



Interim Financial Information
Half Year Ended December 31, 2019
(Unaudited)



**NISHAT
CHUNIAN**
POWER LTD.

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COMPANY INFORMATION

Board of Directors:

Mrs. Farhat Saleem
Chairperson
Mr. Shahzad Saleem
Director
Ms. Ayesha Shahzad
Director
Mr. Farrukh Ifzal
Chief Executive Officer
Mr. Syed Tariq Ali
Director
Mr. Aftab Ahmad Khan
Director
Mr. Muhammad Azam
Director
Mr. Muhammad Ashraf
Director
Mr. Shabbir Ahmad
Director

AUDIT COMMITTEE AND HR & R COMMITTEE:

Mr. Muhammad Azam
Chairman
Mr. Aftab Ahmad Khan
Director
Mr. Shabbir Ahmad
Director

CHIEF EXECUTIVE OFFICER:

Mr. Farrukh Ifzal

CHIEF FINANCIAL OFFICER:

Mr. Muhammad Bilal

COMPANY SECRETARY:

Mr. Syed Tasawar Hussain

BANKERS TO THE COMPANY:

Allied Bank Limited
Askari Bank Limited
Habib Bank Limited
MCB Bank Limited

United Bank Limited
National Bank of Pakistan
Faysal Bank Limited
Summit Bank Limited
Sindh Bank Limited
Bank Alfalah Limited
Habib Metropolitan Bank Limited
Al Baraka Bank (Pakistan) Limited
Meezan Bank Limited
The Bank of Punjab
Dubai Islamic Bank Pakistan Limited
Bank Islami Limited

AUDITORS:

Riaz Ahmad & Company
Chartered Accountants

LEGAL ADVISERS:

Faisal & Partners
Advocates & Solicitors

Cornelius Lane & Mufti
Advocates & Solicitors

REGISTERED & HEAD OFFICE:

31-Q, Gulberg II,
Lahore, Pakistan.
Ph: 042-35761730
Fax: 042-35878696-97
www.nishat.net

SHARE REGISTRAR:

Hameed Majeed Associates (Pvt) Limited
1st Floor, H.M. House
7-Bank Square, Lahore
Ph: 042-37235081-2
Fax: 042-37358817

PLANT:

66-Km, Multan Raod, Pattoki
Kasur.

DIRECTOR'S REVIEW

Dear Shareholders,

The Board is pleased to present condensed interim un-audited financial information of the company for the quarter and half year ended December 31, 2019. For the half-year, turnover was PKR 7.78 billion (2018: PKR 8.48 billion) with an after-tax profit of PKR 2.10 billion (2018: PKR 1.85 billion) and an Earning Per Share (EPS) of PKR 5.71 (2018: PKR 5.05).

Another important aspect is reiterated that the long-term loan for the company is for a period of 10 years from the Commercial Operations Date (July 21, 2010) and the tariff structure is such that principal payment is being received as part of the revenue. Therefore, our profit for the first ten years is overstated and we foresee a drop in the profit amount from the eleventh year onwards. Given our long-term loan will be fully paid by July 2020, we expect a drastic fall in our profits from the fiscal year 2021 and onwards. In the current period, profit after tax includes PKR 1.3 billion in respect of long term loan repayment.

Circular Debt

Circular debt continues to be an issue and risk for companies operating in the power sector. Liquidity management remained challenging during the period. As of December 31, 2019, our total receivables from Power Purchaser have amplified to PKR 19.55 billion, out of which PKR 16.43 billion were overdue. It is pertinent to note here that delayed payment invoices since August 2014 are unpaid.

The Power Purchaser has consistently failed to make timely payments to the company. This matter has become critical enough that it is affecting the ability of the company to meet its commitments on time. The company continues to take up the matter of overdue receivables not only with Power Purchaser but also with the Ministry of Water and Power through Private Power & Infrastructure Board (PPIB) by giving notices of default pursuant to provisions of Power Purchase and Implementation Agreements.

Trade debts include an amount of PKR 966 million relating to capacity purchase price not acknowledged by NTDC. For further details, please refer to note 7 of these condensed interim un-audited financial information.

During the half-year ended December 31, 2019, availability of the plant was 85.47% with a capacity factor of 29.65%.

Acknowledgement

The Directors would also like to express their deep appreciation for the services, loyalty, and effort rendered by the employees of the Company and hope that they will continue to do so in the future.

Dated: February 27, 2020
Lahore

Chief Executive

Director

DIRECTOR'S REVIEW

مجلس نظاماء کی رپورٹ

محترم حصص داران،

بورڈ 31 دسمبر، 2019 کو ختم ہونے والی سہ ماہی اور ششماہی کے لئے کمپنی کی غیر محاسب شدہ عبوری مالی معلومات پیش کرنے پر خوش ہے۔ ششماہی کے لیے کل وصولی 7.78 ارب (2018: 8.48 ارب) (معد بعد از ٹیکس منافع 12.10 ارب (2018: 1.85 ارب) (اور فی شیئر آمدنی 5.71 روپے (2018: 5.05) تھی۔

ایک اور اہم پہلو کا اعادہ کیا گیا ہے کہ کمپنی کے لئے طویل مدتی قرض کمرشل آپریشنز کی تاریخ (21 جولائی، 2010) سے 10 سال کی مدت کے لئے ہے اور محصولات کا ڈھانچہ اس طرح ہے کہ محصول کو محصول کے طور پر ادائیگی وصول کی جارہی ہے۔ لہذا، پہلے دس سالوں میں ہمارا منافع بڑھا ہوا ہے اور ہم گیارہویں سال کے بعد سے منافع کی رقم میں کمی کی پیش گوئی کرتے ہیں۔ ہمارے دیرینہ مدت کے قرض کو جولائی 2020 تک پوری ادائیگی کر دی جائے گی، ہم توقع کرتے ہیں کہ مالی سال 2021 اور اس کے بعد ہمارے منافع میں زبردست کمی واقع ہوگی۔ موجودہ مدت میں، ٹیکس کے بعد منافع میں 1.3 بلین طویل مدتی قرض کی ادائیگی کے شامل ہیں۔

گردشی قرضے

گردشی قرضے بجلی کے شعبے میں کام کرنے والی کمپنیوں کے لئے ایک مسئلہ اور خطرہ ہے۔ سال کے دوران میالیت کے اختلالات ایک مسئلہ رہے ہیں۔ 31 دسمبر، 2019 تک، پاور خریدار سے ہمارے وصول کردہ قابل حصول 19.55 بلین تک بڑھ گئے ہیں، جن میں سے 16.43 ارب کی واجب الادا رقم زائد المعیاد ہے۔ یہاں یہ امر قابل ذکر ہے کہ اگست 2014 سے تاخیر سے ادائیگی کی انوائس غیر معاوضہ ہیں۔

بجلی خریدار مسلسل کمپنی کو قوت پر ادائیگی کرنے میں ناکام رہا ہے۔ یہ معاملہ اس حد تک نازک ہو گیا ہے کہ اس سے کمپنی کی اپنے وعدوں کو بروقت پورا کرنے کی صلاحیت متاثر ہو رہی ہے۔ کمپنی واجب الادا رقم کا معاملہ نہ صرف پاور خریدار بلکہ وزارت پانی و بجلی بزریر PPIB سے بھی بزریر نوٹس اٹھائے ہوئے ہے۔

تجارتی قرض میں شامل ہے 966 ملین روپے کی رقم جو کمپنی پر چھوڑ پرائس سے متعلق ہے جس کا این ڈی سی نے اعتراف نہیں کیا۔ مزید تفصیلات کے لئے براہ کرم دسمبر 2019 کو ختم ہونے والی ششماہی کے لئے کمپنی کی غیر محاسب شدہ عبوری مالی معلومات کے 7 نمبر نوٹ کو دیکھیں۔

31 دسمبر، 2019 کو ختم ہونے والی ششماہی کے دوران، پلانٹ کی دستیابی 85.47٪ تھی جس کی گنجائش عنصر 29.65٪ ہے۔

اعتراف

ڈائریکٹر ز خدمات، وفاداری، اور کمپنی کے ملازمین کی طرف سے کی گئی کوششوں کے لئے ان کی گہری تعریف کا اظہار کرتے ہیں اور امید کرتے ہیں کہ آئندہ بھی وہ یہ کام جاری رکھیں گے۔

تاریخ: 27 فروری، 2020

لاہور

ڈائریکٹر

چیف ایگزیکٹو

Introduction

We have reviewed the accompanying condensed interim statement of financial position of NISHAT CHUNIAN POWER LIMITED as at 31 December 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended 31 December 2019 and 31 December 2018 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2019.

Scope of Review

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

Conclusion

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

Emphasis of matter

Without qualifying our conclusion, we draw attention to note 7 to the accompanying condensed interim financial statements, which describes the matter regarding recoverability of certain trade debts.

Other matter

The condensed interim financial statements for the half year ended 31 December 2018 and financial statements for the year ended 30 June 2019 were reviewed / audited by another firm of Chartered Accountants whose review report dated 27 February 2019 and auditor's report dated 30 September 2019 expressed unqualified conclusion / opinion.

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

Date: February 27, 2020

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NISHAT CHUNIAN POWER LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

AS AT DECEMBER 31, 2019

		Un-audited 31 December 2019 (Rupees in thousand)	Audited 30 June 2019
	Note		
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
385,000,000 (30 June 2019: 385,000,000)			
ordinary shares of Rupees 10 each		<u>3,850,000</u>	<u>3,850,000</u>
Issued, subscribed and paid-up share capital			
367,346,939 (30 June 2019: 367,346,939)			
ordinary shares of Rupees 10 each		3,673,469	3,673,469
Revenue reserve - unappropriated profit		<u>12,784,552</u>	<u>10,686,701</u>
Total equity		<u>16,458,021</u>	<u>14,360,170</u>
LIABILITIES			
NON-CURRENT LIABILITY			
Long term financing - secured	4	-	716,184
CURRENT LIABILITIES			
Trade and other payables		664,213	382,449
Accrued mark-up / profit		574,381	415,160
Short term borrowings		11,343,583	10,767,661
Short term loan from holding company - unsecured		1,000,000	-
Current portion of long term financing	4	2,070,418	2,610,585
Unclaimed dividend		19,192	318,554
		<u>15,671,787</u>	<u>14,494,409</u>
TOTAL LIABILITIES		<u>15,671,787</u>	<u>15,210,593</u>
CONTINGENCIES AND COMMITMENTS	5		
TOTAL EQUITY AND LIABILITIES		<u>32,129,808</u>	<u>29,570,763</u>

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

NISHAT CHUNIAN POWER LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

AS AT DECEMBER 31, 2019

		Un-audited 31 December 2019	Audited 30 June 2019
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	10,863,714	11,486,081
Intangible assets		6,373	8,530
Long term loans to employees		2,495	3,048
Long term security deposits		100	105
		<u>10,872,682</u>	<u>11,497,764</u>
CURRENT ASSETS			
Stores and spares		503,608	562,217
Inventories		272,596	1,076,755
Trade debts	7	19,377,641	15,430,602
Loans, advances, deposits, prepayments and other receivables		910,260	814,584
Income tax receivable		45,014	42,425
Bank balances		148,007	146,416
		<u>21,257,126</u>	<u>18,072,999</u>
TOTAL ASSETS		<u>32,129,808</u>	<u>29,570,763</u>

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

NISHAT CHUNIAN POWER LIMITED
CONDENSED INTERIM PROFIT OR LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2019

Note	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	----- (Rupees in thousand) -----			
SALES	7,782,328	8,481,574	2,356,291	3,320,437
COST OF SALES	8 (4,496,388)	(5,955,667)	(712,201)	(2,010,853)
GROSS PROFIT	3,285,940	2,525,907	1,644,090	1,309,584
ADMINISTRATIVE EXPENSES	(76,169)	(88,186)	(37,389)	(50,493)
OTHER EXPENSES	(599)	(4,186)	(191)	(2,279)
	(76,768)	(92,372)	(37,580)	(52,772)
	3,209,172	2,433,535	1,606,510	1,256,812
OTHER INCOME	22,661	14,430	10,022	6,892
PROFIT FROM OPERATIONS	3,231,833	2,447,965	1,616,532	1,263,704
FINANCE COST	(1,133,982)	(593,657)	(586,587)	(306,805)
PROFIT BEFORE TAXATION	2,097,851	1,854,308	1,029,945	956,899
TAXATION	-	-	-	-
PROFIT AFTER TAXATION	2,097,851	1,854,308	1,029,945	956,899
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	5.71	5.05	2.80	2.60

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

NISHAT CHUNIAN POWER LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2019

HALF YEAR ENDED		QUARTER ENDED	
31 December 2019	31 December 2018	31 December 2019	31 December 2018

------(Rupees in thousand)-----

PROFIT AFTER TAXATION	2,097,851	1,854,308	1,029,945	956,899
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OTHER COMPREHENSIVE INCOME

Items that will not be reclassified to profit or loss

-	-	-	-
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Items that may be reclassified subsequently to profit or loss

-	-	-	-
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Other comprehensive income for the period

-	-	-	-
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TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

2,097,851	1,854,308	1,029,945	956,899
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The annexed notes form an integral part of these condensed interim financial statements.

 CHIEF EXECUTIVE

 DIRECTOR

 CHIEF FINANCIAL OFFICER

NISHAT CHUNIAN POWER LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	SHARE CAPITAL	REVENUE RESERVE - UNAPPROPRIATED PROFIT	TOTAL EQUITY
	(Rupees in thousand)		
Balance as at 30 June 2018 - audited	3,673,469	8,555,857	12,229,326
Transaction with owners:			
Final dividend for the year ended 30 June 2018 @ Rupees 1.50 per share	-	(551,020)	(551,020)
Profit for the period	-	1,854,308	1,854,308
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	1,854,308	1,854,308
Balance as at 31 December 2018 (un-audited)	3,673,469	9,859,145	13,532,614
Transactions with owners:			
Interim dividend for the quarter ended 31 December 2018 @ Rupee 1.00 per share	-	(367,347)	(367,347)
Interim dividend for the quarter ended 31 March 2019 @ Rupee 1.00 per share	-	(367,347)	(367,347)
	-	(734,694)	(734,694)
Profit for the period	-	1,562,250	1,562,250
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	1,562,250	1,562,250
Balance as at 30 June 2019 - audited	3,673,469	10,686,701	14,360,170
Profit for the period	-	2,097,851	2,097,851
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	2,097,851	2,097,851
Balance as at 31 December 2019 (un-audited)	3,673,469	12,784,552	16,458,021

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

NISHAT CHUNIAN POWER LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

Note	HALF YEAR ENDED		
	31 December 2019	31 December 2018	
	(Rupees in thousand)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	9	722,646	1,294,749
Finance cost paid		(974,761)	(551,379)
Net decrease in long term loans to employees		553	500
Income tax paid		(2,589)	(6,220)
Decrease in long term security deposits		5	-
Retirement benefit paid		(4,375)	(4,196)
Profit on bank deposits received		3,845	622
Net cash (used in) / generated from operating activities		(254,676)	734,076
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(40,281)	(553,501)
Proceeds from disposal of property, plant and equipment		276,339	3,832
Net cash from / (used in) investing activities		236,058	(549,669)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(1,256,351)	(1,081,297)
Short term borrowings from holding company obtained		4,349,758	450,000
Repayment of short term borrowings from holding company		(3,349,758)	(450,000)
Dividend paid		(299,362)	(546,543)
Net cash used in financing activities		(555,713)	(1,627,840)
Net decrease in cash and cash equivalents		(574,331)	(1,443,433)
Cash and cash equivalents at the beginning of the period		(10,621,245)	(7,557,696)
Cash and cash equivalents at the end of the period		(11,195,576)	(9,001,129)
CASH AND CASH EQUIVALENTS			
Cash at banks		148,007	24,030
Short term borrowings		(11,343,583)	(9,025,159)
		(11,195,576)	(9,001,129)

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

 CHIEF EXECUTIVE

 DIRECTOR

 CHIEF FINANCIAL OFFICER

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2019

1. THE COMPANY AND ITS OPERATIONS

Nishat Chunian Power Limited ('the Company') is a public Company limited by shares incorporated in Pakistan on 23 February 2007 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company is a subsidiary of Nishat (Chunian) Limited. The Company's ordinary shares are listed on the Pakistan Stock Exchange Limited.

The principal activity of the Company is to build, own, operate and maintain a fuel fired power station having gross capacity of 200 MW and net capacity of 195.722 MW at Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. The address of the registered office of the Company is 31-Q, Gulberg II, Lahore. The Company has a Power Purchase Agreement ('PPA') with its sole customer, National Transmission and Dispatch Company Limited ('NTDC') for twenty five years which commenced from 21 July 2010.

2. BASIS OF PREPARATION

- 2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

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

- 2.2 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended 30 June 2019. These condensed interim financial statements are un-audited, however, have been subjected to limited scope review by the auditors and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Section 237 of the Companies Act, 2017.

3. ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of these condensed interim financial statements are same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2019. The Company has adopted IFRS 16 'Leases' from 01 July 2019. The new standard eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lessee accounting model. IFRS 16 is not applicable on short-term leases and leases of low-value assets. The Securities and Exchange Commission of Pakistan ('SECP') vide SRO 986(I)/2019 dated 02 September 2019 has extended the earlier exemption from the requirements of International Financial Reporting Interpretation Committee (IFRIC) 4 'Determining Whether an Arrangement Contains a Lease', now IFRS 16 'Leases' to all companies, which have entered into power purchase agreements before 01 January 2019. Therefore, the Company is not required to account for the portion of its Power Purchase Agreement (PPA) with NTDC as a lease under IFRS 16 'Leases'. Further, the Company has only short-term operating leases. Hence, the adoption of IFRS 16 does not have any impact on the amounts recognized in prior periods and is not expected to significantly affect the current or future periods.

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2019

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2019.

4. LONG TERM FINANCING - SECURED

	Un-audited 31 December 2019	Audited 30 June 2019
	(Rupees in thousand)	
Opening balance	3,326,769	5,573,608
Less: Repaid during the period / year	(1,256,351)	(2,246,839)
	2,070,418	3,326,769
Less: Current portion shown under current liabilities	(2,070,418)	(2,610,585)
	-	716,184

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

There is no significant change in the status of contingencies as disclosed in the preceding audited annual published financial statements of the Company for the year ended 30 June 2019 except for the following:

5.1.1 Contingent liabilities:

- For the period from July 2015 to June 2016, the Company's case was selected for sales tax audit by Federal Board of Revenue ('the department'). The department conducted the audit and the Deputy Commissioner of Inland Revenue - Audit [DCIR (Audit)] issued the audit report on 18 September 2019 in which observations involving sales tax amounting to Rupees 530.207 million were raised and comments were sought thereon from the management of the Company. The main observation was apportionment of sales tax which is already decided in favour of the Company by the Honorable Lahore High Court, Lahore in the previous case. The Company submitted detailed reply on all the observations. DCIR (Audit) has further issued a show cause notice to the Company on 8 October 2019 with the same amount. The Company submitted detailed reply of the show cause notice but DCIR (Audit) issued final order on 27 November 2019 involving sales tax amounting to Rupees 530.207 million. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR (Appeals)] against the above mentioned order of the DCIR (Audit) which is pending adjudication. The management of the Company considers that there exist meritorious grounds to defend the Company's stance. Consequently, no provision has been made in these condensed interim financial statements.
- Guarantees of Rupees 19.151 million (30 June 2019: Rupees 20.978 million) are given by the banks of the Company to Director, Excise and Taxation, Karachi under direction of Sindh High Court in respect of suit filed for levy of infrastructure cess.

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5.1.2 Contingent asset:

i) On 29 July 2017, the Company instituted arbitration proceedings against National Transmission and Despatch Company Limited (NTDC) / Government of Pakistan by filing a Request for Arbitration ('RFA') with the London Court of International Arbitration ('LCIA') (the 'Arbitration Proceedings') for disallowing delayed payment charges on outstanding delayed payment invoices and other deductions made from delay payment invoices. The Company believes it is entitled to claim delayed payment charges on outstanding delayed payments receivable from NTDC as per terms of the PPA and the other deductions made by NTDC. However, NTDC has denied this liability and objected on the maintainability of the arbitration proceedings, terming it against the PPA and refused to pay delayed payment charges on outstanding delayed payments receivable.

The LCIA appointed a sole Arbitrator and hearings were also held on 19 and 20 February 2018. On 16 April 2018, the Arbitrator has issued Final Partial Award in which he has rejected the NTDC's objection to the maintainability of the Arbitration Proceedings. Aggrieved of the decision, NTDC filed a civil suit against the Final Partial Award in the Court of Senior Civil Judge, Lahore. The civil suit is pending adjudication.

Hearings on merits were held in London and Final Partial Award dated 22 April 2019 was issued on 25 July 2019 in favour of the Company. The Company filed an application seeking interest on the amount awarded to the Company and costs of the arbitration. However, on 23 August 2019, NTDC filed another civil suit in the Court of the Senior Civil Judge, Lahore against the Final Partial Award. The second civil suit is also pending adjudication.

On 12 September 2019, the Memorandum of Corrections to the Final Partial Award has been issued which corrected the Final Partial Award to the amount of Rupees 1,518.767 million.

On 28 October 2019, the Arbitrator declared his Final Award whereby he ordered NTDC to pay to the Company in addition to the amount determined in Final Partial Award: i) Rupees 332.402 million being interest on Final Partial Award; ii) Rupees 27.302 million as the costs awarded in the Award; iii) Rupees 7.675 million as the amount of the costs awarded in respect of Interim Award and iv) Interest at KIBOR plus 4.5% per annum compounded semi-annually from the date of Final Award until payment of these amounts by NTDC that works out to Rupees 317.835 million upto 31 December 2019.

5.2 Commitments

Letters of credit and contracts other than for capital expenditure aggregate to Rupees 13.130 million (30 June 2019: Rupees 19.663 million).

Un-audited 31 December 2019	Audited 30 June 2019
(Rupees in thousand)	

6. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 6.1)	10,674,393	11,188,998
Capital work-in-progress (Note 6.2)	4,242	3,157
Major spare parts and standby equipment	185,079	293,926
	<u>10,863,714</u>	<u>11,486,081</u>

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2019

6.1 Operating fixed assets

Opening book value	11,188,998	11,372,422
Add: Cost of additions during the period / year (Note 6.1.1)	148,043	898,791
Less: Book value of deletions / derecognitions during the period / year	(269,821)	(813)
Less: Depreciation charged during the period / year	(392,827)	(1,081,402)
	<u>10,674,393</u>	<u>11,188,998</u>

6.1.1 Cost of additions

Buildings on freehold land	-	1,891
Plant and machinery	143,775	888,298
Vehicles	3,604	6,940
Computer equipment	664	1,662
	<u>148,043</u>	<u>898,791</u>

6.2 Capital work-in-progress

Plant and machinery	<u>4,242</u>	<u>3,157</u>
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7. TRADE DEBTS

Included in trade debts is an amount of Rupees 966.166 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 28 June 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 25 January 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 Rupees 966.166 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.

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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 18 April 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 31 May 2017 whereby, the aforementioned order of the LHC was suspended.

The Arbitrator, on 08 June 2017, declared his Final Partial 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 Final Partial Award, NTDC challenged the Arbitrator's decision in Lahore Civil Court ("Civil Case 2017"), which suspended the Final Partial Award on 10 July 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 12 August 2017. Along with challenging the Final Partial Award in Lahore Civil Court, NTDC also challenged the same, on 06 July 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 14 August 2017.

The District Judge, Lahore through its order dated 08 July 2017 set-aside the aforementioned orders of the Civil Judge, Lahore dated 18 April 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 29 October 2017, the Arbitrator declared his Final Award whereby he ordered NTDC to pay to the Company: i) Rupees 966.166 million pursuant to Expert's determination; ii) Rupees 224.229 million being Pre-award interest; iii) Rupees 9.203 million for breach of arbitration agreement; iv) Rupees 1.684 million and USD 612,311 for the Company's cost of proceedings; v) GBP 30,157 for Company's LCIA cost of arbitration and vi) Interest at KIBOR + 4.5% compounded semiannually from the date of Final Award until payment of these amounts by NTDC ("the Final Award") that works out to Rupees 330.298 million upto 31 December 2019.

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On 24 November 2017, NTDC challenged the Final Award in Commercial Court of England. On 29 November 2017, the 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 06 July 2017 and 24 November 2017 filed before Commercial Court of England against the Company, pertaining to Final Partial Award and Final Award respectively.

On 04 May 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 04 October 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 Rupees 966.166 million is likely to be recovered by the Company. Consequently, no provision for this amount has been made in these condensed interim financial statements.

Further, being prudent, the Company has not recognised the abovementioned amounts in these condensed interim 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 its collectability is certain.

Un-audited

HALF YEAR ENDED		QUARTER ENDED	
31 December 2019	31 December 2018	31 December 2019	31 December 2018

----- (Rupees in thousand) -----

8. COST OF SALES

Raw material consumed	3,761,660	5,116,881	400,434	1,614,150
Salaries and other benefits	70,091	70,389	34,499	35,803
Stores and spares consumed	100,334	108,115	46,429	52,116
Electricity consumed in-house	7,615	5,203	7,025	4,317
Insurance	124,631	108,850	65,839	62,894
Travelling and conveyance	10,340	9,838	3,852	4,752
Postage and telephone	1,822	1,564	923	811
Repair and maintenance	18,386	19,313	8,457	8,530
Entertainment	73	22	4	3
Depreciation	390,922	504,496	141,981	224,078
Amortization	1,807	1,807	904	904
Fee and subscription	1,729	1,573	(1,646)	(1,450)
Miscellaneous	6,978	7,616	3,500	3,945
	<u>4,496,388</u>	<u>5,955,667</u>	<u>712,201</u>	<u>2,010,853</u>

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2019

	Un-audited	
	HALF YEAR ENDED	
	31 December 2019	31 December 2018
	(Rupees in thousand)	
9. CASH GENERATED FROM OPERATIONS		
Profit before taxation	2,097,851	1,854,308
Adjustments for non-cash charges and other items:		
Depreciation	392,827	510,454
Amortization	2,157	2,157
Profit on bank deposits	(3,845)	(622)
Finance cost	1,133,982	593,657
Provision for employee retirement benefit	4,375	4,196
Gain on disposal of property, plant and equipment	(6,519)	(3,508)
Cash flows from operating activities before working capital changes	3,620,828	2,960,642
Working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	58,609	54,774
Inventories	804,159	362,464
Trade debts	(3,947,039)	(2,074,720)
Loans, advances, deposits, prepayments and other receivables	(95,675)	59,992
	(3,179,946)	(1,597,490)
Increase / (decrease) in trade and other payables	281,764	(68,403)
	722,646	1,294,749

10. TRANSACTIONS WITH RELATED PARTIES

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

	Un-audited	
	HALF YEAR ENDED	
	31 December 2019	31 December 2018
	(Rupees in thousand)	
i) Transactions		
Holding company		
Dividend paid	-	281,379
Common facilities cost	9,000	9,000
Reimbursement of expenses	667	3,261
Disbursement of loans	4,349,758	250,000
Repayment of loans	3,349,758	250,000
Mark-up on loans	17,272	68
Associated undertaking		
Donations paid	445	1,427
Key management personnel		
Remuneration to chief executive officer, directors and executives	53,405	33,145
Dividend paid	-	290
Repayment of long term loans	352	390
Mark-up on long term loans	118	96
Post employment benefit plan		
Company's contribution to provident fund	4,375	4,196

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2019

	Un-audited 31 December 2019	Audited 30 June 2019
	(Rupees in thousand)	
ii) Period end balances:		
Holding company		
Short term loan from holding company - unsecured	1,000,000	-
Accrued mark-up	3,949	60
Other related parties		
Loan to key management personnel	3,438	3,785

11. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these condensed interim financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

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12. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended 30 June 2019.

13. CORRESPONDING FIGURES

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

Corresponding figures have been re-arranged and reclassified, wherever necessary for the purpose of comparison, however, no significant re-arrangements and reclassifications have been made in these condensed interim financial statements.

14. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved by the Board of Directors and authorized for issue on February 27, 2020.

15. GENERAL

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER



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