b>                                 |                              |                              |
| Cash and bank balances   | 164,725,896                  | 37,876,847                   |
| Short term borrowings - secured                                      | (5,303,509,891)              | (4,273,439,669)              |
|  | <u>(5,138,783,995)</u>       | <u>(4,235,562,822)</u>       |

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016

**14. Transactions with related parties**

The related parties comprise the holding company, subsidiaries and associates of holding company, associated undertakings, directors and key management personnel of the company and its holding company and post employment benefit plan (provident fund). The company in the normal course of business carries out transactions with various related parties.

| Relationship with the company        | Nature of transactions                                | Un-audited<br>Half year ended |                      |
|--------------------------------------|---|-------------------------------|----------------------|
|                                      |   | December 31,<br>2016          | December 31,<br>2015 |
| <b>i. Holding company</b>            | Dividends paid  | 281,378,730                   | 750,234,080          |
|                                      | Common facilities cost                                | 9,000,000                     | 9,000,000            |
|                                      | Purchases of goods and services                       | 4,367,392                     | 3,866,466            |
|                                      | Disbursement of loans                                 | 2,500,000,000                 | -                    |
|                                      | Repayment of loans                                    | 2,100,000,000                 | -                    |
|                                      | Mark up on loans                                      | 902,403                       | -                    |
| <b>ii. Associated undertakings</b>   | Donations   | 12,225,000                    | 4,890,000            |
|                                      | Insurance premium                                     | 85,993,008                    | 83,990,538           |
| <b>iii. Key management personnel</b> | Salaries and other employee benefits                  | 9,754,800                     | 6,963,300            |
| <b>iv. Post employment</b>           | Expense charged in respect of retirement benefit plan | 3,713,723                     | 3,647,310            |

| Un-audited<br>December 31,<br>2016<br>Rupees | Audited<br>June 30,<br>2016<br>Rupees |
|--|---------------------------------------|
|--|---------------------------------------|

**Period end balances:**

**Payable to related parties**

|                           |             |             |
|---------------------------|-------------|-------------|
| - Holding company         | 681,556,216 | 328,275,185 |
| - Associated undertakings | 95,351,035  | -           |

**Receivable from related parties**

|                           |           |           |
|---------------------------|-----------|-----------|
| - Associated undertakings | 1,195,505 | 2,212,020 |
| - Provident Fund          | -         | 633,363   |

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016

**15. Date of authorisation for issue**

This condensed interim financial information was authorised for issue on February 24, 2017 by the Board of Directors of the company.

**16. Corresponding figures**

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

**STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984**

This condensed interim financial information has been signed by two directors instead of chief executive and one director, as the chief executive is for the time being not in Pakistan.

**Director**

**Director**









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