NISHAT

HALF YEARLY REPORT

For the Period Ended December 31, 2018

NISHAT POWER LIMITED

POWERING
A CONNECTED LIFE

CONTENTS

CORPORATE PROFILE

BOARD OF DIRECTORS

Mian Hassan Mansha	Chief Executive/Director
Mr. Khalid Qadeer Qureshi	Chairman
Mr. Ahmad Aqeel	
Mr. Yousaf Bashir	
Mr. Ghazanfar Hussain Mirza	
Mr. Mahmood Akthar	
Mr. Shahzad Ahmad Malik	

AUDIT COMMITTEE

Mr. Yousuf Bashir	Member
Mr. Shahzad Ahmad Malik	Member
Mr. Ahmad Aqeel	Member / Chairman

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mian Hassan Mansha	Member
Mr. Ahmad Aqeel	Member / Chairman
Mr. Ghazanfar Hussain Mirza	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
Dubai Islamic Bank Pakistan Limited
Albaraka Bank Pakistan Limited
The Bank of Punjab
MCB Bank Limited
Pak Kuwait Investment Co. Limited
Pak Brunei Investment Co. Limited
MCB Islamic Bank Limited
Bank Al-Habib 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, 2018.

FINANCIAL AND OPERATIONAL RESULTS:

During the period, the Company had turnover of Rs 8,917 million (December 2017: Rs 8,049 million), against operating cost of Rs 6,440 million (December 2017: Rs 5,888 million) resulting in a gross profit of Rs 2,477 million (December 2017: Rs 2,161 million). The Company earned profit before tax of Rs 1,899 million compared to Rs 1,669 million in the same period last year.

The current period's net profit after tax amounts to Rs 1,899 million resulting earnings per share of Rs 5.36 compared to profit after tax of Rs 1,669 million and earnings per share of Rs 4.71 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 favourable Expert determination and Final Arbitration Award, management strongly feels that under the terms of the PPA and Implementation Agreement, 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.

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 31, 2018 stand at Rs 14,187 million (June 2018: Rs 13,047 million), out of which overdue receivables are Rs 12,403 million (June 2018: Rs 9,562 million).

The plant operated at optimal efficiency and dispatched 422 GWh of electricity to its customer NTDCL during the period, with 48.95% (December 2017: 69.54%) average capacity factor.

The management of the company had applied to the Securities & Exchange Commission of Pakistan ('SECP') for the exemption from the requirements of section 228(7) of the Companies Act, 2017, in respect of consolidating Lalpir Solar Power (Pvt) Limited ('LSPPL'), a wholly owned subsidiary of the Company. The SECP, vide its letter EMD/233/744/09-1501 dated June 06, 2018, granted the exemption from consolidation of LSPPL in its financial statements for the year ended June 30, 2018 till third quarter of financial year ending June 30, 2019, under Section 228(7) of the Companies Act, 2017 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.

Financial statements of LSPPL for the year ended June 30, 2018, are available to members at registered office of the company and will be sent to members on request without any cost.

COMPOSITION OF BOARD:

Total number of Directors:		
(a)	Male	7
(b)	Female:	0
Composition:		
(i)	Independent Directors	2
(ii)	Other Non-executive Directors	3
(iii)	Executive Directors	2

COMMITTEES OF THE BOARD:

Audit Committee of the Board:

Sr. #	Name of Directors	
1	Mr. Ahmad Aqeel	(Chairman)
2	Mr. Yousaf Bashir	
3	Mr. Shahzad Ahmad Malik	

Human Resource and Remuneration Committee:

Sr. #	Name of Directors	
1	Mr. Ahmad Aqeel	(Chairman)
2	Mian Hassan Mansha	
3	Mr. Ghazanfar Hussain Mirza	

DIRECTORS' REMUNERATION:

The company only pays meeting fee in terms of remuneration to its non-executive and independent directors. Aggregate amount of remuneration paid to executive and non-executive directors have been disclosed in note 14 of the annexed condensed interim financial information.

ACKNOWLEDGEMENTS

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

For and on behalf of Board of Directors

Chief Executive Officer
Lahore: February 20, 2019

Director

مجلس نظماء کی رپورٹ:

نشاط پاور لمیٹڈ (کمپنی) کی مجلس نظماء 31 دسمبر 2018 مختتمہ ششماہی کے لئے بیرونی محاسب کی طرف سے ریوو کی گئی عبوری مالیاتی گوشوارے کی رپورٹ پیش کرتی ہے۔

مالیاتی اور کاروباری نتائج:

حالیہ مدت کے دوران کمپنی کو 6,440 ملین روپے (دسمبر 2017: 5,888 ملین روپے) کی آپریٹنگ لاگت کے عوض 8,917 ملین روپے (دسمبر 2017 : 8,049 ملین روپے) کی وصولیاں ہوئیں ہیں، جس کے نتیجہ میں 2,477 ملین روپے (دسمبر 2017: 2,161 ملین روپے) کا مجموعی منافع ہوا ہے۔ کمپنی نے گزشتہ سال اسی مدت میں 1,669 ملین روپے کے مقابلے میں 1,899 ملین روپے قبل از ٹیکس منافع کمایا ہے۔

گزشتہ سال کی اسی مدت میں 4.71 روپے فی حصص آمدن اور 1,669 ملین روپے بعد از ٹیکس منافع کے مترادف 5.36 روپے فی حصص آمدن اور 1,899 ملین روپے بعد از ٹیکس خالص منافع ہوا ہے۔

تجارتی قرضوں میں نیشنل ٹرانسمیشن اینڈ ڈسپیچ کمپنی لمیٹڈ ('NTDCL') کی طرف سے کپیسٹی پرچیز 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، ایکسپرٹ کے تعین اور آربٹریشن ایوارڈ کے مطابق، انتظامیہ محسوس کرتی ہے کہ PPA اور امپلی منٹیشن معاہدہ کی شرائط کے تحت ایسی رقوم کی واپسی کا امکان ہے۔ چنانچہ اس عبوری 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۔ 30 دسمبر 2018 کو NTDCL سے کل وصولی 14,187 ملین روپے (جون 2018: 13,047 ملین روپے) ہے، جن میں سے 12,403 ملین روپے (جون 2018: 9,562 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 48.95 فیصد (دسمبر 2017 : 69.54 فیصد) صلاحیت کے ساتھ 422GWh 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 کمپنیز ایکٹ 2017، کی دفعہ (3)228 کے تقاضوں سے رعائت کے لئے ایس ای سی پی کو درخواست گذاری تھی۔ ایس ای سی پی نے اپنے خط EMD/233/744/2009-1501 مورخہ 06 جون 2018، کی رو سے کمپنیز ایکٹ 2017، کی دفعہ (3)228 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 رعائت ہے۔ برائے مہربانی نوٹ 9.1 ملاحظہ فرمائیں۔

اظہار تشکر

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

برائے اور منجانب بورڈ آف ڈائریکٹرز

چیف ایگزیکٹو آفیسر	**ڈائریکٹر**

لاہور: 20 فروری 2019ء

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF NISHAT POWER LIMITED
REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Nishat Power Limited as at December 31, 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three-month periods ended December 31, 2017 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2018.

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

Conclusion

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

The engagement partner on the audit resulting in this independent auditor's report is Khurram Akbar Khan.

Emphasis of matter

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

A.F. Ferguson & Co.
Chartered Accountants,

Lahore: February 20, 2019

CONDENSED INTERIM
STATEMENT OF FINANCIAL POSITION (Un-audited)
AS AT DECEMBER 31, 2018

	Note	Un-audited December 31, 2018	Audited June 30, 2018
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised share capital 500,000,000 (June 30, 2018: 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, 2018: 354,088,500) ordinary shares of Rs 10 each		3,540,885	3,540,885
Revenue reserve: Un-appropriated profit		14,228,096	12,860,551
		17,768,981	16,401,436
NON-CURRENT LIABILITY			
Long term financing - secured	6	1,892,270	3,040,170
CURRENT LIABILITIES			
Current portion of long term financing - secured	6	2,212,574	2,052,155
Short term borrowings - secured		4,509,919	4,578,891
Trade and other payables		214,111	637,586
Unclaimed dividend		17,820	15,001
Accrued finance cost		211,070	182,486
		7,165,494	7,466,119
CONTINGENCIES AND COMMITMENTS	7		
		26,826,745	26,907,725

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

CHIEF EXECUTIVE

	Note	Un-audited December 31, 2018	Audited June 30, 2018
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	8	10,428,708	10,658,095
Long term investments	9	1,000	1,000
Long term loans and advances		89	231
		10,429,797	10,659,326
CURRENT ASSETS			
Stores, spares and loose tools		795,033	924,777
Inventories		949,316	1,569,339
Trade debts - secured	10	13,643,338	12,328,941
Advances, deposits, prepayments and other receivables		957,590	1,254,999
Income tax receivable		32,038	30,038
Cash and bank balances		19,633	140,305
		16,396,948	16,248,399
		26,826,745	26,907,725

CHIEF FINANCIAL OFFICER

DIRECTOR

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-audited)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

	Note	Quarter ended December 31, 2018	Quarter ended December 31, 2017	Half year ended December 31, 2018	Half year ended December 31, 2017
		(Rupees in thousand)		(Rupees in thousand)	
Sales		3,071,379	3,484,674	8,917,570	8,048,977
Cost of sales	11	(1,870,804)	(2,448,647)	(6,440,282)	(5,887,828)
Gross profit		1,200,575	1,036,027	2,477,288	2,161,149
Administrative expenses		(59,922)	(81,708)	(131,592)	(159,599)
Other expenses		(1,596)	(596)	(2,962)	(3,217)
Other income		2,142	30,652	3,962	31,705
Finance cost		(226,410)	(175,972)	(448,018)	(359,789)
Share of loss of associate		-	(834)	-	(843)
Profit before taxation		914,789	807,569	1,898,678	1,669,406
Taxation		-	-	-	-
Profit for the period		914,789	807,569	1,898,678	1,669,406
Earnings per share - basic and diluted (in Rupees)		2.584	2.281	5.362	4.715

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

CHIEF EXECUTIVE　　　CHIEF FINANCIAL OFFICER　　　DIRECTOR

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

	Quarter ended		Half year ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Rupees in thousand)		(Rupees in thousand)	
Profit for the period	914,789	807,569	1,898,678	1,669,406
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	914,789	807,569	1,898,678	1,669,406

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

CHIEF EXECUTIVE　　CHIEF FINANCIAL OFFICER　　DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Share capital	Revenue reserve: Un-appropriated profit	Total
	(Rupees in thousand)		
Balance as on July 01, 2017 (audited)	3,540,885	10,357,312	13,898,197
Profit for the period	-	1,669,406	1,669,406
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	1,669,406	1,669,406
Total contributions by and distributions to owners of the company recognised directly in equity			
Final dividend for the year ended June 30, 2017 @ Rupees 2 per share	-	(708,177)	(708,177)
Balance as on December 31, 2017 (un-audited)	3,540,885	11,318,541	14,859,426
Balance as on July 01, 2018 (audited)	3,540,885	12,860,551	16,401,436
Profit for the period	-	1,898,678	1,898,678
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	1,898,678	1,898,678
Total contributions by and distributions to owners of the company recognised directly in equity			
Final dividend for the year ended June 30, 2018 @ Rupees 1.5 per share	-	(531,133)	(531,133)
Balance as on December 31, 2018 (un-audited)	3,540,885	14,228,096	17,768,981

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Note	Half year ended December 31, 2018	Half year ended December 31, 2017
		(Rupees in thousand)	
Cash generated from operations	12	2,116,952	1,027,366
Finance cost paid		(419,433)	(373,618)
Income tax paid		(2,001)	(2,874)
Long term loans and advances recovered		142	1,221
Retirement benefits paid		(10,635)	(9,858)
Net cash inflow from operating activities		1,685,025	642,237
Cash flows from investing activities			
Purchase of fixed assets		(221,475)	(138,312)
Proceeds from disposal of operating fixed assets		62	42
Investment in equity securities of subsidiary		-	(500)
Profit on bank deposits received		1,305	1,126
Net cash outflow from investing activities		(220,108)	(137,644)
Cash flows from financing activities			
Repayment of long term financing		(987,481)	(849,482)
Dividend paid		(529,136)	(703,250)
Net cash outflow from financing activities		(1,516,617)	(1,552,732)
Net decrease in cash and cash equivalents		(51,700)	(1,048,139)
Cash and cash equivalents at the beginning of the period		(4,438,586)	(1,636,376)
Cash and cash equivalents at the end of the period	13	(4,490,286)	(2,684,515)

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

1. THE COMPANY AND ITS ACTIVITIES

Nishat Power Limited (the 'company') is a public company limited by shares incorporated in Pakistan on February 23, 2007 under the repealed Companies Ordinance, 1984 (now, the Companies Act, 2017). The company is a subsidiary of Nishat Mills Limited, Pakistan. 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

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 This condensed interim financial information is un-audited and is being submitted to the members as required by section 237 of the Companies Act, 2017 (the "Act").

This condensed interim financial information does not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2018. Selected explanatory notes are included to explain events and transactions that are significant to and understanding of the changes in the company's financial position and performance since the last financial statements.

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 accounting and reporting standards as applicable in Pakistan. 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, 2018 except for the adoption of new and amended standards as set out below:

3.2 Standards, amendments and interpretations to International Financial Reporting Standards (IFRS) that are effective in the current period

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2018, but are considered not to be relevant or to have any significant effect on the company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in this condensed interim financial information, except for IFRS 15, 'Revenue from Contracts with Customers'. The impact of the adoption of this standard and new accounting policy is disclosed in note 3.4 below.

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

The Securities and Exchange Commission of Pakistan ('SECP') through SRO 1007(I)/2017 dated October 4, 2017 had notified that IFRS 9, 'Financial Instruments' would be applicable for annual periods beginning on or after July 1, 2018, however, subsequent to reporting date, SECP through SRO 229(I)/2019 dated February 14, 2019 has notified the deferment of this standard to reporting period/year ending on or after June 30, 2019 (earlier application is permitted). Consequently, the company has not adopted this standard in the preparation of this condensed interim financial information for the half year ended December 31, 2018.

This standard replaces the guidance in IAS 39, 'Financial Instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. As allowed above, the company will apply this standard in the preparation of its financial statements for the year ending June 30, 2019 and it is yet to assess the full impact of this standard.

Further, the following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting period beginning on July 1, 2019, and the company has not early adopted them:

	Effective date (accounting periods beginning on or after)
IFRS 16 'Leases'	January 01, 2019
IFRIC 23 'Uncertainty over income tax treatments'	January 01, 2019

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

3.4 New accounting policy and impact thereof

3.4.1 IFRS 15, 'Revenue from contracts with customers'

New accounting policy

Revenue from the sale of electricity to NTDC, the sole customer of the company, is recorded on the following basis:

- Capacity revenue is recognised based on the capacity made available to NTDC; and

- Energy revenue is recognised based on the Net Electrical Output (NEO) delivered to NTDC.

Capacity and Energy revenue is recognised based on the rates determined under the mechanism laid down in the PPA. Interest income on bank deposits and delayed payment income on amounts due under the PPA is accrued on a time proportion basis by reference to the principal/amount outstanding and the applicable rate of return."

Impact of adoption

The company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognise the cumulative effect of initially applying IFRS

15 as an adjustment to the opening balance of un-appropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any impact on the revenue recognition policy of the company and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of un-appropriated profit in the period of initial application is nil.

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, 2018.

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, 2018.

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

The reconciliation of the carrying amount is as follows:

	Un-audited December 31, 2018	Audited June 30, 2018
	(Rupees in thousand)	
Opening balance	5,092,325	6,857,693
Less: Repayments during the period/year	987,481	1,765,368
	4,104,844	5,092,325
Less: Current portion shown under current liabilities	2,212,574	2,052,155
	1,892,270	3,040,170

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There is no significant change in contingencies i.e. (contingent liabilities and contingent asset) from the preceding annual published financial statements of the company for the year ended June 30, 2018 except for the letters of guarantee of Rs 100 million (June 30, 2018: Rs 190.484 million) issued in favour of fuel suppliers.

7.2 Commitments

(i) Letters of credit and contracts for other than capital expenditure aggregating Rs 65.699 million (June 30, 2018: Rs 140.210 million).

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

	Un-audited December 31, 2018	Audited June 30, 2018
	(Rupees in thousand)	
Not later than one year	3,894	3,894

8. FIXED ASSETS

		Un-audited December 31, 2018	Audited June 30, 2018
Property, plant and equipment:			
Operating fixed assets	- note 8.1	10,160,895	10,449,604
Capital work-in-progress		104,163	14,284
Major spare parts and standby equipment		160,129	189,932
		10,425,187	10,653,820
Intangible asset:			
Computer software		3,521	4,275
		10,428,708	10,658,095

8.1 Operating fixed assets

		Un-audited December 31, 2018	Audited June 30, 2018
Opening book value		10,449,604	11,290,732
Additions during the period/year	- note 8.1.1	161,399	135,930
Book value of deletions during the period/year		(616)	(1,048)
Depreciation charged during the period/year		(449,492)	(976,010)
Closing book value		10,160,895	10,449,604

8.1.1 Additions during the period / year

	Un-audited December 31, 2018	Audited June 30, 2018
Buildings on freehold land	15,921	-
Plant and machinery	140,092	118,222
Computer equipment	1,625	3,137
Furniture and fixtures	522	1,287
Office equipment	65	3,929
Vehicles	3,174	9,355
	161,399	135,930

		Un-audited December 31, 2018	Audited June 30, 2018
		(Rupees in thousand)	
9. Long term investments			
Investment in associate		-	-
Investment in subsidiary	- note 9.1	1,000	1,000
		1,000	1,000
9.1 Invesment in subsidiary			
Unquoted: Lalpir Solar Power (Private) Limited ('LSPPL')			
100,000 (June 30, 2018: 100,000) fully paid ordinary shares of Rs 10 each [Equity held 100% (June 30, 2018: 100%)] - Cost		1,000	1,000

The management of the company had applied to the SECP for the exemption from the requirements of section 228(7) of the Companies Act, 2017, in respect of consolidating LSPPL. The SECP, vide its letter EMD/233/744/09-1501 dated June 06, 2018, granted the exemption from consolidation of LSPPL in its financial statements for the year ended June 30, 2018 till third quarter of financial year ending June 30, 2019, under section 228(7) of the Companies Act, 2017 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, revenue and its assets and liabilities as per un-audited condensed interim financial information for the half year ended December 31, 2018 are as under:

Name	Percentage interest held	(Rupees in thousand) Assets	Liabilities	Revenues	Profit
Lalpir Solar Power (Private) Limited	100%	4,874	4,700	-	1

10. 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 in 2013 and on January 25, 2018, the Supreme Court disposed off the petitions filed before it. During the financial year

2014, the company in consultation with NTDC, appointed an Expert for dispute resolution under the PPA.

During the financial year 2016, the Expert gave his determination whereby the aforesaid amount was determined to be payable to the company by 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. The company filed a request for arbitration in the London Court of International Arbitration ('LCIA'), whereby an Arbitrator was appointed.

In October 2015, the Government of Pakistan ('GOP') through Private Power & Infrastructure Board ('PPIB') filed a case in the court of Senior Civil Judge, ("Civil Case 2015"), Lahore, against the aforementioned decision of the Expert, praying it to be illegal, which is pending adjudication.

Consequently, invitation to participate in arbitration was issued to the PPIB/GOP. PPIB filed separate Civil Suit before the Civil Judge, Lahore, seeking inter alia that the parties should be restrained from participating in the arbitration proceedings in the LCIA ("Civil Case 2016"). The company filed applications in the Civil Court where the company prayed that the Civil Court, Lahore lacks the jurisdiction in respect of the cases filed by PPIB. In respect of the aforementioned applications, through its orders dated April 18, 2017, the Civil Court, Lahore rejected company's pray and granted the pray of PPIB whereby, the court accepted PPIB's applications for interim relief in 2015 and 2016 Civil Suits. Being aggrieved, the company challenged before the Additional District Judge, Lahore against the aforementioned orders of the Civil Court and continued to take part in the arbitration proceedings. Furthermore, in response to the company's continued participation in the arbitration proceedings, PPIB filed contempt petition before Lahore High Court ('LHC') in respect of the decision of the Civil Court, Lahore and the LHC passed an order in those proceedings. The Company challenged the LHC's order before the Division Bench of LHC, which decided the matter in favour of the company through its order dated May 31, 2017 whereby, the aforementioned order of the LHC was suspended.

The Arbitrator, on June 08, 2017, declared his Partial Final Award and decided the matter principally in company's favour and declared that the above mentioned Expert's determination is final and binding on all parties ("Final Partial Award").

Aggrieved by the Partial Final Award, NTDC challenged the Arbitrator's decision in Lahore Civil Court ("Civil Case 2017"), which suspended the Final Partial Award on July 10, 2017. In response to this decision of Civil Court, the company filed a revision petition in District Court and the District Court ("District Case 2017") while granting interim relief to the company, suspended the Civil Court's order on August 12, 2017. Alongwith challenging the Final Partial Award in Lahore Civil Court, NTDC also challenged the same, on July 06, 2017, in Commercial Court of England. As per advice of foreign legal counsel, the company also filed a case for anti suit injunction in Commercial Court of England against NTDC on August 14, 2017.

The District Judge, Lahore through its order dated July 8, 2017 set-aside the aforementioned orders of the Civil Judge, Lahore dated April 18, 2017 and accepted company's appeals but dismissed the company's revision petitions concerning the issue of jurisdiction. Aggrieved by this decision, (i) the company filed writ petitions before the LHC, which announced a favourable decision and suspended the proceedings of Civil Cases 2015 and 2016 till the final decision of LHC; and (ii) GOP/PPIB filed revision petitions in the LHC, which are currently pending adjudication.

On October 29, 2017, the Arbitrator declared his Final Award whereby he ordered NTDC to pay to the company: i) Rs 816.033 million pursuant to Expert's determination; ii) Rs 189.385 million being Pre award interest; iii) Rs 9.203 million for breach of arbitration agreement; iv) Rs 1.684 million and USD 612,310 for the company's cost of proceedings; v) GBP 30,157 for company's LCIA cost of Arbitration and vi) Interest at KIBOR + 4.5% compounded semiannually from the date of Final Award until payment of these amounts by NTDC ("the Final Award") that works out to Rs 141.121 million upto December 31, 2018.

On November 24, 2017, NTDC challenged the Final Award in Commercial Court of England. On November 29, 2017, company filed an application before Lahore High Court for implementation of Final Award that is also pending adjudication. During the hearing held in December 2017 in London, NTDC withdrew its petitions dated July 06, 2017 and November 24, 2017 filed before Commercial Court of England against the company, pertaining to Partial Final Award and Final Award respectively.

On May 4, 2018, Commercial Court of England issued a favourable decision in the case of anti suit injunction, thereby preventing NTDC from pursuing case in Pakistan Civil Courts against Partial Final Award/Final Award and taking any steps outside England to set aside Partial Final Award/Final Award issued by the Arbitrator. Aggrieved by this decision, NTDC had sought permission to file an appeal before the Court of Appeals, London, which was rejected by the Court on October 04, 2018.

Based on the favourable Expert's determination and Arbitration Award, management strongly feels that under the terms of the PPA and Implementation Agreement, the above amount of Rs 816.033 million is likely to be recovered by the company. Consequently, no provision for this amount has been made in these financial statements.

Further, being prudent, the company has not recognised the abovementioned amounts in these financial statements for Pre-award interest, breach of arbitration agreement, company's cost of proceedings, company's LCIA cost of Arbitration and interest thereon on all these amounts as per Final Award due to its uncertainty since it is pending adjudication as mentioned above. Such amounts as per Final Award would be recognized when it attains finality and it is certain.

11. COST OF SALES

	Un-audited Quarter ended		Un-audited Half year ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Rupees in thousand)		(Rupees in thousand)	
Raw materials consumed	1,428,071	2,037,901	5,491,663	5,032,382
Salaries and other benefits	53,257	58,139	135,463	123,223
Repairs and maintenance	9,596	3,624	15,694	8,758
Stores, spares and loose tools consumed	104,000	81,899	204,349	147,684
Electricity consumed in-house	6,743	2,653	7,945	2,905
Insurance	54,205	40,856	105,703	81,989
Travelling and conveyance	6,060	4,804	12,151	9,538
Printing and stationery	276	145	457	343
Postage and telephone	187	168	385	281
Vehicle running expenses	857	515	1,415	990
Entertainment	546	427	1,583	773
Depreciation on operating fixed assets	192,878	212,696	435,609	455,327
Amortization of intangible asset	377	377	754	754
Fee and subscription	950	961	1,967	2,197
Miscellaneous	12,801	3,482	25,144	20,684
	1,870,804	2,448,647	6,440,282	5,887,828

	Un-audited Half year ended	
	December 31, 2018	December 31, 2017
	(Rupees in thousand)	
12. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,898,678	1,669,406
Adjustment for non cash charges and other items:		
Depreciation on operating fixed assets	449,492	469,511
Amortization on intangible assets	754	754
Profit on bank deposits	(731)	(1,304)
Finance cost	448,018	359,789
Provision for employee retirement benefits	10,635	9,858
Loss/ (gain) on disposal of operating fixed assets	554	(29)
Share of loss of associate	-	843
Profit before working capital changes	2,807,400	2,508,828
Effect on cash flow due to working capital changes:		
Decrease/ (increase) in current assets		
Stores, spares and loose tools	129,744	(116,723)
Inventories	620,023	151,939
Trade debts	(1,314,397)	(1,386,863)
Advances, deposits, prepayments and other receivables	297,657	(27,992)
	(266,973)	(1,379,639)
Increase/(decrease) in current liabilities		
Trade and other payables	(426,294)	(96,895)
Unclaimed dividend	2,819	(4,928)
	(423,475)	(101,823)
	(690,448)	(1,481,462)
	2,116,952	1,027,366

13. CASH AND CASH EQUIVALENTS

Cash and bank balances	19,633	33,958
Short term borrowings - secured	(4,509,919)	(2,718,473)
	(4,490,286)	(2,684,515)

14. TRANSACTIONS WITH RELATED PARTIES

The related parties include the holding entity, subsidiaries and associates of the holding entity, group entities, related parties on the basis of common directorship, key management personnel of the company and its holding entity and post employment benefit plan (Provident Fund). The company in the normal course of business carries out transactions with various related parties. Significant transactions and balances with related parties are as follows:

Relationship with the company	Nature of transactions	Un-audited Half year ended December 31, 2018	Un-audited Half year ended December 31, 2017
		(Rupees in thousand)	
i. Holding company	Dividends	270,949	361,266
ii. Companies on the basis of common directorship	Purchases of goods and services	28,192	23,147
	Rental expense	6,231	6,231
	Insurance premium	105,834	83,396
iii. Group entity	Interest on deposit accounts	1,033	557
	Insurance Premium	2,846	2,943
iv. Post employment benefit plan	Expense charged in respect of retirement benefit plan	10,635	9,858
v. Key management personnel	Remuneration	17,774	17,042
	Dividends	6	8

	Un-audited December 31, 2018	Audited June 30, 2018
	(Rupees in thousand)	
Period end balances		
Payable to related parties		
- Companies on the basis of common directorship	16,310	-
- Group entity	-	5,289
Bank deposits with related parties		
- Group entity	16,130	19,627
Receivable from related parties		
- Subsidiary	4,373	4,373
- Group entity	1,845	5,613
- Entities on the basis of common directorship	1,167	-

15. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

The company's financial position and performance was particularly affected by the following events and transactions during the interim reporting period:

- additions to operating fixed assets aggregating Rs 161.399 million (refer to note 8);

- repaid principal on long term finance aggregating Rs 987.481 million (refer to note 6); and

- dividends paid amounting to Rs 529.136 million (refer to statement of cashflows).

16. DATE OF AUTHORISATION FOR ISSUE

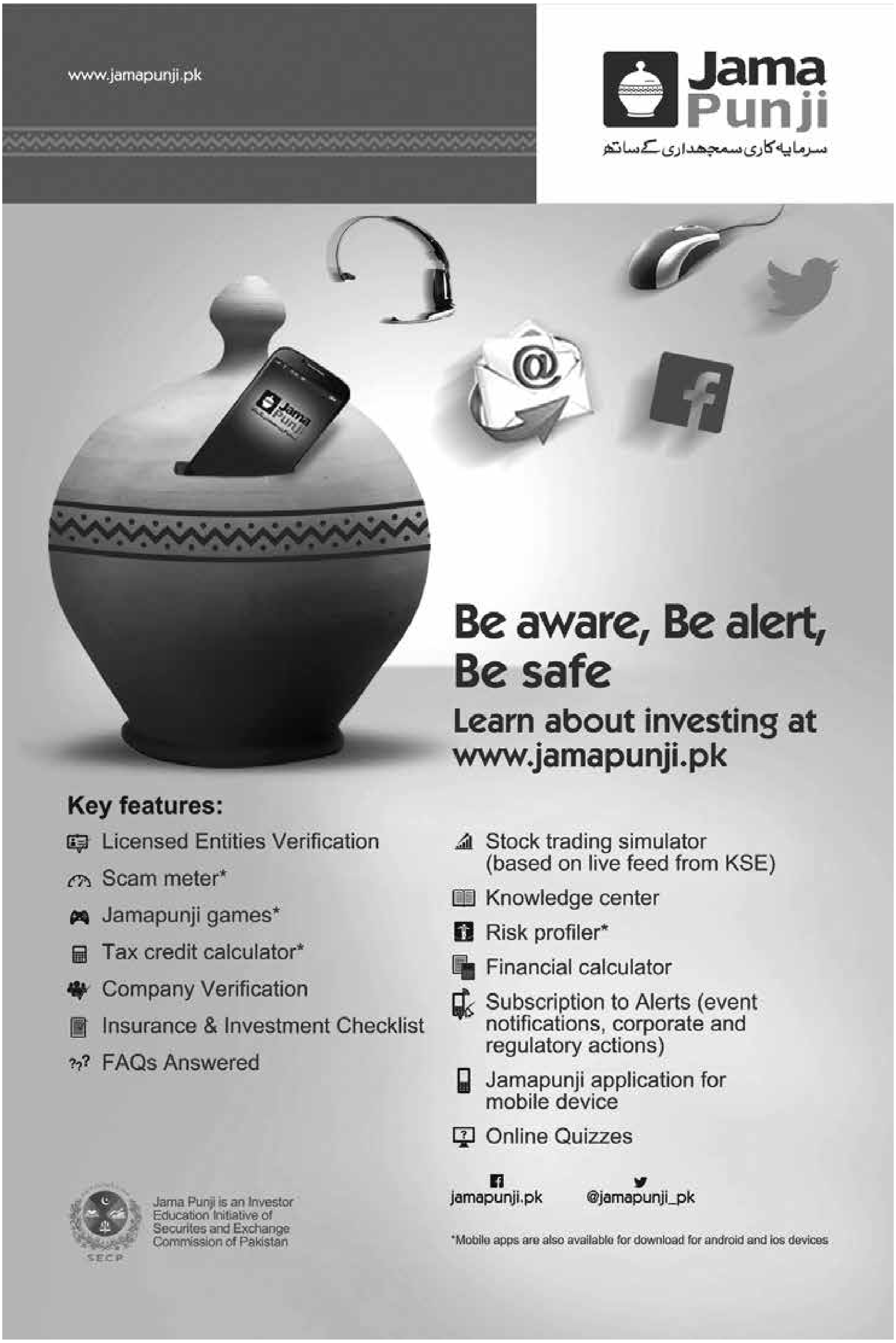
This condensed interim financial information was authorized for issue on February 20, 2019 by the Board of Directors of the company.

17. CORRESPONDING FIGURES

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

Corresponding figures have been reclassified wherever necessary to reflect better presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, no significant reclassifications have been made.

CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER	DIRECTOR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