



**NISHAT
CHUNIAN**
POWER LTD.

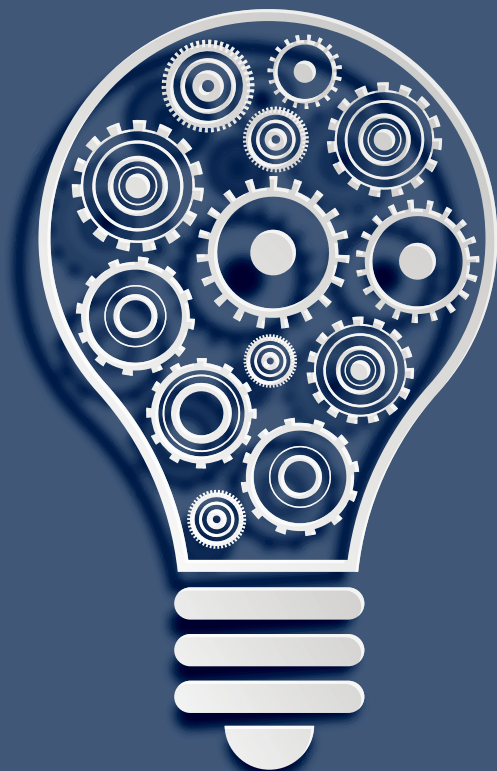
**Interim Financial Information for
Half Year Ended December 31,**

2021

(Un-audited)

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Company Information

Board of Directors:

Mrs. Farhat Saleem (Resigned on December 21, 2021)

Chairperson

Mrs. Ayesha Shahzad (Resigned on December 21, 2021)

Director

Mr. Farrukh Ifzal

Chief Executive Officer

Mr. Aftab Ahmad Khan

Director

Mr. Muhammad Azam

Director

Mr. Muhammad Ashraf

Director

Mr. Babar Ali Khan

Director

Mr. Rehmat Naveed Elahi

Director

AUDIT COMMITTEE AND HR & R COMMITTEE:

Mr. Muhammad Azam

Chairman

Mr. Aftab Ahmad Khan

Member

Mr. Rehmat Naveed Elahi

Member

CHIEF EXECUTIVE OFFICER:

Mr. Farrukh Ifzal

CHIEF FINANCIAL OFFICER:

Mr. Muhammad Bilal

COMPANY SECRETARY:

Mr. Syed Tasawar Hussain

BANKERS TO THE COMPANY:

Al Baraka Bank (Pakistan) Limited

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

BankIslami Pakistan Limited

Dubai Islamic Bank Pakistan Limited

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

MCB Bank Limited

MCB Islamic Bank Limited

Meezan Bank Limited

National Bank of Pakistan

Pak Oman Investment Company

Limited

Pak Libya Holding Company Limited

The Bank of Punjab

United Bank Limited

AUDITORS:

Riaz Ahmad & Company

Chartered Accountants

LEGAL ADVISER:

Ahmad & Pansota

Advocates & Solicitors

REGISTERED & HEAD OFFICE:

31-Q, Gulberg-II, Lahore, Pakistan.

Phone : 042-35761730

Fax : 042-35878696-97

Web : 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 Road, Pattoki Kasur.



DIRECTORS' REVIEW REPORT



Dear Shareholders

The Board is pleased to present the company's condensed interim un-audited financial information for the half-year and quarter ended December 31, 2021. For the half-year, turnover was PKR 9.7 billion (2020: PKR 5.80 billion) with profit after tax of PKR 1.16 billion (2020: PKR 1.43 billion) and an Earning Per Share (EPS) of PKR 3.17 (2020: PKR 3.88).

Plant Performance

During the period ended December 31, 2021, the plant's capacity factor was 46.57% (2020: 31.22%) with an availability factor of 97.59% (2020: 97.37%). The Company dispatched 402,550 MWH (2020: 269,879 MWH) to Power Purchaser during this period.

Significant Development

As of December 31, 2021, Company's total receivables from Power Purchaser were PKR 20.55 billion, out of which PKR 18.71 billion were overdue. After the half year-end, the Company received the first instalment of 40%, as per the Master Agreement, on Jan 06, 2022, amounting to PKR 5,848 million. The payment was made in cash, PIB and Ijara Sukuk of one-third each. After receiving the first payment, the Company has started giving tariff discounts on ROE and ROEDC components of the capacity tariff. As per the Master Agreement, the second instalment of 60% will be paid within six months of the first instalment.

Moreover, under the PPA Amendment Agreement between the Company and the Power Purchaser, the dispute relating to the withheld capacity payment of PKR 966 million, awarded by LCIA, has been settled during the period by extending the term of the PPA by 75 days. For further details, please refer to note 7 of the accompanying financial statements.

Acknowledgement

The Directors would take this opportunity to thank our valued shareholders who have trust in our Company and like to express their deep appreciation for the services, loyalty, and efforts rendered by the employees of the Company and hope that they will continue to do so in the future.

Dated: February 21, 2022
Lahore

Chief Executive

Director



محترم حصص داران

مجلس نظماء 31 دسمبر، 2021 کو ختم ہونے والی ششماہی اور سہ ماہی کے لئے غیر محاسب شدہ عبوری مالیاتی معلومات پیش کرنے پر بہ مسرت ہے۔ مذکورہ ششماہی میں، فروخت 9.7 ارب (2020: 5.80 ارب)، بعد از ٹیکس منافع 1.16 ارب (2020: 1.43 ارب) اور فی حصص آمدنی (EPS) 3.17 (2020: 3.88) روپے رہی۔

پلانٹ کی کارکردگی

31 دسمبر، 2021 کو ختم ہونے والی ششماہی کے دوران، پلانٹ کا صلاحیتی عنصر 46.57 فیصد (2020: 31.22 فیصد) تھا۔ اس مدت میں پلانٹ کا کارکردگی کے لئے موجود رہنے کا عنصر 97.59 فیصد (2020: 97.37 فیصد) تھا۔ ششماہی کے دوران کمپنی نے 402,550 میگا واٹ بجلی (2020: 269,879 میگا واٹ) بجلی خریدار کو بیچی۔

اہم پیشرفت

31 دسمبر، 2021 پر، بجلی خریدار سے ہمارے وصولات 20.55 ارب ہیں، جن میں سے 18.71 ارب روپے زائد المدعا دی ہیں۔ ششماہی کے بعد کمپنی کو ماسٹر معاہدے کے تحت 06 جنوری، 2022 کو 40 فیصد کی بجلی قسط بہ مالیت 5,848 ملین روپے ادا کر دی گئی ہے۔ یہ قسط ایک تہائی نقد، ایک تہائی پی آئی بی اور ایک تہائی ایچ اے اسکوکس پر مشتمل تھی۔ بجلی قسط وصول کرنے کے بعد کمپنی نے کمپنی ٹیرف کے اجزا آراوای (ROE) اور آراوای ڈی سی (ROEDC) میں چھوٹ دینا شروع کر دی ہے۔ ماسٹر معاہدے کی رو سے 60 فیصد کی دوسری قسط بجلی قسط کے ادا ہونے کے چھ (6) ماہ کے اندر نادر ادا ہوگی۔ مزید برآں اس ششماہی میں، کمپنی اور بجلی خریدار کے مابین ہونے والے پی پی اے ترمیمی معاہدے کے تحت، پی پی اے معاہدے میں 75 دن کی توسیع کر کے ایل سی آئی اے کی طرف سے کمپنی کو اپوارڈ کردہ 966 ملین روپے کی رقم کا تنازعہ حل کر لیا گیا ہے۔ مزید تفصیلات کے لیے براہ کرم ہمراہ مالی بیانات کے نوٹ نمبر 7 سے رجوع کریں۔

اظہار تشکر

مجلس نظماء اس موقع پر ہمارے قابل قدر حصص داران کا شکریہ ادا کرتے ہیں جو کمپنی پر بھروسہ رکھتے ہیں اور اس کے ساتھ ساتھ کمپنی کے ملازمین کی خدمات، وفاداری، اور کوششوں کے لیے ان سے اظہار تشکر کرتے ہیں اور امید کرتے ہیں کہ وہ مستقبل میں اسی طرح کام کو جاری رکھیں گے۔

بتاریخ: 21 فروری، 2022

ڈائریکٹر

چیف ایگزیکٹو آفیسر



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Nishat Chunian Power Limited

Report on review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of NISHAT CHUNIAN POWER LIMITED as at December 31, 2021 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended December 31, 2021 and December 31, 2020 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended December 31, 2021.

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 condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Emphasis of matter

We draw attention to note 5.1.1(iii) to the accompanying condensed interim financial statements which describes that the matter will be resolved through arbitration under the 'Arbitration Submission Agreement' between the Company and Government of Pakistan (GoP). Our conclusion is not qualified in respect of this matter.

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

RIAZ AHMAD & COMPANY

Chartered Accountants

Lahore

Date: February 21, 2022

UDIN: RR202110158JmfrYXU



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021 (UN-AUDITED)

	Note	Un-audited December 31, 2021 (Rupees in thousand)	Audited June 30, 2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	9,517,621	9,856,214
Intangible assets		-	604
Long term loans to employees		1,328	1,736
Long term security deposit		100	100
		9,519,049	9,858,654
CURRENT ASSETS			
Stores and spares		432,856	393,040
Inventories		2,687,847	868,726
Trade debts	7	20,541,293	20,441,944
Loans, advances, prepayments and other receivables		1,429,553	870,443
Income tax receivable - net of provision for taxation		53,173	52,902
Short term investment		323,238	311,931
Bank balances		15,039	297,833
		25,482,999	23,236,819
TOTAL ASSETS		35,002,048	33,095,473

CHIEF FINANCIAL OFFICER



CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

Note	Half Year Ended		Quarter Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
			(Rupees in thousand)	
Revenue From Contract				
With Customer	9,773,722	5,803,591	4,187,017	1,379,541
Cost of sales	8 (8,073,969)	(3,843,907)	(3,312,789)	(641,416)
Gross profit	1,699,753	1,959,684	874,228	738,125
Administrative expenses	(77,466)	(63,901)	(38,407)	(34,004)
Other expenses	(62,960)	-	(62,388)	-
Other income	67,022	16,814	33,601	3,063
Profit from operations	1,626,349	1,912,597	807,034	707,184
Finance cost	(460,713)	(487,222)	(253,315)	(241,391)
Profit before taxation	1,165,636	1,425,375	553,719	465,793
Taxation	(2,813)	-	(2,813)	-
Profit after taxation	1,162,823	1,425,375	550,906	465,793
Earnings per share - basic and diluted (Rupees)	3.17	3.88	1.50	1.27

The annexed notes form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

	Half Year Ended		Quarter Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(Rupees in thousand)			
Profit after taxation	1,162,823	1,425,375	550,906	465,793
Other comprehensive income				
Items that will not be reclassified to profit or loss	-	-	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Total comprehensive income for the period	1,162,823	1,425,375	550,906	465,793

The annexed notes form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

	Share Capital	Revenue Reserve Un-appropriated Profit	Total Equity
	(Rupees in thousand)		
Balance as at June 30, 2020 - (audited)	3,673,469	15,292,471	18,965,940
Profit for the period	-	1,425,375	1,425,375
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	1,425,375	1,425,375
Balance as at December 31, 2020 - (un-audited)	3,673,469	16,717,846	20,391,315
Profit for the period	-	1,083,915	1,083,915
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	1,083,915	1,083,915
Balance as at June 30, 2021 - (audited)	3,673,469	17,801,761	21,475,230
Profit for the period	-	1,162,823	1,162,823
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	1,162,823	1,162,823
Balance as at December 31, 2021 - (un-audited)	3,673,469	18,964,584	22,638,053

The annexed notes form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER



CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

		Half Year Ended December 31, December 31, 2021 2020 (Rupees in thousand)	
	Note		
Cash flows from operating activities			
Cash (used in) / generated from operations	9	(906,202)	824,466
Finance cost paid		(491,460)	(648,326)
Net decrease in long term loans to employees		346	397
Income tax paid		(3,084)	(1,740)
Retirement benefit paid		(4,308)	(3,837)
Profit on bank deposits received		1,060	1,619
Net cash (used in) / generated from operating activities		(1,403,648)	172,579
Cash flows from investing activities			
Capital expenditure on property, plant and equipment		(106,231)	(727)
Short term investments made		(4,999,302)	-
Proceeds from disposal of short term investments		5,018,850	-
Proceeds from disposal of property, plant and equipment		3,495	3,821
Net cash (used in) / from investing activities		(83,188)	3,094
Cash flows from financing activities			
Proceeds from long term financing		-	51,641
Repayment of long term financing		(17,725)	(1,272,694)
Short term loans from holding company obtained		-	1,397,000
Repayment of short term loans from holding company		-	(817,000)
Dividend paid		-	(179)
Net cash used in financing activities		(17,725)	(641,232)
Net decrease in cash and cash equivalents		(1,504,561)	(465,559)
Cash and cash equivalents at the beginning of the period		(9,724,914)	(9,702,665)
Cash and cash equivalents at the end of the period		(11,229,475)	(10,168,224)
Cash and cash equivalents			
Bank balances		15,039	599
Short term borrowings		(11,244,514)	(10,168,823)
		(11,229,475)	(10,168,224)

The annexed notes form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER



SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

1. The Company and its operations

- 1.1** Nishat Chunian Power Limited ('the Company') is a public Company limited by shares incorporated in Pakistan on February 23, 2007 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company is a subsidiary of Nishat (Chunian) Limited. The Company's ordinary shares are listed on the Pakistan Stock Exchange Limited.
- 1.2** 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. On November 13, 2007, the Company entered into a Power Purchase Agreement ('PPA') with its sole customer, National Transmission and Dispatch Company Limited ('NTDC') for twenty-five years which commenced from July 21, 2010. The PPA has been extended by a period of 75 days as per the terms of PPA Amendment Agreement dated February 11, 2021 as referred to in note 1.3 to these condensed interim financial statements. On February 11, 2021, the Company, NTDC and Central Power Purchasing Agency (Guarantee) Limited ('CPPA-G' and also referred to as 'Power Purchaser') have entered into a 'Novation Agreement' to transfer the rights, obligations and liabilities of NTDC under the PPA (as amended by the 'PPA Amendment Agreement') in favour of CPPA-G.
- 1.3** The Company along with other Independent Power Producers has agreed to amend its existing contractual arrangements with Power Purchaser for the sale of electricity. In this respect, the Company entered into a 'Master Agreement' and a 'PPA Amendment Agreement' (hereinafter referred to as the 'Agreements') on February 11, 2021. Under these Agreements, the Company and CPPA-G have primarily agreed on the following matters that are subject to fulfilment of certain terms and conditions mentioned in the Agreements: mechanism of settlement of long outstanding receivables as at November 30, 2020 amounting to Rupees 14,619.019 million in two installments; discounts in tariff components; sharing of future savings in fuel and O&M; reduction in delayed payment rate; conversion of the PPA to 'Take and Pay Basis' subject to mutual agreement of the Parties when competitive trading arrangement is implemented and becomes fully operational; and amicable resolution of the disputes as detailed in note 5.1.1(iii), note 7.2 and note 7.3 to these condensed interim financial statements. Subsequent to the reporting period, the Company has received Rupees 5,847.600 million out of total outstanding receivables as at November 30, 2020 under these Agreements.

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



SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

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 June 30, 2021. These condensed interim financial statements are un-audited, however, have been subjected to limited scope review by the auditors and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019 and 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 June 30 , 2021.

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 June 30, 2021.



SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

Note	Un-audited December 31, 2021	Audited June 30, 2021
	(Rupees in thousand)	
4. LONG TERM FINANCING-SECURED		
4.1 From banking companies		
Loan under State Bank of Pakistan (SBP) Refinance Scheme	33,580	49,409
Less: Current portion shown under current liabilities	(33,580)	(32,299)
	-	17,110
4.2 The reconciliation of carrying amounts is as follows:		
Opening balance	49,409	1,288,251
Add: Amount received during the period / year	-	51,641
Less: Effect of discounting during the period / year	-	(4,652)
Present value of loan obtained during the period / year	-	46,989
Add: Interest accrued during the period / year	1,896	5,090
Less: Payments made during the period / year	(17,725)	(1,290,921)
	33,580	49,409
Less: Current portion shown under current liabilities	(33,580)	(32,299)
	-	17,110

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 June 30, 2021 except for the following:

5.1.1 Contingent liabilities:

- i) For the period July 2013 to June 2014, Company's case was selected for audit by the tax department, which selection was objected to, on jurisdictional basis, by Company by way of filing a writ petition before the Honourable Lahore High Court on November 20, 2015. While, the Honourable Lahore High Court has allowed the tax department to proceed with audit proceedings, it has been 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 tax department during the financial year 2016



SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

and audit report thereof was submitted to the Company seeking explanations in regard to the issues raised therein. In the subject audit report, an aggregate amount of Rupees 631.769 million primarily including a disallowance of input sales tax of Rupees 622.263 million has been confronted. 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. The Honourable Lahore High Court through its order dated January 9, 2017 has allowed initiation of adjudication proceedings after issuance of audit report. On May 17, 2017, the Deputy Commissioner Inland Revenue ('DCIR') issued a show cause notice as to why sales tax of the aforesaid amount of Rupees 631.769 million alongwith default surcharge should not be recovered from the Company. The Company filed a representation in this regard with the Chairman, Federal Board of Revenue. The Chairman, Federal Board of Revenue disposed of the case on the grounds that it did not invoke any provision of section 7 of the FBR Act, 2007 as no issue of misadministration is involved therein. The Company then challenged the show cause notice before the Honourable Lahore High Court. The Honourable Lahore High Court declared on November 9, 2018 that the show cause notice was issued without having jurisdiction.

The tax department filed appeal before the Honourable Supreme Court of Pakistan. The Honourable Supreme Court of Pakistan decided the appeal in favour of tax department. On January, 21 2021, 'DCIR' issued notice to the Company requiring to submit reply of the show cause notice. The Company duly submitted its reply to the show cause notice. On June 03, 2021, DCIR passed an order wherein aggregate demand of Rupees 1,326.682 million including penalty and default surcharge was raised. The Company being aggrieved with the order of DCIR, preferred an appeal before the Commissioner Inland Revenue (Appeals) {'CIR(A)'}. On December 31, 2021, CIR(A) passed an order wherein the disallowance of input sales tax amounting to Rupees 1.164 million has been confirmed and the remaining amount involved has been annulled/deleted. Being aggrieved by the decision of CIR(A), the Company is in process of filing an appeal before Appellate Tribunal Inland Revenue. No further notice has been served by the department against the order passed by CIR(A). Based on favourable outcome of the matter, no provision has been made in these condensed interim financial statements.

- ii) On April 19, 2021, DCIR issued show cause notice to the Company involving Rupees 223.773 million on account of input sales tax on capacity purchase price claimed by the Company for the period from July 2017 to January 2021. The Company challenged the jurisdiction of DCIR to issue show cause notice before the Honourable Lahore High Court, Lahore. On May 31, 2021, the Honourable Lahore High Court, Lahore directed the Company to file the reply of show cause notice issued by DCIR and ordered the DCIR to first determine the jurisdiction as raised by the Company. The Company filed its reply to show cause notice to DCIR. DCIR determined its jurisdiction to be lawful. On August 3,



SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

2021, the DCIR passed an order where by a demand of Rupees 223.773 million was raised against the Company. Against the aforesaid order of DCIR, the Company preferred an appeal before CIR(A). In its order dated November 10, 2021, CIR(A) remanded back the case to DCIR. Since the CIR(A) remanded back the case without hearing the merits therefore the Company has also filed an appeal before Appellate Tribunal Inland Revenue that is pending adjudication. The management based on the advice of its legal council, has strong grounds to believe that the case will be decided in favour of the Company. Therefore, no provision has been made in these condensed interim financial statements.

- iii) In March 2020, Committee for the Power Sector Audit, Circular Debt Resolution and Future Roadmap constituted by Ministry of Energy alleged that savings were made by the Independent Power Producers ('IPPs'), including the Company, in the tariff components. On February 11, 2021, the Company and CPPA-G have signed "Master Agreement" and "PPA Amendment Agreement" as detailed in note 1.3 to these condensed interim financial statements wherein it has been agreed that the above mentioned dispute will be resolved through arbitration under the 'Arbitration Submission Agreement' between the Company and GoP. On November 15, 2021, the Company has authorized GoP/CPPA-G to retain Rupees 8,360 million of its receivables until the Arbitration Tribunal renders the Award which shall be final and binding.

Management believes that there are strong grounds that the matter will ultimately be decided in Company's favour. Furthermore, its financial impact cannot be reasonably estimated at this stage, hence, no provision in this respect has been made in these condensed interim financial statements.

- iv) Guarantees of Rupees 329.227 million (June 30, 2021: Rupees 328.227 million) are given by the banks of the Company to Director, Excise and Taxation, Karachi under direction of Sindh High Court in respect of suit filed for levy of infrastructure cess, Federal Board of Revenue and Punjab Revenue Authority in respect of stay granted by various Courts of Pakistan pertaining to pending tax cases.

	Un-audited December 31, 2021 (Rupees in thousand)	Audited June 30, 2021
5.2. Commitments		
Commitments in respect of other than capital expenditure	220,613	83,245



SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

	Note	Un-audited December 31, 2021 (Rupees in thousand)	Audited June 30, 2021
6. Property, plant and equipment			
Operating fixed assets	6.1	9,242,263	9,625,622
Capital work-in-progress	6.2	2,067	1,844
Major spare parts and standby equipment		273,291	228,748
		9,517,621	9,856,214
6.1. Operating fixed assets			
Opening book value		9,625,622	10,364,069
Add: Cost of additions during the period / year	6.1.1	61,465	65,863
Less: Book value of disposals / derecognitions during the period / year		(52)	(366)
Less: Depreciation charged during the period / year		(444,772)	(803,944)
		9,242,263	9,625,622
6.1.1 Cost of additions			
Plant and machinery		47,474	61,653
Vehicles		13,070	3,044
Computer equipment		921	1,166
		61,465	65,863
6.2. Capital work-in-progress			
Plant and machinery		2,067	1,844
7. Trade debts			
Other than related parties - considered good		20,541,293	20,441,944



SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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- 7.1** These represent trade receivables from CPPA-G and are considered good. These are secured by a guarantee from the Government of Pakistan (GoP) under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at the rate of three months KIBOR plus 4.5% is charged in case the amounts are not paid within due dates. Pursuant to the provisions of Agreements as referred to in note 1.3 to these condensed interim financial statements, the revised rate for delayed payment mark-up shall be KIBOR plus 2% per annum compounded semi-annually for the first sixty days and KIBOR plus 4.5% per annum compounded semi annually for the period thereafter. The rate of delayed payment mark-up charged during the year on outstanding amounts ranged from 11.53% to 18.14% (June 30, 2021: 11.53% to 18.41%) per annum. Trade debts include unbilled receivables of Rupees 905.532 million (June 30, 2021: Rupees 1,621.128 million).
- 7.2** Prior to signing of the 'Master Agreement' and 'PPA Amendment Agreement' as referred to in note 1.3 to these condensed interim financial statements, an amount of Rupees 966.166 million was included in trade debts relating to capacity revenue not acknowledged by Power Purchaser 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 Power Purchaser.

Since management considered that the primary reason for claiming these payments was that plant was available, however, it could not generate electricity due to non-payment by Power Purchaser, therefore, management believes that Company cannot be penalized in the form of payment deductions due to Power Purchaser's default of making timely payments under the PPA. Hence, the Company took up this issue in consultation with Power Purchaser and appointed an Expert for dispute resolution under the PPA.

During the financial year 2016, the Expert gave his determination whereby the aforesaid amount was determined to be payable to the Company by Power Purchaser. Pursuant to the Expert's determination, the Company demanded the payment of the aforesaid amount of Rupees 966.166 million from Power Purchaser. The Company filed a request for arbitration in the London Court of International Arbitration ('LCIA'), whereby an Arbitrator was appointed.

On October 29, 2017, the Arbitrator declared his Final Award whereby he ordered Power Purchaser to pay to the Company: i) Rupees 966.166 million pursuant to Expert's determination; ii) Rupees 224.229 million being Pre-award interest; iii) Rupees 9.203 million for breach of arbitration agreement; iv) Rupees 1.684 million and USD 612,311 for the Company's cost of proceedings; v) GBP 30,157 for Company's LCIA cost of arbitration and vi) Interest at KIBOR + 4.5% compounded semi-annually from the date of



SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

Final Award until payment of these amounts by Power Purchaser ("the Final Award"). On November 29, 2017, the Company filed an application before Lahore High Court for implementation / enforcement of Final Award that is pending adjudication. On prudence basis, the amounts other than the principal of Rupees 966.166 million were not recorded in these condensed interim financial statements.

On February 11, 2021, as part of the PPA Amendment Agreement as referred to in note 1.3 to these condensed interim financial statements, the Power Purchaser and the Company acknowledged that the dispute relating to withheld capacity payment of Rupees 966.166 million which was awarded by LCIA, has now been settled through the extended disputed period of 75 days which has been treated as an "Other Force Majeure Event" under the PPA commenced on July 20, 2021 and ended on October 04, 2021. Consequently, the term of PPA has been extended by 75 days, till October 04, 2035. Further, Power Purchaser agreed to make certain payments to the Company, subject to certain terms, as compensation of the withheld capacity payments. In return, the Company agreed to forgo certain amounts declared under the Final Award as enumerated above. Further, subject to fulfilment of certain conditions, the Company and Power Purchaser agreed to file a joint application before the Lahore High Court for the withdrawal of the enforcement proceedings before the Honorable Lahore High Court.

Pursuant to the provisions of PPA Amendment Agreement as mentioned above, out of the recognized receivable of Rupees 966.166 million, the Company assessed that amount aggregating Rupees 174.487 million was no longer recoverable and therefore written off during the financial year ended June 30, 2021. Remaining amount of Rupees 791.679 million has been duly verified by CPPA-G.

- 7.3** On July 29, 2017, the Company instituted arbitration proceedings against CPPA-G / Government of Pakistan by filing a Request for Arbitration ('RFA') with the London Court of International Arbitration ('LCIA') (the 'Arbitration Proceedings') for disallowing delayed payment charges on outstanding delayed payment invoices. On July 25, 2019, Final Partial Award was issued in favour of the Company. On September 12, 2019, the Memorandum of Corrections to the Final Partial Award has been issued which corrected the Final Partial Award to the amount of Rupees 1,518.767 million. On October 28, 2019, the Arbitrator declared his Final Award whereby he ordered CPPA-G to pay to the Company in addition to the amount determined in Final Partial Award: i) Rupees 332.402 million being interest on Final Partial Award; ii) Rupees 27.302 million as the costs awarded in the Award; iii) Rupees 7.675 million as the amount of the costs awarded in respect of Interim Award and iv) Interest at KIBOR plus 4.5% per annum compounded semi-annually from the date of Final Award until payment of these amounts by CPPA-G that worked out to Rupees 1,380.749 million upto December 31, 2021.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

However, under the Master Agreement, the CPPA-G has agreed to ensure that all present and future invoices shall follow the PPA's mandated FIFO payment principle. As long as this principle is followed by the CPPA-G in relation to past and future payments, the Company in consideration thereof has agreed to forgo and waive all of its claims of delayed payment charges on delayed payment invoices and it shall withdraw all such invoices. However, this will have no impact on the existing revenue and receivables of the Company, as the Company has not recognized the income and corresponding receivable for the said amounts on prudence basis.

Unaudited
Half Year Ended **Quarter Ended**
December 31, 2021 **December 31, 2020** **December 31, 2021** **December 31, 2020**
(Rupees in thousand)

8. COST OF SALES				
Raw material consumed	7,335,479	3,151,773	2,948,293	315,678
Salaries and other benefits	66,909	72,113	30,430	37,302
Stores and spares consumed	73,193	49,570	48,623	33,501
Electricity consumed in-house	7,194	9,311	5,932	7,697
Insurance	115,140	120,784	57,630	59,994
Travelling and conveyance	11,341	9,441	5,817	4,577
Postage and telephone	1,833	1,792	935	876
Repair and maintenance	8,846	5,112	5,668	3,733
Entertainment	66	44	13	14
Depreciation	442,723	413,495	205,740	175,955
Amortization	602	1,807	-	904
Fee and subscription	4,296	2,086	190	(1,694)
Miscellaneous	6,347	6,579	3,518	2,879
	8,073,969	3,843,907	3,312,789	641,416



SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

**Un-audited
Half Year Ended
December 31, December 31,
2021 2020
(Rupees in thousand)**

9. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,165,636	1,425,375
Adjustments for non-cash charges and other items:		
Depreciation	444,772	414,866
Amortization on intangible assets	604	2,041
Amortization of deferred income - Government grant	(1,472)	(1,843)
Profit on bank deposits	(12,367)	(1,619)
Gain on disposal of short term investments	(19,548)	-
Finance cost	460,713	487,222
Provision for employee retirement benefit	4,004	3,837
Gain on disposal of property, plant and equipment	(3,443)	(3,821)
Cash flows from operating activities before working capital changes	2,038,899	2,326,058
Working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	(39,816)	15,672
Inventories	(1,819,121)	(1,377,172)
Trade debts	(99,349)	70,391
Loans, advances, prepayments and other receivables	(558,744)	(172,769)
	(2,517,030)	(1,463,878)
Decrease in trade and other payables	(428,071)	(37,714)
	(906,202)	824,466



SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

10. Transactions with related parties

The related parties include the holding company, associates of the holding company, related parties on the basis of common directorship, key management personnel of the Company and its holding company and post employment benefit plan (Provident Fund). Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of that Company. The Company in the normal course of business carries out transactions with various related parties. Details of transactions with related parties are as follows:

	Un-audited Half Year Ended December 31, 2021		Un-audited Quarter Ended December 31, 2021	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(Rupees in thousand)			
i) Transactions:				
Holding company				
Common facilities cost	9,900	9,900	4,950	4,950
Reimbursement of expenses	476	625	440	589
Disbursement of loans	-	1,397,000	-	1,047,000
Repayment of loans	-	817,000	-	467,000
Mark-up on loans	-	354	-	265
Other related party				
Donations made	62,500	-	62,500	-
Key management personnel				
Remuneration to chief executive officer, directors and executives	38,280	33,640	18,948	17,135
Repayment of long term loans	346	397	173	205
Mark-up on long term loans	46	77	23	32
Consultancy charges	26,145	-	15,319	-
Post employment benefit plan				
Company's contribution to provident fund trust	4,004	3,837	1,995	1,814



SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

	Un-audited December 31, 2021 (Rupees in thousand)	Audited June 30, 2021
ii) Period end balances:		
Other related parties		
Loan to key management personnel	2,021	2,367

11. 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.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UN-AUDITED)

12. 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 June 30, 2021.

13. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard (ISA) 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, condensed interim statement of comprehensive income and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been 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.

14. Date of authorization for issue

These condensed interim financial statements were approved by the Board of Directors and authorized for issue on February 21, 2022.

15. General

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER





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