



NISHAT POWER LIMITED



Half Yearly Report

For the Half Year Ended
December 31, 2016

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CORPORATE PROFILE

BOARD OF DIRECTORS	Mian Hassan Mansha Mr. Khalid Qadeer Qureshi Mr. Ahmad Aqeel Mr. Asad Farooq Mr. Ghazanfar Husain Mirza Mr. Mahmood Akthar Mr. Shahzad Ahmad Malik	Chief Executive/Director Chairman
AUDIT COMMITTEE	Mr. Khalid Qadeer Qureshi Mr. Shahzad Ahmad Malik Mr. Ahmad Aqeel	Member Member / Chairman Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mr. Ghazanfar Husain Mirza Mian Hassan Mansha Mr. Khalid Qadeer Qureshi	Member/Chairman Member 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. Limited Pak Brunei Investment Co. 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 half year ended December 31, 2016.

FINANCIAL AND OPERATIONAL RESULTS:

During the period, the Company had turnover of Rs 6,897 million (December 2015: Rs 8,490 million), against operating cost of Rs 5,050 million (December 2015: Rs 6,281 million) resulting in a gross profit of Rs 1,846 million (December 2015: Rs 2,209 million). The Company earned profit before tax of Rs 1,373 million compared to Rs 1,664 million in the same period last year.

The current period's net profit after tax amounts to Rs 1,376 million resulting earnings per share of Rs 3.89 compared to profit after tax of Rs 1,664 million and earnings per share of Rs 4.70 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 December 2016 stand at Rs 7,551 million (June 2016: Rs 6,384 million), out of which overdue receivables are Rs 6,190 million (June 2016: Rs 4,733 million).

The plant operated at optimal efficiency and dispatched 601 GWh of electricity to its customer NTDCL during the period, with 69.69% 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.

DIVIDENDS

The directors have recommended an interim cash dividend of 10% i.e. Rupee 1 per ordinary share, amounting to Rs 354.089 million.

ACKNOWLEDGEMENTS

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

For and on behalf of Board of Directors



Chief Executive Officer

Lahore: February 17, 2017

مجلس نظماء کی رپورٹ:

نشاط پاور لمیٹڈ (کمپنی) کی مجلس نظماء ۳۱ دسمبر ۲۰۱۶ مختتمہ ششماہی کے لئے بیرونی محاسب کی طرف سے ریویو کی گئی عبوری مالیاتی گوشوارے کی رپورٹ پیش کرتی ہے۔

مالیاتی اور کاروباری نتائج:

حالیہ مدت کے دوران کمپنی کو 5,050 ملین روپے (دسمبر 2015: 6,281 ملین روپے) کی آپرٹنگ لاگت کے عوض 6,897 ملین روپے (دسمبر 2015 : 8,490 ملین روپے) کی وصولیاں ہوئیں ہیں، جس کے نتیجے میں 1,846 ملین روپے (دسمبر 2015: 2,209 ملین روپے) کا مجموعی منافع ہوا ہے۔ کمپنی نے گزشتہ سال اسی مدت میں 1,664 ملین روپے کے مقابلے میں 1,337 ملین روپے قبل از ٹیکس منافع کمایا ہے۔

گزشتہ سال کی اسی مدت میں 4.70 روپے فی حصص آمدن اور 1,664 ملین روپے بعد از ٹیکس منافع کے مترادف 3.89 روپے فی حصص آمدن اور 1,376 ملین روپے بعد از ٹیکس خالص منافع ہوا ہے۔

تجارتی قرضوں میں نیشنل ٹرانسمیشن اینڈ ڈسپچ کمپنی لمیٹڈ ('NTDCL') کی طرف سے کپسٹی پر چیز 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 ایکسپٹ کے تعین کے مطابق، انتظامیہ محسوس کرتی ہے کہ ایسی رقم 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 نا دہندگی 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۔ 30 دسمبر 2016 کو NTDCL سے کل وصولی 7,551 ملین روپے (جون 2016: 6,384 ملین روپے) ہے، جن میں سے 6,190 ملین روپے (جون 4,733 ملین روپے) 2016: 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 69.69 فیصد صلاحیت کے ساتھ 601GWh بجلی ترسیل کی گئی۔

کمپنی کی انتظامیہ نے اپنے مکمل ملکیتی ذیلی ادارہ یعنی لال پیر سولر پاور (پرائیویٹ) لمیٹڈ ('LSPPL') کے اشتمال 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 انجماد 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۔

منافع منقسمہ

مجلس نظماء نے 10 فیصد عبوری نقد منافع منقسمہ یعنی کہ 1 روپے فی عام حصص 354.089 ملین روپے رقم کی سفارش کی ہے۔

اظہار تشکر

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

برائے اور منجانب بورڈ آف ڈائریکٹرز

Hassan Murtaza

چیف ایگزیکٹو آفیسر

لاہور 17 فروری، 2017ء

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

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

Chartered Accountants,

Lahore: February 17, 2017

Engagement Partner: Khurram Akbar Khan

CONDENSED INTERIM BALANCE SHEET (Un-audited) AS AT DECEMBER 31, 2016

	Note	Un-audited December 31, 2016 (Rupees in thousand)	Audited June 30, 2016
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 500,000,000 (June 30, 2016: 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, 2016: 354,088,500) ordinary shares of Rs 10 each		3,540,885	3,540,885
Revenue reserve: Un-appropriated profit		9,201,465	8,710,194
		12,742,350	12,251,079
NON-CURRENT LIABILITY			
Long term financing - secured	6	6,008,211	6,857,693
CURRENT LIABILITIES			
Current portion of long term financing - secured	6	1,637,373	1,518,659
Short term borrowings - secured		1,054,658	-
Trade and other payables		530,524	251,118
Accrued finance cost		178,249	196,082
		3,400,804	1,965,859
CONTINGENCIES AND COMMITMENTS			
	7	22,151,365	21,074,631

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE

Note	Un-audited December 31, 2016 (Rupees in thousand)	Audited June 30, 2016
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ASSETS

NON-CURRENT ASSETS

Fixed assets	8	11,806,487	11,654,976
Long term investments	9	1,342	1,396
Long term loans and advances		2,220	3,133
		11,810,049	11,659,505

CURRENT ASSETS

Stores, spares and loose tools		684,587	530,171
Inventories		1,007,197	702,678
Trade debts	10	7,550,594	6,384,250
Advances, deposits, prepayments and other receivables		850,070	1,108,221
Income tax receivable		22,567	15,812
Cash and bank balances		226,301	673,994
		10,341,316	9,415,126
		22,151,365	21,074,631


DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016

	Note	Quarter ended		Half year ended	
		December 31, 2016 (Rupees in thousand)	December 31, 2015	December 31, 2016 (Rupees in thousand)	December 31, 2015
Sales		3,303,559	3,961,693	6,896,517	8,490,286
Cost of sales	11	(2,423,102)	(2,968,982)	(5,050,021)	(6,280,700)
Gross profit		880,457	992,711	1,846,496	2,209,586
Administrative expenses		(68,593)	(48,614)	(128,013)	(99,713)
Other expenses		-	(1,327)	-	(1,327)
Other income		7,842	11,364	17,901	18,233
Finance cost		(178,856)	(220,429)	(362,551)	(462,800)
Share of loss of associate		(40)	-	(54)	(297)
Profit before taxation		640,810	733,705	1,373,779	1,663,682
Taxation		2,714	-	2,714	-
Profit for the period		643,524	733,705	1,376,493	1,663,682
Earnings per share - basic and diluted (in Rupees)		1.817	2.072	3.887	4.698

The annexed notes 1 to 17 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 HALF YEAR ENDED DECEMBER 31, 2016

	Quarter ended		Half year ended	
	December 31, 2016 (Rupees in thousand)	December 31, 2015	December 31, 2016 (Rupees in thousand)	December 31, 2015
Profit for the period	643,524	733,705	1,376,493	1,663,682
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Items that will not be reclassified subsequently to profit or loss	-	-	-	-
	-	-	-	-
Total comprehensive income for the period	643,524	733,705	1,376,493	1,663,682

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.


 CHIEF EXECUTIVE


 DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited) FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Note	Half year ended	
		December 31, 2016	December 31, 2015
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	12	1,118,172	3,513,473
Finance cost paid		(380,258)	(514,093)
Income tax paid		(4,041)	(3,466)
Long term loans and advances - net		913	(2,391)
Retirement benefits paid		(8,366)	(4,606)
Net cash inflow from operating activities		726,420	2,988,917
Cash flows from investing activities			
Purchase of fixed assets		(640,138)	(71,970)
Proceeds from disposal of operating fixed assets		445	484
Profit on bank deposits received		23,627	12,865
Net cash outflow from investing activities		(616,066)	(58,621)
Cash flows from financing activities			
Repayment of long term financing		(730,768)	(628,643)
Dividend paid		(881,937)	(976,339)
Net cash outflow from financing activities		(1,612,705)	(1,604,982)
Net (decrease)/increase in cash and cash equivalents		(1,502,351)	1,325,314
Cash and cash equivalents at the beginning of the period		673,994	(828,682)
Cash and cash equivalents at the end of the period	13	(828,357)	496,632

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (Un-audited)

	Share capital	Revenue reserve: Un-appropriated 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	-	1,663,682	1,663,682
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	1,663,682	1,663,682
Dividend to equity holders of the company:			
Final dividend for the year ended June 30, 2015 @ Rupees 1.75 per ordinary share	-	(619,655)	(619,655)
Interim dividend for the first quarter ended September 30, 2015 @ Rupee 1 per share	-	(354,089)	(354,089)
Total contributions by and distributions to owners of the company recognised directly in equity	-	(973,744)	(973,744)
Balance as on December 31, 2015 (un-audited)	3,540,885	8,762,121	12,303,006
Balance as on July 01, 2016 (audited)	3,540,885	8,710,194	12,251,079
Profit for the period	-	1,376,493	1,376,493
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	1,376,493	1,376,493
Dividend to equity holders of the company:			
Final dividend for the year ended June 30, 2016 @ Rupees 1.5 per ordinary share	-	(531,133)	(531,133)
Interim dividend for the first quarter ended September 30, 2016 @ Rupee 1 per share	-	(354,089)	(354,089)
Total contributions by and distributions to owners of the company recognised directly in equity	-	(885,222)	(885,222)
Balance as on December 31, 2016 (un-audited)	3,540,885	9,201,465	12,742,350

The annexed notes 1 to 17 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 HALF YEAR ENDED DECEMBER 31, 2016

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. The figures for the half year ended December 31, 2016 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements for the year ended June 30, 2016.

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

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

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the company's accounting periods beginning on

or after January 1, 2017, but are currently considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in this condensed interim financial information.

4. ACCOUNTING ESTIMATES

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

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

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

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

5.2 Fair value estimation

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

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

	Un-audited December 31, 2016 (Rupees in thousand)	Audited June 30, 2016
6. LONG TERM FINANCING - SECURED		
Opening balance	8,376,351	9,682,778
Less: Repayments during the period / year	730,767	1,306,427
	7,645,584	8,376,351
Less: Current portion shown under current liabilities	1,637,373	1,518,659
	<u>6,008,211</u>	<u>6,857,693</u>

7. CONTINGENCIES AND COMMITMENTS

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

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.

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

- (ii) The banks have issued the following on behalf of the company:
- (a) Letter of guarantee of Rs 9 million (June 30, 2016: Rs 7.5 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.
 - (b) Letter of guarantee of Rs 190.484 million (June 30, 2016: Rs 190.484 million) in favour of a fuel supplier.

7.2 Commitments

- (i) Letters of credit and contracts other than for capital expenditure aggregating Rs 82.726 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 December 31, 2016 (Rupees in thousand)	Audited June 30, 2016
Not later than one year	12,461	12,461
Later than one year and not later than five years	65,617	60,490
	<u>78,078</u>	<u>72,951</u>
8. FIXED ASSETS		
Property, plant and equipment:		
Operating fixed assets - note 8.1	11,425,557	11,505,661
Capital work-in-progress	39,578	1,950
Major spare parts and standby equipment	334,816	140,074
	<u>11,799,951</u>	<u>11,647,685</u>
Intangible asset:		
Computer software	6,536	7,291
	<u>11,806,487</u>	<u>11,654,976</u>
8.1 OPERATING FIXED ASSETS		
Opening book value	11,505,661	12,292,319
Additions during the period/year - note 8.1.1	407,769	219,583
Book value of deletions during the period/year	(445)	(491)
Depreciation charged during the period/year	(487,428)	(1,005,750)
	<u>11,425,557</u>	<u>11,505,661</u>
8.1.1 Additions during the period / year		
Buildings and roads on freehold land	-	5,494
Plant and machinery	385,306	191,867
Computer equipment	423	3,613
Furniture and fixtures	42	236
Office equipment	14,769	323
Vehicles	7,229	18,050
	<u>407,769</u>	<u>219,583</u>

		Un-audited December 31, 2016 (Rupees in thousand)	Audited June 30, 2016
9. LONG TERM INVESTMENTS			
Related parties:			
Investment in associate		842	896
Investment in subsidiary	- note 9.1	500	500
		1,342	1,396
9.1			
Subsidiary			
Unquoted:			
Lalpir Solar Power (Private) Limited			
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 half year ended December 31, 2016, are as under:

Name	Percentage interest held	(Rupees in thousand)			Profit
		Assets	Liabilities	Revenues	
Lalpir Solar Power (Private) Limited	100%	60	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 abovementioned issue would be withdrawn unconditionally and it would be resolved through the dispute resolution mechanism under the PPA. Accordingly, as per terms of the MoU, the company applied for withdrawal of the aforesaid petition which is pending adjudication before Supreme Court of Pakistan. During the financial year 2014, the company in consultation with NTDC, appointed an Expert for dispute resolution under the PPA.

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 the abovementioned case filed in the court of Senior Civil Judge, Lahore and has refrained it from taking any further steps therein to disrupt the arbitration proceedings.

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

	Un-audited Quarter ended		Un-audited Half year ended	
	December 31, 2016 (Rupees in thousand)	December 31, 2015	December 31, 2016 (Rupees in thousand)	December 31, 2015
11. COST OF SALES				
Raw materials consumed	1,985,066	2,450,822	4,158,300	5,223,931
Salaries and other benefits	51,052	10,379	114,904	24,660
Operations and maintenance	-	87,593	-	169,628
Repairs and maintenance	7,509	244	11,371	430
Stores, spares and loose tools consumed	84,382	130,751	180,243	297,012
Electricity consumed				
in-house	556	193	927	193
Insurance	40,817	40,792	81,633	81,606
Travelling and conveyance	5,012	201	9,941	202
Printing and stationery	221	183	466	273
Postage and telephone	102	60	260	98
Vehicle running expenses	495	413	1,102	766
Entertainment	352	140	438	396
Depreciation on operating fixed assets	240,194	244,156	477,664	475,439
Amortization of intangible asset	377	-	754	-
Fee and subscription	895	925	1,826	1,856
Miscellaneous	6,072	2,130	10,192	4,210
	<u>2,423,102</u>	<u>2,968,982</u>	<u>5,050,021</u>	<u>6,280,700</u>

	Un-audited Half year ended	
	December 31, 2016	December 31, 2015
	(Rupees in thousand)	
12. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,373,779	1,663,682
Adjustment for non cash charges and other items:		
Depreciation on operating fixed assets	487,428	484,505
Amortization on intangible assets	754	-
Profit on bank deposits	(14,058)	(16,444)
Finance cost	362,551	462,800
Provision for employee retirement benefits	8,366	3,440
Share of loss of associate	54	297
Gain on disposal of operating fixed assets	-	(40)
Profit before working capital changes	2,218,874	2,598,240
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(154,416)	78,425
Inventories	(304,519)	784,100
Trade debts	(1,166,344)	35,554
Advances, deposits, prepayments and other receivables	248,581	60,300
	(1,376,698)	958,379
Increase / (decrease) in current liabilities		
Trade and other payables	275,996	(43,146)
	(1,100,702)	915,233
	1,118,172	3,513,473
13. CASH AND CASH EQUIVALENTS		
Cash and bank balances	226,301	496,632
Short term borrowings - secured	(1,054,658)	-
	(828,357)	496,632
14. TRANSACTIONS WITH RELATED PARTIES		

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 Half year ended	
		December 31, 2016 (Rupees in thousand)	December 31, 2015 (Rupees in thousand)
i. Holding company	Dividends paid	451,583	496,741
ii. Associated undertakings	Purchases of goods and services	23,913	22,441
	Rental expense	6,231	6,231
	Insurance premium	82,519	82,380
iii. Post employment benefit plan	Expense charged in respect of retirement benefit plan	8,366	3,440
iv. Key management personnel	Salaries and other employee benefits	16,113	14,900
Period / year end balances		Un-audited December 31, 2016 (Rupees in thousand)	Audited June 30, 2016 (Rupees in thousand)
Payable to related parties			
- Associated companies		15,702	42
Receivable from related parties			
- Subsidiary company		4,373	4,526
- Associated company		86	2,732

15. DATE OF AUTHORISATION FOR ISSUE

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

16. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed an interim cash dividend of Rupees 1 per ordinary share, amounting to Rs 354.089 million at their meeting held on February 17, 2017. 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.

17. 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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