



NISHAT POWER LIMITED



# Third Quarter Report

For the Period Ended  
March 31, 2017

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# CORPORATE PROFILE

|  |   |                                       |
|--|---|---------------------------------------|
| <b>BOARD OF DIRECTORS</b>                          | Mian Hassan Mansha<br>Mr. Khalid Qadeer Qureshi<br>Mr. Ahmad Aqeel<br>Mr. Asad Farooq<br>Mr. Ghazanfar Husain Mirza<br>Mr. Mahmood Akthar<br>Mr. Shahzad Ahmad Malik  | Chief Executive/Director<br>Chairman  |
| <b>AUDIT COMMITTEE</b>                             | Mr. Khalid Qadeer Qureshi<br>Mr. Shahzad Ahmad Malik<br>Mr. Ahmad Aqeel   | Member<br>Member / Chairman<br>Member |
| <b>HUMAN RESOURCE &amp; REMUNERATION COMMITTEE</b> | Mr. Ghazanfar Husain Mirza<br>Mian Hassan Mansha<br>Mr. Khalid Qadeer Qureshi   | Member/Chairman<br>Member<br>Member   |
| <b>CHIEF FINANCIAL OFFICER</b>                     | Mr. Tanvir Khalid   |                                       |
| <b>COMPANY SECRETARY</b>                           | Mr. Khalid Mahmood Chohan   |                                       |
| <b>BANKERS OF THE COMPANY</b>                      | Habib Bank Limited<br>United Bank Limited<br>Allied Bank Limited<br>National Bank of Pakistan<br>Bank Alfalah Limited<br>Faysal Bank Limited<br>Askari Bank Limited<br>Habib Metropolitan Bank Limited<br>Soneri Bank Limited<br>Silk Bank Limited<br>BankIslami Pakistan Limited<br>Meezan Bank Limited<br>HSBC Bank Middle East Limited<br>Dubai Islamic Bank Pakistan Limited<br>Burj Bank Limited<br>Albaraka Bank Pakistan Limited<br>First Women Bank Limited<br>The Bank of Punjab<br>MCB Bank Limited<br>Pak Kuwait Investment Co. Limited<br>Pak Brunei Investment Co. Limited |                                       |
| <b>AUDITORS</b>                                    | A. F. Ferguson & Co.<br>Chartered Accountants   |                                       |
| <b>LEGAL ADVISOR</b>                               | Cornelius, Lane & Mufti<br>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](http://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, 2017.

## FINANCIAL AND OPERATIONAL RESULTS:

During the period, the Company had turnover of Rs 10,862 million (Mar 2016: Rs 11,443 million), against operating cost of Rs 8,007 million (Mar 2016: Rs 8,091 million) resulting in a gross profit of Rs 2,855 million (Mar 2016: Rs 3,352 million). The Company earned profit before tax of Rs 2,142 million compared to Rs 2,555 million in the same period last year.

The current period's net profit after tax amounts to Rs 2,145 million resulting earnings per share of Rs 6.06 compared to profit after tax of Rs 2,555 million and earnings per share of Rs 7.22 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 and Expert's determination, management feels that 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, 2017 stand at Rs 8,698 million (June 2016: Rs 6,384 million), out of which overdue receivables are Rs 6,526 million (June 2016: Rs 4,733 million).

The plant operated at optimal efficiency and dispatched 910 GWh of electricity to its customer NTDCL during the period, with 70.83% average capacity factor.

The management of the company had applied to the SECP for the exemption from the requirements of section 237 of the Ordinance, in respect of consolidating its wholly owned subsidiary namely Lalpir Solar Power (Private) Limited ('LSPPL'). The SECP, vide its letter EMD/233/744/2002-140 dated August 11, 2016, granted the exemption from consolidation of LSPPL in its financial statements for the year ended June 30, 2016 till third quarter of financial year ending June 30, 2017, under Section 237(8) of the Ordinance based on the fact that investment of the company in LSPPL is negligible in percentage of the total assets of the company and will not be a value addition in any way for the users of the company's financial statements. For details please refer note 9.1. The company is in the process of applying SECP for further extension of the exemption from requirements of consolidating its wholly owned subsidiary u/s 237 of the Ordinance.

## ACKNOWLEDGEMENTS

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

For and on behalf of Board of Directors



Chief Executive Officer

Lahore: April 17, 2017

## مجلس نظماء کی رپورٹ:

نشاط پاور لمیٹڈ (کمپنی) کی مجلس نظماء ۳۱ مارچ ۲۰۱۷ء مختتمہ مدت کے لئے عبوری مالیاتی گوشوارے کی رپورٹ پیش کرتی ہے۔

### مالیاتی اور کاروباری نتائج:

حالیہ مدت کے دوران کمپنی کو 8,007 ملین روپے (مارچ 2016: 8,091 ملین روپے) کی آپریٹنگ لاگت کے عوض 10,862 ملین روپے (مارچ 2016 : 11,443 ملین روپے) کی وصولیاں ہوئیں ہیں، جس کے نتیجے میں 2,855 ملین روپے (مارچ 2016: 3,352 ملین روپے) کا مجموعی منافع ہوا ہے۔ کمپنی نے گزشتہ سال اسی مدت میں 2,555 ملین روپے کے مقابلے میں 2,142 ملین روپے قبل از ٹیکس منافع کمایا ہے۔

گزشتہ سال کی اسی مدت میں 7.22 روپے فی حصص آمدن اور 2,555 ملین روپے بعد از ٹیکس منافع کے مترادف 6.06 روپے فی حصص آمدن اور 2,145 ملین روپے بعد از ٹیکس خالص منافع ہوا ہے۔

تجارتی قرضوں میں نیشنل ٹرانسمیشن اینڈ ڈسٹری بیوٹن کمپنی لمیٹڈ (NTDCL) کی طرف سے کسپٹی پریچر پرائس میں منہا کردہ 816 ملین روپے کی رقم شامل ہے۔ مزید تفصیلات کے لیے ان عبوری مالیاتی گوشوارے کا نوٹ 10 ملاحظہ کریں۔ کمپنی کے قانونی وکیل کے مشورہ اور ایکسپیرٹ کے تعین کے مطابق، انتظامیہ محسوس کرتی ہے کہ ایسی رقوم کی واپسی کا امکان ہے۔ چنانچہ اس مالیاتی گوشوارے میں مذکورہ بالا رقم کے لئے کوئی گنجائش نہیں رکھی گئی ہے۔

NTDCL اپنی ادائیگی کی ذمہ داریوں پر مسلسل نادہندگی پر کار بند ہے۔ کمپنی نے بجلی کی خریداری کے معاہدے اور Implementation Agreement کے تحت NTDCL اور پرائیویٹ پاور اینڈ انفراسٹرکچر بورڈ ('پی پی آئی بی') کے ہاں معاملہ اجاگر کیا ہے۔ 31 دسمبر 2017 کو NTDCL سے کل وصولی 8,698 ملین روپے (جون 2016: 6,384 ملین روپے) ہے، جن میں سے 6,526 ملین روپے (جون 2016: 4,733 ملین روپے) وصولی واجب الادا اور خارج المعیاد ہیں۔

حالیہ مدت کے دوران پلانٹ زیادہ سے زیادہ باکفایت کارکردگی پر چلایا گیا اور اپنے صارف NTDCL کو اوسط 70.83 فیصد صلاحیت کے ساتھ 910GWh بجلی ترسیل کی گئی۔

کمپنی کی انتظامیہ نے اپنے مکمل ملکیتی ذیلی ادارہ یعنی لال پیر سولر پاور (پرائیویٹ) لمیٹڈ ('LSPPL') کے ایشمال شدہ گوشوارے کے سلسلے میں آرڈیننس کی دفعہ 237 کے تقاضوں سے رعایت کے لئے ایس ای سی پی کو درخواست گذاری تھی۔ ایس ای سی پی نے اپنے خط EMD/233/744/2002-140 مورخہ 11 اگست 2016ء کی رو سے 30 جون 2017 کو ختم ہونے والے سال کی تیسری سہ ماہی تک کے مالی گوشواروں میں LSPPL کے انجمنہ سے استثناء کی منظوری دی ہے، آرڈیننس کی دفعہ (8) 237 کے تحت اس حقیقت پر مبنی کہ LSPPL میں کمپنی کی سرمایہ کاری کمپنی کے مجموعی اثاثوں کی شرح میں نہ ہونے کے برابر ہے اور کمپنی کے مالی گوشواروں کا صارفین کے لئے کسی بھی طرح سے قدر کا اضافہ نہیں ہوگا۔ برائے مہربانی نوٹ 9.1 ملاحظہ فرمائیں۔ کمپنی نے مزید رعایت کے لیے ایس ای سی پی میں درخواست دائر کرنے کا فیصلہ کیا ہے۔

### اظہار تشکر

بورڈ کمپنی کی افرادی قوت کی کوششوں کی تعریف کرتا ہے۔

برائے اور منجانب بورڈ آف ڈائریکٹرز

*Hassan Mirza*

چیف ایگزیکٹو آفیسر

لاہور 17 اپریل، 2017ء

# CONDENSED INTERIM BALANCE SHEET (Un-audited)

## AS AT MARCH 31, 2017

|  | Note | Un-audited<br>March 31,<br>2017<br>(Rupees in thousand) | Audited<br>June 30,<br>2016 |
|--|------|---|-----------------------------|
| <b>EQUITY AND LIABILITIES</b>  |      |   |                             |
| <b>SHARE CAPITAL AND RESERVES</b>  |      |   |                             |
| Authorised share capital<br>500,000,000 (2016: 500,000,000)<br>ordinary shares of Rs 10 each                     |      | 5,000,000   | 5,000,000                   |
| Issued, subscribed and paid up share capital<br>354,088,500 (2016: 354,088,500)<br>ordinary shares of Rs 10 each |      | 3,540,885   | 3,540,885                   |
| Revenue reserve: Un-appropriated profit  |      | 9,615,441   | 8,710,194                   |
|  |      | 13,156,326  | 12,251,079                  |
| <b>NON-CURRENT LIABILITY</b>   |      |   |                             |
| Long term financing - secured  | 6    | 5,558,885   | 6,857,693                   |
| <b>CURRENT LIABILITIES</b>   |      |   |                             |
| Current portion of long term financing - secured   | 6    | 1,700,166   | 1,518,659                   |
| Short term borrowings - secured  |      | 1,882,346   | -                           |
| Trade and other payables   |      | 537,230   | 251,118                     |
| Accrued finance cost   |      | 187,532   | 196,082                     |
|  |      | 4,307,274   | 1,965,859                   |
| <b>CONTINGENCIES AND COMMITMENTS</b>   |      |   |                             |
|  | 7    | 23,022,485  | 21,074,631                  |

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

  
CHIEF EXECUTIVE

| Note | Un-audited<br>March 31,<br>2017<br>(Rupees in thousand) | Audited<br>June 30,<br>2016 |
|------|---|-----------------------------|
|------|---|-----------------------------|

## ASSETS

### NON-CURRENT ASSETS

|                              |   |            |            |
|------------------------------|---|------------|------------|
| Fixed assets                 | 8 | 11,638,964 | 11,654,976 |
| Long term investments        | 9 | 1,337      | 1,396      |
| Long term loans and advances |   | 1,579      | 3,133      |
|                              |   | 11,641,880 | 11,659,505 |

### CURRENT ASSETS

|   |    |            |            |
|---|----|------------|------------|
| Stores, spares and loose tools                        |    | 631,522    | 530,171    |
| Inventories   |    | 951,366    | 702,678    |
| Trade debts   | 10 | 8,697,945  | 6,384,250  |
| Advances, deposits, prepayments and other receivables |    | 850,332    | 1,108,221  |
| Income tax receivable                                 |    | 23,842     | 15,812     |
| Cash and bank balances                                |    | 225,598    | 673,994    |
|   |    | 11,380,605 | 9,415,126  |
|   |    | 23,022,485 | 21,074,631 |

  
DIRECTOR



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)  
FOR THE QUARTER AND PERIOD ENDED MARCH 31, 2017

|   | Note | Quarter ended                             |   | Period ended                              |   |
|---|------|---|---|---|---|
|   |      | March 31,<br>2017<br>(Rupees in thousand) | March 31,<br>2016<br>(Rupees in thousand) | March 31,<br>2017<br>(Rupees in thousand) | March 31,<br>2016<br>(Rupees in thousand) |
| Sales   |      | 3,965,553                                 | 2,952,362                                 | 10,862,070                                | 11,442,648                                |
| Cost of sales   | 11   | (2,956,580)                               | (1,809,882)                               | (8,006,601)                               | (8,090,582)                               |
| <b>Gross profit</b>                                   |      | <b>1,008,973</b>                          | <b>1,142,480</b>                          | <b>2,855,469</b>                          | <b>3,352,066</b>                          |
| Administrative expenses                               |      | (48,437)                                  | (50,898)                                  | (176,450)                                 | (150,611)                                 |
| Other expenses  |      | -   | (288)                                     | -   | (1,615)                                   |
| Other income  |      | -   | 7,947                                     | 17,263                                    | 26,180                                    |
| Finance cost  |      | (192,466)                                 | (207,238)                                 | (554,379)                                 | (670,038)                                 |
| Share of loss of associate                            |      | (5)                                       | (592)                                     | (59)                                      | (889)                                     |
| <b>Profit before taxation</b>                         |      | <b>768,065</b>                            | <b>891,411</b>                            | <b>2,141,844</b>                          | <b>2,555,093</b>                          |
| Taxation  |      | -   | -   | 2,714                                     | -   |
| <b>Profit for the period</b>                          |      | <b>768,065</b>                            | <b>891,411</b>                            | <b>2,144,558</b>                          | <b>2,555,093</b>                          |
| Earnings per share - basic<br>and diluted (in Rupees) |      | 2.17                                      | 2.52                                      | 6.06                                      | 7.22                                      |

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, 2017

|   | Quarter ended                             |                   | Period ended                              |                   |
|---|---|-------------------|---|-------------------|
|   | March 31,<br>2017<br>(Rupees in thousand) | March 31,<br>2016 | March 31,<br>2017<br>(Rupees in thousand) | March 31,<br>2016 |
| Profit for the period   | 768,065                                   | 891,411           | 2,144,558                                 | 2,555,093         |
| 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                                 | 768,065                                   | 891,411           | 2,144,558                                 | 2,555,093         |

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

  
CHIEF EXECUTIVE

  
DIRECTOR

## CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited) FOR THE PERIOD ENDED MARCH 31, 2017

|   | Note | Period ended       |                    |
|---|------|--------------------|--------------------|
|   |      | March 31,<br>2017  | March 31,<br>2016  |
| (Rupees in thousand)  |      |                    |                    |
| <b>Cash flows from operating activities</b>                     |      |                    |                    |
| Cash generated from operations                                  | 12   | 1,253,103          | 4,456,198          |
| Finance cost paid   |      | (562,929)          | (733,868)          |
| Income tax paid   |      | (5,316)            | (5,621)            |
| Long term loans and advances - net                              |      | 1,554              | (2,128)            |
| Retirement benefits paid  |      | (12,567)           | (9,441)            |
| <b>Net cash inflow from operating activities</b>                |      | <b>673,845</b>     | <b>3,705,140</b>   |
| <b>Cash flows from investing activities</b>                     |      |                    |                    |
| Purchase of fixed assets  |      | (711,654)          | (79,894)           |
| Proceeds from disposal of operating fixed assets                |      | 1,400              | 484                |
| Investments made  |      | -                  | (500)              |
| Profit on bank deposits received                                |      | 24,931             | 28,225             |
| <b>Net cash outflow from investing activities</b>               |      | <b>(685,323)</b>   | <b>(51,685)</b>    |
| <b>Cash flows from financing activities</b>                     |      |                    |                    |
| Repayment of long term financing                                |      | (1,117,301)        | (961,159)          |
| Dividend paid   |      | (1,201,963)        | (1,633,540)        |
| <b>Net cash outflow from financing activities</b>               |      | <b>(2,319,264)</b> | <b>(2,594,699)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b>     |      | <b>(2,330,742)</b> | <b>1,058,756</b>   |
| <b>Cash and cash equivalents at the beginning of the period</b> |      | <b>673,994</b>     | <b>(828,682)</b>   |
| <b>Cash and cash equivalents at the end of the period</b>       | 13   | <b>(1,656,748)</b> | <b>230,074</b>     |

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

  
CHIEF EXECUTIVE

  
DIRECTOR

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED MARCH 31, 2017 (Un-audited)

|   | Share<br>capital     | Revenue reserve:<br>Un-appropriated<br>profit | Total       |
|---|----------------------|---|-------------|
|   | (Rupees in thousand) |   |             |
| Balance as on July 01, 2015 (audited)   | 3,540,885            | 8,072,183                                     | 11,613,068  |
| Profit for the period   | -                    | 2,555,093                                     | 2,555,093   |
| Other comprehensive income for the period   | -                    | -   | -           |
| <b>Total comprehensive income for the period</b>  | -                    | 2,555,093                                     | 2,555,093   |
| Dividend to equity holders of the company:<br>Final dividend for the year ended June 30, 2015<br>@ Rupees 1.75 per ordinary share | -                    | (619,655)                                     | (619,655)   |
| Interim dividend for the first quarter ended<br>September 30, 2015 @ Rupee 1 per share  | -                    | (354,089)                                     | (354,089)   |
| Interim dividend for the half year ended<br>December 31, 2015 @ Rupee 2 per share   | -                    | (708,177)                                     | (708,177)   |
| <b>Total contributions by and distributions to<br/>owners of the company recognised<br/>directly in equity</b>                    | -                    | (1,681,921)                                   | (1,681,921) |
| Balance as on March 31, 2016 (un-audited)   | 3,540,885            | 8,945,355                                     | 12,486,240  |
| Balance as on July 01, 2016 (audited)   | 3,540,885            | 8,710,194                                     | 12,251,079  |
| Profit for the period   | -                    | 2,144,558                                     | 2,144,558   |
| Other comprehensive income for the period   | -                    | -   | -           |
| <b>Total comprehensive income for the period</b>  | -                    | 2,144,558                                     | 2,144,558   |
| Dividend to equity holders of the company:<br>Final dividend for the year ended June 30, 2016<br>@ Rupees 1.5 per ordinary share  | -                    | (531,133)                                     | (531,133)   |
| Interim dividend for the first quarter ended<br>September 30, 2016. @ Rupee 1 per share   | -                    | (354,089)                                     | (354,089)   |
| Interim dividend for the half year ended<br>December 31, 2016 @ Rupee 1 per share   | -                    | (354,089)                                     | (354,089)   |
| <b>Total contributions by and distributions to<br/>owners of the company recognised<br/>directly in equity</b>                    | -                    | (1,239,311)                                   | (1,239,311) |
| Balance as on March 31, 2017 (un-audited)   | 3,540,885            | 9,615,441                                     | 13,156,326  |

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, 2017

## 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 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 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, 2016.

The company is required to issue condensed interim consolidated financial information along with its condensed interim separate financial information in accordance with the requirements of approved accounting standards. However, it has not presented such condensed interim consolidated financial information for the reasons explained in note 9.1 to this condensed interim financial information.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Certain standards, amendments and interpretations to approved accounting standards are effective 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 01, 2017 but are currently considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in this condensed interim financial information.

#### 4. ACCOUNTING ESTIMATES

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

#### 5. FINANCIAL RISK MANAGEMENT

##### 5.1 Financial risk factors

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

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

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

##### 5.2 Fair value estimation

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

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

#### 6. LONG TERM FINANCING - SECURED

|   | Un-audited<br>March 31,<br>2017 | Audited<br>June 30,<br>2016 |
|---|---------------------------------|-----------------------------|
|   | (Rupees in thousand)            |                             |
| Opening balance                                       | 8,376,351                       | 9,682,778                   |
| Less: Repayments during the period / year             | 1,117,301                       | 1,306,427                   |
|   | 7,259,050                       | 8,376,351                   |
| Less: Current portion shown under current liabilities | 1,700,166                       | 1,518,659                   |
|   | <u>5,558,884</u>                | <u>6,857,692</u>            |

## 7. CONTINGENCIES AND COMMITMENTS

### 7.1 Contingencies

- (i) In financial year 2014, 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') disallowing input sales tax for the tax periods of July 2010 through June 2012. The disallowance was made on the grounds that since revenue derived by the company on account of 'capacity purchase price' was not chargeable to sales tax, 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. The CIR(A), however, did not adjudicate upon other grounds of appeal agitated by the company which were further agitated before Appellate Tribunal Inland Revenue ('ATIR') by the company. Moreover, the department, too, assailed before ATIR, the relief extended by CIR(A) and such litigation is presently pending.

Furthermore, during the financial year 2015, the Deputy Commissioner Inland Revenue ('DCIR') issued a show cause notice dated August 19, 2014, whereby intentions were shown to disallow input sales tax for the tax periods of July 2009 to June 2013 on similar grounds as explained above. The company agitated the initiation of such proceedings through institution of a writ petition before the Lahore High Court ('LHC'). During the current period, LHC has disposed of the petition in the company's favour through its order dated October 31, 2016, by stating that there is no supply being made against capacity purchase price, hence, there is no existence of an "exempt supply". Accordingly, the company is free to reclaim or deduct input tax under the relevant provisions of Sales Tax Act, 1990. However, subsequent to the period end, the tax department has filed an appeal before the Supreme Court of Pakistan against the aforementioned LHC's order which is pending adjudication.

For the period July 2013 to June 2014, company's case was selected for audit by 'Federal Board of Revenue' ('FBR'), which selection was objected to, on jurisdictional basis, by company by way of filing a writ petition before LHC. While, LHC allowed the department to proceed with audit proceedings, it was directed that no adjudication order, consequent to conduct of audit, shall be passed after confronting the audit report. The audit proceedings were completed by the department during the financial year 2016 and audit report thereof was submitted to the company seeking explanations in regard to the issues raised therein. In the subject audit report, inter-alia, primarily a disallowance of input sales tax aggregating to Rs 596.091 million has been confronted on same grounds as explained above. Subsequent to period end, LHC through its order dated January 9, 2017 has allowed initiation of adjudication proceedings after issuance of audit report. Consequently, the company has filed an Intra Court Appeal against the stated judgment on the grounds that in the presence of the various adverse findings given by the honourable LHC, complete relief as sought by the company should have been provided by declaring selection for audit and audit policy unlawful.

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

- (ii) There is no significant change in other contingencies from the preceding annual published financial statements of the company for the year ended June 30, 2016.

## 7.2 Commitments

- (i) Letters of credit and contracts other than for capital expenditure aggregating Rs 49.540 million (June 30, 2016: Rs 315.168 million).
- (ii) The amount of future payments under operating lease and the period in which these payments will become due are as follows:

|   | Un-audited<br>March 31,<br>2017<br>(Rupees in thousand) | Audited<br>June 30,<br>2016 |
|---|---|-----------------------------|
| Not later than one year                           | 12,981  | 12,461                      |
| Later than one year and not later than five years | 66,850  | 60,490                      |
|   | <u>79,831</u>   | <u>72,951</u>               |
| <b>8. FIXED ASSETS</b>                            |   |                             |
| <b>Property, plant and equipment:</b>             |   |                             |
| Operating fixed assets - note 8.1                 | 11,420,551  | 11,505,661                  |
| Capital work-in-progress                          | -   | 1,950                       |
| Major spare parts and standby equipment           | 212,253   | 140,074                     |
|   | <u>11,632,804</u>                                       | <u>11,647,685</u>           |
| <b>Intangible asset:</b>                          |   |                             |
| Computer software                                 | 6,160   | 7,291                       |
|   | <u>11,638,964</u>                                       | <u>11,654,976</u>           |
| <b>8.1 Operating fixed assets</b>                 |   |                             |
| Opening book value                                | 11,505,661  | 12,292,319                  |
| Additions during the period/year - note 8.1.1     | 641,425   | 219,583                     |
| Book value of deletions during the period/year    | (1,400)   | (491)                       |
| Depreciation charged during the period/year       | (725,135)   | (1,005,750)                 |
|   | <u>11,420,551</u>                                       | <u>11,505,661</u>           |
| <b>8.1.1 Additions during the period / year</b>   |   |                             |
| Buildings and roads on freehold land              | 607   | 5,494                       |
| Plant and machinery                               | 575,358   | 191,867                     |
| Computer equipment                                | 1,236   | 3,613                       |
| Furniture and fixtures                            | 783   | 236                         |
| Office equipment                                  | 14,793  | 323                         |
| Vehicles  | 48,648  | 18,050                      |
|   | <u>641,425</u>  | <u>219,583</u>              |



|   |            | Un-audited<br>March 31,<br>2017<br>(Rupees in thousand) | Audited<br>June 30,<br>2016 |
|---|------------|---|-----------------------------|
| <b>9. LONG TERM INVESTMENTS</b>   |            |   |                             |
| <b>Related parties</b>  |            |   |                             |
| Investment in associate   |            | 837   | 896                         |
| Investment in subsidiary  | - note 9.1 | 500   | 500                         |
|   |            | 1,337   | 1,396                       |
| <b>9.1</b>  |            |   |                             |
| <b>Subsidiary</b>   |            |   |                             |
| <b>Unquoted:</b>  |            |   |                             |
| <b>Lalpir Solar Power (Private) Limited</b>   |            |   |                             |
| 50,000 (June 30, 2016: 50,000) fully paid ordinary shares of Rs 10 each [Equity held 100% (June 30, 2016: 100%)] - Cost |            |   |                             |
|   |            | 500   | 500                         |

The company directly holds 100% shares in wholly owned subsidiary, Lalpir Solar Power (Private) Limited ('LSPPL'). LSPPL is a private limited company incorporated in Pakistan to build, own, operate and maintain or invest in a solar power project. The investment in LSPPL is accounted for using cost method.

The management of the company had applied to the SECP for the exemption from the requirements of section 237 of the Companies Ordinance, 1984, in respect of consolidating its wholly owned subsidiary namely Lalpir Solar Power (Private) Limited ('LSPPL'). The Securities and Exchange Commission of Pakistan, vide its letter EMD/233/744/2002-140 dated August 11, 2016, granted the exemption from consolidation of LSPPL in its financial statements for the year ended June 30, 2016, till third quarter of financial year ending June 30, 2017, under Section 237(8) of the Ordinance based on the fact that investment of the company in LSPPL is negligible in percentage of the total assets of the company and will not be a value addition in any way for the users of the company's financial statements.

Relevant period accounts of LSPPL are available to members at registered office of the company without any cost.

LSPPL's profit and its assets and liabilities as per un-audited condensed interim financial information for the period ended March 31, 2017, are as under:

| Name                                 | Percentage interest held | (Rupees in thousand) |             |          | Profit |
|--------------------------------------|--------------------------|----------------------|-------------|----------|--------|
|                                      |                          | Assets               | Liabilities | Revenues |        |
| Lalpir Solar Power (Private) Limited | 100%                     | 61                   | 133         | -        | 3      |

## 10. TRADE DEBTS

Included in trade debts is an amount of Rs 816.033 million relating to capacity purchase price not acknowledged by NTDC as the plant was not fully available for power generation. However, the sole reason of this under-utilization of plant capacity was non-availability of fuel owing to non-payment by NTDC.

Since management considers that the primary reason for claiming these payments is that plant was available, however, could not generate electricity due to non-payment by NTDC, therefore, management believes that Company cannot be penalized in the form of payment deductions due to NTDC's default of making timely payments under the PPA. Hence, the

company had taken up this issue at appropriate forums. On June 28, 2013, the company entered into a Memorandum of Understanding ('MoU') for cooperation on extension of credit terms with NTDC whereby it was agreed that the constitutional petition filed by the company before the Supreme Court of Pakistan on the 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 which is pending adjudication before Supreme Court of Pakistan. During the financial year 2014, the company in consultation with NTDC, appointed an Expert for dispute resolution under the PPA.

During the previous year, the Expert gave his determination whereby the aforesaid amount was determined to be payable to the company by NTDC. Pursuant to the Expert's determination, the company demanded the payment of the aforesaid amount of Rs 816.033 million from NTDC that has not yet been paid by NTDC. Consequently, under the terms of PPA, the company filed petition for arbitration in The London Court of International Arbitration ('LCIA'), whereby an arbitrator was appointed and the matter is yet pending arbitration. In November 2015, the Government of Pakistan ('GOP') through Private Power & Infrastructure Board ('PPIB') filed a case in the court of Senior Civil Judge, Lahore, against the aforementioned decision of the Expert, praying it to be illegal, which is pending adjudication. Furthermore, NTDC filed a stay application in the LCIA before the Arbitrator to stay the arbitration proceedings. During the period, in response to NTDC's stay application, the Arbitrator through his order dated July 8, 2016, has declared that the arbitration shall proceed and has denied NTDC's request for a stay. Also, the Arbitrator has ordered NTDC to withdraw their application in the above mentioned case filed in the court of Senior Civil Judge, Lahore and has refrained it from taking any further steps therein to disrupt the arbitration proceedings.

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

|   | Un-audited<br>Quarter ended               |                   | Un-audited<br>Period ended                |                   |
|---|---|-------------------|---|-------------------|
|   | March 31,<br>2017<br>(Rupees in thousand) | March 31,<br>2016 | March 31,<br>2017<br>(Rupees in thousand) | March 31,<br>2016 |
| <b>11. COST OF SALES</b>                |   |                   |   |                   |
| Raw materials consumed                  | 2,507,780                                 | 1,443,659         | 6,666,080                                 | 6,667,590         |
| Salaries and other benefits             | 58,068                                    | 42,660            | 172,972                                   | 67,320            |
| Operations and maintenance              | -   | 0                 | -   | 169,628           |
| Repairs and maintenance                 | 12,309                                    | 239               | 23,680                                    | 669               |
| Stores, spares and loose tools consumed | 96,257                                    | 57,938            | 276,500                                   | 354,950           |
| Electricity consumed                    |   |                   |   |                   |
| in-house                                | -   | 496               | 884                                       | 689               |
| Insurance                               | 40,820                                    | 40,816            | 122,453                                   | 122,422           |
| Travelling and conveyance               | 4,587                                     | 5,590             | 14,528                                    | 5,792             |
| Printing and stationery                 | 136                                       | 214               | 602                                       | 487               |
| Postage and telephone                   | 171                                       | 87                | 431                                       | 185               |
| Vehicle running expenses                | 555                                       | 486               | 1,657                                     | 1,252             |
| Entertainment                           | 33  | 205               | 471                                       | 601               |
| Depreciation on operating fixed assets  | 232,790                                   | 215,580           | 710,454                                   | 691,019           |
| Amortization of intangible asset        | 377                                       | -                 | 1,131                                     | -                 |
| Fee and subscription                    | 895                                       | 883               | 2,721                                     | 2,739             |
| Miscellaneous                           | 1,802                                     | 1,029             | 12,037                                    | 5,239             |
|   | <b>2,956,580</b>                          | <b>1,809,882</b>  | <b>8,006,601</b>                          | <b>8,090,582</b>  |

|   | Un-audited<br>Period ended |                   |
|---|----------------------------|-------------------|
|   | March 31,<br>2017          | March 31,<br>2016 |
|   | (Rupees in thousand)       |                   |
| <b>12. CASH GENERATED FROM OPERATIONS</b>             |                            |                   |
| Profit before taxation                                | 2,141,844                  | 2,555,093         |
| Adjustment for non cash charges and other items:      |                            |                   |
| Depreciation on operating fixed assets                | 725,135                    | 704,678           |
| Amortization on intangible assets                     | 1,131                      | -                 |
| Profit on bank deposits                               | (15,046)                   | (24,157)          |
| Finance cost  | 554,379                    | 670,038           |
| Provision for employee retirement benefits            | 12,567                     | 7,040             |
| Share of loss of associate                            | 59                         | 889               |
| Gain on disposal of operating fixed assets            | -                          | (40)              |
| Profit before working capital changes                 | 3,420,069                  | 3,913,541         |
| Effect on cash flow due to working capital changes:   |                            |                   |
| <b>(Increase) / decrease in current assets</b>        |                            |                   |
| Stores, spares and loose tools                        | (101,351)                  | 120,933           |
| Inventories   | (248,688)                  | 612,245           |
| Trade debts   | (2,313,695)                | 49,457            |
| Advances, deposits, prepayments and other receivables | 248,004                    | 1,402             |
|   | (2,415,730)                | 784,037           |
| <b>(Decrease) / increase in current liabilities</b>   |                            |                   |
| Trade and other payables                              | 248,764                    | (241,380)         |
|   | (2,166,966)                | 542,657           |
|   | 1,253,103                  | 4,456,198         |
| <b>13. CASH AND CASH EQUIVALENTS</b>                  |                            |                   |
| Cash and bank balances                                | 225,598                    | 277,050           |
| Short term borrowings - secured                       | (1,882,346)                | (46,976)          |
|   | (1,656,748)                | 230,074           |
| <b>14. TRANSACTIONS WITH RELATED PARTIES</b>          |                            |                   |

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

| Relationship with the company          | Nature of transactions                                | Un-audited<br>Period ended  |   |
|--|---|---|---|
|  |   | March 31,<br>2017<br>(Rupees in thousand)                         | March 31,<br>2016<br>(Rupees in thousand)                     |
| i. Holding company                     | Dividends paid  | 632,216   | 858,006   |
| ii. Associated undertakings            | Purchases of goods and services                       | 35,390  | 35,330  |
|  | Rental expense  | 9,346   | 9,346   |
|  | Insurance premium                                     | 124,143   | 123,437   |
| iii. Post employment benefit plan      | Expense charged in respect of retirement benefit plan | 12,567  | 7,040   |
| iv. Key management personnel           | Salaries and other employee benefits                  | 169,494   | 88,677  |
| <b>Period / year end balances</b>      |   | <b>Un-audited<br/>March 31,<br/>2017<br/>(Rupees in thousand)</b> | <b>Audited<br/>June 30,<br/>2016<br/>(Rupees in thousand)</b> |
| <b>Payable to related parties</b>      |   |   |   |
| - Associated companies                 |   | 9,598   | 42  |
| <b>Receivable from related parties</b> |   |   |   |
| - Subsidiary company                   |   | 4,373   | 4,526   |

## 15. DATE OF AUTHORISATION FOR ISSUE

This condensed financial information was authorized for issue on April 17, 2017 by the Board of Directors of the Company.

## 16. CORRESPONDING FIGURES

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

  
CHIEF EXECUTIVE

  
DIRECTOR



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