



INTERIM FINANCIAL INFORMATION  
FOR THE QUARTER AND NINE MONTHS  
ENDED MARCH 31, 2019  
(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. Shabir Ahmed  
Director  
Mr. Muhammad Ashraf  
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](http://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

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2019

The board of directors is pleased to present the Condensed Interim Financial Information of the company for the quarter and nine months ended March 31, 2019. For the nine months, turnover was Rs. 11.32 billion (2018: 12.25 billion) with an after tax profit of Rs. 2.61 billion (2018: 2.58 billion) and earnings per share (EPS) of Rs. 7.09 (2018: 7.01).

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 March 31, 2019, our total receivables from Power Purchaser have amplified to PKR 12.82 billion, out of which PKR 10.15 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 nine months ended March 31, 2019, availability of the plant was 95.43% with a capacity factor of 35.37%.

## Acknowledgement

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

Date: April 30, 2019  
Lahore

**Chief Executive**

**Director**

# DIRECTOR'S REVIEW

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2019

نشاط چوہانیاں پاور لمیٹڈ کے ڈائریکٹرز 31 مارچ 2019ء تک مدت کے لئے اپنے حصص داران کو کمپنی کے منجملہ عبوری غیر نظر ثانی شدہ مالی حسابات پر نوامی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ نوامی کے لئے کل آمدنی 11.32 بلین روپے (2018: 12.25 بلین روپے) بعد ازاں ٹیکس منافع 2.61 بلین روپے (2018: 2.58 بلین روپے) اور فی شیئر آمدنی (EPS) 7.09 روپے (2018: 7.01 روپے) تھی۔

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

31 مارچ 2019ء کی حیثیت کے مطابق پاور پریچزر سے کل واجب الادا 12.82 بلین روپے تھے جس میں سے 10.15 بلین روپے زائد المعیاد واجب الادا تھے۔ کمپنی نے زائد المعیاد واجب الادا رقم کا معاملہ نہ صرف پاور پریچزر کے ساتھ بلکہ پرائیویٹ پاور اینڈ انفراسٹرکچر بورڈ (پی پی آئی بی) کے ذریعے پانی اور بجلی کی وزارت کے ہاں بھی پاور پریچزر اینڈ امپلیمینٹیشن معاہدہ کی شرائط کے تحت تادہ بندی کا نوٹس دیتے ہوئے اجا کر کیا ہے۔

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

31 مارچ 2019ء کو ختم ہونے والی نوامی کے دوران، پلانٹ کی دستیابی 35.37 فیصد کے صلاحیتی عنصر کے ساتھ 95.43 فیصد تھی۔

## اظہار تشکر

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

تاریخ: 30 اپریل 2019ء

لاہور

ڈائریکٹر

چیف ایگزیکٹو

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

AS AT MARCH 31, 2019

|                                                  |             | <b>Un-audited<br/>March 31,<br/>2019<br/>(Rupees in thousand)</b> | <b>Audited<br/>June 30,<br/>2018</b> |
|--------------------------------------------------|-------------|-------------------------------------------------------------------|--------------------------------------|
|                                                  | <b>NOTE</b> |                                                                   |                                      |
| <b>EQUITY AND LIABILITIES</b>                    |             |                                                                   |                                      |
| <b>SHARE CAPITAL AND RESERVES</b>                |             |                                                                   |                                      |
| Authorized share capital                         |             |                                                                   |                                      |
| 385,000,000 (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 (2018: 367,346,939)                  |             |                                                                   |                                      |
| Ordinary shares of Rs 10 each                    |             | 3,673,469                                                         | 3,673,469                            |
| Unappropriated profit                            |             | <u>10,243,065</u>                                                 | <u>8,555,857</u>                     |
|                                                  |             | 13,916,534                                                        | 12,229,326                           |
| <b>NON-CURRENT LIABILITIES</b>                   |             |                                                                   |                                      |
| Long term financing-Secured                      | 6           | 1,406,000                                                         | 3,326,769                            |
| <b>CURRENT LIABILITIES</b>                       |             |                                                                   |                                      |
| Current portion of long term financing - secured | 6           | 2,514,469                                                         | 2,246,839                            |
| Short term borrowings - secured                  |             | 6,859,410                                                         | 7,655,933                            |
| Short term loan from holding company - unsecured |             | 420,000                                                           | -                                    |
| Trade and other payables                         |             | 254,406                                                           | 636,482                              |
| Dividend payable                                 |             | 367,347                                                           | -                                    |
| Unclaimed Dividend                               |             | 17,649                                                            | 15,499                               |
| Accrued finance cost                             |             | <u>315,948</u>                                                    | <u>295,234</u>                       |
|                                                  |             | 10,749,229                                                        | 10,849,987                           |
| <b>CONTINGENCIES AND COMMITMENTS</b>             |             |                                                                   |                                      |
|                                                  | 7           | -                                                                 | -                                    |
|                                                  |             | <u><b>26,071,765</b></u>                                          | <u><b>26,406,082</b></u>             |

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

**Chief Executive**



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

AS AT MARCH 31, 2019

|                                                                 |   | <b>Un-audited<br/>March 31,<br/>2019<br/>(Rupees in thousand)</b> | <b>Audited<br/>June 30,<br/>2018</b> |
|-----------------------------------------------------------------|---|-------------------------------------------------------------------|--------------------------------------|
| <b>NOTE</b>                                                     |   |                                                                   |                                      |
| <b>ASSETS</b>                                                   |   |                                                                   |                                      |
| <b>NON-CURRENT ASSETS</b>                                       |   |                                                                   |                                      |
| Property, plant and equipment                                   | 8 | 11,422,349                                                        | 11,374,223                           |
| Intangible assets                                               |   | 9,607                                                             | 12,843                               |
| Long term loans to employees                                    |   | 3,302                                                             | 3,995                                |
| Long term security deposits                                     |   | 105                                                               | 105                                  |
|                                                                 |   | <b>11,435,363</b>                                                 | <b>11,391,166</b>                    |
| <b>CURRENT ASSETS</b>                                           |   |                                                                   |                                      |
| Stores and spares                                               |   | 506,287                                                           | 648,744                              |
| Inventories                                                     |   | 819,697                                                           | 1,337,183                            |
| Trade debts                                                     | 9 | 12,469,435                                                        | 11,706,117                           |
| Loans, advances, deposits, prepayments<br>and other receivables |   | 771,551                                                           | 1,209,674                            |
| Income tax receivable                                           |   | 39,895                                                            | 14,961                               |
| Cash and bank balances                                          |   | 29,537                                                            | 98,237                               |
|                                                                 |   | <b>14,636,402</b>                                                 | <b>15,014,916</b>                    |
|                                                                 |   | <b>26,071,765</b>                                                 | <b>26,406,082</b>                    |

**Chief Financial Officer**

**Director**

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

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2019

|                                                       | Note | Quarter ended                             |                   | Nine months ended                         |                   |
|-------------------------------------------------------|------|-------------------------------------------|-------------------|-------------------------------------------|-------------------|
|                                                       |      | March 31,<br>2019<br>(Rupees in thousand) | March 31,<br>2018 | March 31,<br>2019<br>(Rupees in thousand) | March 31,<br>2018 |
| Sales                                                 |      | 2,836,526                                 | 3,773,531         | 11,318,100                                | 12,249,055        |
| Cost of sales                                         | 10   | (1,555,188)                               | (2,650,246)       | (7,510,855)                               | (8,727,802)       |
| <b>Gross profit</b>                                   |      | <b>1,281,338</b>                          | <b>1,123,285</b>  | <b>3,807,245</b>                          | <b>3,521,254</b>  |
| Administrative expenses                               |      | (65,444)                                  | (46,872)          | (153,630)                                 | (172,362)         |
| Other operating expenses                              |      | (106,503)                                 | (4,761)           | (110,688)                                 | (11,542)          |
| Other operating income                                |      | 13,498                                    | 14,538            | 27,928                                    | 26,858            |
| Finance cost                                          |      | (371,622)                                 | (256,275)         | (965,280)                                 | (789,169)         |
| <b>Profit before taxation</b>                         |      | <b>751,267</b>                            | <b>829,915</b>    | <b>2,605,575</b>                          | <b>2,575,039</b>  |
| Taxation                                              |      | -                                         | -                 | -                                         | -                 |
| <b>Profit after taxation</b>                          |      | <b>751,267</b>                            | <b>829,915</b>    | <b>2,605,575</b>                          | <b>2,575,039</b>  |
| Earnings per share - basic and diluted<br>(in Rupees) |      | <b>2.05</b>                               | <b>2.26</b>       | <b>7.09</b>                               | <b>7.01</b>       |

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 NINE MONTHS ENDED MARCH 31, 2019

|                                                                           | <b>Quarter ended</b>        |                  | <b>Nine months ended</b>    |                  |
|---------------------------------------------------------------------------|-----------------------------|------------------|-----------------------------|------------------|
|                                                                           | <b>March 31,</b>            | <b>March 31,</b> | <b>March 31,</b>            | <b>March 31,</b> |
|                                                                           | <b>2019</b>                 | <b>2018</b>      | <b>2019</b>                 | <b>2018</b>      |
|                                                                           | <b>(Rupees in thousand)</b> |                  | <b>(Rupees in thousand)</b> |                  |
| Profit after taxation                                                     | 751,267                     | 829,915          | 2,605,575                   | 2,575,039        |
| <b>Other comprehensive income:</b>                                        |                             |                  |                             |                  |
| <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                                                | <b>751,267</b>              | <b>829,915</b>   | <b>2,605,575</b>            | <b>2,575,039</b> |

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 QUARTER AND NINE MONTHS ENDED MARCH 31, 2019

|                                                                                       | <b>Share<br/>capital</b> | <b>Revenue reserve:<br/>Un-appropriated<br/>profit<br/>(Rupees in thousand)</b> | <b>Total</b>      |
|---------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------------------------------|-------------------|
| <b>Balance as on July 1, 2017 (audited)</b>                                           | 3,673,469                | 5,516,819                                                                       | 9,190,288         |
| Profit for the period                                                                 | -                        | 2,575,039                                                                       | 2,575,039         |
| Other comprehensive income for the period                                             | -                        | -                                                                               | -                 |
| <b>Total comprehensive income for the<br/>nine months ended March 31, 2018</b>        | -                        | 2,575,039                                                                       | 2,575,039         |
| Dividend to equity holders of the company:                                            |                          |                                                                                 |                   |
| Final dividend for the year ended<br>June 30, 2017 @ Rs 1 per share                   | -                        | (367,347)                                                                       | (367,347)         |
| <b>Total distributions to owners of the<br/>company recognized directly in equity</b> | -                        | (367,347)                                                                       | (367,347)         |
| <b>Balance as on March 31, 2018 (un-audited)</b>                                      | <b>3,673,469</b>         | <b>7,724,511</b>                                                                | <b>11,397,980</b> |
| <b>Balance as on July 1, 2018 (audited)</b>                                           | 3,673,469                | 8,555,857                                                                       | 12,229,326        |
| Profit for the period                                                                 | -                        | 2,605,575                                                                       | 2,605,575         |
| Other comprehensive income for the period                                             | -                        | -                                                                               | -                 |
| <b>Total comprehensive income for the<br/>nine months ended March 31, 2019</b>        | -                        | 2,605,575                                                                       | 2,605,575         |
| Dividend to equity holders of the company:                                            |                          |                                                                                 |                   |
| Final dividend for the year ended June 30,<br>2018 @ Rs. 1.5 per share                | -                        | (551,020)                                                                       | (551,020)         |
| Interim dividend for the half year ended<br>December 31, 2018 @ Rs. 1.00 per share    | -                        | (367,347)                                                                       | (367,347)         |
| <b>Total distributions to owners of the<br/>company recognized directly in equity</b> | -                        | (918,367)                                                                       | (918,367)         |
| <b>Balance as on March 31, 2019 (un-audited)</b>                                      | <b>3,673,469</b>         | <b>10,243,065</b>                                                               | <b>13,916,534</b> |

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 CASH FLOWS (UN-AUDITED)**

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2019

|                                                                 |      | Nine Months Ended |                   |
|-----------------------------------------------------------------|------|-------------------|-------------------|
|                                                                 | Note | March 31,<br>2019 | March 31,<br>2018 |
| (Rupees in thousand)                                            |      |                   |                   |
| <b>Cash flows from operating activities</b>                     |      |                   |                   |
| Cash generated from operations                                  | 11   | 4,261,483         | 1,405,019         |
| Retirement benefits paid                                        |      | (6,243)           | (6,017)           |
| Finance cost paid                                               |      | (944,566)         | (804,843)         |
| Taxes paid                                                      |      | (24,934)          | (1,003)           |
| Long term loans to executives - net                             |      | 693               | 711               |
| <b>Net cash inflow from operating activities</b>                |      | 3,286,433         | 593,866           |
| <b>Cash flows from investing activities</b>                     |      |                   |                   |
| Capital expenditure                                             |      | (784,081)         | (255,502)         |
| Proceeds from sale of property, plant and equipment             |      | 6,521             | 10,861            |
| Gain/(Loss) on derivative financial instruments paid            |      | -                 | 851               |
| Profit on bank deposits received                                |      | 956               | 535               |
| <b>Net cash outflow from investing activities</b>               |      | (776,603)         | (243,255)         |
| <b>Cash flows from financing activities</b>                     |      |                   |                   |
| Repayment of long term financing                                |      | (1,653,139)       | (1,422,799)       |
| Short term investments                                          |      | -                 | (669,000)         |
| Receipt of short term loans from holding company                |      | 1,830,000         | -                 |
| Repayment of short term loans from holding company              |      | (1,410,000)       | (350,000)         |
| Dividend paid                                                   |      | (548,870)         | (366,775)         |
| <b>Net cash outflow from financing activities</b>               |      | (1,782,009)       | (2,808,573)       |
| <b>Net (decrease)/increase in cash and cash equivalents</b>     |      | 727,820           | (2,457,962)       |
| <b>Cash and cash equivalents at the beginning of the period</b> |      | (7,557,696)       | (5,927,659)       |
| <b>Cash and cash equivalents at the end of the period</b>       | 12   | (6,829,874)       | (8,385,621)       |

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 NINE MONTHS ENDED MARCH 31, 2019

## 1. The company and its activities

Nishat Chunian Power Limited (the 'company') is a public company limited by shares incorporated in Pakistan under the 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 with its sole customer, National Transmission and Dispatch Company Limited (NTDCL) for twenty five years which commenced from 21 July 2010.

## 2.1 Statement of compliance

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:

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the 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 the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statement 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:

### 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 quarter and nine months ended March 31, 2019.

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2019

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:

|                                                    | <b>Effective date<br/>(accounting periods<br/>beginning on or after)</b> |
|----------------------------------------------------|--------------------------------------------------------------------------|
| 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 recognized based on the capacity made available to NTDC; and
- Energy revenue is recognized based on the Net Electrical Output (NEO) delivered to NTDC.

Capacity and Energy revenue is recognized 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 recognize 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.

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2019

## 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 amounts is as follows:

|                                                       | Un-audited<br>March 31,<br>2019 | Audited<br>June 30,<br>2018 |
|-------------------------------------------------------|---------------------------------|-----------------------------|
|                                                       | (Rupees in thousand)            |                             |
| Opening balance                                       | 5,573,608                       | 7,507,386                   |
| Less: Repayments during the period/year               | 1,653,139                       | 1,933,778                   |
|                                                       | 3,920,469                       | 5,573,608                   |
| Less: Current portion shown under current liabilities | 2,514,469                       | 2,246,839                   |
|                                                       | 1,406,000                       | 3,326,769                   |

## 7. Contingency and Commitments

### 7.1 Contingencies

There are no significant changes in contingencies from the preceding annual published financial statements of the company for the year ended June 30, 2018, except for the following:

(i) Letters of guarantee of Rs. 46.43 million (June 30, 2018: Rs 18.942 million) in favour of Government Departments and suppliers.

(ii) During the financial year 2014, a sales tax demand of Rs 1,161.548 million was raised against the company through order dated November 28, 2013, by the Assistant Commissioner Inland Revenue ('ACIR') by disallowing input sales tax for the tax periods from July 2010 to June 2012. Such amount was disallowed on the grounds that the revenue derived by the company on account of 'capacity purchase price' was against a non-taxable supply and thus, the entire amount of input sales tax claimed by the company was required to be apportioned with only the input sales tax attributable to other revenue stream i.e. 'energy purchase price' admissible to the company. Against the aforesaid order, the company filed an appeal dated December 10, 2013 before the Commissioner Inland Revenue (Appeals) ('CIR(A)') who vacated the ACIR's order on the issue regarding apportionment of input sales tax. However, the CIR(A) did not adjudicate upon the company's other grounds of appeal. Consequently, the company preferred an appeal on March 17, 2014 before the Appellate Tribunal Inland Revenue ('ATIR') on the issues not adjudicated upon by the CIR(A) and the Department also preferred a second appeal on May 08, 2014 before the ATIR against the CIR(A)'s order. During the current period, the ATIR dismissed the case and the department has filed reference applicable before the LHC which is pending adjudication.

(iii) During the previous year, an amendment order dated June 13, 2018 was issued by the Additional Commissioner Inland Revenue under section 122 of the ITO for Tax Year 2012 and subsequently, rectification order dated June 27, 2018 under section 221 of the ITO was issued whereby income tax of Rs 50.063 million was levied mainly comprising minimum tax on capacity sales. The company had filed an appeal on July 26, 2018 before the CIR(A) against the aforesaid orders. During the year, the CIR(A) decided the appeal in company's favour. The department has filed appeal before ATIR against the order of the CIR(A) which is pending adjudication.

(iv) 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 aggregate to Rs 397.016 million (June 30, 2018: Rs 144.073 million).



FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2019

|                                                                          |              | <b>Un-audited<br/>March 31,<br/>2019<br/>(Rupees in thousand)</b> | <b>Audited<br/>June 30,<br/>2018</b> |
|--------------------------------------------------------------------------|--------------|-------------------------------------------------------------------|--------------------------------------|
| <b>8. Fixed Assets</b>                                                   |              |                                                                   |                                      |
| Operating fixed assets                                                   | - note 8.1   | 11,110,369                                                        | 11,372,422                           |
| Capital work-in-progress                                                 |              | 75,511                                                            | 1,801                                |
| Major spare parts and standby equipment                                  |              | 236,468                                                           | -                                    |
|                                                                          |              | <u>11,422,349</u>                                                 | <u>11,374,223</u>                    |
| <b>8.1 Operating fixed assets</b>                                        |              |                                                                   |                                      |
| Opening written down value                                               |              | 11,372,423                                                        | 11,980,793                           |
| Add: Additions during the period/year                                    | - note 8.1.1 | 473,902                                                           | 474,527                              |
| Less: Disposals during the period/year (at book value)                   |              | (814)                                                             | (16,878)                             |
| Less: Depreciation charged during the period/year                        |              | (735,142)                                                         | (1,066,019)                          |
|                                                                          |              | <u>11,110,369</u>                                                 | <u>11,372,423</u>                    |
| <b>8.1.1 Following is the detail of additions during the period/year</b> |              |                                                                   |                                      |
| Electric Installations                                                   |              | -                                                                 | 1,896                                |
| Buildings on freehold land                                               |              | 1,891                                                             | -                                    |
| Plant & machinery                                                        |              | 467,673                                                           | 464,135                              |
| Office equipment                                                         |              | -                                                                 | 845                                  |
| Computer equipment                                                       |              | 1,592                                                             | 1,340                                |
| Vehicles                                                                 |              | 2,746                                                             | 6,311                                |
|                                                                          |              | <u>473,902</u>                                                    | <u>474,527</u>                       |

## 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. The rate of delayed payment mark-up charged during the period on outstanding amounts ranged from 10.64% to 15.26% per annum.

**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.

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2019

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 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 205.74 million upto March 31, 2019.

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 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 recognized 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.

**NISHAT CHUNLAN POWER LIMITED**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2019

|                                        | <b>Un-audited</b>           |                  | <b>Un-audited</b>           |                  |
|----------------------------------------|-----------------------------|------------------|-----------------------------|------------------|
|                                        | <b>Quarter ended</b>        |                  | <b>Nine months ended</b>    |                  |
|                                        | <b>March 31,</b>            | <b>March 31,</b> | <b>March 31,</b>            | <b>March 31,</b> |
|                                        | <b>2019</b>                 | <b>2018</b>      | <b>2019</b>                 | <b>2018</b>      |
|                                        | <b>(Rupees in thousand)</b> |                  | <b>(Rupees in thousand)</b> |                  |
| <b>10. Cost of sales</b>               |                             |                  |                             |                  |
| Raw material consumed                  | 1,132,383                   | 2,237,060        | 6,249,264                   | 7,523,421        |
| Salaries and other benefits            | 32,621                      | 42,665           | 103,010                     | 115,643          |
| Store, spares and loose tools consumed | 81,244                      | 65,859           | 189,359                     | 138,818          |
| Electricity consumed in - house        | 6,123                       | 345              | 11,326                      | 1,768            |
| Insurance                              | 53,537                      | 41,188           | 162,388                     | 124,251          |
| Travelling and conveyance              | 4,630                       | 4,380            | 14,468                      | 12,805           |
| Postage and telephone                  | 853                         | 681              | 2,417                       | 2,042            |
| Repair & Maintenance                   | 15,675                      | 14,409           | 34,988                      | 26,697           |
| Entertainment                          | 16                          | 53               | 38                          | 117              |
| Depreciation on operating fixed assets | 222,298                     | 239,239          | 726,793                     | 764,642          |
| Amortization on Intangible             | 903                         | 903              | 2,710                       | 2,710            |
| Fee & Subscription                     | 1,705                       | 194              | 3,279                       | 3,199            |
| Miscellaneous                          | 3,199                       | 3,270            | 10,816                      | 11,690           |
|                                        | <b>1,555,188</b>            | <b>2,650,246</b> | <b>7,510,855</b>            | <b>8,727,802</b> |

|  | <b>Un-audited</b>           |                 |
|--|-----------------------------|-----------------|
|  | <b>Nine months ended</b>    |                 |
|  | <b>March</b>                | <b>March</b>    |
|  | <b>31, 2019</b>             | <b>31, 2018</b> |
|  | <b>(Rupees in thousand)</b> |                 |

**11 Cash generated from operations**

|                                                              |           |           |
|--------------------------------------------------------------|-----------|-----------|
| Profit before taxation                                       | 2,605,575 | 2,575,039 |
| Adjustment for non-cash charges and other items:             |           |           |
| - Depreciation on operating fixed assets                     | 735,142   | 778,326   |
| - Amortization on intangible assets                          | 3,235     | 3,235     |
| - Profit on bank deposits                                    | (956)     | (682)     |
| - Finance cost                                               | 965,280   | 789,169   |
| - Fair value (gain)/loss on derivative financial instruments | -         | (851)     |
| - Provision for employee retirement benefits                 | 6,243     | 6,017     |
| - Gain on disposal of operating fixed assets                 | (5,707)   | (2,324)   |
| Profit before working capital changes                        | 4,308,811 | 4,147,930 |

Effect on cash flow due to working capital changes:

**(Increase)/ decrease in current assets:**

|                                                                |           |             |
|----------------------------------------------------------------|-----------|-------------|
| - Stores and spares                                            | 142,457   | (65,563)    |
| - Inventories                                                  | 517,486   | 146,265     |
| - Trade debts                                                  | (763,318) | (2,500,693) |
| - Loans, advances, deposits, prepayments and other receivables | 438,123   | (322,096)   |
|                                                                | 334,748   | (2,742,087) |

**Increase/(decrease) in current liabilities:**

|                          |           |             |
|--------------------------|-----------|-------------|
| Trade and other payables | (382,076) | (823)       |
|                          | (47,328)  | (2,742,910) |
|                          | 4,261,483 | 1,405,019   |

**12. Cash and cash equivalents**

|                                 |                    |                    |
|---------------------------------|--------------------|--------------------|
| Cash and bank balances          | 29,537             | 3,518              |
| Short term borrowings - secured | (6,859,410)        | (8,389,140)        |
|                                 | <b>(6,829,874)</b> | <b>(8,385,622)</b> |

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2019

### 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 on commercial terms and conditions.. Significant transactions and balances with related parties are as follows:

| Relationship with<br>the Company                             | Nature of transactions                                   | Un-audited<br>Nine months ended           |                   |
|--------------------------------------------------------------|----------------------------------------------------------|-------------------------------------------|-------------------|
|                                                              |                                                          | March<br>31, 2019<br>(Rupees in thousand) | March<br>31, 2018 |
| <b>(i) Holding Company</b>                                   | Dividend Paid                                            | 468,965                                   | 187,586           |
|                                                              | Common facilities cost                                   | 13,500                                    | 13,500            |
|                                                              | Reimbursement of expenses                                | 5,476                                     | 2,943             |
|                                                              | Disbursement of loans                                    | 1,830,000                                 | 1,150,000         |
|                                                              | Repayment of loans                                       | 1,410,000                                 | 1,500,000         |
|                                                              | Mark up on loans                                         | 959                                       | 1,049             |
| <b>(ii) Entities on the basis of<br/>common directorship</b> | Donations                                                | 102,513                                   | 5,082             |
| <b>(iii) Key management<br/>personnel</b>                    | Remuneration                                             | 46,994                                    | 33,100            |
|                                                              | Dividends paid                                           | 290                                       | 138               |
| <b>(iv) Post employment<br/>benefit plan</b>                 | Expense charged in respect of<br>retirement benefit plan | 6,243                                     | 6,017             |

### 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 1,653.139 million (refer to note 6);
- additions to operating fixed assets aggregating Rs 473,902 million (refer to note 8.1.1); and
- dividends paid amounting to Rs 548.87 million (refer to statement of cashflows).

### 15. Date of authorization for issue

This condensed interim financial information was authorized for issue on April 30, 2019 by the Board of Directors of the company.

### 16. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim 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.

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2019

**17. Event after the balance sheet date**

The Board of Directors have declared an interim cash dividend of Rs 1.00 per ordinary share, amounting to Rs 367.346 million at their meeting held on April 30, 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.

**Chief Executive**

**Chief Financial Officer**

**Director**



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