NISHAT POWER LIMITED

Third Quarter Report
For the Period Ended March 31, 2015

CONTENTS

CORPORATE PROFILE

BOARD OF DIRECTORS	Mian Hassan Mansha	Chief Executive / Director
	Mr. Khalid Qadeer Qureshi	Chairman
	Mr. Ahmad Aqeel	
	Mr. Asad Farooq	
	Mr. Saeed Ahmed Alvi	
	Mr. Mahmood Akthar	
	Mr. Shahzad Ahmad Malik	
AUDIT COMMITTEE	Mr. Khalid Qadeer Qureshi	Member
	Mr. Shahzad Ahmad Malik	Member / Chairman
	Mr. Ahmad Aqeel	Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mr. Saeed Ahmad Alvi	Member/Chairman
	Mian Hassan Mansha	Member
	Mr. Khalid Qadeer Qureshi	Member
CHIEF FINANCIAL OFFICER	Mr. Tanvir Khalid	
COMPANY SECRETARY	Mr. Khalid Mahmood Chohan	
BANKERS OF THE COMPANY	Habib Bank Limited	
	United Bank Limited	
	Allied Bank Limited	
	National Bank of Pakistan	
	Bank Alfalah Limited	
	Faysal Bank Limited	
	Askari Bank Limited	
	Habib Metropolitan Bank Limited	
	Soneri Bank Limited	
	Silk Bank Limited	
	BankIslami Pakistan Limited	
	Meezan Bank Limited	
	HSBC Bank Middle East Limited	
	Dubai Islamic Bank Pakistan Limited	
	Burj Bank Limited	
	Albaraka Bank Pakistan Limited	
	First Women Bank Limited	
	The Bank of Punjab	
	MCB Bank Limited	
	Pak Kuwait Investment Co. (Pvt) Limited	
AUDITORS	A. F. Ferguson & Co.	
	Chartered Accountants	

LEGAL ADVISOR	Cornelius, Lane & Mufti Advocates & Solicitors
REGISTERED OFFICE	53 - A, Lawrence Road, Lahore - Pakistan UAN: 042-111-11-33-33
HEAD OFFICE	1-B, Aziz Avenue, Canal Bank, Gulberg-V, Lahore - Pakistan Tel: +92-42-35717090-96, 35717159-63 Fax: +92-42-35717239 Website: www.nishatpower.com
SHARE REGISTRAR	Hameed Majeed Associates (Pvt.) Ltd. Financial & Management Consultants H.M. House, 7-Bank Square, Lahore - Pakistan. Tel: 042-37235081-2
PLANT	66-K.M, Multan Road, Jambar Kalan, Tehsil Pattoki, District Kasur, Punjab - Pakistan.

DIRECTORS' REPORT

The Board of Directors of Nishat Power Limited (the Company) is pleased to present their report together with the Condensed Interim Financial Information for the period ended March 31, 2015.

FINANCIAL AND OPERATIONAL RESULTS:

During the period, the Company had turnover of Rs 18,117 million (March 2014: Rs 20,740 million), against operating cost of Rs 14,332 million (March 2014: Rs 17,336 million) resulting in a gross profit of Rs 3,785 million (March 2014: Rs 3,404 million). The Company earned profit before tax of Rs 2,519 million compared to Rs 2,143 million in the same period last year.

The current period's net profit after tax amounts to Rs 2,519 million resulting earnings per share of Rs 7.11 compared to profit after tax of Rs 2,143 million and earnings per share of Rs 6.05 in the same period last year.

Included in trade debts is an amount of Rs 816 million deducted by National Transmission & Dispatch Company Limited ('NTDCL') 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, management feels that there are meritorious grounds to support the company's stance and such amounts are likely to be recovered. Consequently, no provision for the abovementioned amount has been made in this Condensed Interim Financial Information.

NTDCL continues to default on its payment obligations. The Company took up the matter with NTDCL and Private Power & Infrastructure Board ('PPIB') by giving notices of default pursuant to provisions of Power Purchase Agreement and Implementation Agreement. Total receivables from NTDCL on March 31, 2015 stand at Rs 7,679 million, out of which overdue receivables are Rs 5,124 million.

The plant operated at optimal efficiency and dispatched 1,098 GWh of electricity to its customer NTDCL during the period, with 85.48% average capacity factor.

DIVIDENDS

The directors have recommended an interim cash dividend of 15% i.e. Rupees 1.5 per ordinary share, amounting to Rs 531.133 million.

ACKNOWLEDGEMENTS

The board appreciates the efforts of the Company's workforce.

For and on behalf of Board of Directors

Hasan Mansha

Chief Executive Officer
Lahore: April 22, 2015

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
As at March 31, 2015

	Note	Un-audited March 31, 2015	Audited June 30, 2014
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised share capital			
500,000,000 (June 30, 2014: 500,000,000) ordinary shares of Rs 10 each		**5,000,000**	5,000,000
Issued, subscribed and paid up share capital			
354,088,500 (June 30, 2014: 354,088,500) ordinary shares of Rs 10 each		**3,540,885**	3,540,885
Revenue reserve: Un-appropriated profit		**8,005,741**	6,814,438
		11,546,626	10,355,323
NON-CURRENT LIABILITY			
Long term financing - secured	6	**8,721,619**	9,682,778
CURRENT LIABILITIES			
Current portion of long term financing - secured	6	**961,159**	1,123,854
Short term borrowings - secured		**226,772**	3,042,030
Trade and other payables		**952,632**	1,917,757
Accrued finance cost		**314,509**	400,826
		2,455,072	6,484,467
CONTINGENCIES AND COMMITMENTS	7		
		22,723,317	26,522,568

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

Hassan Mansha

CHIEF EXECUTIVE

	Note	Un-audited March 31, 2015	Audited June 30, 2014
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	**12,523,341**	13,259,225
Long term investment	9	**1,851**	-
		12,525,192	13,259,225
CURRENT ASSETS			
Stores, spares and loose tools		**701,835**	528,731
Inventories		**1,030,558**	968,978
Trade debts	10	**7,678,884**	10,348,174
Advances, deposits, prepayments and other receivables		**560,744**	349,638
Income tax receivable		**7,879**	28,396
Cash and bank balances		**218,225**	1,039,426
		10,198,125	13,263,343
		22,723,317	26,522,568

DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND PERIOD ENDED MARCH 31, 2015

	Note	Quarter ended		Period ended	
		March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
		(Rupees in thousand)		(Rupees in thousand)	
Sales		**4,678,867**	6,957,101	**18,117,173**	20,739,715
Cost of sales	11	**(3,719,611)**	(5,701,468)	**(14,332,012)**	(17,335,507)
Gross profit		**959,256**	1,255,633	**3,785,161**	3,404,208
Administrative expenses		**(47,347)**	(34,172)	**(137,348)**	(88,518)
Other expenses		**-**	-	**-**	(15,997)
Other income		**25,568**	5,672	**32,937**	27,671
Finance cost		**(320,482)**	(419,091)	**(1,160,965)**	(1,183,939)
Share of loss of associate		**(538)**	-	**(649)**	-
Profit before taxation		**616,457**	808,042	**2,519,136**	2,143,425
Taxation		**-**	-	**-**	-
Profit for the period		**616,457**	808,042	**2,519,136**	2,143,425
Earnings per share - basic and diluted - rupees		**1.741**	2.282	**7.114**	6.053

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

CHIEF EXECUTIVE

DIRECTOR

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND PERIOD ENDED MARCH 31, 2015

	Quarter ended		Period ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	(Rupees in thousand)		(Rupees in thousand)	
Profit for the period	**616,457**	808,042	**2,519,136**	2,143,425
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	**616,457**	808,042	**2,519,136**	2,143,425

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

Hasan Mansha
CHIEF EXECUTIVE

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE PERIOD ENDED MARCH 31, 2015

	Note	Period ended March 31, 2015	Period ended March 31, 2014
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	12	**5,730,474**	139,209
Finance cost paid		**(1,247,282)**	(1,264,347)
Net income tax refund/(paid) - net		**20,517**	(3,075)
Retirement benefits paid		**(4,744)**	(3,031)
Net cash inflow/(outflow) from operating activities		**4,498,965**	(1,131,244)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(48,794)**	(326,301)
Proceeds from disposal of operating fixed assets		**-**	367
Investment in associate		**(2,500)**	-
Profit on bank deposits received		**11,279**	24,090
Net cash outflow from investing activities		**(40,015)**	(301,844)
Cash flows from financing activities			
Repayment of long term financing		**(1,123,854)**	(711,287)
Dividend paid		**(1,341,039)**	(1,061,247)
Net cash outflow from financing activities		**(2,464,893)**	(1,772,534)
Net increase/(decrease) in cash and cash equivalents		**1,994,057**	(3,205,622)
Cash and cash equivalents at the beginning of the period		**(2,002,604)**	1,488,889
Cash and cash equivalents at the end of the period	13	**(8,547)**	(1,716,733)

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

Hassan Mansha

CHIEF EXECUTIVE | **DIRECTOR**

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2015

	Share capital	Revenue reserve: Un-appropriated profit	Total
	(Rupees in thousand)		
Balance as on July 01, 2013 - audited	3,540,885	5,667,550	9,208,435
Profit for the period	-	2,143,425	2,143,425
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	2,143,425	2,143,425
Dividend to equity holders of the company:			
Final dividend for the year ended June 30, 2013 @ Rupee 2 per share	-	(708,177)	(708,177)
Interim dividend for the first quarter ended September 30, 2013 @ Rupee 1 per share	-	(354,089)	(354,089)
Interim dividend for the half year ended December 31, 2013 @ Rupee 1 per share	-	(354,089)	(354,089)
Total contributions by and distributions to owners of the company recognised directly in equity	-	(1,416,355)	(1,416,355)
Balance as on March 31, 2014 (un-audited)	3,540,885	6,394,620	9,935,505
Balance as on July 01, 2014 - audited	3,540,885	6,814,438	10,355,323
Profit for the period	-	2,519,136	2,519,136
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	2,519,136	2,519,136
Dividend to equity holders of the company:			
Final dividend for the year ended June 30, 2014 @ Rupee 1 per share	-	(354,089)	(354,089)
Interim dividend for the first quarter ended September 30, 2014 @ Rupee 1 per share	-	(354,089)	(354,089)
Interim dividend for the half year ended December 31, 2014 @ Rupee 1.75 per share	-	(619,655)	(619,655)
Total contributions by and distributions to owners of the company recognised directly in equity	-	(1,327,833)	(1,327,833)
Balance as on March 31, 2015 (un-audited)	**3,540,885**	**8,005,741**	**11,546,626**

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

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE QUARTER AND PERIOD ENDED MARCH 31, 2015

1. THE COMPANY AND ITS ACTIVITIES

Nishat Power Limited (the 'company') is a public limited company incorporated in Pakistan. The company is a subsidiary of Nishat Mills Limited. The company's ordinary shares are listed on the Karachi Stock Exchange Limited and Lahore 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 in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. The address of the registered office of the company is 53-A, Lawrence Road, 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 June 09, 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. 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, 2014.

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, 2014, except for adoption of the following accounting policy:

3.1.1 Investment in equity instruments of associates

Associates are all entities over which the company has significant influence but not control. Investment in equity instruments of associates are accounted for using the equity method of accounting and are initially recognised at cost. The company's investment in associates includes goodwill (net of any accumulated impairment loss) identified on the acquisition. The company's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of investment. When the company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the company and its associates are eliminated to the extent of company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

At each balance sheet date, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

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 year

Certain standards, amendments and interpretations to approved accounting standards are effective in the current year but are 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.

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, 2015 but are 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.

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, 2014.

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, 2014.

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

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 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.

6. LONG TERM FINANCING - SECURED

	Un-audited March 31, 2015	Audited June 30, 2014
	(Rupees in thousand)	
Opening balance	**10,806,632**	11,773,428
Less: Repayments during the period / year	**1,123,854**	966,796
	9,682,778	10,806,632
Less: Current portion shown under current liabilities	**961,159**	1,123,854
	8,721,619	9,682,778

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

(i) National Electric Power Regulatory Authority ('NEPRA') issued an order dated 8th February, 2013 through which it raised a demand of Rs 290.423 million payable by the company to NTDC for the period up to June 30, 2011 in respect of Calorific Value ('CV') adjustment on fuel consumed for power generation as per the terms of the PPA and various CV adjustment mechanisms prescribed by NEPRA. The first such CV adjustment mechanism was announced by NEPRA in March 2009 and as per this mechanism, the company has already made a provision of Rs 20.332 million in its financial statements for the above CV adjustment. In July 2011, NEPRA revised its CV adjustment mechanism and directed all Independent Power Producers ('IPPs') to maintain consignment-wise CV record of the fuel received and consumed for power generation. Consequently, the company started maintaining such CV record after such direction was received from NEPRA.

NEPRA directed the company to submit consignment-wise record of CV for the period up to June 30, 2011. The company disputed such direction as it was not required to maintain consignment-wise record prior to July 2011. However, NEPRA computed retrospectively and determined Rs 290.423 million payable by the company to NTDC for the period up to June 30, 2011 in respect of CV adjustment on the basis of the mechanism directed by it in July 2011. The company filed a Motion for Leave for Review before NEPRA requesting it to reconsider its decision, which was decided against the company. Consequently, the company filed a writ petition before the Islamabad High Court against NEPRA's decision on the grounds that change in CV adjustment mechanism in July 2011 cannot be applied retrospectively and credible information is also not available from any source upon which CV adjustment computations can be made. The case is pending adjudication before Islamabad High Court.

Based on the advice of the company's legal counsel, management feels that there are meritorious grounds to support the company's stance and the aforesaid NEPRA's decision is likely to be revoked. Under these circumstances, no provision of the balance amount of Rs 270.092 million has been made in this condensed interim financial information.

(ii) During the previous year, a sales tax demand of Rs 1,218.132 million was raised against the company through order dated December 11, 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, which are both pending adjudication.

Furthermore, during the current period, the Deputy Commissioner Inland Revenue ('DCIR') issued a show cause notice dated August 19, 2014 whereby intentions have been shown to raise a sales tax demand of Rs 1,722.811 million by disallowing input sales tax claimed by the company for the tax periods from July 2009 to June 2013 on the abovementioned grounds of the ACIR. Aggrieved by this show cause notice, the company filed a writ petition before the Lahore High Court ('LHC'), whereby the LHC has provided interim relief to the company to the extent that no final order shall be passed by the DCIR until the next hearing.

Based on the advice of the company's legal counsel, management believes that there are meritorious grounds to defend the company's stance in respect of the abovementioned input sales tax claimed by the company. Consequently, no provision has been made in this condensed interim financial information.

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

(a) Irrevocable standby letter of credit in favour of Wartsila Pakistan (Private) Limited for Rs 45 million (June 30, 2014: Rs 45 million) as required under the terms of the Operation and Maintenance Agreement.

(b) Letter of guarantee of Rs 5.5 million (June 30, 2014: Rs 3.5 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.

(c) Letter of guarantee in favour of fuel supplier for Rs 350 million (June 30, 2014: Nil).

(d) Irrevocable standby letter of credit in favor of a fuel supplier for Nil (June 30, 2014: Rs 781.358 million)

(iv) A post dated cheque has been furnished by the company in favour of the Collector of Customs to cover import levies against imports aggregating to Nil (June 30, 2014: Rs 8.22 million).

7.2 Commitments

(i) Letters of credit and contracts for capital expenditure are Rs 48.685 million (June 30, 2014: Nil).

(ii) Letters of credit and contracts other than for capital expenditure aggregate to Rs 111.156 million (June 30, 2014: Rs 279.517 million).

(iii) The amount of future payments under operating lease and the period in which these payments will become due are as follows:

	Un-audited March 31, 2015	Audited June 30, 2014
	(Rupees in thousand)	
Not later than one year	**15,577**	15,577
Later than one year and not later than five years	**75,450**	71,718
	91,027	87,295

(iv) The company has extended the agreement with Wartsila Pakistan (Private) Limited for the operations and maintenance ('O&M') of the power station, effective from November 01, 2014, until the earlier of December 31, 2015 or the last day of the month in which running hours of the first Generator Set reach 42,500 hours. Under the terms of the O&M agreement, the company is required to pay a monthly fixed O&M fee and a variable O&M fee depending on the net electrical output.

	Note	Un-audited March 31, 2015	Audited June 30, 2014
		(Rupees in thousand)	
8. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	8.1	**12,467,569**	13,239,575
Capital work-in-progress - advance to supplier		**31,729**	-
Major spare parts and standby equipment		**24,043**	19,650
		12,523,341	13,259,225
8.1 Operating fixed assets			
Opening book value		**13,239,575**	13,841,220
Additions during the period/year	8.1.1	**13,206**	497,070
Book value of deletions during the period/year		**(532)**	(27,345)
Depreciation charged during the period/year		**(784,678)**	(1,071,370)
Closing book value		**12,467,571**	13,239,575
8.1.1 Additions during the period / year			
Plant and machinery		**4,924**	490,791
Computer equipment		**1,262**	691
Furniture and fixtures		**1,887**	365
Office equipment		**135**	427
Vehicles		**4,998**	4,796
		13,206	497,070

	Un-audited March 31, 2015	Audited June 30, 2014
	(Rupees in thousand)	
9. LONG TERM INVESTMENT		
Related party - Associate		
Unquoted:		
Nishat Energy Limited		
250,000 (June 30, 2014: Nil) fully paid ordinary shares of Rs 10 each [Equity held 25% (June 30, 2014 : Nil)] - Cost	**2,500**	-
Add: Share of loss for the period	**(649)**	-
	1,851	-

The company directly holds 25% ordinary shares in Nishat Energy Limited ('NEL'). NEL is an un-quoted public limited company incorporated in Pakistan to build, own, operate and maintain a coal fired power station. The investment in NEL is accounted for using equity method. Share of loss of associate is based on the un-audited/unreviewed accounts of NEL.

10. Included in trade debts is an amount of Rs 816.041 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') 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 previous year, the company in consultation with NTDC, appointed an Expert for dispute resolution under the PPA. The proceedings before the Expert are under process.

Based on the advice of the company's legal counsel, management feels that there are meritorious grounds to support the company's stance and such amounts are likely to be recovered. Consequently, no provision for the above mentioned amount has been made in this condensed interim financial information.

	Un-audited Quarter ended		Un-audited Period ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	(Rupees in thousand)		(Rupees in thousand)	

11. COST OF SALES

Raw materials consumed	**3,112,597**	5,171,815	**12,839,923**	15,768,877
Salaries and other benefits	**9,809**	7,000	**31,155**	25,459
Operation and maintenance	**82,341**	74,247	**149,363**	243,754
Stores, spares and loose tools consumed	**217,853**	135,038	**401,820**	357,287
Electricity consumed in-house	**337**	43	**1,011**	126
Insurance	**40,258**	41,575	**122,566**	126,701
Travelling and conveyance	**50**	450	**495**	3,032
Rent, rates and taxes	**-**	191	**-**	461
Printing and stationery	**112**	119	**311**	354
Postage and telephone	**43**	52	**401**	167
Vehicle running expenses	**518**	722	**1,622**	2,133
Entertainment	**218**	49	**476**	286
Depreciation on operating fixed assets	**253,944**	267,644	**777,318**	801,022
Fee and subscription	**1,015**	1,363	**2,846**	3,299
Miscellaneous	**516**	1,160	**2,705**	2,549
	3,719,611	5,701,468	**14,332,012**	17,335,507

	Un-audited Half year ended	
	March 31, 2015	March 31, 2014
	(Rupees in thousand)	

12. CASH GENERATED FROM/ (USED IN) OPERATIONS

Profit before taxation	**2,519,136**	2,143,425
Adjustment for non cash charges and other items:		
- Depreciation on operating fixed assets	**784,678**	807,562
- Profit on bank deposits	**(18,812)**	(24,368)
- Finance cost	**1,160,965**	1,183,939
- Provision for employee retirement benefits	**4,744**	3,031
- Share of loss of associate	**649**	-
Profit before working capital changes	**4,451,360**	4,113,589
Effect on cash flow due to working capital changes:		
Decrease / (increase) in current assets		
- Stores, spares and loose tools	**(173,104)**	(16,602)
- Inventories	**(61,580)**	18,251
- Trade debts	**2,669,290**	(4,473,817)
- Advances, deposits, prepayments and other receivables	**(203,573)**	167,734
	2,231,033	(4,304,434)
Increase / (decrease) in current liabilities		
- Trade and other payables	**(951,919)**	330,054
	1,279,114	(3,974,380)
	5,730,474	139,209

	Un-audited	
	March 31, 2015	March 31, 2014
	(Rupees in thousand)	

13. CASH AND CASH EQUIVALENTS

Cash and bank balances	**218,225**	133,892
Short term borrowings - secured	**(226,772)**	(1,850,625)
	(8,547)	(1,716,733)

14. TRANSACTIONS WITH RELATED PARTIES

Relationship with the company	Nature of transactions	Un-audited Half year ended March 31, 2015	Un-audited Half year ended March 31, 2014
		(Rupees in thousand)	
i. Associated undertakings	Purchases of goods and services	**32,039**	11,170
	Rental expense	**9,346**	9,865
	Insurance premium	**123,460**	127,057
ii. Post employment benefit plan	Expense charged in respect of retirement benefit plan	**4,744**	3,031
iii. Key management personnel	Salaries and other employee benefits	**52,778**	44,991

Period end balances:	Un-audited March 31, 2015	Audited June 30, 2014
	(Rupees in thousand)	
Receivable from related parties	**1,058**	6,457

15. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 22, 2015 by the Board of Directors of the company.

16. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have declared an interim dividend of Rupee 1.5 per ordinary share, amounting to Rupees 531.133 million at their meeting held on April 22, 2015. This condensed interim financial information does not include the effect of the above interim dividend which will be accounted for in the period in which it is declared.

Hasan Mansha

CHIEF EXECUTIVE

DIRECTOR

NISHAT

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