



Interim Financial Information
Half Year Ended December 31, 2018
(Unaudited)

>>



| Nishat Chunian Power Ltd

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COMPANY INFORMATION

Board of Directors:

Mrs. Farhat Saleem

Chairperson

Mr. Shahzad Saleem

Chief Executive

Mr. Syed Tariq Ali

Director

Mr. Aftab Ahmad Khan

Director

Mr. Muhammad Azam

Director

Ms. Ayesha Shahzad

Director

Mr. Zain Shahzad (resigned on Feb 19, 2019)

Director

Mr. Yahya Saleem (resigned on Feb 19, 2019)

Director

Mr. Shabir Ahmed (appointed on Feb 20, 2019)

Director

Mr. Muhammad Ashraf (appointed on Feb 20, 2019)

Director

AUDIT COMMITTEE AND HR & R COMMITTEE:

Mr. Muhammad Azam

Chairman

Mr. Shabir Ahmed

Member

Mr. Aftab Ahmad Khan

Member

CHIEF FINANCIAL OFFICER/MANAGING DIRECTOR:

Mr. Farrukh Ifzal

COMPANY SECRETARY:

Mr. Muhammad Bilal

BANKERS TO THE COMPANY:

Allied Bank Limited

Askari Bank Limited

Habib 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

Burj Bank Limited

The Bank of Punjab

Dubai Islamic Bank Pakistan Limited

AUDITORS:

A.F. Ferguson & Co.

Chartered Accountants

LEGAL ADVISERS:

Raja Muhammad Akram & Co.

Advocates & Legal Consultants

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

The board of directors is pleased to present the Condensed Interim Financial Information of the company for the quarter and half year ended December 31, 2018. For the half year, turnover was Rs. 8.48 billion (2017: 8.48 billion) with an after tax profit of Rs. 1.85 billion (2017: 1.75 billion) and earnings per share (EPS) of Rs. 5.05 (2017: 4.75).

Circular debt still presents a major challenge to the companies operating in the power sector. "NTDCL/CPPA-G (Power Purchaser)" has consistently been unable to meet its obligations to make timely payments to the company.

As on December 31, 2018, our total receivables from Power Purchaser have amplified to PKR 14.06 billion, out of which PKR 10.94 billion were overdue. 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.

Included in trade debts is an amount of PKR 966 million deducted by Power Purchaser from the Capacity Purchase Price invoices. Based on the advice of the company's legal counsel, expert determination and Arbitrator's declaration in the Final Award wherein NTDCL has been ordered to pay pursuant to the Expert's determination, management feels that such amounts are likely to be recovered. Consequently, no provision for the above mentioned amount has been made in this Condensed Interim Financial Information. Please refer note 9 to this Condensed Interim Financial Statements for further details.

During the half year ended December 31, 2018, availability of the plant was 94.52% with a capacity factor of 43.71%.

Acknowledgement

We wish to record our appreciation of the commitment of our employees to the Company For on behalf of Board.

Date: February 27, 2019
Lahore

Chief Executive

Director

DIRECTOR'S REVIEW

مجلس نصاب کی رپورٹ

بورڈ آف ڈائریکٹرز 31 دسمبر 2018 بمطابق سہ ماہی اور ششماہی کے لئے کمپنی کی منہج عبوری مالی معلومات پیش کرتے ہوئے خوشی محسوس کرتا ہے۔ ششماہی کے لئے کل وصولی 8.48 ملین روپے (2017: 8.48 ملین روپے) مع بعد از ٹیکس منافع 1.85 ملین روپے (2017: 1.75 ملین روپے) اور فی شیئر آمدنی (EPS) 5.05 روپے (2017: 4.75 روپے) تھی۔

گردشی قرضے اب بھی بجلی کے شعبے میں کام کرنے والی کمپنیوں کے لیے ایک بڑا چیلنج ہے۔ "NTDCL/CPPA-G" (پاور پریچر) مسلسل کمپنی کو بروقت ادائیگی کی اپنی ذمہ داریوں کو پورا کرنے کے قابل نہیں رہا ہے۔

31 دسمبر 2018ء کی حیثیت کے مطابق پاور پریچر سے ہمارے کل واجب الادا 14.06 ملین پاکستانی روپے سے تجاوز کر گئے جس میں سے 10.94 ملین روپے زائد المعیاد واجب الادا تھے۔ کمپنی نے زائد المعیاد واجب الادا کا معاملہ نہ صرف پاور پریچر کے ساتھ بلکہ پرائیویٹ پاور اینڈ انفراسٹرکچر بورڈ (پی پی آئی بی) کے ذریعے پاور پریچر اینڈ ایئر لیٹیشن معاہدوں کی شرائط کی عدم تعمیل کا نوٹس دیتے ہوئے حکومت پاکستان کی پانی اور بجلی کی وزارت کے پاس بھی اجاگر کیا ہے۔

تجارتی قرض میں شامل 966 ملین روپے کی کچھٹی پریچر پرائس کی مد میں پاور پریچر نے کوئی کمی ہے۔ کمپنی کے قانونی وکیل اور ماہرین کے مشورہ اور LCIA کے جزدی فیصلہ کی بنیاد پر انتظامیہ محسوس کرتی ہے کہ اس طرح کی رقم کی واپسی کا قوی امکان ہے۔ چنانچہ منہج عبوری مالی معلومات میں مذکورہ رقم کے لئے کوئی شرائط نہیں رکھی گئی ہیں۔ مزید تفصیلات کے لیے براہ مہربانی منہج عبوری مالی معلومات کا نوٹ 9 ملاحظہ کریں۔

31 دسمبر 2018ء کو ختم ہونے والی ششماہی کے دوران، پلانٹ کی دستیابی 43.71 فیصد کے صلاحیتی عنصر کے ساتھ 94.52 فیصد تھی۔

اظہار تشکر

ہم کمپنی کے لئے اپنے ملازمین کی کوششوں کو سراہتے ہیں۔

مختاب بورڈ

(ڈائریکٹر)

(چیف ایگزیکٹو)

تاریخ: 27 فروری 2019ء

لاہور

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Nishat Chunian 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 (hereinafter referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these 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 9 to the accompanying interim financial statements, which describes the matter regarding recoverability of certain trade debts.

Chartered Accountants,

Lahore,

Engagement Partner: Khurram Akbar Khan

Date: February 27, 2019

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NISHAT CHUNIAN POWER LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT DECEMBER 31, 2018

	Note	Un-audited December 31, 2018 (Rupees in thousand)	Audited June 30, 2018
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
385,000,000 (June 30, 2018: 385,000,000)			
ordinary shares of Rs 10 each		<u>3,850,000</u>	<u>3,850,000</u>
Issued, subscribed and paid up share capital			
367,346,939 (June 30, 2018: 367,346,939)			
ordinary shares of Rs 10 each		3,673,469	3,673,469
Revenue reserve: Un-appropriated profit		<u>9,859,145</u>	<u>8,555,857</u>
		13,532,614	12,229,326
NON-CURRENT LIABILITY			
Long term financing - secured	6	2,070,418	3,326,769
CURRENT LIABILITIES			
Current portion of long term financing - secured	6	2,421,893	2,246,839
Short term borrowings - secured		9,025,159	7,655,933
Trade and other payables		568,079	636,482
Unclaimed dividend		19,976	15,499
Accrued finance cost		<u>337,512</u>	<u>295,234</u>
		12,372,620	10,849,987
CONTINGENCIES AND COMMITMENTS			
	7	<u>27,975,653</u>	<u>26,406,082</u>

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

Director

Chief Financial Officer

NISHAT CHUNIAN POWER LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT DECEMBER 31, 2018

		Un-audited December 31, 2018 (Rupees in thousand)	Audited June 30, 2018
	Note		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	11,416,946	11,374,223
Intangible assets		10,686	12,843
Long term loans to executives		3,495	3,995
Long term security deposits		105	105
		<u>11,431,232</u>	<u>11,391,166</u>
CURRENT ASSETS			
Stores and spares		593,970	648,744
Inventories		974,719	1,337,183
Trade debts	9	13,780,837	11,706,117
Loans, advances, deposits, prepayments and other receivables		1,149,684	1,209,674
Income tax receivable		21,181	14,961
Bank balances		24,030	98,237
		<u>16,544,421</u>	<u>15,014,916</u>
		<u><u>27,975,653</u></u>	<u><u>26,406,082</u></u>

Chief Executive

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

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

Note	Quarter ended		Half year ended	
	December 31,	December 31,	December 31,	December 31,
	2018	2017	2018	2017
	(Rupees in thousand)		(Rupees in thousand)	
Sales	3,320,437	3,788,020	8,481,574	8,475,525
Cost of sales	10 (2,010,853)	(2,590,353)	(5,955,667)	(6,077,556)
Gross profit	1,309,583	1,197,667	2,525,906	2,397,969
Administrative expenses	(50,493)	(87,483)	(88,186)	(125,498)
Other expenses	(2,279)	(1,739)	(4,186)	(6,781)
Other income	6,892	4,053	14,430	12,320
Finance cost	(306,805)	(263,260)	(593,657)	(532,894)
Profit before taxation	956,899	849,237	1,854,308	1,745,115
Taxation	-	-	-	-
Profit for the period	<u>956,899</u>	<u>849,237</u>	<u>1,854,308</u>	<u>1,745,115</u>
Earnings per share - basic and diluted (in Rupees)	<u>2.605</u>	<u>2.312</u>	<u>5.048</u>	<u>4.751</u>

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

Chief Executive

Chief Financial Officer

Director

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

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

	Quarter ended		Half year ended	
	December	December	December	December
	2018	2017	2018	2017
	(Rupees in thousand)		(Rupees in thousand)	
Profit for the period	956,899	849,237	1,854,308	1,745,115
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Total comprehensive income for the period	956,899	849,237	1,854,308	1,745,115

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

Chief Executive

Chief Financial Officer

Director

NISHAT CHUNIAN POWER LIMITED
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 1, 2017 (audited)	3,673,469	5,516,819	9,190,288
Profit for the period	-	1,745,115	1,745,115
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	1,745,115	1,745,115
Total contributions by and distributions to owners of the company recognised directly in equity			
Final dividend for the year ended June 30, 2017 @ Rs 1 per share	-	(367,347)	(367,347)
Balance as on December 31, 2017 (un-audited)	<u>3,673,469</u>	<u>6,894,587</u>	<u>10,568,056</u>
Balance as on July 1, 2018 (audited)	3,673,469	8,555,857	12,229,326
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
Total contributions by and distributions to owners of the company recognised directly in equity			
Final dividend for the year ended June 30, 2018 @ Rs 1.5 per share	-	(551,020)	(551,020)
Balance as on December 31, 2018 (un-audited)	<u>3,673,469</u>	<u>9,859,145</u>	<u>13,532,614</u>

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

Chief Executive

Chief Financial Officer

Director

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2018

		Half year ended	
		December 31, 2018	December 31, 2017
	Note	(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	11	1,294,748	1,805,357
Finance cost paid		(551,379)	(544,845)
Net income tax paid		(6,220)	(874)
Retirement benefits paid		(4,196)	(3,965)
Net decrease in long term loans to executives		500	507
Net cash inflow from operating activities		733,453	1,256,180
Cash flows from investing activities			
Fixed capital expenditure		(553,501)	(191,952)
Proceeds from disposal of property, plant and equipment		3,832	1,663
Profit on bank deposits received		622	307
Net cash outflow from investing activities		(549,046)	(189,981)
Cash flows from financing activities			
Repayment of long term financing		(1,081,297)	(930,634)
Short term borrowings from holding company		450,000	1,150,000
Repayment of short term borrowings from holding company		(450,000)	(1,500,000)
Dividend paid		(546,543)	(337,489)
Net cash outflow from financing activities		(1,627,840)	(1,618,123)
Net decrease in cash and cash equivalents		(1,443,433)	(551,925)
Cash and cash equivalents at the beginning of the period		(7,557,696)	(5,927,659)
Cash and cash equivalents at the end of the period	12	(9,001,129)	(6,479,584)

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

Chief Executive

Chief Financial Officer

Director

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

1. The company and its activities

Nishat Chunian Power Limited (the 'company') is a public limited by shares company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now, the Companies Act, 2017). The company is a subsidiary of Nishat (Chunian) Limited (the 'holding company'). 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 Despatch Company Limited ('NTDC') for twenty five years which commenced from July 21, 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.

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:

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

3.2 Standards, amendments and interpretations to approved accounting standards 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/amendments from their respective effective dates and has yet to assess the impact of these amendments on its financial statements.

3.4 New accounting policies 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.

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

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.

Un-audited December 31, 2018	Audited June 30, 2018
(Rupees in thousand)	

6. Long term financing - secured

The reconciliation of the carrying amounts is as follows:

Opening balance	5,573,608	7,507,386
Less: Repayments during the period/year	1,081,297	1,933,778
	4,492,311	5,573,608

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

7. Contingencies and commitments

7.1 Contingencies

There are no significant changes 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 following:

- letters of guarantee of nil (June 30, 2018: Rs 31.342 million) in favour of various fuel suppliers of the company; and

- the Commissioner Inland Revenue ('CIR') issued a show cause notice dated December 20, 2018, whereby intentions were shown to raise a sales tax demand of Rs 361.649 million that includes default surcharge thereon for the tax periods from July 2014 to June 2017. The CIR has alleged that the value of supplies made by the company to NTDC/Central Power Purchasing Agency (Guarantee) Limited is understated by Rs 1,576.561 million resulting in evasion of sales tax amounting to Rs 268.015 million and intends to disallow input sales tax aggregating to 93.24 million claimed by the company mainly on account of insurance expense and items not directly related to production process. Subsequent to reporting date, company has submitted its reply with the CIR to the aforesaid show cause notice and no order has yet been passed by the CIR. Based on facts and legal grounds, company is confident that no adverse order shall be passed by the CIR.

7.2 Commitments

Letters of credit and contracts other than for capital expenditure aggregating to Rs 424.180 million (June 30, 2018: Rs 144.073 million).

	Un-audited December 31, 2018	Audited June 30, 2018
	(Rupees in thousand)	

8. Property, plant and equipment

Operating fixed assets	- note 8.1	11,200,781	11,372,422
Capital work-in-progress		2,429	1,801
Major spares and standby equipment		213,736	-
		<u>11,416,946</u>	<u>11,374,223</u>

8.1 Operating fixed assets

Opening book value		11,372,422	11,980,793
Additions during the period/year	- note 8.1.1	339,137	474,526
Book value of deletions during the period/year		(324)	(16,878)
Depreciation charged for the period/year		(510,454)	(1,066,019)
Closing book value		<u>11,200,781</u>	<u>11,372,422</u>

8.1.1 Additions during the period/year

Buildings on freehold land	1,891	-
Plant and machinery	334,071	464,135
Electric Installations	-	1,896
Computer equipment	429	1,340
Office equipment	-	845
Vehicles	2,746	6,310
	<u>339,137</u>	<u>474,526</u>

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9. Trade debts

9.1 These represent trade receivables from NTDC and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at the rate of three months KIBOR plus 4.5% is charged in case the amounts are not paid within due dates.

9.2 Included in trade debts is an amount of Rs 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 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 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 Rs 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.

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.

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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 966.166 million pursuant to Expert's determination; ii) Rs 224.229 million being Pre award interest; iii) Rs 9.203 million for breach of arbitration agreement; iv) Rs 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 Rs 168.28 million upto December 31, 2018.

On November 24, 2017, NTDC challenged the Final Award in Commercial Court of England. On November 29, 2017, the company filed an application before LHC 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 has sought permission to file an appeal before the Court of Appeals, London, which was rejected by the Court on October 4, 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 966.166 million is likely to be recovered by the company. Consequently, no provision for this amount has been made in these financial statements.

Further, on prudence basis, 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.

	Un-audited Quarter ended		Un-audited Half year ended	
	December 31, 2018 (Rupees in thousand)	December 31, 2017 (Rupees in thousand)	December 31, 2018 (Rupees in thousand)	December 31, 2017 (Rupees in thousand)
10. Cost of sales				
Raw materials consumed	1,614,150	2,228,578	5,116,881	5,286,361
Salaries and other benefits	35,803	33,446	70,389	72,978
Electricity consumed in-house	4,317	1,423	5,203	1,423
Insurance	62,894	41,074	108,850	83,063
Stores and spares consumed	52,116	28,040	108,115	72,959
Travelling and conveyance	4,752	4,192	9,838	8,425
Repair and maintenance	8,530	5,567	19,313	12,288
Postage and telephone	811	688	1,564	1,361
Entertainment	3	38	22	63
Fee and subscription	(1,450)	65	1,573	3,006
Depreciation on operating fixed assets	224,078	242,172	504,496	525,403
Amortization on intangible assets	904	904	1,807	1,807
Miscellaneous	3,945	4,167	7,616	8,420
	2,010,853	2,590,353	5,955,667	6,077,556

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Un-audited
Half year ended
December 31, 2018 December 31, 2017
(Rupees in thousand)

11. Cash generated from operations

Profit before taxation	1,854,308	1,745,115
Adjustment for non-cash charges and other items:		
- Depreciation on operating fixed assets	510,454	534,787
- Amortization on intangible assets	2,157	2,157
- Profit on bank deposits	(622)	(307)
- Finance cost	593,657	532,894
- Fair value gain on derivative financial instruments	-	(581)
- Provision for employee retirement benefits	4,196	3,965
- Gain on disposal of operating fixed assets	(3,508)	(1,209)
Profit before working capital changes	2,960,642	2,816,820

Effect on cash flow due to working capital changes:

(Increase)/decrease in current assets:

- Stores and spares	54,774	(62,805)
- Inventories	362,464	371,092
- Trade debts	(2,074,720)	(1,715,872)
- Loans, advances, deposits, prepayments and other receivables	59,990	(50,408)
	(1,597,492)	(1,457,993)

(Decrease)/increase in current liabilities:

- Trade and other payables	(68,403)	446,529
	1,294,748	1,805,357

Un-audited
December 31, 2018 December 31, 2017
(Rupees in thousand)

12. Cash and cash equivalents

Cash and bank balances	24,030	733
Short term borrowings - secured	(9,025,159)	(6,480,317)
	(9,001,129)	(6,479,584)

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

13. 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:

are as follows:

Relationship with the company	Nature of transactions	Un-audited Half year ended	
		December 31, 2018	December 31, 2017
		(Rupees in thousand)	
i. Holding company	Dividend paid	281,379	187,586
	Common facilities cost	9,000	9,000
	Reimbursement of expenses	3,261	2,215
	Disbursement of loans	250,000	1,150,000
	Repayment of loans	250,000	1,500,000
	Mark up on loans	68	1,049
ii. Entities on the basis of common directorship	Donations	1,427	4,902
iii. Key management personnel	Remuneration	33,145	9,755
	Dividends paid	290	138
iv. Post employment benefit plan	Expense charged in respect of retirement benefit plan	4,196	3,965

14. 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:

- repaid principal on long term finance aggregating Rs 1,081.297 million (refer to note 6);
- additions to operating fixed assets aggregating Rs 339,137 million (refer to note 8.1.1); and
- dividends paid amounting to Rs 546.543 million (refer to statement of cashflows).

15. Date of authorisation for issue

This condensed interim financial information was authorised for issue on February 27, 2019 by the Board of Directors of the Company.

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16. Events after the reporting date

The Board of Directors have proposed an interim cash dividend of Rupees 1 per ordinary share, amounting to Rs 367.346 million at their meeting held on February 27, 2019. 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 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.

Chief Executive

Chief Financial Officer

Director



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