



Interim Financial Information
Half Year Ended December 31, 2017
(Unaudited)



**NISHAT
CHUNIAN**
POWER LTD.

CONTENTS

03	Company Information
04	Directors' Report
06	Auditors' Report
08	Condensed Interim Balance Sheet
10	Condensed Interim Profit and Loss Account
11	Condensed Interim Statement of Comprehensive Income
12	Condensed Interim Statement of Changes in Equity
13	Condensed Interim Cash Flow Statement
14	Notes to the Condensed Interim Financial Information

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

COMPANY INFORMATION

Board of Directors:

Mrs. Farhat Saleem
Chairperson

Mr. Shahzad Saleem
Chief Executive

Mr. Zain Shahzad
Director

Mr. Syed Tariq Ali
Director

Mr. Aftab Ahmad Khan
Director

Mr. Muhammad Ali Zeb
Director

Mr. Kamran Rasool (resigned on Jan 22, 2018)
Director

Mr. Muhammad Azam
Independent Director

AUDIT COMMITTEE:

Mr. Muhammad Azam
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 (resigned on Jan 22, 2018)
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.

DIRECTOR'S REVIEW

The board of directors is pleased to present the Condensed Interim Financial Information of the company for the quarter & half year ended December 31, 2017. For the half year, turnover was Rs. 8.48 billion (2016: 7.42 billion) with an after tax profit of Rs. 1.75 billion (2016: 1.38 billion) and earnings per share (EPS) of Rs. 4.75 (2016: 3.76).

Circular debt still presents a major challenge to the companies operating in the power sector. "NTDCL/CPA-G (Power Purchaser)" has consistently been unable to meet its obligations to make timely payments to the company.

As on December 31, 2017, our total receivables from Power Purchaser have amplified to PKR 11.19 billion, out of which PKR 7.65 billion were overdue. The company continues to take up the matter of overdue receivables not only with Power Purchaser but also with the Ministry of Water and Power through Private Power & Infrastructure Board (PPIB) by giving notices of default pursuant to provisions of Power Purchase and Implementation Agreements.

Included in trade debts is an amount of PKR 966 million deducted by Power Purchaser from the Capacity Purchase Price invoices. Based on the advice of the company's legal counsel, expert determination and Arbitrator's declaration in the Final Award wherein he has ordered NTDCL to pay pursuant to the 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. Please refer note 10 to this Condensed Interim Financial Statements for further details.

During half year ended December 31, 2017, availability of the plant was 94.05% with a capacity factor of 71.59%.

Acknowledgement

We wish to record our appreciation of the commitment of our employees to the Company For on behalf of Board.

Date: February 27, 2018
Lahore

Director

Director

مجلس نظامی کی رپورٹ

بورڈ آف ڈائریکٹرز 31 دسمبر 2017ء کو ششماہی کے لئے کمپنی کی تجدیدوری مالی معلومات پیش کرتے ہوئے خوش محسوس کرتا ہے۔ ششماہی کے لئے کل کاروبار 8.48 بلین روپے (2017: 7.42 بلین روپے) سے بعد از ٹیکس منافع 1.75 بلین روپے (2016: 1.38 بلین روپے) اور فی شیئر آمدنی (EPS) 4.75 روپے (2016: 3.76 روپے) تھی۔

گردشی قرضے اب بھی بجلی کے شعبے میں کام کرنے والی کمپنیوں کے لیے ایک بڑا چیلنج ہے۔ "NTDCL/CPPA-G" (پاور پراجیکٹرز) مسلسل کمپنی کو بروقت ادائیگی کی اپنی ذمہ داریوں کو پورا کرنے میں نہیں رہا ہے۔

31 دسمبر 2017ء کی حیثیت کے مطابق پاور پراجیکٹرز سے ہمارے کل واجب الادا 11.19 بلین پاکستانی روپے سے تجاوز کر گئے جس میں سے 7.65 بلین روپے زائد المعیاد واجب الادا تھے۔ کمپنی نے المعیاد واجب الادا کا معاملہ نہ صرف پاور پراجیکٹرز کے ساتھ بلکہ پرائیویٹ پاور اینڈ انفراسٹرکچر بورڈ (پی پی آئی بی) کے ذریعے پاور پراجیکٹرز ایجنڈا ایبلی ٹیفیکیشن معاہدوں کی شرائط کی عدم تعمیل کا نوٹس دیتے ہوئے ت پاکستان کی پائی اور بجلی کی وزارت کے ہاں بھی اجا کر گیا ہے۔

تجارتی قرض میں شامل 966 بلین روپے کی کچھٹی پراجیکٹرز کی مد میں پاور پراجیکٹرز نے کوئی کی ہے۔ کمپنی کے قانونی وکیل اور ماہرین کے مشورہ اور LCIA کے جزوی فیصلہ کی بنیاد پر انتظامیہ محسوس ہے کہ اس طرح کی رقم کی واپسی کا توئی امکان ہے۔ چنانچہ تجدیدوری مالی معلومات میں مذکورہ رقم کے لئے کوئی شرائط نہیں رکھی گئی ہیں۔ مزید تفصیلات کے لیے براہ مہربانی تجدیدوری مالی معلومات کا نوٹ 1 اظہ کریں۔

31 دسمبر 2017ء کو ختم ہونے والی ششماہی کے دوران، پابندی کی دستیابی 71.59 فیصد کے صلاحیتی عنصر کے ساتھ 94.05 فیصد تھی۔

انظہار تشکر

ہم کمپنی کے لئے اپنے ملازمین کی کوششوں کو سراہتے ہیں۔

منجانب بورڈ

تاریخ: 27 فروری 2018ء

لاہور

(ڈائریکٹر)

(ڈائریکٹر)

Introduction

We have reviewed the accompanying condensed interim balance sheet of Nishat Chunian Power Limited as at December 31, 2017 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, 2016 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

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, 2017 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,

Lahore,

Engagement Partner: Khurram Akbar Khan

Date: February 27, 2018

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

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

AS AT DECEMBER 31, 2017

		Un-audited	Audited
		December 31,	June 30,
		2017	2017
	Note	(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
385,000,000 (June 30, 2017: 385,000,000)			
ordinary shares of Rs 10 each		<u>3,850,000</u>	<u>3,850,000</u>
Issued, subscribed and paid up share capital			
367,346,939 (June 30, 2017: 367,346,939)			
ordinary shares of Rs 10 each		3,673,469	3,673,469
Revenue reserve: Un-appropriated profit		<u>6,894,587</u>	<u>5,516,819</u>
		10,568,056	9,190,288
NON-CURRENT LIABILITY			
Long term financing - secured	6	4,492,314	5,573,611
CURRENT LIABILITIES			
Current portion of long term financing - secured	6	2,084,438	1,933,775
Short term borrowings - secured		6,480,317	6,043,219
Short term loan from holding company - unsecured	7	-	350,000
Trade and other payables		943,580	467,193
Accrued finance cost		243,618	255,569
		9,751,953	9,049,756
CONTINGENCIES AND COMMITMENTS	8	<u>24,812,322</u>	<u>23,813,655</u>

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

Director

Director

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

AS AT DECEMBER 31, 2017

	Note	Un-audited December 31, 2017 (Rupees in thousand)	Audited June 30, 2017
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	9	11,654,409	11,999,856
Long term loans to executives		4,493	5,000
Long term security deposits		105	105
		11,659,008	12,004,961
CURRENT ASSETS			
Stores and spares		694,274	631,469
Inventories		475,739	846,831
Trade debts	10	10,768,493	9,052,621
Loans, advances, deposits, prepayments and other receivables		1,201,171	1,150,763
Income tax receivable		12,324	11,450
Derivative financial instrument		581	-
Cash and bank balances		733	115,560
		13,153,314	11,808,694
		24,812,322	23,813,655

Chief Financial Officer

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

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

Note	Quarter ended		Half year ended	
	December 31,	December 31,	December 31,	December 31,
	2017	2016	2017	2016
	(Rupees in thousand)		(Rupees in thousand)	
Sales	3,788,020	3,674,062	8,475,525	7,418,926
Cost of sales	11 <u>(2,590,353)</u>	<u>(2,698,052)</u>	<u>(6,077,556)</u>	<u>(5,417,894)</u>
Gross profit	1,197,667	976,010	2,397,969	2,001,031
Administrative expenses	(87,483)	(45,128)	(125,498)	(79,866)
Other expenses	(1,739)	(9,700)	(6,781)	(19,348)
Other income	4,053	(4,856)	12,320	18,975
Finance cost	<u>(263,260)</u>	<u>(271,338)</u>	<u>(532,894)</u>	<u>(540,029)</u>
Profit before taxation	849,237	644,987	1,745,115	1,380,764
Taxation	-	-	-	-
Profit for the period	<u>849,237</u>	<u>644,987</u>	<u>1,745,115</u>	<u>1,380,764</u>
Earnings per share - basic and diluted (in Rupees)	<u>2.312</u>	<u>1.756</u>	<u>4.751</u>	<u>3.759</u>

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

Director

Director

Chief Financial Officer

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

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

	Quarter ended		Half year ended	
	December	December	December	December
	2017	2016	2017	2016
	(Rupees in thousand)		(Rupees in thousand)	
Profit for the period	849,237	644,987	1,745,115	1,380,764
Other comprehensive income:				
<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>	-	-	-	-
	-	-	-	-
Total comprehensive income for the period	849,237	644,987	1,745,115	1,380,764

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

Director

Chief Financial Officer

Director

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Share capital	Revenue reserve: Un-appropriated profit	Total
	(Rupees in thousand)		
Balance as on July 1, 2016 (audited)	3,673,469	3,619,107	7,292,576
Profit for the period	-	1,380,764	1,380,764
Other comprehensive income for the period	-	-	-
Total comprehensive income for the half year ended December 31, 2016	-	1,380,764	1,380,764
Dividend to equity holders of the company:			
Final dividend for the year ended June 30, 2016 @ Rs 1.5 per share	-	(551,020)	(551,020)
Interim dividend for the first quarter ended September 30, 2016 @ Rs 1.5 per share	-	(551,020)	(551,020)
Total contributions by and distributions to owners of the company recognised directly in equity	-	(1,102,041)	(1,102,041)
Balance as on December 31, 2016 (un-audited)	<u>3,673,469</u>	<u>3,897,830</u>	<u>7,571,299</u>
Balance as on July 1, 2017 (audited)	3,673,469	5,516,819	9,190,288
Profit for the period	-	1,745,115	1,745,115
Other comprehensive income for the period	-	-	-
Total comprehensive income for the half year ended December 31, 2017	-	1,745,115	1,745,115
Dividend to equity holders of the company:			
Final dividend for the year ended June 30, 2017 @ Rs 1 per share	-	(367,347)	(367,347)
Total contributions by and distributions to owners of the company recognised directly in equity	-	(367,347)	(367,347)
Balance as on December 31, 2017 (un-audited)	<u>3,673,469</u>	<u>6,894,587</u>	<u>10,568,056</u>

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

Director

Chief Financial Officer

Director

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2017

		Half year ended	
		December 31,	December 31,
		2017	2016
Note		(Rupees in thousand)	
Cash flows from operating activities			
	Cash generated from operations	1,805,357	1,184,420
	Finance cost paid	(544,845)	(562,815)
	Net income tax (paid)/refund	(874)	4,051
	Retirement benefits paid	(3,965)	(3,714)
	Net decrease in long term loans to executives	507	705
	Net cash inflow from operating activities	1,256,180	622,648
Cash flows from investing activities			
	Fixed capital expenditure	(191,952)	(162,723)
	Proceeds from disposal of property, plant and equipment	1,663	92,780
	Profit on bank deposits received	307	410
	Net cash outflow from investing activities	(189,981)	(69,532)
Cash flows from financing activities			
	Repayment of long term financing	(930,634)	(800,964)
	Short term borrowings from holding company	1,150,000	2,500,000
	Repayment of short term borrowings from holding company	(1,500,000)	(2,100,000)
	Dividend paid	(337,489)	(1,192,618)
	Net cash outflow from financing activities	(1,618,123)	(1,593,582)
	Net decrease in cash and cash equivalents	(551,925)	(1,040,467)
	Cash and cash equivalents at the beginning of the period	(5,927,659)	(4,098,317)
	Cash and cash equivalents at the end of the period	(6,479,584)	(5,138,784)

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

Director

Chief Financial Officer

Director

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

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 as required by section 237 of the Companies Act, 2017 (the "Act"). In May 2017, the Companies Ordinance, 1984 (the "Ordinance") was repealed after the enactment of the Act. However, as allowed by SECP vide Circular No. 23 of 2017 dated October 4, 2017 in continuation of SECP's earlier Circular No. 17 of 2017 dated July 20, 2017, companies whose financial year, and other interim period, closes on or before December 31, 2017, shall prepare their financial statements in accordance with the provisions of the repealed Ordinance. Accordingly, this condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard ("IAS") 34 - 'Interim Financial Reporting', and provisions of and directives issued under the repealed Ordinance. In case where requirements differ, the provisions of or directives issued under the repealed Ordinance have been followed. The figures for the half year ended December 31, 2017 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, 2017.

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, 2017.

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, 2017, 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 except for:

'- IAS 7, 'Cashflow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. The application of this amendment does not have any material impact on the company's financial statements.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after July 01, 2018 or later periods, and the company has not early adopted them:

	Effective date (accounting periods beginning on or after)
Other standards or interpretations	
IFRS 9, 'Financial instruments'	July 01, 2018
IFRS 15, 'Revenue from contracts with customers'	July 01, 2018
Amendments to IFRS 15, 'Revenue from contracts with customers' on gross versus net revenue presentation	July 01, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	July 01, 2018
IFRS 16 'Leases'	January 01, 2019
IFRIC 23	January 01, 2019

The company will apply these standards/amendments from their respective effective dates and has yet to assess the impact of these amendments on its financial statements.

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, 2017.

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, 2017.

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

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

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 December 31, 2017	Audited June 30, 2017
	(Rupees in thousand)	
6. Long term financing - secured		
Opening balance	7,507,387	9,171,718
Less: Repayments during the period/year	930,635	1,664,331
	6,576,751	7,507,387
Less: Current portion shown under current liabilities	2,084,438	1,933,775
	4,492,314	5,573,611

7. This has been repaid during the period.

8. Contingencies and commitments

8.1 Contingencies

There are no significant changes in contingencies from the preceding annual published financial statements of the company for the year ended June 30, 2017, except for the following:

(i) During the period, the Deputy Commissioner Inland Revenue has issued an amended assessment order dated August 31, 2017 under section 122 of the Income Tax Ordinance, 2001 for Tax Year 2014 whereby income tax of Rs 191.536 million has been levied on other income, interest on delayed payments from NTDC, minimum tax on capacity sales, scrap sales and sale proceeds of fixed assets' disposal, and has also levied Workers' Welfare Fund (WWF) of Rs 12.946 million. Against the aforesaid order, the company preferred an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] and the learned CIR(A) passed an order on February 2, 2018, declaring that the levy of income tax on interest on delayed payments from NTDC and minimum tax on capacity sales is not justified, while directing the company to pay income tax aggregating to Rs 1.466 million on profit on debt, miscellaneous income, capital gain on disposal of securities, minimum tax on scrap sales and disposal of fixed assets and WWF amounting to Rs 4.552 million. The company is in the process of filing an appeal before the Appellate Tribunal Inland Revenue against the order of CIR(A).

The management considers that there exist meritorious grounds to defend the company's stance and the ultimate decision from the appellate authorities would be in the company's favour. Consequently, no provision has been made in these financial statements for the aggregate amount of Rs 6.018 million.

8.2 Commitments

Letters of credit and contracts other than for capital expenditure aggregating to Rs 160.838 million (June 30, 2017: Rs 38.068 million).

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

		Un-audited December 31, 2017	Audited June 30, 2017
(Rupees in thousand)			
9. Fixed assets			
Property, plant and equipment:			
- Operating fixed assets	- note 9.1	11,634,701	11,980,793
- Capital work-in-progress		4,709	1,907
Intangible asset - computer software		14,999	17,156
		<u>11,654,409</u>	<u>11,999,856</u>

9.1 Operating fixed assets

Opening book value		11,980,793	12,648,543
Additions during the period/year	- note 9.1.1	189,150	573,223
Book value of deletions during the period/year		(454)	(88,325)
Depreciation charged for the period/year		<u>(534,787)</u>	<u>(1,152,648)</u>
Closing book value		<u>11,634,701</u>	<u>11,980,793</u>

9.1.1 Additions during the period/year

Buildings on freehold land		-	5,016
Plant and machinery		182,014	556,217
Electric Installations		923	
Computer equipment		680	1,215
Office equipment		-	-
Vehicles		5,533	10,775
		<u>189,150</u>	<u>573,223</u>

10. Trade debts

Included in trade debts is an amount of Rs 966.166 million relating to capacity purchase price owed by NTDC during 2012 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 the 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 above mentioned 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 and the Supreme Court disposed off the petitions filed before it on January 25, 2018. 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, 2017

During the financial year 2016, the Expert had given 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 966.166 million from NTDC that has not yet been paid by NTDC. Under the terms of PPA, the company initiated arbitration in The London Court of International Arbitration ('LCIA'), during the pendency of the Expert's determination, whereby an Arbitrator was appointed. In October 2015, the Government of Pakistan ('GOP') through Private Power & Infrastructure Board ('PIIB') had filed a suit for declaration and permanent injunction along with an application for interim relief in the court of Senior Civil Judge, Lahore seeking suspension of the aforementioned decision of the Expert, praying that it should be declared to be illegal (hereinafter referred to as "civil suit 2015") and obtained an interim order suspending the Expert's determination. Furthermore, NTDC filed an application for clarification of the aforementioned interim order and a stay application in the LCIA before the Arbitrator to stay the arbitration proceedings on the basis of the aforementioned interim order. During the last financial year, in response to NTDC's stay application, the Arbitrator through his ruling dated July 8, 2016 declared that the arbitration shall proceed and has denied NTDC's request for a stay. Also, the Arbitrator ordered NTDC to withdraw the abovementioned application filed in the court of Senior Civil Judge, Lahore and has refrained it from taking any further steps therein to disrupt the arbitration proceedings.

Consequently, invitation to participate in arbitration was issued to the PPIB/GOP. PPIB filed separate Civil Suit before the Civil Judge, Lahore, seeking inter alia that the parties should be restrained from participating in the arbitration proceedings in the LCIA ("Civil Case 2016"). The company filed applications in the Civil Court where the company prayed that the Civil Court, Lahore, lacks the jurisdiction in respect of the cases filed by PPIB. In respect of the aforementioned applications, through its orders dated April 18, 2017, the Civil Court, Lahore rejected company's pray and granted the pray of PPIB whereby, the court accepted PPIB's applications for interim relief in 2015 and 2016 civil suits. Being aggrieved, the company challenged before the Additional District Judge, Lahore against the aforementioned orders of the Civil Court and continued to take part in the arbitration proceedings, while NTDC and PPIB did not participate in any subsequent arbitration proceedings pursuant to the decisions of the Civil Court, Lahore dated April 18, 2017. Furthermore, in response to the company's continued participation in the arbitration proceedings, PPIB filed a contempt petition before Lahore High Court ('LHC') in respect of the decision of the Civil Court, Lahore, and LHC passed an order in those proceedings favouring NTDC.

The company challenged the LHC's order before the Division Bench of LHC, which decided the matter in favour of the company through its order dated May 31, 2017 whereby, the aforementioned order of the LHC was suspended. As a consequence of the aforementioned order of Division Bench of LHC, the Arbitrator on June 8, 2017, declared his Partial Final Award on the aforementioned matter and decided the matter principally in company's favour and declared that the above mentioned Expert's determination is final and binding on all parties ('Partial Final Award'). However, the matter of determining the appropriate quantum and form of the company's claim was deferred by the Arbitrator for consideration on October 01, 2017. On June 17, 2017, the company filed an application in LHC for enforcement of Partial Award that is pending adjudication.

Later, on July 19, 2017, in order for interim measures, the Arbitrator ordered NTDC to provide security of claim, paying Rs 966.166 million in LCIA's account by August 04, 2017, which was extended to August 21, 2017 that has not yet been paid by NTDC. Aggrieved by the Partial Final Award, the NTDC challenged the Arbitrator's decision in Lahore Civil Court ("Civil Case 2017"), which suspended the Partial Final Award on July 10, 2017. In response to this decision of Civil Court, the company filed a revision petition in District Court ("District Case 2017") and the District Court while granting interim relief to the company, suspended the Civil Court's order on August 12, 2017. Alongwith challenging the Partial Final Award in Civil Court, Lahore, the NTDC also challenged the same, on July 06, 2017, in Commercial Court of England. As per advice of foreign counsel, the company has also filed a case in Commercial Court of England against NTDC on August 14, 2017. The Commercial Court of England has issued an interim favourable decision, thereby preventing NTDC from pursuing case in Pakistan Civil Courts against Partial Final Award and taking any steps outside England to set aside Partial Final Award or any other award issued by the arbitrator. The hearing took place on both the said cases in London in December 2017, and the parties await judgment from the London Courts.

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

Pursuant to anti-suit injunction filed by the company in Commercial Court of England, the District Court, in the matter of District Case 2017, adjourned the proceedings on January 04, 2018. During the current period, the District Judge, Lahore, through his order dated July 8, 2017, set-aside the aforementioned orders of the Civil Judge, Lahore, dated April 18, 2017 and accepted company's appeal but dismissed the company's revision petitions concerning the issue of jurisdiction. Aggrieved by this decision, the company filed writ petitions before the Lahore High Court ('LHC'), which announced a favourable decision and suspended the proceedings of Civil Case 2015 and 2016 till the final decision of LHC; and GOP/ PPIB filed revision petitions in LHC, which are currently pending adjudication.

On October 29, 2017, the Arbitrator declared the Final Award wherein he has ordered NTDC to pay: i) Rs 966.166 million pursuant to Expert's determination; ii) Pre award interest of Rs 224.23 million; iii) Rs 9.203 million for breach of arbitration agreement; iv) Rs 1.684 million and USD 612,310 for cost of proceedings; v) GBP 30,157 for LCIA cost of Arbitration and vi) Interest at KIBOR + 4.5% compounded semiannually until payment of these amounts by NTDC. On November 24, 2017, NTDC challenged Final Award in Commercial Court of London, which is pending adjudication. On November 29, 2017, company filed an application before Lahore High Court for implementation of Final Award that is pending adjudication.

Based on the Expert's determination and Arbitration Award, management strongly feels that under the terms of the PPA and the Implementation Agreement, there are meritorious grounds to support the company's stance and the amount is likely to be recovered. Consequently, no provision for the above mentioned amount has been made in these financial statements.

	Un-audited Quarter ended		Un-audited Half year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Rupees in thousand)		(Rupees in thousand)	
11. Cost of sales				
Raw materials consumed	2,228,578	2,251,656	5,286,361	4,528,021
Salaries and other benefits	33,446	35,362	72,978	69,614
Electricity consumed in-house	1,423	-	1,423	-
Insurance	41,074	42,113	83,063	85,126
Stores and spares consumed	28,040	38,040	72,959	90,717
Travelling and conveyance	4,192	4,107	8,425	8,477
Repair and maintenance	5,567	30,858	12,288	40,206
Postage and telephone	688	487	1,361	1,198
Entertainment	38	5	63	112
Fee and subscription	65	450	3,006	3,282
Depreciation on operating fixed assets	242,172	289,518	525,403	580,426
Amortization on intangible assets	904	903	1,807	1,204
Miscellaneous	4,167	4,552	8,420	9,512
	2,590,353	2,698,052	6,077,556	5,417,894

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

	Un-audited	
	Half year ended	
	December 31,	December 31,
	2017	2016
	(Rupees in thousand)	
12. Cash generated from operations		
Profit before taxation	1,745,115	1,380,764
Adjustment for non cash charges and other items:		
- Depreciation on operating fixed assets	534,787	589,409
- Amortization on intangible assets	2,157	1,554
- Profit on bank deposits	(307)	(410)
- Finance cost	532,894	540,029
- Fair value gain on derivative financial instruments	(581)	(1,713)
- Provision for employee retirement benefits	3,965	3,714
- Gain on disposal of operating fixed assets	(1,209)	(5,392)
Profit before working capital changes	<u>2,816,820</u>	<u>2,507,956</u>

Effect on cash flow due to working capital changes:

(Increase)/decrease in current assets:

- Stores and spares	(62,805)	69,833
- Inventories	371,092	(536,289)
- Trade debts	(1,715,872)	(1,218,498)
- Loans, advances, deposits, prepayments and other receivables	(50,408)	81,973
	<u>(1,457,993)</u>	<u>(1,602,982)</u>

Increase in current liabilities:

- Trade and other payables	446,529	279,446
	<u>1,805,357</u>	<u>1,184,420</u>

	Un-audited	
	December 31, December 31,	
	2017	2016
	(Rupees in thousand)	
13. Cash and cash equivalents		
Cash and bank balances	733	164,726
Short term borrowings - secured	(6,480,317)	(5,303,510)
	<u>(6,479,584)</u>	<u>(5,138,784)</u>

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

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 Half year ended	
		December 31, 2017	December 31, 2016
		(Rupees in thousand)	
i. Holding company	Dividend paid	187,586	281,379
	Common facilities cost	9,000	9,000
	Reimbursement of expenses	2,215	4,367
	Disbursement of loans	1,150,000	2,500,000
	Repayment of loans	1,500,000	2,100,000
	Mark up on loans	1,049	902
ii. Associated undertakings	Donations	4,902	12,225
	Insurance premium	83,432	85,993
iii. Key management personnel	Salaries and other employee benefits	9,755	9,755
iv. Post employment	Expense charged in respect of retirement benefit plan	3,965	3,714
		Un-audited	Audited
		December 31,	June 30,
		2017	2017
		(Rupees in thousand)	
Period end balances:			
Payable to related parties			
	- Holding company	-	350,077
	- Associated undertakings	93,507	973
Receivable from related parties			
	- Associated undertakings	81,727	2,201

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

15. Date of authorisation for issue

This condensed interim financial information was authorised for issue on February 27, 2018 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.

Director

Chief Financial Officer

Director



31-Q, Gulberg II, Lahore 54660, Pakistan
Tel: +92 42 3576 1730, Fax: +92 42 3587 8696
Email: info@nishat.net
www.nishat.net
www.facebook.com/NishatChunianGroup

