

# NISHAT POWER LIMITED



NPL-PSE-

July 29, 2020

The General Manager,  
Pakistan Stock Exchange Limited,  
Stock Exchange Building,  
Stock Exchange Road,  
KARACHI.

SUB: **SUBMISSION OF ANNUAL AUDITED ACCOUNTS  
FOR THE PERIOD ENDED JUNE 30, 2020**

Dear Sir,

In compliance with the provisions of Section 237 of the Companies Act, 2017 read with PSX Notice No. PSX/N-4207 dated July 13, 2018 and PSX/N-4952 dated August 29, 2018, we are pleased to upload through PUCARS Annual Audited Accounts of Nishat Power Limited (the Company) for the year ended June 30, 2020.

Further please find attached Statement of Free Float of Shares duly signed by the Chief Executive Officer and Company Secretary of the Company along with Independent Reasonable Assurance Report on Statement of Free Float of Shares dated July 28, 2020 issued by M/s. A. F. Ferguson & Co., Chartered Accountants, the external auditors of the Company.

Thanking you,

Yours truly,

  
**KHALID MAHMOOD CHOCHAN**  
**COMPANY SECRETARY**

Encl: As Above



## INDEPENDENT REASONABLE ASSURANCE REPORT ON STATEMENT OF FREE FLOAT OF SHARES

To the Chief Executive of Nishat Power Limited

### 1. Introduction

We have been engaged to perform a reasonable assurance engagement on the annexed Statement of Free Float of Shares (the 'Statement') of Nishat Power Limited ('the Company') as of September 30, 2019, December 31, 2019, March 31, 2020 and June 30, 2020.

### 2. Applicable criteria

The criteria against which the Statement is assessed is Regulation No. 5.7.2(b) (ii) of Pakistan Stock Exchange Limited Regulations ('PSX Regulations') which requires every listed Company/modaraba/mutual fund to submit directly to Pakistan Stock Exchange Limited ('PSX') an annual Free-Float Certificate duly verified by the auditor along with the annual audited accounts as prescribed under regulation 5.6.9(a) of the PSX Regulations.

### 3. Management's responsibility for the Statement

Management is responsible for the preparation of the Statement as of September 30, 2019, December 31, 2019, March 31, 2020 and June 30, 2020 in accordance with the applicable criteria. This responsibility includes maintaining adequate records and internal controls as determined necessary to enable the preparation of the Statement such that it is free from material misstatement, whether due to fraud or error.

### 4. Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### 5. Our responsibility and summary of the work performed

Our responsibility is to carry out an independent reasonable assurance engagement and to express an opinion as to whether the Statement is prepared in accordance with the applicable criteria, based on the procedures we have performed and the evidence we have obtained.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
23-C, Aziz Avenue, Canal Bank, Gulberg-V, P.O.Box 39, Lahore-54660, Pakistan  
Tel: +92 (42) 3571 5868-71 / 3577 5747-50 Fax: +92 (42) 3577 5754 [www.pwc.com/pk](http://www.pwc.com/pk)



We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements other than audits or reviews of historical financial statements' (ISAE 3000) (Revised) issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable level of assurance about whether the Statement is free from material misstatement.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the free float of shares and related information in the Statement. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, in the Statement. In making those risk assessments, we considered internal control relevant to the Company's preparation of the Statement. A reasonable assurance engagement also includes assessing the applicable criteria used and significant estimates made by management, as well as, evaluating the overall presentation of the Statement.

We have carried out the procedures considered necessary for the purpose of providing reasonable assurance on the Statement. Our assurance procedures performed included verification of information in the Statement with the underlying data and record comprising of Central Depository Company statements, forms submitted by the Company with Securities & Exchange Commission of Pakistan relating to its pattern of shareholding and other related information. Verification that the computation of free float of shares is in accordance with the PSX regulation also forms part of our assurance procedures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **6. Opinion**

In our opinion, the Statement as of September 30, 2019, December 31, 2019, March 31, 2020 and June 30, 2020 is prepared, in all material respects, in accordance with the PSX Regulations.

## **7. Restriction on use and distribution**

This report is issued in relation to the requirements as stipulated under Regulation No 5.7.2(c)(ii) of the PSX Regulations and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein and the attachments.

**A.F. Ferguson & Co.  
Chartered Accountants**

**Lahore:** July 28, 2020



# NISHAT POWER LIMITED



## NISHAT POWER LIMITED

### STATEMENT OF FREE FLOAT OF SHARES

	As of 30 September 2019	As of 31 December 2019	As of 31 March 2020	As of 30 June 2020
Total Outstanding Shares	354,088,500	354,088,500	354,088,500	354,088,500
Less: Government Holdings	(18,205,988)	(19,520,988)	(19,619,488)	(20,055,488)
Less: Shares held by Directors / Sponsors / Senior Management Officers and their associates	(30,004,000)	(30,004,000)	(30,004,000)	(30,004,000)
Less: Shares in Physical Form	(181,066,478)	(181,065,478)	(181,065,478)	(181,065,478)
Less: Shares held by Associate companies / Group Companies (Cross holdings)	(1,011,300)	(1,011,300)	(1,011,300)	(1,011,300)
Less: Shares issued under Employees Stock Option Schemes that cannot be sold in the open market in normal course	-	-	-	-
Less : Treasury Shares	-	-	-	-
Less : Any other category that are barred from selling at the review date	-	-	-	-
Free Float	123,800,734	122,486,734	122,388,234	121,952,234

**Basis of Preparation:** This Statement is prepared in accordance with the requirements of Regulation No. 5.7.2 (c) (ii) of Pakistan Stock Exchange Limited Regulations (PSX Regulations).

  
Company Secretary

  
Chief Executive Officer

#### HEAD OFFICE

: 1-B, AZIZ AVENUE, CANAL BANK, GULBERG V, LAHORE. TEL: +92-42-35717090-96, 35717159-63, FAX: +92-42-35717239, Email: nishat@nishatpower.com, Website: www.nishatpower.com

#### REGISTERED OFFICE

: NISHAT HOUSE, 53/A, LAWRENCE ROAD, LAHORE. TEL: 111-113-333 FAX: +92-42-36367414

#### POWER STATIONS

: 66 Km, Lahore - Multan Road, On BS Link Canal Near Jambar Kalan, Tehsil Pattoki, District Kasur. Tel: 92-42-35260118-9, 049-4388271-80





N I S H A T

NISHAT POWER LIMITED

**ENLIGHTENING  
THE  
FUTURE  
THROUGH  
EXCELLENCE**

**ANNUAL  
REPORT 2020**



## CONTENTS

Corporate Profile .....	2
Vision & Mission Statement.....	4
Notice of Annual General Meeting.....	6
Chairman's Review .....	12
Directors' Report .....	14
Pattern of Holding of the Shares .....	29
Statement of Compliance with the	
Code of Corporate Governance.....	34
Review Report to the Members .....	37
Unconsolidated Auditors' Report To The Members .....	38
Unconsolidated Statement of Financial Position.....	42
Unconsolidated Statement of Profit or Loss .....	44
Unconsolidated Statement of Comprehensive Income.....	45
Unconsolidated Statement of Cash Flows .....	46
Unconsolidated Statement of Changes in Equity .....	47
Notes to and Forming Part of the	
Unconsolidated Financial Statements .....	48
Consolidated Directors' Report.....	92
Consolidated Auditors' Report To The Members.....	94
Consolidated Statement of Financial Position .....	98
Consolidated Statement of Profit or Loss.....	100
Consolidated Statement of Comprehensive Income.....	101
Consolidated Statement of Cash Flows .....	102
Consolidated Statement of Changes in Equity .....	103
Notes to and Forming Part of the	
Consolidated Financial Statements .....	104
Form of Proxy	



# CORPORATE PROFILE

BOARD OF DIRECTORS	Mian Hassan Mansha Mr. Ghazanfar Hussain Mirza Mr. Ahmad Aqeel Mr. Yousuf Bashir Mr. Mahmood Akthar Mr. Shahzad Ahmad Malik Mr. Norez Abdullah	Chairman Chief Executive
AUDIT COMMITTEE	Mr. Ahmad Aqeel Mr. Yousuf Bashir Mr. Shahzad Ahmad Malik	Member / Chairman Member Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mian Hassan Mansha Mr. Ahmad Aqeel Mr. Ghazanfar Hussain Mirza	Member Member / Chairman Member
CHIEF FINANCIAL OFFICER	Mr. Tanvir Khalid	
COMPANY SECRETARY	Mr. Khalid Mahmood Chohan	
BANKERS OF THE COMPANY	Habib Bank Limited United Bank Limited Allied Bank Limited National Bank of Pakistan Bank Alfalah Limited Faysal Bank Limited Askari Bank Limited Habib Metropolitan Bank Limited Soneri Bank Limited Silk Bank Limited Bank Islami Pakistan Limited Meezan Bank Limited Dubai Islamic Bank Pakistan Limited Albaraka Bank Pakistan Limited The Bank of Punjab MCB Bank Limited MCB Islamic Bank Limited Pak Brunei Investment Co. Limited Bank Al-Habib Ltd	

AUDITORS

A. F. Ferguson & Co.  
Chartered Accountants

LEGAL ADVISOR

Cornelius, Lane & Mufti  
Advocates & Solicitors

REGISTERED OFFICE

53 - A, Lawrence Road, Lahore - Pakistan  
UAN: 042-111-11-33-33

HEAD OFFICE

1-B, Aziz Avenue, Canal Bank,  
Gulberg-V, Lahore - Pakistan  
Tel: +92-42-35717090-96, 35717159-63  
Fax: +92-42-35717239  
Website: [www.nishatpower.com](http://www.nishatpower.com)

SHARE REGISTRAR

Hameed Majeed Associates (Pvt.) Ltd.  
Financial & Management Consultants  
H.M. House, 7-Bank Square, Lahore - Pakistan.  
Tel: 042-37235081-2

PLANT

66-K.M, Multan Road, Jambar Kalan,  
Tehsil Pattoki, District Kasur, Punjab - Pakistan.





# MISSION

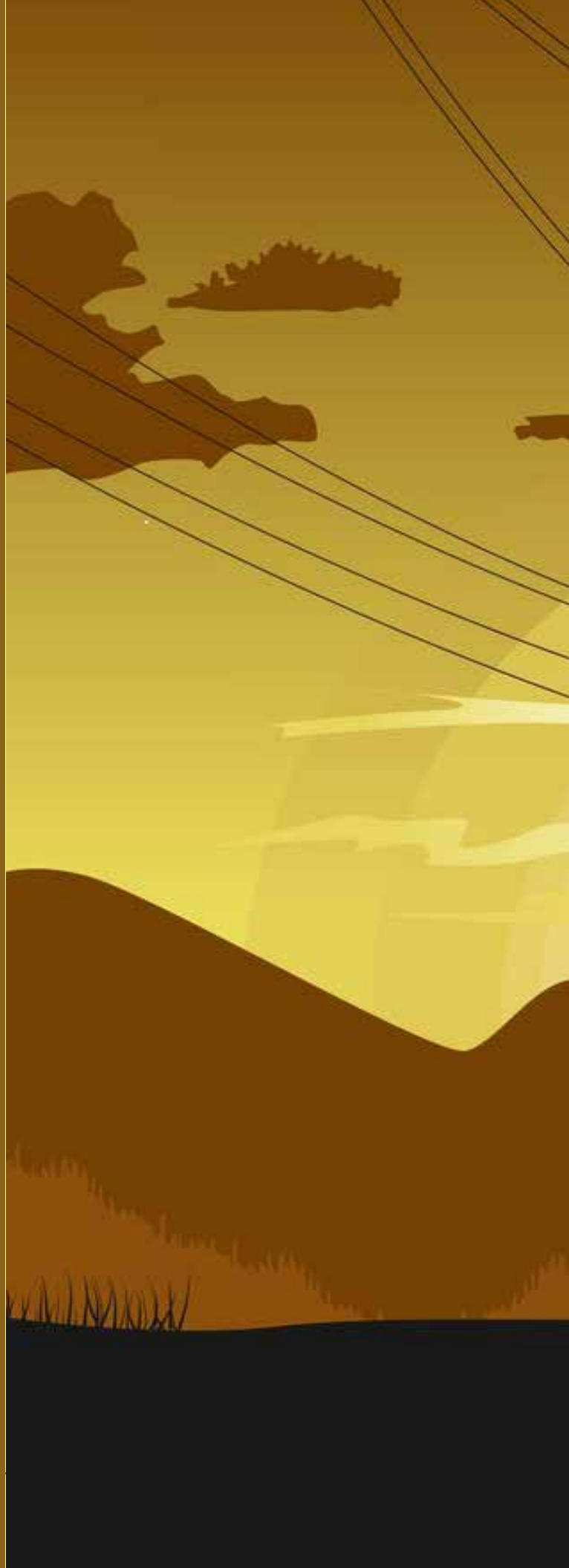
## STATEMENT

TO BECOME LEADING POWER  
PRODUCER WITH SYNERGY  
OF CORPORATE CULTURE  
AND VALUES THAT RESPECT  
COMMUNITY AND ALL OTHER  
STAKEHOLDERS

# VISION

## STATEMENT

ENLIGHTEN THE FUTURE  
THROUGH EXCELLENCE,  
COMMITMENT, INTEGRITY  
AND HONESTY





# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of the Members of Nishat Power Limited (the "Company") will be held on August 22, 2020 (Saturday) at 11:00 A.M. at Nishat House, 53-A, Lawrence Road, Lahore, and if the current situation of COVID-19 pandemic and lock down is continued the meeting will be held through video link to transact the following business:

1. To receive, consider and adopt the Annual Audited Un-Consolidated and Consolidated Financial Statements of the Company for the year ended June 30, 2020 with the Chairman Review, Directors' and Auditors' reports thereon.
2. To approve Final Cash Dividend @ 10% [i.e. Re 1/- (Rupee One Only) Per Ordinary Share] as recommended by the Board of Directors, in addition to the 10% Interim Cash Dividend i.e. Re 1/- per share already paid for the year ended June 30, 2020.
3. To appoint statutory Auditors for the year ending June 30, 2021 and fix their remuneration.
4. To elect Seven (7) Directors of the Company, as fixed by the Board of Directors, for the next term of three years, in accordance with the provisions of Section 159 of the Companies Act 2017, in place of following retiring Directors.
  1. Mian Hassan Mansha
  2. Mr. Ahmad Aqeel
  3. Mr. Yousaf Bashir
  4. Mr. Ghazanfar Hussain Mirza
  5. Mr. Mahmood Akhtar
  6. Mr. Shahzad Ahmad Malik
  7. Mr. Norez Abdullah

A Statement of Material Facts as required under Section 166(3) of the Companies Act, 2017 concerning the manner of selection of Independent Directors is annexed to the notice of meeting circulated to the members of the Company.

BY ORDER OF THE BOARD



KHALID MAHMOOD CHOCHAN  
(Company Secretary)

LAHORE  
July 28, 2020

## NOTES:

### BOOK CLOSURE NOTICE:-

The Ordinary Shares Transfer Books of the Company will remain closed from 14-08-2020 to 22-08-2020 (both days inclusive) for entitlement of 10% Final Cash Dividend [i.e. Re. 1 (Rupee One Only) Per Ordinary Share] for the year ended June 30, 2020 and Election of Directors and attending and voting at Annual General Meeting. Physical transfers/ CDS Transactions IDs received in order in all respect up to 1:00 p.m. on 13-08-2020 at Share Registrar, Hameed Majeed Associates (Pvt) Ltd, 7-Bank Square, Lahore, will be considered in time for entitlement of above said 10% Final Cash Dividend and Election of Directors.



## Proxies

A member eligible to attend and vote at this meeting may appoint another member his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's registered office not less than 48 hours before the time for holding the meeting. Proxies of the Members through CDC shall be accompanied with attested copies of their CNIC. In case of corporate entity, the Board's Resolution/power of attorney with specimen signature shall be furnished along with proxy form to the Company. The shareholders through CDC are requested to bring original CNIC, Account Number and Participant Account Number to produce at the time of attending the meeting. The proxy shall produce his / her original valid CNIC or original passport at the time of meeting.

Shareholders are requested to immediately notify the Company of change in address, if any.

Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

### A. For Attending the Meeting

- a. In case of Individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.
- b. In case of corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

### B. For Appointing Proxies

- a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
- b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
- c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- e. In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

Members are requested to timely notify any change in their addresses.

## Deduction of Withholding Tax on Dividend

Pursuant to the provisions of the Finance Act, 2017 the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

- Filer	7.50%
- Non-Filer	15.00%

All shareholders are advised to check their status on Active Taxpayers List (ATL) available on FBR Website and may, if required, take necessary actions for inclusion of their name in ATL to avail the lower rate of tax deduction.

### **Deduction of Withholding Tax on Dividend in case of Joint Account Holders**

All shareholders who hold shares jointly are requested to provide following information regarding shareholding proportions of Principal Shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, Hameed Majeed Associates (Pvt) Ltd, 7-Bank Square, Lahore, latest by August 13, 2020, otherwise each joint holder shall be assumed to have an equal number of shares.

Name of the Company		Nishat Power Limited
Folio No. / CDS A/C No.		
No. of Shares Held		
<b>Principal</b>	Name & CNIC	
<b>Shareholder</b>	Shareholding Proportion (No. of Shares)	
<b>Joint</b>	Name & CNIC	
<b>Shareholder(s)</b>	Shareholding Proportion (No. of Shares)	

Signature of Primary Shareholder \_\_\_\_\_

### **EXEMPTION OF WITHHOLDING TAX:-**

Withholding tax exemption from dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrar, Hameed Majeed Associates (Pvt) Ltd, 7-Bank Square, Lahore, up to August 13, 2020.

### **SUBMISSION OF COPY OF CNIC (MANDATORY):**

Individuals including all joint holders holding physical share certificates are requested to submit a copy of their valid CNIC to the Company or the Company's Share Registrar. All shareholders are once again requested to send a copy of their valid CNIC to our Share Registrar, Hameed Majeed Associates (Pvt) Ltd, 7-Bank Square, Lahore. The Shareholders while sending CNIC must quote their respective folio numbers and name of the Company.

### **ZAKAT DECLARATION (CZ-50)**

Zakat will be deducted from the dividends at source under the Zakat & Usher Laws and will be deposited within the prescribed period with the relevant authority. Any shareholder who want to claim exemption should submit Zakat declarations under Zakat and Usher Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund) Rules, 1981 on prescribed Form CZ-50, Share Registrar, Hameed Majeed Associates (Pvt) Ltd, 7-Bank Square, Lahore otherwise no exemption will be granted. The Shareholders while sending the Zakat Declarations, as the case may be, must quote company name and their respective Folio Numbers/CDC Account Numbers.

**MANDATORY PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE:**

The provisions of Section 242 of the Companies Act, 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Accordingly, the shareholders holding physical shares are requested to provide the following information to the Company's Share Registrar at the address given herein above. In the case of shares held in CDC, the same information should be provided directly to the CDS participants for updating and forwarding to the Company.

<b>Folio No. / Investor Account Number / CDC Sub Account No.</b>	
<b>Title of Account</b>	
<b>IBAN Number</b>	
<b>Bank Name</b>	
<b>Branch</b>	
<b>Branch Address</b>	
<b>Mobile Number</b>	
<b>Name of Network (if ported)</b>	
<b>Email Address</b>	

---

**Signature of Shareholder**

**Transmission of Annual Financial Statements through Email:**

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 787 (I)/2014 dated September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. [www.nishatpower.com](http://www.nishatpower.com) and send the form, duly signed by the shareholder, along with copy of his/her CNIC to the Company's Share Registrar M/s Hameed Majeed Associates (Pvt) Limited.

**Circulation of Annual Reports through Digital Storage**

Pursuant to the SECP's notification SRO 470(I) / 2016 dated 31st May, 2016 the Members of Nishat Power Limited had accorded their consent for transmission of annual reports including audited annual financial statements and other information contained therein of the Company through CD/DVD/USB instead of transmitting the same in hard copies. The shareholders who wish to receive hard copies of the aforesaid documents may send to the Company Secretary / Share registrar, the standard request form available on the Company's website and the Company will provide the aforesaid documents to the shareholders on demand, free of cost, within one week of such demand.



### **Unclaimed Dividend / Shares**

Shareholders who could not collect their dividend/physical shares are advised to contact our Share Registrar to collect/enquire about their unclaimed dividend or shares, if any.

### **Video Conference Facility**

In terms of the Companies Act, 2017, members residing in a city holding at least 10% of the total paid up share capital may demand the facility of video-link for participating in the annual general meeting. The request for video-link facility shall be received by the Share Registrar at the address given hereinabove at least 7 days prior to the date of the meeting on the Standard Form placed in the annual report which is also available on the website of the Company.

### **E-voting and Postal Ballot Facility**

The shareholders will be allowed to exercise their right to vote through e-voting and postal ballot subject to Section 142 and 143 of the Companies Act, 2017 and Regulation 11 of the Companies (Postal Ballot) Regulations, 2018.

### **In Case The Meeting Will Held Under Webinar Arrangements Through Video Link Due To Covid-19 Pandemic And Continued Lockdown Situation**

The shareholders will be able to login and participate in the proceedings of AGM through their smartphones or computer devices from their homes or any convenient location after completing meeting attendance formalities on the following video link. For this purpose, shareholders are requested to get their particulars registered with the Company Secretary (Mobile phone 03334411103/03412031111) at least one working day before holding the meeting and they will be provided with their login details.

Video Link facility: <https://zoom.us/download>

The shareholders can also provide their comments/suggestions for the agenda items of the AGM on the following Cell No., WhatsApp No. and Email ID.

Mobile No.: 0333 4411103 / 0341 2031111

WhatsApp No.: 0333 4411103 / 0341 2031111

Email: [kchohan@nishatpower.com](mailto:kchohan@nishatpower.com) or [kchohan@dgcement.com](mailto:kchohan@dgcement.com) or [smahmood@dgcement.com](mailto:smahmood@dgcement.com)

### **STATEMENT OF MATERIAL FACTS UNDER SECTION 166(3) OF THE COMPANIES ACT, 2017**

Section 166 of the Companies Act 2017 provides that a statement of material facts is annexed to the notice of the general meeting called for the purpose of election of directors which shall indicate the justification for choosing the appointee for appointment as an independent director. The Company is required to have at least [two] independent directors on its board in accordance with the Listed Companies (Code of Corporate Governance) Regulations, 2019.

The Company shall ensure that the Independent Directors will be elected in accordance with the procedures for election of directors laid down in Section 159 of the Companies Act, 2017. Once the contestants will file their consent to offer themselves for elections as independent director, the Company shall ensure that:

- Names of these contestants are included in the data bank maintained by Pakistan Institute of Corporate Governance (PICG) as authorized by SECP and

- These contestants meet the independence criteria as mentioned in Section 166(2) of the Companies Act, 2017 and
- Experience, competencies and skills of the contestants shall be assessed.

**Statement Under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017**

<b>Name of Investee Company</b>	<b>Lalpir Solar Power (Pvt) Limited (LSPL)</b>
<b>Total Investment Approved:</b>	Equity investment upto Rupees 278.460 million was approved by members in Annual General Meeting on October 26, 2018.
<b>Amount of Investment Made to date:</b>	Nil
<b>Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time:</b>	CPPA-G informed the Subsidiary that Ministry of Energy has conveyed the Cabinet Committee on Energy (CCOE) decision to CPPA-G and further sent a list of 145 projects as approved by the Cabinet for necessary action. The CPPA-G stated that power project of the Subsidiary is not included in the list of 145 projects, therefore, CPPA-G is of the view that request of the Subsidiary cannot be entertained. Furthermore, during the year Alternate Energy Development Board (AEDB) informed that Solar PV Power Project of the Subsidiary is placed under category III of the decision of the Cabinet Committee on Energy (CCoE). All category-III projects are allowed by the CCoE to proceed ahead subject to becoming successful in the competitive bidding process to be undertaken by AEDB, based on the quantum ascertained for each technology by Indicative Generation Capacity Expansion Plan (IGCEP) by NTDCL. However, no such competitive bidding process undertaken even the IGCEP not finalized till to-date. The response of CPPA-G and AEDB have made the Solar PV Power Project of the Subsidiary more complicated.
<b>Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company:</b>	At the time of approval, as per available latest audited financial statements for the year ended June 30, 2018, the basic loss per share was Rs.1.63 and breakup value per share was Rs. 1.73. As per latest available annual audited financial statements for the year ended June 30, 2020 the basic loss per share is Rs. 48.5 and breakup value per share is Rs. (45.3).

# CHAIRMAN'S REVIEW

The Financial year, ended in June 2020, proved to be a year of challenges for the Company in particular and for the country in general. The sudden outbreak of COVID-19 pandemic in China and then quickly spreading all over the world, including Pakistan, paused the economic progress everywhere. This pandemic coupled with recession, has not only shaken the world economies, but also claimed thousands of innocent lives. The Government of Pakistan, countered this pandemic through lockdowns. The Company faced a sudden slow down on trade debts recovery, as the Govt. deferred the collection of electricity bills payment from consumers.

However, in March 2020 the Govt., through Power Holding Company, successfully issued a SUKUK II of Rupees Two Hundred Billion on Pakistan Stock Exchange. The Company received Rs 1,389 million from this SUKUK II, which helped it getting over the liquidity crunch.

Even though, there was a year-on-year increase of Rs 2,656 million in overdue receivables from CPPA, I would like to recognize the efforts put by Company management /Board of Directors, who steered the Company safe and kept it out of the crisis like situation.

I appreciate the trust and support forwarded by all our stakeholders, who helped the Company to post earnings per share of Rs 13.96 in current year as compared to Rs 10.65 last year. However, the next year would not be as profitable as the current year, because during the current year, the Company managed to repay the whole long term loan to banks. Since, debt servicing was a part of the tariff, the component of Capacity Payment would reduce from Rs.3.2/kwh to Rs.1.6/kwh, in the next year subject to tariff indexation.

The current Board of Directors, are going to complete their term in August 2020. I would like to appreciate overall performance of the Board during this term. They have provided strategic directions to the management and always remained available for guidance.

The Board has formed various Committees, like Audit Committee and Human Resource Committee. Through Audit Committee the Board, reviewed the internal controls and financial statements and ensured that the accounts fairly represent the financial position of the Company. While the HR Committee overviews the HR policy framework and recommends selection and compensation of senior management team.

In the end, I would like to extend my gratitude to outgoing Board members and am satisfied with the Board's overall performance and their effective role in achieving the Company's objectives.



CHAIRMAN  
Lahore: July 28, 2020



## چیرمین کی جائزہ رپورٹ

جون 2020 میں شتم ہونے والا مالی سال، حاسم طور پر کئی اور عام طور پر ملک کے لئے متنبیوں کا سال ثابت ہوا۔ جتن میں COVID-19 وبائی بیماری کے اچانک پھیلنے اور پھر قریب طور پر پاکستان سمیت پوری دنیا میں پھیل جانے سے معاشی ڈھڑکتے ہوئے ملک رک گئی۔ اس وبائی بیماری نے کمرہ داری کے ساتھ مل کر نہ صرف عالمی معیشت کو بلکہ مرکزہ دیا ہے بلکہ ہزاروں بے گناہ ہانوں کو بھی ضائع کیا ہے۔ حکومت پاکستان نے لاک ڈاؤن کے ذریعے اس وبائی بیماری کا سہ لہر کیا۔ نئی کو چھاتی قرضوں کی وصولی میں اچانک سست روی کا سامنا کرنا پڑا، کیونکہ حکومت نے صارفین سے بجلی کے بلوں کی ادائیگی کو متاثر کر دیا۔

تاہم، مارچ 2020 میں حکومت نے ہزاروں لاکھ کمپنیوں کے ذریعے، پاکستان انکلیچ میں دو سو ملین روپے کے سٹوک II کامیابی کے ساتھ جاری کئے۔ انہیں اس سٹوک II سے 1,389 ملین روپے حاصل ہوئے، جس نے ٹیکہ پائی بھران پر قابو پانے میں مدد کی۔

اس کے باوجود، نئی پی پی اے سے واپس لایا ہوا پیسہ سال بہ سال 2,656 ملین روپے کا اضافہ ہوا، جس نے انہیں منجسٹ ریزرو آف ڈائریکٹرز کی کوششوں کو تسخیر کرتے ہوئے، جنہوں نے نئی کو کھلا طریقے سے آگے بڑھایا اور اسے بھران جتنی صورت حال سے دور رکھا۔

میں اپنے قرضہ سٹیک ہولڈرز کے تعاون سے آگے بڑھے ہوئے ۱۹۹۹ اور تعاون کی تعریف کرتا ہوں جس نے انہیں گوداں سال میں 13.96 روپے فی حصص آمدنی میں گزشتہ سال 1.65 روپے کے مقابلے میں دو سو تاہم، اگلے سال موجودہ سال کی طرح قلع بھٹی نہیں ہوگا، کیونکہ موجودہ سال کے دوران، کئی بینکوں کو پورا طویل عتی قرضہ ادا کرنے میں کامیاب رہی۔ چونکہ قرض کی خدمت مصلحت کا ایک حصہ تھا، لہذا اگلے سال بحرق انڈیکسشن کے تحت، صلاحیت کی ادائیگی کا جزو 32 کلو واٹ سے کم ہو کر 1.8 kVA واٹ ہو جائے گا۔

موجودہ پورڈ آف ڈائریکٹرز اگست 2020 میں اپنی میعاد مکمل کرنے جا رہے ہیں۔ میں اس مدت کے دوران پورڈ کی مجموعی کارکردگی کی تعریف کرتا ہوں۔ انہوں نے انتظامیہ کو اسٹریٹجک چالیت فراہم کیں اور ہمیشہ دھنائی کے لئے دستیاب رہیں۔

پورڈ آف ڈائریکٹرز نے آؤٹ کھٹی اور بیرون دیسوں کھٹی جھٹی مختلف کمپنیاں تشکیل دی ہیں۔ جہاں آؤٹ کھٹی مالی صلاحیت کا جائزہ دیتی ہے اور اس بات کو یقینی بناتی ہے کہ آؤٹ کھٹی اندرونی کنٹرولز کی موثری کو یقینی بناتے ہوئے انہیں کی مالی حیثیت کی مصداقہ لہذا نئی سرت ہیں۔ جبکہ، انہیں آؤٹ کھٹی آر پائی کے قرضہ ورک کا جائزہ دیتی ہے اور ستر منجسٹ فم کے انتخاب اور معاوضے کی سٹارٹ کرتی ہے۔

آخر میں، ہم پورڈ کی مجموعی کارکردگی اور انہیں کے مقاصد کے حصول میں اس کے مرکزہ کردار سے خوش ہیں۔

*(Signature)*

چیرمین

2020 جی 28 Jun 11



## DIRECTORS' REPORT

The Board of Directors of Nishat Power Limited (The Company) is pleased to present Annual Report with the Audited Financial Statements of the Company together with Auditors' Report thereon for the financial year ended June 30, 2020.

## PRINCIPAL ACTIVITY:

The principal activity of the Company is to build, own, operate and maintain a fuel fired power plant based on Reciprocating Engine Technology having gross capacity of 200MW in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan.

## FINANCIAL RESULTS:

The Company had turnover of Rs 11,738 million (2019: Rs 15,582 million) during the year against operating cost of Rs 5,319 million (2019: Rs 10,584 million) resulting in a gross profit of Rs 6,420 million (2019: Rs 4,998 million). The main reason of decrease in turnover is low generation of electricity due to low demand by National Power Control Centre (NPCC). The current year's net profit after tax amounts to Rs 4,943 million resulting earnings per share of Rs 13.96 compared to previous year's profit after tax of Rs 3,770 million and earnings per share of Rs 10.65.

We would like to draw your attention to emphasis of matter paragraph of the independent auditors' report to the members (i) which refers to an amount of Rs 816 million (2019: Rs 816 million) relating to capacity purchase price, included in trade debts, not acknowledged by National Transmission and Despatch Company Limited ('NTDCL'). Further details are mentioned in note 19.2 of the annexed financial statements. Based on the favourable Expert determination and International Arbitration Award, management strongly feels that under the terms of the PPA and Implementation Agreement, the above amount is likely to be recovered by the company. Consequently, no provision for the above mentioned amount has been made in these financial statements. (ii) which refers to delayed payment charges on outstanding delayed payment invoices, not acknowledged by NTDCL. Further details are mentioned in note 13.1.2 of the annexed financial statements. On prudence basis, the company has not recognized the income and corresponding receivable in these financial statements due to its uncertainty on account of pendency of enforcement proceedings of the final award.

NTDCL continues to default on its payment obligations. The Company took up the matter with NTDCL and Private Power & Infrastructure Board ('PPIB') by giving notices of default pursuant to provisions of Power Purchase Agreement and Implementation Agreement. The Company is facing the risk of increased receivables due to overall challenge of circular debt plaguing the Power Sector of Pakistan. For other risks being faced by the Company, please refer to note 38 of the annexed financial statements.

Total receivables from NTDCL on June 30, 2020 stand at Rs 18,782 million, out of which overdue receivables are Rs 15,801 million.

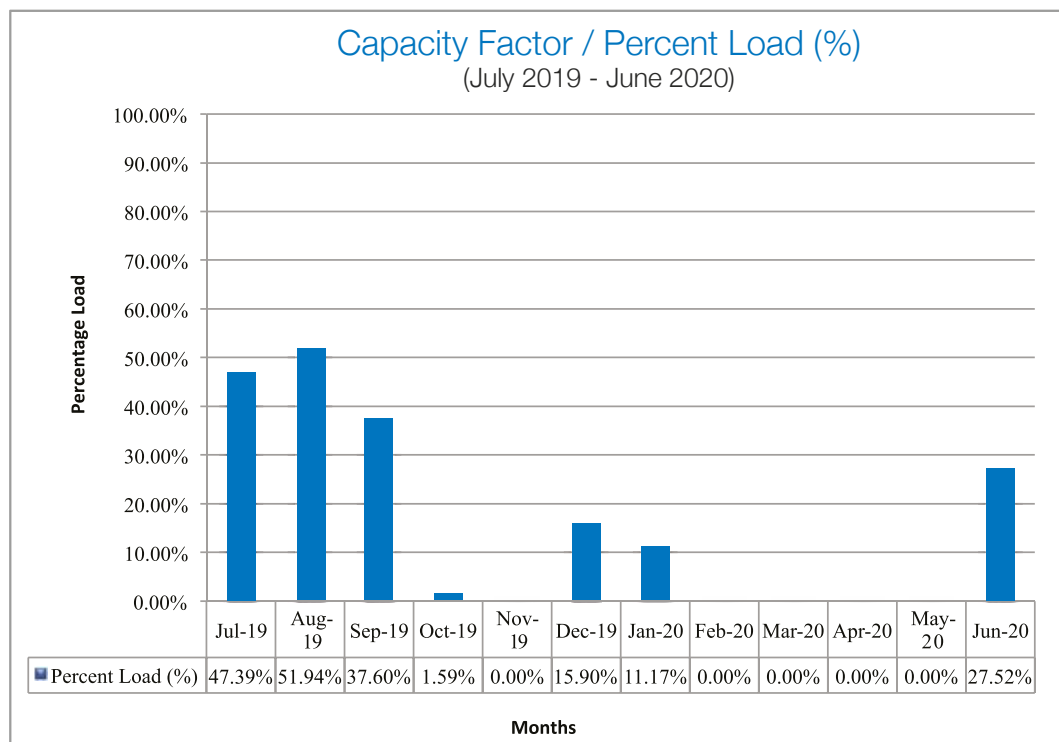
## OPERATIONS AND SIGNIFICANT EVENTS:

At the time of Financial Close for this Project, the Company had secured long term financing from a consortium of banks for a period of 10 years (the 'LTF'). The LTF was repayable in 40 quarterly installments starting from Commercial Operations Date and ending on June 30, 2020.

During the year, the LTF has been fully settled by making repayment of last installment on June 30, 2020. As the LTF was repaid from the annual debt service component, which was part of the agreed Capacity Purchase Price (CPP) tariff, there would be a corresponding reduction in the CPP revenue of following years. The repayment of LTF will reduce the CPP revenue to the extent of approximately PKR 2,500 million annually. This will accordingly reduce the profitability of the Company to the above extent, going forward.

## Operational results:

The plant operated at an optimal efficiency with 16.18% (2019: 39.46%) average capacity factor and dispatched 278 GWh (2019: 675 GWh) of electricity to NTDC during the year.



## KEY OPERATING AND FINANCIAL DATA:

Financial year ending June 30,

2020  
(Rupees in Millions)

2019

Turnover	11,738	15,582
Net Profit	4,943	3,770
Total non-current assets	9,395	10,007
Issued, subscribed and paid up capital	3,541	3,541
Long term financing	74	3,040
Short term financing	4,751	6,420
Generation (MWh)	277,541	675,106
Earnings per share-basic and diluted (Rs.)	13.959	10.646
Share prices (Market value rupees per share)	22.65	27.54

Due to increased power generation capacity of the country, the Company's capacity utilization factor has seen some falling trend i.e. from 39% of previous year to 16% in this year. However, the management believes that NTDC would still need to run power plant, due to the unique technological advantage of RFO based eleven ("11") Reciprocating Engines and one ("01") Steam Turbine, which can produce power during peak hours round the year, at a very short notice period.



### Lalpir Solar Power (Pvt) Limited

In the financial year 2016, the Company incorporated a wholly owned subsidiary, Lalpir Solar Power (Private) Limited ('LSPPL'), since then the Company has taken up 100,000 shares of the LSPPL. The principal activity of LSPPL is to build, own, operate and maintain or invest in a solar power project having gross capacity upto 20 MWp with net estimated generation capacity of upto approx 19 MWp. The project site is located at Mehmood Kot, District Muzaffar Garh, Multan. The Company achieved various milestones like approval of Feasibility Study, No Objection Certificate ('NOC') from Environment Protection Agency (EPA) and approval of Grid Interconnection study from Multan Electric Power Company (MEPCO). However, the upfront solar tariff announced by National Electric Power Regulatory Authority (NEPRA) had expired on June 30, 2016. Meanwhile LSPPL had also obtained the approval from NTDCL for Grid Interconnection Study, and generation license from NEPRA in year 2018.

The LSPPL's Power Acquisition Request (PAR) to Central Power Purchasing Agency (CPPA) delayed due to the expiry of Renewable Energy Policy and tariff mechanism. During the year, keeping in view the decision taken by the Cabinet Committee on Energy (CCoE), CPPA has informed that LSPPL has not been given consent.

Considering the above facts, the management of LSPPL has intended to initiate process of winding up of LSPPL for which legal consultants have been approached. Therefore, financial accounts of LSPPL for year 2020 have been prepared on non-going concern basis. Accordingly, investment of Rs 1 million in equity shares of subsidiary have been impaired while advance balance of Rs 4.373 million receivable from subsidiary has been written off in annexed unconsolidated financial statements.

### INTERNAL AUDIT AND CONTROL:

The Board has set up an independent audit function headed by a qualified person reporting to the Audit Committee. The scope of internal auditing within the Company is clearly defined which broadly involves review and evaluation of its' internal control system.

### ADEQUACY OF INTERNAL FINANCIAL CONTROLS:

The company adheres to maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## ENVIRONMENTAL PROTECTION MEASURES

Environmental monitoring for Emissions from Diesel Generators and testing of waste water is conducted on periodic basis for compliance of National Environmental Quality Standards (NEQS).

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

The Company Management is fully cognizant of its responsibility as recognized by the Companies Act, 2017 provisions and Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (SECP). The following comments are acknowledgement of Company's commitment to high standards of Corporate Governance and continuous improvement.

- The financial statements, prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon Company's ability to continue as going concern.
- All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The directors were apprised of their duties and responsibilities through orientation courses.
- Value of investments in respect of retirement benefits fund:

Provident Fund: June 30, 2020 is Rs 252.324 million

## ATTENDANCE OF MEMBERS IN AUDIT COMMITTEE MEETINGS

During the year under review, Four Audit Committee Meetings were held, attendance position was as under:-

Sr. #	Name of Member		# of Meetings Attended
1	Mr. Ahmad Aqeel	(Member/Chairman)	4
2	Mr. Shahzad Ahmad Malik	(Member)	4
3	Mr. Yousuf Bashir	(Member)	4

## ATTENDANCE OF MEMBERS IN HR COMMITTEE

During the year under review One Human Resource & Remuneration (HR&R) Committee meeting was held, attendance position was as under:-

Sr. #	Name of Member	# of Meetings Attended
1	Mr. Hassan Mansha (Member)	1
2	Mr. Ghazanfar Hussain Mirza (Member)	1
3	Mr. Ahmad Aqeel (Member/Chairman)	1

## ATTENDANCE OF DIRECTORS IN BOD MEETINGS

During the year under review, four Board of Directors Meetings were held, attendance position was as under:-

Sr. #	Name of Directors	# of Meetings Attended
1	Mian Hassan Mansha (Chairman)	3
2	Mr. Ahmad Aqeel	4
3	Mr. Mahmood Akhtar	4
4	Mr. Ghazanfar Hussain Mirza (Chief Executive)	4
5	Mr. Shahzad Ahmad Malik	4
6	Mr. Yousuf Bashir	4
7	Mr. Norez Abdullah	4

## LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

The company have taken initiatives to implement amendments in the new Code. Number of Directorships and composition of the board which was linked with the restructuring of the Board at the time of next election of Directors, will be complied in election of directors scheduled for August 22, 2020.

The Board lays great emphasis on adding and practicing good Corporate Governance, with a view to achieve transparency in its operations, so as to boost stakeholders' confidence.

## NAME OF DIRECTORS OF THE COMPANY:

Following persons served as directors of the company during the financial year 2020.

Sr. #	Name of Directors
1	Mr. Ahmad Aqeel
2	Mr. Yousaf Bashir
3	Mian Hassan Mansha
4	Mr. Shahzad Ahmad Malik
5	Mr. Norez Abdullah
6	Mr. Ghazanfar Hussain Mirza
7	Mr. Mahmood Akhtar

## COMPOSITION OF BOARD:

### Total number of Directors:

(a) Male	7
(b) Female:	0

### Composition:

(i) Independent Directors	2
(ii) Other Non-executive Directors	4
(iii) Executive Directors	1

## COMMITTEES OF THE BOARD:

### Audit Committee of the Board:

Sr. #	Name of Directors
-------	-------------------

1	Mr. Ahmad Aqeel (Independent Director) – Chairman
2	Mr. Yousaf Bashir (Independent Director)
3	Mr. Shahzad Ahmad Malik (Non-Executive Director)

### Human Resource and Remuneration Committee:

Sr. #	Name of Directors
-------	-------------------

1	Mr. Ahmad Aqeel – (Independent Director) - Chairman
2	Mian Hassan Mansha (Non-Executive Director)
3	Mr. Ghazanfar Hussain Mirza (Executive Director)

## DIRECTORS' REMUNERATION:

The company does not pay remuneration to its non-executive directors including independent directors except for meeting fee. Aggregate amount of remuneration paid to executive and non-executive directors have been disclosed in note 33 of the annexed financial statements.

## ELECTION OF DIRECTORS AND COMPOSITION OF THE BOARD AND COMMITTEES:

Election of directors are scheduled for August 22, 2020 in an Annual General Meeting, after which latest composition of the board and chairman/chief executive roles of the board and committees as than elected by the directors will be disclosed in subsequent annual reports.



#### STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE:

The company has fully complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. A statement to this effect is annexed with this report.

#### PATTERN OF SHAREHOLDING:

The statement of pattern of shareholding as on June 30, 2020 is enclosed.

#### TRADING IN THE SHARES OF THE COMPANY:

Any trade in the shares of the listed Company, carried out by its directors, executives and their spouses and minor children during the year ended June 30, 2020 is annexed to this report.

#### RELATED PARTIES:

The transactions between the related parties were carried out on the basis of arm's length prices. The Company has fully complied with the best practices on transfer pricing as contained Act and Code.

#### CHAIRMAN'S REVIEW

The accompanied Chairman's review deals with overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives. The directors endorse the contents of the review.

#### MAINTENANCE RESERVE:

The Directors considers that the maintenance reserve of Rs. 3.15 Billion created out of Retained earnings of the Company in previous year, is sufficient to account for major repair and maintenances expenses, hence no change has been made in current year.

#### APPROPRIATIONS:

The Directors are pleased to recommend a final cash dividend of Re 1 per share. This is in addition to interim dividend of Re. 1 per share already paid for the year ended June 30, 2020. The total dividend to be approved by the shareholders at the Annual General Meeting on August 22, 2020 will be Rs 2 per share i.e. 20% amounting to Rs 708.177 million for the year ended June 30, 2020.

#### AUDITORS:

The present auditors M/s A. F. Ferguson, Chartered Accountants retire and being eligible, offer themselves for re-appointment for the year 2020-21. The Audit Committee of the Board has recommended the reappointment of the retiring auditors.

#### ACKNOWLEDGEMENT:

The Board of Directors appreciates all its stakeholders for their trust and continued support to the Company. The Board also recognizes the contribution made by a very dedicated team of professionals and engineers who served the Company with enthusiasm, and hope that the same spirit of devotion shall remain intact in the future ahead to the Company.



CHIEF EXECUTIVE OFFICER  
Lahore: July 28, 2020



DIRECTOR

## مجلس نطماء کی رپورٹ

نطاط پاور لمیٹڈ (کمپنی) کی مجلس نطماء 30 جون 2020 کو ختم ہونے والے مالی سال کے لئے کمپنی کے نطاطاتی کئے ہوئے مالیاتی گوشوارے کی سالانہ رپورٹ مع اس پر آڈیٹر کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتی ہے۔

### بنیادی سرگرمی:

کمپنی کی بنیادی سرگرمی تھرکال تحصیل چوکی، شطیع قصور، پنجاب، پاکستان میں 200 میگا واٹ کی مجموعی صلاحیت کا حامل انجنینڈا ٹولگی پمپنی اینڈ مین سے ملنے والا ذاتی پاور پلانٹ کی تعمیر، چلاؤ اور برقرار رکھنا ہے۔

### مالیاتی نتائج:

کمپنی کو سال کے دوران 5,319 ملین روپے (2019: 10,584 ملین روپے) کی آپریٹنگ لاگت کے عوض 11,738 ملین روپے (2019: 15,582 ملین روپے) وصولیاں ہوئیں جس سے نتیجہ میں 6,420 ملین روپے (2019: 4,998 ملین روپے) کا مجموعی منافع ہوا ہے۔ وصولیوں میں کمی کی بڑی وجہ پمپنی پاور کنٹرول سنٹر (NPCC) کی طرف سے کم طلب کی وجہ سے بجلی کی کم پیداوار ہے۔ موجودہ سال کا بعد از ٹیکس خالص منافع گزشتہ سال کے بعد از ٹیکس منافع 3,770 ملین روپے اور 10.65 روپے فی شیئر آمدنی کے مقابلہ میں 4,943 ملین روپے اور 13.96 روپے فی شیئر آمدنی رہا ہے۔

ہم مہر ان کی وجہ حساب کی رپورٹ کے بعد اگر اگراف پر مبدول کرنا چاہیں گے جس میں (i) پمپنی ڈائریکٹریٹن اینڈ ڈیپنٹ کمپنی لمیٹڈ ('NTDCL') کی طرف سے غیر تسلیم شدہ تجارتی قرضے، کسٹمی پریجنس پرائس سے منہا کردہ 816 ملین روپے (2019: 816 ملین روپے) کی رقم شامل ہے۔ مزید تفصیلات کے لئے ان مالیاتی گوشوارے کا نوٹ 19.2 ملاحظہ فرمائیں۔ کمپنی کے قانونی وکیل کے مشورہ، عائلی ایوارڈز اور ایکسپورٹ کے قصین کے مطابق، انتظامیہ محسوس کرتی ہے کہ ایسی رقم کی واپسی کا امکان ہے۔ چنانچہ اس مجموعی مالیاتی گوشوارے میں مذکورہ بالا رقم کے لئے کوئی گنجائش نہیں رکھی گئی ہے۔ (ii) زائد المیعا و واجب ادائیگی انوائسز پر تاخیر سے ادائیگی کے چار جز، این ڈی ڈی ایل نے تسلیم نہیں کئے ہیں۔ مزید تفصیلات منسلک مالیاتی حسابات کے نوٹ 13.1.2 میں بیان کی گئی ہیں۔ حتی ایوارڈ کے نطاط کی کارروائی کے التواء پر غیر یقینی صورتحال کی وجہ سے احتیاطاً کمپنی نے ان مالی حسابات میں اکرم اور ایسی قابل وصولیوں کو تسلیم نہیں کیا ہے۔

NTDCL اپنی ادائیگی کی ذمہ داریوں پر مسلسل تاویہنگی پر کاربند ہے۔ کمپنی نے بجلی کی خریداری کے معاہدے اور Implementation Agreement کے تحت NTDCL اور پرائیویٹ پاور اینڈ انفراسٹرکچر بورڈ ('پلی پی آئی بی') کے ہاں معاملہ اچا کر کیا ہے۔ پاکستان میں بجلی پیدا کرنے کے شعبے گردش قرضہ کی دشواری درپیش ہے جس وجہ سے کمپنی کو بڑھتے ہوئے زائد المیعا و واجب وصولیوں کے خطرہ کا سامنا ہے۔ کمپنی کو لاحق دیگر خطروں کے لیے براہ کرم ان مالیاتی گوشوارے کا نوٹ 38 ملاحظہ فرمائیں۔

30 جون 2020 کو NTDCL سے کل واجب وصولی 18,782 ملین روپے ہے، جن میں سے 18,801 ملین روپے کی واجب الوصول رقم زائد المیعا و ہے۔

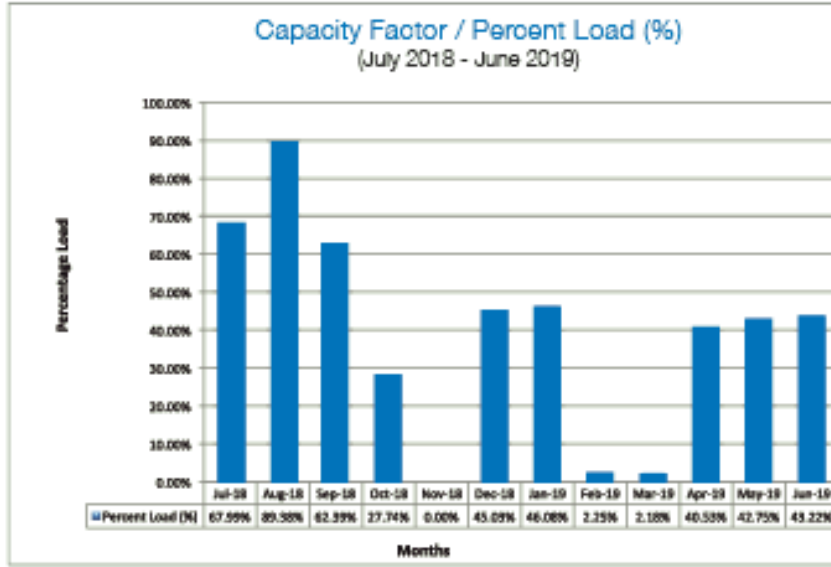
### آپریٹنگ اور اہم واقعات:

اس منصوبہ کی ٹرانسلینڈر کے وقت، کمپنی نے 10 سالوں کی مدت کے لئے ٹیکوں کے کنسورٹیم سے طویل مدتی ٹرانسک (LTF) حاصل کی تھی۔ LTF تجارتی آپریٹنگ شریک سے 30 جون 2020 کے اختتام تک 40 سراسی اقساط میں واپس ادائیگی جاتی تھی۔

سال کے دوران، ایل ٹی ایف کو 30 جون، 2020 کو آخری قسط کی ادائیگی کر کے پوری طرح سے طے کر لیا گیا۔ چونکہ ایل ٹی ایف کو سالانہ قرض خدمات اجراء سے ادائیگی کی گئی، جو متعلقہ کمپنی پر چارج پرائس (CPP) بحرف کا حصہ تھا، جو اگلے سالوں کی سی پی آئی بی میں کمی کا باعث بنے گی۔ ایل ٹی ایف کی ادائیگی سی پی بی کی آمدنی کو تقریباً 2,500 ملین پاکستانی روپے سالانہ کی حد تک کم کر دے گی۔ اس کے مطابق، آگے بڑھتے ہوئے، کمپنی کے منافع کو مندرجہ بالا حد تک کم کر دے گی۔

### کاروباری نتائج:

سال کے دوران پلانٹ زیادہ سے زیادہ باکفایت کارکردگی پر چلایا گیا اور اپنے صارف NTDCL کو اوسط 16.18 فیصد (2019: 39.46 فیصد) صلاحیت کے ساتھ 278GWh (2019: 675GWh) بجلی ترسیل کی گئی۔



کلیدی آپریٹنگ اور مالی اعداد و شمار:		روپے ملین میں
30 جون کو ختم ہونے والی مالی سال	2020	2019
آمدنی	11,738	15,582
خالص منافع	4,943	3,770
کل ٹرانزیکشن اخراجات	9,395	10,007
اجراء، سسٹمز اپڈ اور ادا شدہ سرمایہ	3,541	3,541
طویل مدتی فنانسنگ	74	3,040
قصر مدتی فنانسنگ	4,751	6,420
جزیرین (MWh)	277,541	675,106
فی شیئر آمدنی - بنیادی اور معتدل (روپے)	13.959	10.646
حصص کی قیمتیں (مارکیٹ قدر روپے فی شیئر)	22.65	27.54

ملک کی بجلی پیدا کرنے کی صلاحیت بڑھ جانے کی وجہ سے، کھپنی کی صلاحیت کا استعمال کم ہوا یعنی گزشتہ سال کے 39 فیصد سے کم ہو کر اس سال میں 16 فیصد ہوا۔ تاہم، بینجمنٹ کا خیال ہے کہ این ٹی ڈی سی کو اب بھی ہمارے پاور پلانٹ کو چلانے کی ضرورت ہوگی، کیونکہ کھپنی کو RFO کی بنیاد پر گیارہ ("11") انجن اور ایک ("01") ہماپ ٹر پائن کا منفرد ٹیکسٹ فائبر ہے، وہ یہ کہ امن اوقات میں، جب بجلی کی طلب انتہا کو چھوتی ہے، ہم بہت سی مختصر ٹرس پر بجلی مہیا کر سکتے ہیں۔

لال جی سولر پاور (پرائیویٹ) لمیٹڈ  
مالی سال 2016 سے کھپنی ایک مکمل ملکیتی ڈیلی کھپنی، لال جی سولر پاور (پرائیویٹ) لمیٹڈ ('LSPPL') رکھتی ہے، اور اس کے 100,000 حصص کی مالک ہے۔ LSPPL کی بنیادی سرگرمی ایک اندازے کے مطابق 19 بجلی پیدا کرنے کی صلاحیت کے ساتھ 20 MWp تک کی مجموعی صلاحیت کے حامل شمسی توانائی کے منصوبے میں سرمایہ کاری یا ذاتی تعمیر، چلا، اور برقرار رکھنا ہوگی۔ منصوبے کی سائٹ محمود کوٹ، ضلع مظفر گڑھ، ملتان میں واقع ہے۔ کھپنی نے مقامی مطالعہ کی منظوری، ماحولیاتی تحفظ ایجنسی (EPA) سے کوئی اعتراض نہیں کا غولکیت ("این اوسی") اور ملتان الیکٹرک پاور کھپنی (میپکو) سے گزرا انٹر کنکشن مطالعہ کی منظوری کی طرح کے مختلف سنگ میلوں کو حاصل کیا۔ دریں اثناء، بینجمنٹ الیکٹرک پاور ریگولیٹری اتھارٹی (NEPRA) کی طرف سے اعلان کردہ اپ فرنٹ شمسی ٹیرف 30 جون 2016 کو ختم ہو چکا ہے۔ اسی اثناء میں LSPPL نے NTDCL سے گزرا انٹر کنکشن مطالعہ کی منظوری اور سال 2018 میں، پھر اسے جزیرین لائسنس حاصل کیا۔

LSPPL نے قابل تجدید انرجی پالیسی اور ٹیرف میکا نزم کے اختتام کی وجہ سے سنٹرل پاور پراجیکٹ ایجنسی (CPPA) کو پاور ایکویزیشن ریگولیشن (PAR) منوخر کی ہے۔ سال کے



دوران توانائی کا بینہ کمیٹی (CCoE) کی طرف سے کئے گئے فیصلہ کے مد نظر، CPPC نے مطلع کیا کہ LSPPL کو منظوری نہیں دی گئی ہے۔ مذکورہ بالا حقائق پر غور کرتے ہوئے، LSPPL کی انتظامیہ نے LSPPL کی واسطہ گپ اپ کا مکمل شروع کرنے کا ارادہ کیا ہے جس کے لئے قانونی مشیران سے رابطہ کیا گیا ہے۔ لہذا، سال 2020 کے لئے LSPPL کے حسابات غیر گونگ کنسرن بنیاد پر تیار کئے گئے ہیں۔ اس کے مطابق، ذیلی ادارہ کے ایکویٹی حصص میں 1 ملین روپے کی سرمایہ کاری سمیٹر ہوگئی ہے جبکہ ماتحت ادارہ سے قابل وصولی 4.373 ملین روپے کے ایڈوائس بیلنس کو شکوکہ غیر مجموعی مالی حسابات میں کم کیا ہے۔

#### اندرونی آڈٹ اور کنٹرول:

پورے آڈٹ کمیٹی کو پورنگ کے لئے ایک تعلیم یافتہ شخص کی سربراہی میں ایک آزاد آڈٹ قائم کیا ہے۔ کمیٹی کے اندر اندرونی آڈیٹنگ کا دائرہ کار واضح طور پر بیان کیا جاتا ہے جو اندرونی کنٹرول کے نظام کا جائزہ اور تھقیص کرتا ہے۔

#### اندرونی مالیاتی کنٹرولوں کا استعمال:

کمیٹی کے اجلاس کی حفاظت اور دھوکہ دہی اور دیگر غیر قانونی کاموں؛ مناسب اکاؤنٹنگ پالیسیوں کا انتخاب اور اطلاق؛ مناسب اور محتاط فیصلہ اور تحیذ سازی؛ مناسب داخلی مالیاتی کنٹرولز کے ڈیزائن، عملدرآمد اور بحالی، جو اکاؤنٹنگ کے ریکارڈ کی درستی اور تکمیل کو یقینی بنانے کے لئے مؤثر طریقے سے کام کر رہے ہیں، مالی حسابات جو حقیقی اور منصفانہ نظریہ فراہم کرنے والے اور مواد کی غلطی، چاہے دھوکہ دہی یا غلطی کی وجہ سے ہو، سے پاک کی تیاری اور پیش کرنے سے متعلق کی روک تھام اور پیدہ لگانے کے لئے ایکٹ کی دفعات کے مطابق مناسب اکاؤنٹنگ ریکارڈز کی بحالی پر عمل کرتی ہے۔

#### ماحولیاتی حلقہ کے اقدامات:

ڈیزل جنریٹرز اور گندے پانی کے ٹینک سے اخراج کے لئے ماحولیاتی نگرانی میٹریل انوائزمنٹل کو ایئر میٹریڈز (NEQS) کی تعمیل کے لئے مستوا بنیاد پر کی جاتی ہے۔

#### کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

کمیٹی میٹجمنٹ اپنی ذمہ داری سے مکمل طور پر واقف ہے جیسا کہ کنٹریز انیکٹ 2017 کی دفعات اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کی طرف سے جاری کوڈ آف کارپوریٹ گورننس میں بتایا گیا ہے۔ مندرجہ ذیل تبصرے کارپوریٹ گورننس اور مسلسل بہتری میں اعلیٰ معیار کے لئے کمیٹی کی کاوشوں کا ثبوت ہیں۔

- کمیٹی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- کمیٹی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تحیذ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔
- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- کمیٹی کے گونگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- پورے تمام ڈائریکٹرز کارپوریٹ ڈائریکٹرز کے ڈائریکٹرز کے طور پر اپنے فرائض اور ذمہ داریوں سے بخوبی واقف ہیں۔ ڈائریکٹرز کو اور میٹجمنٹ کورسز کے ذریعے ان کے فرائض اور ذمہ داریوں کے بارے میں آگاہ کیا گیا تھا۔
- ریجسٹرڈ منٹ بیلنس فٹڈ کی مدد سے سرمایہ کاری کی قدر:

پروایڈنٹ فنڈ: 30 جون 2020 کو 252.324 ملین روپے ہے۔

#### آڈٹ کمیٹی کے اجلاسوں میں ارکان کی شمولیت

زیر جائزہ سال کے دوران، آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے، حاضری کی پوزیشن حسب ذیل ہے:

نمبر شمار	نام رکن	مہدہ	تعداد حاضری
1	جناب احمد عقیل	(ممبر/چیرمین)	4
2	جناب شہزاد احمد ملک	(ممبر)	4
3	جناب یوسف بشیر	(ممبر)	4

#### الک آریکٹلی کے اجلاس میں ارکان کی شمولیت

زیر جائزہ سال کے دوران ہیومن ریسورس اینڈ ریکریٹیشن (الک آریکٹ آر) کمیٹی کا ایک اجلاس منعقد ہوا، حاضری کی پوزیشن حسب ذیل ہے:

نمبر شمار	نام درکن	عہدہ	تعداد حاضری
1	جناب حسن منشا	(ممبر)	1
2	جناب حفصہ حسین مرزا	(ممبر)	1
3	جناب احمد عقیل	(ممبر/چیرمین)	1

#### بورڈ آف ڈائریکٹرز کے اجلاس میں ڈائریکٹرز کی شمولیت

زیر جائزہ سال کے دوران، بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے، حاضری کی پوزیشن حسب ذیل ہے:

نمبر شمار	نام ڈائریکٹر	عہدہ	تعداد حاضری
1	میڈم حسن منشا	(چیرمین)	3
2	جناب احمد عقیل		4
3	جناب محمود اختر		4
4	جناب حفصہ حسین مرزا	(چیف ایگزیکٹو)	3
5	جناب شہزاد احمد ملک		4
6	جناب یوسف بشیر		4
7	جناب نوریز عبداللہ		4

#### لیڈ کمیٹی (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019

کمیٹی نے نئے کوڈ میں اصطلاحات نافذ کرنے کے لئے بنیادی اقدامات کئے ہیں۔ ڈائریکٹرشپس کی تعداد اور بورڈ کی ترتیب ڈائریکٹرز کے اگلے انتخاب، جو 22 اگست 2020 کے لئے مقررہ ڈائریکٹرز کے انتخابات کے وقت بورڈ کی دوبارہ تشکیل سے منسلک کی گئی ہے۔

بورڈ نے اسٹیک ہولڈرز کے احتیاطی نوٹس دینے کے لئے، اپنے آپریٹرز میں شفافیت کے حصول کے مد نظر، اچھے کارپوریٹ گورننس کو شامل اور عملدرآمد پر بہت زور دیا ہے۔

#### کمیٹی کے ڈائریکٹرز کے نام:

مالی سال 2020 کے دوران، متعدد ذیلی افراد نے کمیٹی کے ڈائریکٹرز کی حیثیت سے خدمات سرانجام دی ہیں:

نمبر شمار	نام ڈائریکٹر
1	جناب احمد عقیل
2	جناب یوسف بشیر
3	میڈم حسن منشا
4	جناب شہزاد احمد ملک
5	جناب نوریز عبداللہ
6	جناب حفصہ حسین مرزا
7	جناب محمود اختر

بورڈ کی ترتیب:  
ڈائریکٹرز کی کل تعداد

(a) مرد 7  
(b) عورت 0

ترتیب

(i) آزاد ڈائریکٹرز 2  
(ii) دیگر نان ایگزیکٹو 4  
(iii) ایگزیکٹو 1

بورڈ کی کمیٹیاں  
بورڈ کی آڈٹ کمیٹی

نمبر شمار	نام ڈائریکٹر
1	جناب احمد عقیل (آزاد ڈائریکٹر) چیئر مین
2	جناب یوسف بشیر (آزاد ڈائریکٹر)
3	جناب شہزاد احمد ملک (نان ایگزیکٹو ڈائریکٹر)

پیوٹن ریسورس ایگزیکٹو ٹیم کی کمیٹی:

نمبر شمار	نام ڈائریکٹر
1	جناب احمد عقیل (آزاد ڈائریکٹر) چیئر مین
2	میاں حسن منشا (نان ایگزیکٹو ڈائریکٹر)
3	جناب فہرہ حسین مرزا (ایگزیکٹو ڈائریکٹر)

ڈائریکٹرز کا مشاہیرہ:

کمیٹی اپنے نان ایگزیکٹو ڈائریکٹر زسیت آزاد ڈائریکٹرز کو اجلاس فیس کے علاوہ مشاہیرہ اور فیس کرتی ہے۔ ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹرز ادا کئے گئے مشاہیرہ کی مجموعی رقم منسلک مالی حسابات کے نوٹ 33 میں منکشف کی گئی ہے۔

ڈائریکٹرز کا انتخاب اور بورڈ اور کمیٹیوں کی ترتیب:

ڈائریکٹرز کا انتخاب 22 اگست 2020 کو سالانہ جنرل اجلاس عام میں کیا جائے گا جس کے بعد نیا بورڈ ترتیب دیا جائے گا اور ڈائریکٹرز کی طرف سے منتخب بورڈ اور کمیٹی کے چیئر مین / چیف ایگزیکٹو کو دار بعد میں سالانہ رپورٹ میں منکشف کئے جائیں گے۔

کوڈ آف کارپوریٹ گورننس کی فیمل کا بیان:

کمیٹی نے لیکچر (کوڈ آف کارپوریٹ گورننس) 2019 کی ضروریات کے مطابق مکمل طور پر عمل کیا ہے۔ اس اثر کا بیان رپورٹ ہذا کے ساتھ منسلک کیا گیا ہے۔

حصص داری کا نمونہ:

برطانیہ 30 جون 2020 نمونہ حصص داری کا بیان منسلک ہے۔

کمپنی کے حصص میں خرید و تک:

30 جون 2020 کو ختم ہونے والے سال کے دوران ڈائریکٹرز، ایگزیکٹوز اور ان کے زوج اور نا بالغ بچوں کی طرف سے لسٹ کمپنی کے حصص میں کی گئی تمام تجارت اس سالانہ رپورٹ کے ہمراہ منسلک ہے۔

متعلقہ پارٹیاں:

متعلقہ پارٹیوں کے درمیان لین دین بے قابو قیمتوں کے موازنہ کے طریقہ کار کے مطابق قابل رسائی قیمتیں مقرر کر کے کیا گیا۔ کمپنی پاکستان میں ٹاکس کیٹگری کی اسٹاک کے خابطے میں موجود ملکی پرائسنگ کے بہترین طریقوں پر عمل پیرا ہے۔

چیئر مین کا جائزہ

30 جون 2020 کو ختم ہونے والے سال کے لئے کمپنی کی کارکردگی کا امور کا چیئر مین کی طرف سے جائزہ لیا گیا ہے۔ ڈائریکٹرز جائزہ کے مواد کی تصدیق کرتے ہیں۔

ملٹی ٹیس کے لئے مختص رقم:

ڈائریکٹرز یہ بتاتے ہوئے خوش ہیں کہ کمپنی کی محفوظ آمدنی میں 3.15 ملین روپے ملٹی ٹیس کے لئے مختص کئے گئے ہیں۔ اس ریزرو کا بنیادی مقصد اہم مرمت اور ملٹی ٹیس اخراجات کو پورا کرنا ہے۔

تصرف:

ڈائریکٹرز 1 روپے فی شیئر کا حتمی نقد منافع مستند سٹارٹ کرتے ہوئے خوش محسوس کر رہے ہیں۔ یہ منافع انہیں منافع 1 روپے جو پہلے سے عدا کر دیا گیا ہوا ہے کے علاوہ ہے۔ 30 جون 2020 کو ختم ہونے والے سال کے لئے کل ڈیویڈنڈ 22 اگست 2020 کو سالانہ عمومی اجلاس میں شیئر ہولڈرز کی طرف سے منظور کردہ 2 روپے فی شیئر یعنی 20 فی صد 708.177 ملین روپے ہو جائے گا۔

محاسب:

موجودہ محاسب میسرز اے ایف فرگوسن، چارٹرڈ اکاؤنٹنٹس رینڈز ہو گئے ہیں اور انہوں نے اہل ہونے کی بناء پر سال 2020-21 کے لئے دوبارہ تعیناتی کے لئے خود کو پیش کیا ہے پورڈ کی آڈٹ کمپنی نے رینڈز ہونے والے محاسب کی دوبارہ تقرری کی سٹارٹ کی ہے۔

اعلماء و تھکر:

پورڈ آف ڈائریکٹرز کمپنی کے تمام اسٹیک ہولڈرز کے اعتماد اور مسلسل حمایت کا شکریہ ادا کرتا ہے، پورڈ ماہرین اور انجینئرز کی ایک بہت ہی سرشار ٹیم کے حصہ کو تسلیم کرتا ہے جس نے جوش و خروش سے کمپنی کی خدمت کی، اور امید کرتا ہے کہ مستقبل میں کمپنی کے لئے یہی جذبہ برقرار رکھیں گے۔

  
ڈائریکٹر

  
چیئر ایگزیکٹو

لاہور: 28 جولائی 2020ء



# PATTERN OF HOLDINGS

OF THE SHARES HELD BY THE SHAREHOLDERS  
OF NISHAT POWER LIMITED AS AT JUNE 30, 2020

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL NUMBER OF SHARES HELD	PERCENTAGE OF TOTAL CAPITAL
262	1 -	100	5,596	0.00
1208	101 -	500	585,558	0.17
388	501 -	1000	376,914	0.11
579	1001 -	5000	1,645,493	0.46
223	5001 -	10000	1,857,027	0.52
70	10001 -	15000	918,339	0.26
48	15001 -	20000	888,820	0.25
44	20001 -	25000	1,046,800	0.30
26	25001 -	30000	755,700	0.21
21	30001 -	35000	701,892	0.20
13	35001 -	40000	504,000	0.14
11	40001 -	45000	471,240	0.13
28	45001 -	50000	1,383,450	0.39
6	50001 -	55000	317,627	0.09
11	55001 -	60000	643,500	0.18
7	60001 -	65000	440,086	0.12
9	65001 -	70000	618,000	0.17
8	70001 -	75000	587,400	0.17
11	75001 -	80000	861,500	0.24
5	80001 -	85000	417,500	0.12
3	85001 -	90000	262,000	0.07
2	90001 -	95000	188,394	0.05
20	95001 -	100000	1,995,500	0.56
1	100001 -	105000	105,000	0.03
1	105001 -	110000	110,000	0.03
2	115001 -	120000	240,000	0.07
3	120001 -	125000	371,500	0.10
2	125001 -	130000	259,500	0.07
1	130001 -	135000	135,000	0.04
5	135001 -	140000	688,501	0.19
2	140001 -	145000	283,000	0.08
3	145001 -	150000	449,500	0.13
4	155001 -	160000	630,819	0.18
3	160001 -	165000	483,154	0.14
1	165001 -	170000	165,500	0.05
2	170001 -	175000	348,000	0.10
1	175001 -	180000	180,000	0.05
3	180001 -	185000	554,000	0.16
1	185001 -	190000	189,500	0.05
4	195001 -	200000	800,000	0.23
1	200001 -	205000	205,000	0.06
1	205001 -	210000	210,000	0.06
1	210001 -	215000	210,280	0.06
1	215001 -	220000	220,000	0.06
3	230001 -	235000	699,000	0.20
3	245001 -	250000	747,000	0.21
1	265001 -	270000	267,500	0.08
2	270001 -	275000	547,000	0.15
1	290001 -	295000	295,000	0.08
2	315001 -	320000	640,000	0.18
1	340001 -	345000	342,500	0.10
2	395001 -	400000	800,000	0.23
1	400001 -	405000	403,000	0.11
1	415001 -	420000	418,500	0.12

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL NUMBER OF SHARES HELD	PERCENTAGE OF TOTAL CAPITAL
1	450001 -	455000	451,000	0.13
1	490001 -	495000	490,554	0.14
5	495001 -	500000	2,500,000	0.71
1	500001 -	505000	503,500	0.14
6	515001 -	520000	3,113,744	0.88
1	555001 -	560000	555,500	0.16
1	595001 -	600000	600,000	0.17
1	600001 -	605000	602,000	0.17
1	630001 -	635000	631,000	0.18
1	675001 -	680000	676,500	0.19
1	680001 -	685000	683,000	0.19
1	750001 -	755000	751,000	0.21
1	795001 -	800000	800,000	0.23
1	905001 -	910000	906,000	0.26
1	920001 -	925000	923,500	0.26
2	995001 -	1000000	2,000,000	0.56
1	1095001 -	1100000	1,099,047	0.31
2	1195001 -	1200000	2,400,000	0.68
1	1230001 -	1235000	1,234,000	0.35
1	1320001 -	1325000	1,321,627	0.37
1	1380001 -	1385000	1,380,457	0.39
3	1495001 -	1500000	4,500,000	1.27
1	1540001 -	1545000	1,541,500	0.44
1	1595001 -	1600000	1,600,000	0.45
1	1845001 -	1850000	1,847,000	0.52
1	1900001 -	1905000	1,902,000	0.54
1	1995001 -	2000000	2,000,000	0.56
1	2795001 -	2800000	2,798,168	0.79
1	3825001 -	3830000	3,826,488	1.08
1	4120001 -	4125000	4,124,500	1.16
1	4155001 -	4160000	4,158,245	1.17
1	4460001 -	4465000	4,461,000	1.26
1	4595001 -	4600000	4,598,500	1.30
2	4995001 -	5000000	10,000,000	2.82
1	7380001 -	7385000	7,380,500	2.08
1	8180001 -	8185000	8,183,500	2.31
1	12085001 -	12090000	12,089,425	3.41
1	15395001 -	15400000	15,400,000	4.35
1	29995001 -	30000000	30,000,000	8.47
1	180585001 -	180590000	180,585,155	51.00
3,117			354,088,500	100.00

## Categories of Shareholders as at June 30, 2020

Sr. #	Categories	Shares Held	Percentage
1	Directors, Chief Executive Officer, and their spouse and Minor Children	4,501	0.0013
2	Associates Companies, Undertakings and related parties	180,632,955	51.0135
3	NIT and ICP	Nil	Nil
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	49,226,000	13.9022
5	Insurance Companies	5,364,988	1.5152
6	Modarabas and Mutual Funds	106,000	0.0299
7	Shareholders holding 10% or more	180,632,955	51.0135
8	General Public		
	a. Local	91,976,762	25.9756
	b. Foreign	60,500	0.0171
9	Others	26,716,794	7.5452

## CATEGORIES OF SHAREHOLDERS AS ON JUNE 30, 2020

Categories of Shareholders	Shares Held	Percentage
<b>Associated Companies, Undertaking and Related Parties</b>		
NISHAT MILLS LIMITED	47,800	0.0135
NISHAT MILLS LIMITED	180,585,155	51.0000
	180,632,955	51.0135
<b>Mutual Funds</b>		
CDC - TRUSTEE NBP ISLAMIC ENERGY FUND	71,000	0.0201
CDC - TRUSTEE NBP STOCK FUND	35,000	0.0099
	106,000	0.0299
<b>Directors and their spouses and Minor Children</b>		
MIAN HASSAN MANSHA	1	0.0000
NOREZ ABDULLAH	500	0.0001
MR. SHAHZAD AHMAD MALIK	500	0.0001
MAHMOOD AKHTAR	1,000	0.0003
GHAZANFAR HUSAIN MIRZA	1,000	0.0003
AHMAD AQEEL	500	0.0001
YOUSAF BASHIR	1,000	0.0003
	4,501	0.0013
	Nil	Nil
<b>Public Sector Companies and Corporations</b>		
Joint Stock Companies	12,193,869	3.4437
<b>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds</b>		
Banks, DFIs and NBFIs	49,226,000	13.9022
Insurance Companies	5,364,988	1.5152
Pension Funds/ Provident Funds etc.	1,510,000	0.4264
Trusts/Foundation etc.	13,012,925	3.6750
	69,113,913	19.5188
<b>Shareholders holding 5% or more voting rights:</b>		
NISHAT MILLS LIMITED	180,632,955	51.0135
ALLIED BANK LIMITED	30,000,000	8.4725
	210,632,955	59.4860

## INFORMATION UNDER LISTING REGULATION NO. 5.6.1(D) OF PSX RULE BOOK AS ON JUNE 30, 2020

There are no trading in shares of the Company, carried out by its Directors, Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary, Other Employees and their spouses and minor children during the year July 01, 2019 to June 30, 2020.

For the purpose of this clause, Board of directors have set threshold for Other Employees, which includes all of the employees covered under any of the following categories:

- i) Employees at General Manager position and above,
- ii) Employees from Finance Department, Accounts Department, Internal Audit Department and Corporate Department
- iii) Any employee receiving annual gross salary of Rs. 3 million or above.



# STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of company : Nishat Power Limited

Year ending : June 30, 2020

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are Seven ( 7 ) as per the following:
  - a. Male: 7
  - b. Female: 0 (Will be compliant in the forthcoming election of directors)

2. The composition of board is as follows:

a) Independent Director	Mr. Ahmad Aqeel Mr. Yousuf Bashir
b) Other Non-executive Director	Mian Hassan Mansha Mr. Mahmood Akhtar Mr. Shahzad Ahmad Malik Mr. Norez Abdullah
c) Executive Directors	Mr. Ghazanfar Hussain Mirza

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. Out of the Seven, four directors have obtained certificate of Directors' Training Program, while the remaining three directors will undertake the Directors' Training Program within the stipulated time.
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

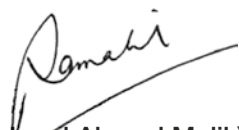
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;
12. The board has formed committees comprising of members given below:
  - a) **Audit Committee**
    1. Mr. Ahmad Aqeel (Independent Director) – Chairman
    2. Mr. Yousuf Bashir (Independent Director)
    3. Mr. Shahzad Ahmad Malik (Non-Executive Director)
  - b) **HR and Remuneration Committee**
    1. Mr. Ahmad Aqeel – (Independent Director) - Chairman
    2. Mian Hassan Mansha (Non-Executive Director)
    3. Mr. Ghazanfar Hussain Mirza (Executive Director)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
  - a) **Audit Committee:**

Four quarterly meetings were held during the financial year ended June 30, 2020
  - b) **HR and Remuneration Committee**

One Meetings of HR and Remuneration Committee was held during the financial year ended June 30, 2020.
15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with; and
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below (if applicable):

Non-Mandatory Requirement	Reg. No.	Explanation
<b>Representation of Minority shareholders:</b> The minority members as a class shall be facilitated by the Board to contest election of directors by proxy solicitation.	5	No one intended to contest election as director representing minority shareholders.
<b>Responsibilities of the Board and its members:</b> Adoption of the corporate governance practices.	10(1)	Non-mandatory provisions of the CCG Regulations are partially complied.
<b>Nomination Committee:</b> The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	29(1)	Currently, the board has not constituted a separate Nomination Committee and the functions are being performed by the Human Resource & Remuneration Committee;
<b>Risk Management Committee:</b> The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	30(1)	Currently, the board has not constituted a RMC and the Company's Risk Manager performs the requisite functions and appraises the board accordingly. The board shall constitute RMC within next quarter;
<b>Composition of internal audit function:</b> The internal audit function, wholly or partially, may be outsourced by the company to a professional services firm or be performed by the internal audit staff of holding company and in lieu of outsourcing, the company shall appoint or designate a fulltime employee other than chief financial officer, as head of internal audit holding equivalent qualification prescribed under the CCG Regulations, to act as coordinator between firm providing internal audit services and the Board:  Provided that while outsourcing the function, the company shall not appoint its existing external auditors or any of its associated company or associated undertaking, as internal auditors.	31(6)	Performed by a full time Internal Audit Staff.

  
**(Ghazanfar Hussain Mirza)**  
 Director/CEO

  
**(Shahzad Ahmad Malik)**  
 Director

Lahore  
 Dated: July 28, 2020

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NISHAT POWER LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES  
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Nishat Power Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.



A.F. Ferguson & Co.  
Chartered Accountants

Place: Lahore

Date: July 28, 2020

Engagement Partner : Khurram Akbar Khan

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NISHAT POWER LIMITED

REPORT ON THE AUDIT OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

## Opinion

We have audited the annexed unconsolidated financial statements of Nishat Power Limited (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2020, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated statement of profit or loss, unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of Matter

We draw attention to notes 13.1.2 and 19.2 to the annexed unconsolidated financial statements, which describe matters relating to litigations with National Transmission and Despatch Company Limited ('NTDC') on account of recoverability of delayed payment charges and capacity revenue respectively. Our opinion is not modified in respect of these matters.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



We have determined that there are no key audit matters to communicate in our report.

### Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the unconsolidated and consolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis

for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

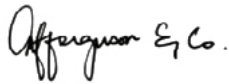
### [Report on Other Legal and Regulatory Requirements](#)

Based on our audit, we further report that in our opinion:

- (a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

- (b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- (c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



A.F.Ferguson & Co.  
Chartered Accountants

Lahore:  
Date: July 28, 2020

In case of any discrepancy on the Company's website, the auditors shall only be responsible in respect of the information contained in the hard copies of the audited financial statements available at the Company's registered office.

# UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT JUNE 30, 2020

	Note	2020 (Rupees in thousand)	2019
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 500,000,000 (2019: 500,000,000) ordinary shares of Rs 10 each		5,000,000	5,000,000
Issued, subscribed and paid up share capital 354,088,500 (2019: 354,088,500) ordinary shares of Rs 10 each	5	3,540,885	3,540,885
Capital reserve	6	3,153,633	3,153,633
Revenue reserve: Un-appropriated profits	7	17,002,707	12,414,201
		23,697,225	19,108,719
<b>NON-CURRENT LIABILITY</b>			
Long term financing - secured	8	55,367	654,638
<b>CURRENT LIABILITIES</b>			
Current portion of long term financing - secured	8	18,456	2,385,532
Short term borrowings - secured	9	4,750,749	6,420,312
Trade and other payables	10	612,463	261,601
Unclaimed dividend	11	20,671	21,666
Accrued mark-up	12	169,091	233,908
		5,571,430	9,323,019
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13	29,324,022	29,086,376

The annexed notes 1 to 41 form an integral part of these unconsolidated financial statements.

  
CHAIRMAN

  
CHIEF FINANCIAL OFFICER

	Note	2020 (Rupees in thousand)	2019
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets	14	9,392,029	10,005,584
Long term investments	15	-	1,000
Long term loans and advances	16	3,000	6
		<hr/>	<hr/>
		9,395,029	10,006,590
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	17	672,235	757,521
Inventories	18	170,349	1,719,399
Trade debts	19	18,232,531	15,643,517
Advances, deposits, prepayments and other receivables	20	792,684	904,445
Income tax receivable		38,683	34,128
Short term investment	21	17,677	-
Cash and bank balances	22	4,834	20,776
		<hr/>	<hr/>
		19,928,993	19,079,786
		<hr/>	<hr/>
		29,324,022	29,086,376
		<hr/>	<hr/>



DIRECTOR



## UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees in thousand)	2019
Sales	23	11,738,487	15,581,918
Cost of sales	24	(5,318,630)	(10,584,021)
<b>Gross profit</b>		6,419,857	4,997,897
Administrative expenses	25	(336,641)	(274,123)
Other expenses	26	(5,373)	(15,884)
Other income	27	7,283	7,305
Finance cost	28	(1,142,531)	(945,646)
<b>Profit before taxation</b>		4,942,595	3,769,549
Taxation	29	-	-
<b>Profit for the year</b>		4,942,595	3,769,549
Earnings per share - basic and diluted (in Rupees)	30	13.959	10.646

The annexed notes 1 to 41 form an integral part of these unconsolidated financial statements.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

# UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	2020 (Rupees in thousand)	2019
Profit for the year	4,942,595	3,769,549
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 year	4,942,595	3,769,549

The annexed notes 1 to 41 form an integral part of these unconsolidated financial statements.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

# UNCONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees in thousand)	2019
<b>Cash flows from operating activities</b>			
Cash generated from operations	31	6,314,548	2,250,308
Finance cost paid		(1,207,348)	(894,223)
Income tax paid		(4,555)	(4,090)
Long term loans and advances - net		(2,994)	225
Retirement benefits paid		(25,761)	(21,543)
<b>Net cash inflow from operating activities</b>		<b>5,073,890</b>	<b>1,330,677</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		(87,309)	(280,720)
Purchase of short term investments		(17,677)	-
Proceeds from disposal of operating fixed assets		3,027	93,395
Profit on bank deposits received		5,487	4,950
<b>Net cash outflow from investing activities</b>		<b>(96,472)</b>	<b>(182,375)</b>
<b>Cash flows from financing activities</b>			
Repayment of long term finances	8	(3,040,170)	(2,052,155)
Proceeds from long term finances	8	73,823	-
Dividend paid	11	(357,450)	(1,057,097)
<b>Net cash outflow from financing activities</b>		<b>(3,323,797)</b>	<b>(3,109,252)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,653,621</b>	<b>(1,960,950)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(6,399,536)</b>	<b>(4,438,586)</b>
<b>Cash and cash equivalents at the end of the year</b>	32	<b>(4,745,915)</b>	<b>(6,399,536)</b>

Refer notes 8 and 11 for reconciliation of liabilities arising from financing activities.

The annexed notes 1 to 41 form an integral part of these unconsolidated financial statements.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

# UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED JUNE 30, 2020

	Share capital	Capital reserve: Maintenance reserve	Revenue reserve: Un-appropriated profit	Total
	(Rupees in thousand)			
Balance as on July 01, 2018	3,540,885	-	12,860,551	16,401,436
Profit for the year	-	-	3,769,549	3,769,549
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	3,769,549	3,769,549
Dividend to equity holders of the company:				
Final dividend for the year ended June 30, 2018 @ Rupees 1.5 per share	-	-	(531,133)	(531,133)
Interim dividend for the quarter ended March 31, 2019 @ Rupees 1.5 per share	-	-	(531,133)	(531,133)
Total contributions by and distributions to owners of the company recognised directly in equity	-	-	(1,062,266)	(1,062,266)
Transfer to maintenance reserve	-	3,153,633	(3,153,633)	-
Balance as on June 30, 2019	3,540,885	3,153,633	12,414,201	19,108,719
Profit for the year	-	-	4,942,595	4,942,595
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	4,942,595	4,942,595
Dividend to equity holders of the company:				
Interim dividend for the half year ended December 31, 2019 @ Rupee 1 per share	-	-	(354,089)	(354,089)
Total contributions by and distributions to owners of the company recognised directly in equity	-	-	(354,089)	(354,089)
Balance as on June 30, 2020	3,540,885	3,153,633	17,002,707	23,697,225

The annexed notes 1 to 41 form an integral part of these unconsolidated financial statements.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

### 1. THE COMPANY AND ITS ACTIVITIES

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

The principal activity of the company is to build, own, operate and maintain a fuel fired power station having gross capacity of 200 MW in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. The address of the registered office of the company is 53-A, Lawrence Road, Lahore. The address of the head office of the company is 1-B, Aziz Avenue, Canal Road, Gulberg V, Lahore. The company has a Power Purchase Agreement ('PPA') with its sole customer, National Transmission and Despatch Company Limited ('NTDC') for twenty five years which commenced from June 09, 2010.

These unconsolidated financial statements are the separate financial statements of the company in which investment in subsidiary has been accounted for at cost less accumulated impairment losses, if any.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- i) International Financial Reporting Standards ('IFRS') 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 Act differ from the IFRS, the provisions of and directives issued under the Act have been followed.

#### 2.2 Initial application of standards, amendments or interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the company's unconsolidated financial statements covering annual periods, beginning on or after the following dates:

##### 2.2.1 Standards, amendments and interpretations to existing standards that are effective in current year

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2019 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 these unconsolidated financial statements, except the following:



- IFRS 16, 'Leases': this standard has been notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the previous guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

SECP through SRO 986(I)/2019 dated September 2, 2019 has granted exemption from the requirements of IFRS 16 to all companies to the extent of their power purchase agreements executed before January 1, 2019. Therefore, the standard will not have any impact on the company's unconsolidated financial statements to the extent of its power purchase agreement. For the remaining leases, the company has assessed that the application of this standard does not have any material impact on these unconsolidated financial statements.

Under IFRS 16, the consideration required to be made by the lessee for the right to use the asset is to be accounted for as a finance lease. The company's power plant's control due to purchase of total output by NTDC appears to fall under the scope of finance lease under IFRS 16. Consequently, if the company were to follow IFRS 16 with respect to its power purchase agreement, the effect on the unconsolidated financial statements would be as follows:

	2020 (Rupees in thousand)	2019
De-recognition of property, plant and equipment	(9,132,804)	(9,635,568)
De-recognition of trade debts	(6,065,265)	(5,510,129)
Recognition of lease debtor	9,738,063	11,556,096
Decrease in un-appropriated profits at the beginning of the year	(3,589,601)	(2,146,101)
Decrease in profit for the year	(1,870,405)	(1,443,500)
Decrease in un-appropriated profits at the end of the year	(5,460,006)	(3,589,601)

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

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the company's accounting periods beginning on or after July 1, 2020, but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in these unconsolidated financial statements, except for the following:

#### a) Definition of Material – Amendments to IAS 1 and IAS 8: (effective for periods beginning on or after July 01, 2020)

The IASB has made amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The company is yet to assess the impact of this amendment.

#### b) Revised Conceptual Framework for Financial Reporting: (effective for periods beginning on or after July 01, 2020)

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.

Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from effective date. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The company is yet to assess the impact of this amendment.

### 3. BASIS OF MEASUREMENT

- 3.1 These unconsolidated financial statements have been prepared under the historical cost convention.

### 3.2 Critical accounting estimates and judgements

The preparation of unconsolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies.

This note provides an overview of the area that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to the estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the unconsolidated financial statements.

- a) Useful lives and residual values of fixed assets - notes 4.2 and 14
- b) Impairment of financial assets - note 4.9.4
- c) Recognition of contingent asset - notes 4.26 and 13.1

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the company and that are believed to be reasonable under the circumstances.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### 4.1 Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

#### Current

The profits and gains of the company derived from electric power generation are exempt from tax in terms of clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the conditions and limitations provided therein.

Under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the company is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the statement of profit or loss on income from sources not covered under the above clauses at current rates of taxation after taking into account tax credits and rebates available, if any.

#### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the unconsolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is

probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

Deferred tax has not been provided in these unconsolidated financial statements as the company's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains of the company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

## 4.2 Property, plant and equipment

### 4.2.1 Operating fixed assets

Operating fixed assets are stated at historical cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on operating fixed assets, other than identifiable capital spares in plant and machinery, is charged to the statement of profit or loss on the straight line method so as to write off the cost of an asset over its estimated useful life at the annual rates mentioned in note 14.1 after taking into account their residual values. Depreciation on identifiable capital spares in plant and machinery is charged on the basis of number of hours used.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The company's estimate of the residual value of its operating fixed assets as at June 30, 2020, has not required any adjustment as its impact is considered insignificant.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.4).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are included in the statement of profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset, represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

### 4.2.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

#### 4.2.3 Major spare parts and standby equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them for more than one year. Transfers are made to relevant operating fixed assets category as and when such items are available for use.

#### 4.3 Intangible assets

Expenditure incurred to acquire computer software is capitalised as an intangible asset and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method over a period of five years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.4).

#### 4.4 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### 4.5 Leases

The company is the lessee.

At inception of a contract, the company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From July 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the company's estimate of the amount expected to be payable under a residual value guarantee, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

#### 4.6 Stores, spares and loose tools

Stores, spares and loose tools are valued principally at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the statement of financial position date while items considered obsolete are carried at nil value.

#### 4.7 Inventories

Inventories except for those in transit are valued principally at lower of weighted average cost and net realizable value. Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realizable value is determined on the basis of estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. If the expected net realisable value is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value. Provision is made in the unconsolidated financial statements for obsolete and slow moving inventories based on management's estimate.

#### 4.8 Investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital, are included in current assets. All other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

##### 4.8.1 Investment in equity instruments of subsidiary

Investment in equity instruments of subsidiary is measured at cost as per the requirements of IAS-27 "Separate Financial Statements". However, at subsequent reporting dates, the company reviews the carrying amount of the investment and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. If any such indication exists,



the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognised as an expense in the statement of profit or loss.

#### 4.8.2 Investment in equity instruments of associate

Associates are all entities over which the company has significant influence but not control. Investment in equity instruments of associates are accounted for using the equity method of accounting and are initially recognised at cost. The company's investment in associates includes goodwill (net of any accumulated impairment loss) identified on the acquisition. The company's share of its associates' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of investment. When the company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the company and its associates are eliminated to the extent of company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

At each reporting date, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.

### 4.9 Financial assets

#### 4.9.1 Classification

The company classifies its financial assets other than investments in equity instruments of subsidiary and associate in the following measurement categories:

- those to be measured subsequently at fair value [either through other comprehensive income ('OCI') or through profit or loss], and
- those to be measured at amortised cost.

The classification depends on the company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The company reclassifies debt investments when and only when its business model for managing those assets changes.

#### 4.9.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the company commits to purchase or sell the asset. Financial assets are derecognised

when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

#### 4.9.3 Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

##### Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

i) Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the statement of profit or loss.

ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in other income using the effective interest rate method. Impairment expenses are presented as separate line item in the statement of profit or loss.

iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

##### Equity instruments

The company subsequently measures all equity investments except for investments in equity instruments of subsidiary and associate at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the statement of profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### 4.9.4 Impairment of financial assets other than those due from the Government of Pakistan and investment in equity instruments

The company assesses on a forward-looking basis, the expected credit losses ('ECL') associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The company applies general 3-stage approach for loans, deposits and other receivables and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

Following are the financial assets that are subject to the ECL model:

- Long term loans
- Loans, deposits and other receivables
- Short term investment
- Bank balances

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

The company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;

- actual or expected significant changes in the operating results of the counterparty;
- significant increase in credit risk on other financial instruments of the same counterparty; and
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

The company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the company, in full (without taking into account any collaterals held by the company).

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of borrowers; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The company recognises an impairment gain or loss in the statement of profit or loss for financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

The company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of counterparty's sources of income or assets to generate sufficient future cash flows to repay the amount. The company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

#### 4.10 Financial liabilities

Financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed on profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

#### 4.11 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the unconsolidated financial statements only when there is a legally enforceable right to set off the recognised amount and the company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

#### 4.12 Financial assets due from the Government of Pakistan

Financial assets due from the Government of Pakistan include trade debts, contract assets and other receivables due from NTDC/Central Power Purchasing Agency (Guarantee) Limited ('CPPA-G') under the PPA that also includes accrued amounts. SECP through SRO 985(I)/2019 dated September 2, 2019 has notified that, in respect of companies holding financial assets due from the Government of Pakistan, the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method shall not be applicable till June 30, 2021 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. Accordingly, the same continue to be reported as per the following accounting policy:

A provision for impairment is established when there is objective evidence that the company will not be able to collect all the amount due according to the original terms of the receivable.

The company assesses at the end of each reporting period whether there is objective evidence that the financial asset is impaired. The financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a

measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss. When the financial asset is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

#### 4.13 Trade debts

Trade debts are amounts due from NTDC/CPGA-G in the ordinary course of business. They are generally due for settlement as referred to in note 4.22 and therefore are all classified as current. Trade debts are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The company holds the trade debts with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

#### 4.14 Contract asset and contract liability

A contract asset is recognised for the company's right to consideration in exchange for goods or services that it has transferred to a customer. If the company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Company presents the amount as a contract asset, excluding any amounts presented as a receivable.

A contract liability is recognised for the company's obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional (i.e. a receivable), before the company transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

#### 4.15 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

#### 4.16 Employee benefits

##### (i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leaves that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.



(ii) **Post employment benefit - Defined contribution plan (Provident Fund)**

There is an approved defined contributory provident fund for all employees. Equal monthly contributions are made both by the company and employees to the fund at the rate of 10 percent of the basic salary subject to completion of minimum qualifying period of service as determined under the rules of the fund.

**4.17 Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

**4.18 Provisions**

Provisions for legal claims and make good obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**4.19 Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. Bank overdrafts are shown within trade and other payables in current liabilities.

**4.20 Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a

financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### 4.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in statement of profit or loss in the period in which they are incurred.

#### 4.22 Revenue recognition

Revenue shall be recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset and thus has the ability to direct the use and obtain the benefits from the good or service.

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

- Capacity Purchase Price revenue is recognised based on the capacity made available to NTDC; and
- Energy Purchase Price 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.

Delayed payment mark-up on amounts due under the PPA is accrued on a time proportion basis by reference to the amount outstanding and the applicable rate of return under the PPA.

Invoices are generally raised on a monthly basis and are due after 30 days from acknowledgement by NTDC.

#### 4.23 Foreign currency transactions and translation

##### a) Functional and presentation currency

Items included in the unconsolidated financial statements of the company are measured using the currency of the primary economic environment in which the company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

##### b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement

of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within exchange gains/(losses). Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

#### 4.24 Dividend

Dividend distribution to the company's members is recognised as a liability in the period in which the dividends are approved.

#### 4.25 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

#### 4.26 Contingent assets

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognised. An asset remains contingent until such time as the inflow of economic benefits becomes virtually certain. When it becomes virtually certain that an inflow of economic benefits will arise, the asset and the related income is recognised in the financial statements in the period in which the change occurs (that is, when the future event occurs and confirms the asset's existence or, if earlier, when it becomes virtually certain that the future event will confirm the asset's existence and it is virtually certain that the asset will be realised).

### 5. Issued, subscribed and paid up share capital

This represents 354,088,500 (2019: 354,088,500) ordinary shares of Rs 10 each fully paid in cash. 180,632,955 (2019: 180,632,955) ordinary shares of the company are held by Nishat Mills Limited, the holding company.

6. This represents maintenance reserve set aside from retained earnings for the purpose of meeting repair and maintenance costs associated with major maintenance of the plant in coming years. The reserve is not available for distribution of profits through dividend and will be utilized on actual occurrence of expenditure.
7. In accordance with the terms of agreement with the lenders of long term finances from the consortium of banks, there were certain restrictions on the distribution of dividends by the company.

		2020 (Rupees in thousand)	2019
8.	<b>LONG TERM FINANCING - SECURED</b>		
	Consortium of banks - note 8.1	-	654,638
	Islamic refinance facility - note 8.2	55,367	-
		55,367	654,638
8.1	<b>Consortium of banks</b>		
	The reconciliation of the carrying amount is as follows:		
	Opening balance	3,040,170	5,092,325
	Less: Repayments during the year	3,040,170	2,052,155
		-	3,040,170
	Less: Current portion shown under current liabilities	-	2,385,532
		-	654,638

Long term financing under mark-up arrangement obtained from following banks:

	2020 (Rupees in thousand)	2019
<b>Lender</b>		
National Bank of Pakistan	-	527,628
Habib Bank Limited	-	703,568
Allied Bank Limited	-	703,568
United Bank Limited	-	691,030
Faysal Bank Limited	-	414,376
	-	3,040,170
Less: Current portion shown under current liabilities	-	2,385,532
	-	654,638

- 8.1.1 This represents long term financing obtained from a consortium of banks led by Habib Bank Limited (Agent Bank). The portion of long term financing from Faysal Bank Limited was on murabaha basis. The overall financing was secured against registered first joint pari passu charge on immovable property, mortgage of project receivables, hypothecation of all present and future assets and all properties of the company (excluding the mortgaged immovable property and mortgaged energy revenue receivables), lien over project bank accounts and pledge of shares held by the holding company in Nishat Power Limited. It carried mark-up at the rate of three months Karachi Inter-Bank Offered Rate (KIBOR) plus three percent per annum, payable on quarterly basis. The mark-up rate charged during the year on the outstanding balance ranged from 14.22% to 16.85% (2019: 9.92% to 13.99%) per annum. This loan has been repaid during the year.

	2020 (Rupees in thousand)	2019
8.2	<b>Islamic refinance facility</b>	
	Opening balance	-
	Loan disbursements during the year	73,823
	Less: Repayments during the year	-
		73,823
	Less: Current portion shown under current liabilities	18,456
		55,367

- 8.2.1 This represents long term financing facility (running musharaka facility) availed from Faysal Bank Limited (through its Islamic Banking Division) as a Participating Financial Institution under State Bank of Pakistan's (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'). The total facility available amounts to Rs 77.67 million. The financing is secured against pari passu charge over all the present and future fuel stock/inventory and energy revenue receivables. It carries mark-up at the rate of SBP Profit Rate under the Refinance Scheme plus 0.5% per annum, payable on quarterly basis. The mark-up rate charged during the year on the outstanding balance was 0.5% (2019: Nil) per annum. The principal amount is repayable in 8 equal quarterly instalments starting from March 31, 2021.

		2020	2019
		(Rupees in thousand)	
9.	SHORT TERM BORROWINGS - SECURED		
	Short term borrowings under mark-up arrangements obtained as under:		
	Running finances - note 9.1	4,750,749	5,220,315
	Term finances - note 9.2	-	1,199,997
		4,750,749	6,420,312
9.1	Running finances		

The total running finance and running musharka main facilities obtained from various commercial banks under mark-up arrangements aggregate Rs 10,251.52 million (2019: Rs 7,201.520 million). Such facilities have been obtained at mark-up rates ranging from three months KIBOR plus 0.25% to 2% per annum, payable quarterly, on the balance outstanding. The aggregate facilities are secured against charge on present and future fuel stock/inventory and present and future energy revenue receivables. The mark-up rate charged during the year on the outstanding balance ranged from 8.86% to 15.85% (2019: 7.18% to 12.99%) per annum. Various sub facilities comprising money market loans and letters of guarantee have also been utilized under the aforementioned main facilities.

## 9.2 Term finances

The total murabaha and term finance main facilities obtained from various commercial banks under mark-up arrangements aggregate Rs 550 million (2019: Rs 2,650 million). Such facilities have been obtained at mark-up rates ranging from one week to six months KIBOR plus 0.05% to 1.25%, payable at the maturity of the respective murabaha transaction/term finance facility. The aggregate facilities are secured against first pari passu charge on current assets comprising of fuel stocks/inventory. The mark-up rate charged during the year on the outstanding balance ranged from 11% to 13.81% (2019: 6.41% to 13.75%) per annum. Various sub facilities comprising running musharka and running finance have also been utilized under the aforementioned main facilities.

## 9.3 Letters of credit and guarantee

The main facilities for opening letters of credit and guarantee aggregate Rs 500 million (2019: Rs 500 million). The amount utilised at June 30, 2020, for letters of credit was Nil (2019: Rs 19.740 million) and for letters of guarantee was Rs 113 million (2019: Rs 112.500 million). The aggregate facilities for opening letters of credit and guarantee are secured by charge on present and future current assets including fuel stocks/inventory of the company and by lien over import documents.

		2020 (Rupees in thousand)	2019
10.	TRADE AND OTHER PAYABLES		
	Creditors - note 10.1	68,560	62,937
	Payable to contractors	2,521	3,457
	Workers' Profit Participation Fund - note 10.2	435,608	188,477
	Punjab Workers' Welfare Fund - note 10.3	98,852	-
	Other accrued liabilities	6,922	6,730
		<u>612,463</u>	<u>261,601</u>
10.1	Includes amounts due to the following related parties:		
	Security General Insurance Company Limited	422	552
	Adamjee Insurance Company Limited	5,542	6,291
	D.G. Khan Cement Company Limited	-	184
		<u>5,964</u>	<u>7,027</u>
10.2	Workers' Profit Participation Fund		
	Opening balance	188,477	160,571
	Provision for the year	247,131	188,477
		<u>435,608</u>	<u>349,048</u>
	Less: Payments made during the year	-	160,571
	Closing balance	<u>435,608</u>	<u>188,477</u>
10.3	Punjab Workers' Welfare Fund		
	Opening balance	-	-
	Provision for the year	98,852	-
	Closing balance	<u>98,852</u>	<u>-</u>

## 11. UNCLAIMED DIVIDEND

The disclosures required under section 244 of the Companies Act, 2017 are as follows:

	2020 (Rupees in thousand)	2019
Amounts transferred into unpaid dividend account	2,794	635
Dividend claims received and settled	302	344
Profits generated from unpaid dividend account	2,366	1,496
Profits utilised	-	-

The reconciliation of carrying amount is as follows:

Opening balance	21,666	15,001
Dividends declared	354,089	1,062,266
Interest on dividend	2,366	1,496
Less: Dividends paid	357,450	1,057,097
Closing balance	20,671	21,666

## 12. ACCRUED MARKUP

Accrued mark-up / interest on:

Long term financing - secured	30	105,994
Short term borrowings - secured	169,061	127,914
	169,091	233,908

## 13. CONTINGENCIES AND COMMITMENTS

### 13.1 Contingencies

#### 13.1.1 Contingent liabilities:

- (i) A sales tax demand of Rs 1,218.132 million was raised against the company through order dated December 11, 2013, passed by the Assistant Commissioner Inland Revenue ('ACIR') disallowing input sales tax for the tax periods of July 2010 through June 2012. The disallowance was primarily made on the grounds that since revenue derived by the company on account of 'capacity revenue' was not chargeable to sales tax, input sales tax claimed by the company was required to be apportioned with only the input sales tax attributable to other revenue stream i.e. 'energy revenue' admissible to the company. Upon appeal before Commissioner Inland Revenue (Appeals) ['CIR(A)'], such issue was decided in company's favour, however, certain other issues agitated by the company were not adjudicated. Both the company and department have filed appeals against the order of CIR(A) before Appellate Tribunal Inland Revenue ('ATIR'), which are pending adjudication.

Subsequently, the above explained issue was taken up by department for tax periods of July 2009 to June 2013 (involving input sales tax of Rs 1,722.811 million), however, the company assailed the underlying proceedings before Lahore High Court ('LHC') directly and in this respect, through order dated October 31, 2016, LHC accepted the company's stance and annulled the proceedings. The department has challenged the decision of LHC before Supreme Court of Pakistan and has also preferred an Intra Court



Appeal against such order which are pending adjudication.

Similarly, for financial year 2014, company's case was selected for 'audit' and such issue again formed the core of audit proceedings (involving input sales tax of Rs 596.091 million). Company challenged the jurisdiction in respect of audit proceedings before LHC and while LHC directed the management to join the subject proceedings, department was debarred from passing the adjudication order. During the prior year, LHC dismissed the petition in favour of the department, by allowing the department to complete the audit proceedings that are pending completion.

Since the issue has already been decided in company's favour on merits by LHC and based on advice of the company's legal counsel, no provision on these accounts have been made in these unconsolidated financial statements.

- (ii) During the prior year, the Commissioner Inland Revenue raised a demand of Rs 179.046 million against the company through his order dated April 16, 2019, mainly on account of input tax claimed on inadmissible expenses in sales tax return for the tax periods of July 2014 to June 2017 and sales tax default on account of suppression of sales related to tax period June 2016. The company filed application for grant of stay before the ATIR against recovery of the aforesaid demand that was duly granted. Further, the company has filed appeals before CIR(A) and ATIR against the order which are pending adjudication. Management has strong grounds to believe that the case will be decided in company's favour. Therefore, no provision has been made on this account in these unconsolidated financial statements.
- (iii) During the prior year, National Electric Power Regulatory Authority (NEPRA) issued a show cause notice dated February 13, 2019, to the company along with other Independent Power Producers to provide rationale of abnormal profits earned since commercial operation date (COD) that eventually led to initiation of proceedings against the company by NEPRA on March 18, 2019. The company has challenged the authority of NEPRA to take suo moto action before the Islamabad High Court (IHC) wherein IHC has provided interim relief by suspending the suo moto proceedings. The case is currently pending adjudication before IHC. Management is confident that based on the facts and law, there will be no adverse implications for the company.
- (iv) The banks have issued the following on behalf of the company:
  - (a) Letter of guarantee of Rs 11.5 million (2019: Rs 11 million) in favour of Director Excise and Taxation, Karachi, under direction of Sindh High Court in respect of suit filed for levy of infrastructure cess.
  - (b) Letters of guarantee of Rs 100 million (2019: Rs 100 million) in favour of fuel supplier.
  - (c) Letter of guarantee of Rs 1.5 million (2019: Rs 1.5 million) in favour of Punjab Revenue Authority, Lahore.

#### 13.1.2 Contingent asset:

On August 07, 2017, the company instituted arbitration proceedings against NTDC/ Government of Pakistan by filing a Request for Arbitration ('RFA') with the London Court of International Arbitration ('LCIA') (the 'Arbitration Proceedings') for disallowing an amount of Rs 1,084.748 million relating to delayed payment charges on outstanding delayed payment invoices. The company believes that it is entitled to claim delayed payment charges on outstanding delayed payments receivables from NTDC as per terms of the PPA. However, NTDC has denied this liability and objected on the maintainability of the Arbitration Proceedings, terming it against the PPA and refused to pay delayed payment charges on outstanding delayed payments receivables.

The LCIA appointed a sole Arbitrator who issued Partial Final Award in July 2018, where he rejected the NTDC's objection to the maintainability of the Arbitration Proceedings.

The company submitted the Partial Final Award before LHC and obtained interim relief from honourable LHC, whereby, LHC restrained NTDC from taking steps for delaying the arbitration proceedings and challenging the award in Civil Courts of Pakistan.

In April 2019, a final hearing was held and final decision was given in July 2020, in favour of the company. According to the final award, Arbitrator has accepted company's request and directed NTDC to pay (i) interest at the Delayed Payment Rate (DPR) on Delayed Payment (DP) invoices, which is estimated at Rs 1,422 million up to June 30, 2020 and may vary as per legal advice (ii) DP invoices submitted pursuant to section 9.6 of the PPA in consistent with the first-in-first-out principle (iii) pay legal costs in the sum of Rs 12,771,207 (iv) hearing expenses in the sum of GBP 17,393 and (v) Arbitration cost in the sum of GBP 44,136.

The company is in the process of filing the final award in LHC for enforcement purposes. On prudence basis, the company has not recognized the income and corresponding receivable for the abovementioned amounts in these unconsolidated financial statements due to its uncertainty on account of pendency of enforcement proceedings of the final award. Such amounts as per Final Award would be recognized when it attains finality and its collectability is certain.

### 13.2 Commitments

- (i) Letters of credit and contracts for other than capital expenditure aggregating Nil (2019: Rs 19.548 million).
- (ii) The amount of future payments under non-cancellable operating lease and the period in which these payments will become due are as follows:

		2020	2019
		(Rupees in thousand)	
Not later than one year		3,894	3,894
<b>14. FIXED ASSETS</b>			
<b>Property, plant and equipment:</b>			
Operating fixed assets	- note 14.1	9,259,765	9,809,491
Capital work-in-progress	- note 14.2	35,952	21,726
Major spare parts and standby equipment	- note 14.3	95,053	171,600
		9,390,770	10,002,817
<b>Intangible asset:</b>			
Computer software	- note 14.4	1,259	2,767
		9,392,029	10,005,584

## 14.1 Operating fixed assets

	Freehold land - note 14.1.2	Buildings and roads on freehold land	Plant and machinery	Improvements on leasehold property	Electric installations	Computer equipment	Furniture and fixtures	Office equipment	Vehicles	(Rupees in thousand) Total
<b>COST</b>										
Balance as at July 01, 2018	80,686	198,172	16,945,860	40,909	661	29,618	11,449	54,942	117,025	17,479,322
Additions during the year	-	17,161	172,420	-	383	3,014	522	145	97,965	291,610
Disposals during the year - note 14.1.4	-	-	(468,705)	-	-	(1,734)	-	(2,735)	-	(473,174)
Balance as at June 30, 2019	80,686	215,333	16,649,575	40,909	1,044	30,898	11,971	52,352	214,990	17,297,758
Balance as at July 01, 2019	80,686	215,333	16,649,575	40,909	1,044	30,898	11,971	52,352	214,990	17,297,758
Additions during the year	-	24,808	108,649	-	-	4,374	1,180	394	10,232	149,637
Disposals during the year - note 14.1.4	-	-	(129,946)	-	-	(1,555)	-	-	(5,323)	(136,824)
Balance as at June 30, 2020	80,686	240,141	16,628,278	40,909	1,044	33,717	13,151	52,746	219,899	17,310,571
<b>DEPRECIATION AND IMPAIRMENT</b>										
Balance as at July 01, 2018	-	62,044	6,828,229	29,155	509	25,385	5,703	26,748	51,945	7,029,718
Depreciation charge for the year	-	8,415	773,401	4,091	54	2,703	1,190	5,322	29,134	824,310
Disposals during the year	-	-	(361,940)	-	-	(1,573)	-	(2,248)	-	(365,761)
Balance as at June 30, 2019	-	70,459	7,239,690	33,246	563	26,515	6,893	29,822	81,079	7,488,267
Balance as at July 01, 2019	-	70,459	7,239,690	33,246	563	26,522	6,893	29,822	81,079	7,488,274
Depreciation charge for the year	-	8,845	634,703	4,091	89	2,639	1,182	5,226	41,219	697,994
Disposals during the year	-	-	(129,945)	-	-	(1,555)	-	-	(3,962)	(135,462)
Balance as at June 30, 2020	-	79,304	7,744,448	37,337	652	27,606	8,075	35,048	118,336	8,050,806
Book value as at June 30, 2019	80,686	144,874	9,409,885	7,663	481	4,383	5,078	22,530	133,911	9,809,491
Book value as at June 30, 2020	80,686	160,837	8,883,830	3,572	392	6,112	5,077	17,699	101,563	9,259,765
Annual depreciation rate %	-	4 to 6.63	4 to 6.25 and number of hours used	10	10	33	10	10	20	

**14.1.1** Improvements on leasehold property represents costs of improvement incurred on property owned by Nishat (Aziz Avenue) Hotels and Properties Limited, a related party.

**14.1.2** Freehold land represents 137,879 square meters of land situated at Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, out of which approximately 85,407 square meters represents covered area.

		2020 (Rupees in thousand)	2019
<b>14.1.3</b>	The depreciation charge for the year has been allocated as follows:		
	Cost of sales	651,161	789,939
	Administrative expenses	46,833	34,371
		<u>697,994</u>	<u>824,310</u>

**14.1.4** The aggregate book value of sale of operating fixed assets during the current and previous years was below Rs 5 million.

	2020 (Rupees in thousand)	2019
<b>14.2 Capital work-in-progress</b>		
Civil works	952	21,725
Advances against purchase of vehicles	35,000	-
	<u>35,952</u>	<u>21,725</u>
The reconciliation of the carrying amount is as follows:		
Opening balance	21,726	14,284
Additions during the year	45,841	39,319
	<u>67,567</u>	<u>53,603</u>
Transfers during the year	(31,505)	(22,835)
Charged to profit	(110)	(9,042)
	<u>35,952</u>	<u>21,726</u>
<b>14.3 Major spare parts and standby equipment</b>		
Opening balance	171,600	189,932
Additions during the year	29,910	84,391
Reclassified from stores, spares and loose tools	-	70,007
	<u>201,510</u>	<u>344,330</u>
Transfers during the year	(106,457)	(172,730)
	<u>95,053</u>	<u>171,600</u>
<b>14.4 Intangible asset</b>		
<b>Computer software</b>		
<b>Cost</b>		
Opening balance	7,542	7,542
Addition during the year	-	-
	<u>7,542</u>	<u>7,542</u>
Closing balance	7,542	7,542
<b>Amortization</b>		
Opening balance	(4,775)	(3,267)
Charge for the year	(1,508)	(1,508)
	<u>(6,283)</u>	<u>(4,775)</u>
Closing balance	(6,283)	(4,775)
Book value	<u>1,259</u>	<u>2,767</u>
Annual amortization rate	20%	20%

**14.5** All property, plant and equipment and intangible asset of the company are pledged as security for long term financing as disclosed in note 8 to these unconsolidated financial statements.

		2020 (Rupees in thousand)	2019
15.	LONG TERM INVESTMENTS		
	Investment in associate - note 15.1	-	-
	Investment in subsidiary - note 15.2	-	1,000
		-	1,000
15.1	Related party - Associate Unquoted: Nishat Energy Limited		
	250,000 (2019: 250,000) fully paid ordinary shares of Rs 10 each [Equity held 25% (2019: 25%)] - Cost	2,500	2,500

The company directly holds 25% ordinary shares in Nishat Energy Limited ('NEL'). NEL is an unquoted public company limited by shares incorporated in Pakistan to build, own, operate and maintain a coal fired power station. The address of the registered office of NEL is 1-B, Aziz Avenue, Canal Bank, Gulberg V, Lahore. NEL is no longer considered a going concern by its management and hence, the investment is fully impaired.

		2020 (Rupees in thousand)	2019
15.2	Subsidiary Unquoted: Lalpir Solar Power (Private) Limited		
	100,000 (2019: 50,000) fully paid ordinary shares of Rs 10 each [Equity held 100% (2019 : 100%)] - Cost	-	1,000

The company directly holds 100% shares in its wholly owned subsidiary, Lalpir Solar Power (Private) Limited ('LSPPL'). LSPPL is a private company limited by shares incorporated in Pakistan to build, own, operate and maintain or invest in a solar power project. The address of the registered office of LSPPL is 53-A, Lawrence Road, Lahore. LSPPL is no longer considered a going concern by its management and hence, the investment is fully impaired.

		2020 (Rupees in thousand)	2019
16.	LONG TERM LOANS AND ADVANCES		
	Loans to employees - considered good	6,600	229
	Less: Current portion shown under current assets - note 20	(3,600)	(223)
		3,000	6

This represents interest free loans given to employees, receivable in maximum 60 monthly instalments in accordance with the company's policy. These loans are secured against registration of cars in the joint name of the company and the employee and against the accumulated provident fund balance of the relevant employee. These loans have not been carried at amortised cost as the effect of discounting is not considered material.

	2020 (Rupees in thousand)	2019
<b>17. STORES, SPARES AND LOOSE TOOLS</b>		
Stores	8,228	10,694
Spares [including in transit Rs 0.063 million (2019: Rs 2.642 million)]	654,048	732,634
Loose tools	9,959	14,193
	<u>672,235</u>	<u>757,521</u>

- 17.1** Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

	2020 (Rupees in thousand)	2019
<b>18. INVENTORIES</b>		
Furnace oil	154,231	1,688,656
Diesel	5,450	4,515
Lubricating oil	10,668	26,228
	<u>170,349</u>	<u>1,719,399</u>

#### **19. TRADE DEBTS**

- 19.1** 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% per annum is charged in case the amounts are not paid within due dates. The rate of delayed payment mark-up charged during the year on outstanding amounts ranges from 10.64% to 18.42% (2019: 10.57% to 17.47%) per annum. Trade debts include unbilled receivables of Rs 2,740.517 million (2019: Rs 652.678 million).

- 19.2** Included in trade debts is an amount of Rs 816.033 million relating to capacity revenue not acknowledged by NTDC as the plant was not fully available for power generation. However, the sole reason of this under-utilization of plant capacity was non-availability of fuel owing to non-payment by NTDC.

Since management considers that the primary reason for claiming these payments is that plant was available, however, could not generate electricity due to non-payment by NTDC, therefore, management believes that company cannot be penalized in the form of payment deductions due to NTDC's default of making timely payments under the PPA. Hence, the company had taken up this issue at appropriate forums.

On June 28, 2013, the company entered into a Memorandum of Understanding ('MoU') for cooperation on extension of credit terms with NTDC whereby it was agreed that the constitutional petition filed by the company before the Supreme Court of Pakistan on the abovementioned issue would be withdrawn unconditionally and it would be resolved through the dispute resolution mechanism under the PPA. Accordingly, as per terms of the MoU, the company applied for withdrawal of the aforesaid petition in 2013 and on January 25, 2018, the Supreme Court disposed off the petitions filed before it. During the financial year 2014, the company in consultation with NTDC, appointed an Expert for dispute resolution under the PPA.

During the financial year 2016, the Expert gave his determination whereby the aforesaid amount was determined to be payable to the company by NTDC. Pursuant to the Expert's determination, the company demanded the payment of the aforesaid amount of Rs 816.033 million from NTDC that has not yet been paid by NTDC. The company filed a request for arbitration in the London Court of International Arbitration ('LCIA'), whereby an Arbitrator was appointed.

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

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

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

Aggrieved by the Partial Final Award, NTDC challenged the Arbitrator's decision in Lahore Civil Court ("Civil Case 2017"), which suspended the Final Partial Award on July 10, 2017. In response to this decision of Civil Court, the company filed a revision petition in District Court and the District Court ("District Case 2017") while granting interim relief to the company, suspended the Civil Court's order on August 12, 2017. Along with 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 his order dated July 8, 2017 set-aside the aforementioned orders of the Civil Judge, Lahore dated April 18, 2017 and accepted company's appeals but dismissed the company's revision petitions concerning the issue of jurisdiction. Aggrieved by this decision, (i) the company filed writ petitions before the LHC, which announced a favourable decision and suspended the proceedings of Civil Cases 2015 and 2016 till the final decision of LHC; and (ii) GOP/PPIB filed revision petitions in the LHC, which are currently pending adjudication.

On October 29, 2017, the Arbitrator declared his Final Award whereby he ordered NTDC to pay to the company: i) Rs 816.033 million pursuant to Expert's determination; ii) Rs 189.385 million being Pre award interest; iii) Rs 9.203 million for breach of arbitration agreement; iv) Rs 1.684 million and USD 612,310 for the company's cost of proceedings; v) GBP 30,157 for company's LCIA cost of Arbitration and vi) Interest at KIBOR + 4.5% compounded semi-annually from the date of Final Award until payment of these amounts by NTDC ("the Final Award") that works out to Rs 347.417 million up to June 30, 2020.

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

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

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

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

		2020 (Rupees in thousand)	2019
20.	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Advances - considered good:		
	- To employees	2,096	395
	- To suppliers	50,562	743
	Current portion of long term loans		
	- considered good - note 16	3,606	223
	Balances with statutory authorities:		
	- Customs duty recoverable	20	4
	- Sales tax	179,529	458,530
	Claims recoverable from NTDC for pass through items:		
	- Workers' Profit Participation Fund - notes 20.1 and 20.3	450,280	401,225
	- Workers' Welfare Fund - notes 20.2 and 20.3	98,852	-
	Interest receivable - note 20.4	759	1,654
	Security deposits and bank guarantee margins	175	7,612
	Prepayments	5,406	5,738
	Other receivables - note 20.5	1,399	28,321
		<b>792,684</b>	<b>904,445</b>
20.1	<b>Workers' Profit Participation Fund</b>		
	Opening balance	401,225	718,291
	Accrued for the year - note 10.2	247,131	188,477
		<b>648,356</b>	<b>906,768</b>
	Less: Amount received during the year	198,076	505,543
	Closing balance	<b>450,280</b>	<b>401,225</b>
20.2	<b>Workers' Welfare Fund</b>		
	Opening balance	-	-
	Accrued for the year - note 10.3	98,852	-
	Closing balance	<b>98,852</b>	<b>-</b>
20.3	Under section 9.3(a) of the PPA with NTDC, payments to Workers' Profit Participation Fund and Workers' Welfare Fund are recoverable from NTDC as a pass through item.		

- 20.4 Includes an amount due from MCB Bank Limited, a related party, amounting to Nil (2019: Rs 0.674 million). The maximum aggregate amount due at the end of any month during the year was Nil (2019: Rs 1.654 million).
- 20.5 Includes an amount due from Lalpir Solar Power (Private) Limited ('LSSPL'), a related party amounting to Nil (2019: Rs 4.373 million). The amount was outstanding for more than 360 days (2019: 360 days). LSPPL is no longer considered a going concern by its management and the amount is considered irrecoverable. Hence, the receivable has been written off. The maximum aggregate amount due at the end of any month during the year was Rs 4.373 million (2019: Rs 4.373 million).
21. This represents investment in 3 month Government Treasury Bills which bear mark-up at 7.8% (2019: Nil) per annum.

		2020 (Rupees in thousand)	2019
<b>22. CASH AND BANK BALANCES</b>			
Cash at bank:			
- On saving accounts	- note 22.1	3,912	19,430
- On current accounts		701	549
	- note 22.2	4,613	19,979
Cash in hand		221	797
		4,834	20,776

- 22.1 Profit on balances in saving accounts ranges from 6.29% to 11.39% (2019: 3.11% to 10.50%) per annum.
- 22.2 Cash at bank includes Rs 3.594 million (2019: Rs 17.359 million) in MCB Bank Limited, a related party.

		2020 (Rupees in thousand)	2019
<b>23. SALES</b>			
Energy Purchase Price revenue		5,137,586	11,288,239
Less: Sales tax		749,420	1,644,765
		4,388,167	9,643,474
Capacity Purchase Price revenue		5,304,605	4,791,511
Delayed payment mark-up		2,045,715	1,146,933
		11,738,487	15,581,918

		2020 (Rupees in thousand)	2019
<b>24.</b>	<b>COST OF SALES</b>		
Raw materials consumed		3,839,229	8,801,876
Salaries and other benefits	- note 24.1	250,428	277,238
Repairs and maintenance		20,711	39,123
Stores, spares and loose tools consumed		171,901	357,039
Electricity consumed in-house		37,888	23,213
Insurance	- note 24.2	267,809	211,016
Travelling and conveyance		23,903	24,035
Printing and stationery		644	805
Postage and telephone		657	661
Vehicle running expenses		3,785	3,094
Entertainment		1,922	1,920
Depreciation on operating fixed assets	- note 14.1.3	651,161	789,939
Amortization of intangible asset	- note 14.4	1,508	1,508
Fee and subscription		3,805	3,923
Miscellaneous	- note 24.3	43,279	48,631
		<b>5,318,630</b>	<b>10,584,021</b>

**24.1** Salaries and other benefits include Rs 17.977 million (2019: Rs 15.573 million) in respect of provident fund contribution by the company.

**24.2** This includes insurance expense charged by the following related parties:

	2020 (Rupees in thousand)	2019
Security General Insurance Company Limited	263,495	206,873
Adamjee Insurance Company Limited	3,285	3,121
Adamjee Life Assurance Company Limited	1,029	1,022
	<b>267,809</b>	<b>211,016</b>

**24.3** This includes wages of contractual employees aggregating Rs 27.569 million (2019: Rs 30.752 million).

		2020 (Rupees in thousand)	2019
<b>25.</b>	<b>ADMINISTRATIVE EXPENSES</b>		
Salaries and other benefits	- note 25.1	126,123	124,094
Travelling and conveyance	- note 25.2	82,156	66,481
Entertainment		727	1,154
Rent, rates and taxes	- note 25.3	12,561	12,561
Printing and stationery		1,056	729
Postage and telephone		1,005	1,269
Vehicle running expenses		6,463	5,756
Legal and professional charges	- note 25.4	38,085	10,346
Insurance	- note 25.5	4,856	4,838
Advertisement		144	179
Fee and subscription		5,512	3,226
Depreciation on operating fixed assets	- note 14.1.3	46,833	34,371
Miscellaneous		11,120	9,119
		<b>336,641</b>	<b>274,123</b>

- 25.1 Salaries and other benefits include Rs 7.784 million (2019: Rs 5.970 million) in respect of provident fund contribution by the company.
- 25.2 Includes Rs 72.248 million (2019: Rs 58.403 million) in respect of aviation services from Pakistan Aviators and Aviation (Private) Limited, a related party.
- 25.3 Includes operating lease rentals of Rs 12.461 million (2019: Rs 12.461 million) in respect of property leased from Nishat (Aziz Avenue) Hotels and Properties Limited, a related party.
- 25.4 Legal and professional charges include the following in respect of auditors' remuneration (excluding sales tax) for:

	2020 (Rupees in thousand)	2019
Statutory audit fee	1,725	1,675
Half yearly review	875	875
Tax services	220	985
Certifications required by various regulations	155	264
Reimbursement of expenses	188	149
	<u>3,163</u>	<u>3,948</u>
25.5 This includes insurance expense charged by the following related parties:		
Adamjee Life Assurance Company Limited	435	432
Adamjee Insurance Company Limited	1,282	1,161
Security General Insurance Company Limited	3,139	3,245
	<u>4,856</u>	<u>4,838</u>
26. OTHER EXPENSES		
Exchange loss	-	1,366
Donations	-	500
Loss on disposal of operating fixed assets	-	14,018
Receivable from subsidiary written off	4,373	-
Impairment loss on investment in subsidiary	1,000	-
	<u>5,373</u>	<u>15,884</u>
27. OTHER INCOME		
Profit on bank deposits - note 27.1	2,226	4,074
Interest on short term investment	79	-
Exchange gain	427	-
Gain on disposal of operating fixed assets	1,665	-
Scrap sales	2,886	3,231
	<u>7,283</u>	<u>7,305</u>
27.1 Includes interest income of Rs 1.380 million (2019: Rs 2.631 million) in respect of bank deposits with MCB Bank Limited, a related party.		

		2020 (Rupees in thousand)	2019
28.	<b>FINANCE COST</b>		
	Interest / mark-up on:		
	- Long term financing - secured	256,615	458,528
	- Short term borrowings - secured	882,791	482,561
	Financing fee and bank charges	3,125	4,557
		<u>1,142,531</u>	<u>945,646</u>
29.	<b>TAXATION</b>		
	Current:		
	- For the year	-	-
	- Prior years	-	-
		<u>-</u>	<u>-</u>
29.1	<b>Relationship between tax expense and accounting profit</b>		
	Profit before taxation	4,942,595	3,769,549
	Tax at the applicable rate of 29% (2019: 29%)	1,433,354	1,093,169
	Tax effect of amounts that are:		
	Exempt as referred to in note 4.1	(1,432,708)	(1,091,988)
	Allowable as tax credit	(646)	(1,181)
		<u>-</u>	<u>-</u>

29.2 For the purposes of current taxation, the tax credit available for carry forward is estimated at Rs 28.107 million (2019: Rs 25.387 million). As explained in note 4.1, management believes that the tax credit available for carry forward may not be utilized in the foreseeable future. Consequently, on prudence basis, deferred tax asset on tax credit available for carry forward has not been recognized in these unconsolidated financial statements. Tax credit would expire as follows:

Accounting year to which tax credit relates	Amount of tax credit (Rupees in thousand)	Accounting year in which tax credit will expire
2019	17,242	2021
2020	10,865	2022
	<u>28,107</u>	

		2020	2019
30.	<b>EARNINGS PER SHARE</b>		
30.1	<b>Basic earnings per share</b>		
	Net profit for the year	Rupees 4,942,595,000	3,769,549,000
	Weighted average number of ordinary shares	Number 354,088,500	354,088,500
	Earnings per share	Rupees 13.959	10.646

### 30.2 Diluted earnings per share

A diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at June 30, 2020 and June 30, 2019 which would have any effect on the earnings per share if the option to convert is exercised.

	2020 (Rupees in thousand)	2019
<b>31. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	4,942,595	3,769,549
Adjustment for non-cash charges and other items:		
Depreciation on operating fixed assets - note 14.1.3	697,994	824,310
Amortization on intangible assets - note 14.4	1,508	1,508
Profit on bank deposits	(2,226)	(4,074)
Finance cost	1,142,531	945,646
Provision for employee retirement benefits	25,761	21,543
Impairment loss on investment in subsidiary	1,000	-
Receivable from subsidiary written off	4,373	-
(Gain)/loss on disposal of operating fixed assets	(1,665)	14,018
Profit before working capital changes	6,811,871	5,572,500
Effect on cash flow due to working capital changes:		
Decrease/(increase) in current assets		
Stores, spares and loose tools	85,286	167,255
Inventories	1,549,050	(150,060)
Trade debts	(2,589,014)	(3,314,576)
Advances, deposits, prepayments and other receivables	106,493	351,174
	(848,185)	(2,946,207)
Increase/(decrease) in current liabilities		
Trade and other payables	351,857	(382,650)
Unclaimed dividend	(995)	6,665
	350,862	(375,985)
	(497,323)	(3,322,192)
	6,314,548	2,250,308



		2020 (Rupees in thousand)	2019
32.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances - note 22	4,834	20,776
	Short term borrowings - secured - note 9	(4,750,749)	(6,420,312)
		<u>(4,745,915)</u>	<u>(6,399,536)</u>

### 33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

33.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the chief executive, directors and executives of the company is as follows:

	Chief Executive		Executive Director		Non - Executive Directors		Executives	
	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in thousand)							
Short term employee benefits								
Managerial remuneration	20,034	15,867	5,147	7,568	-	-	153,172	113,281
Medical allowance and reimbursement	155	324	-	762	-	-	4,129	15,682
Bonus	5,009	5,472	-	2,696	-	-	11,599	34,712
Overtime	-	-	-	-	-	-	2,151	3,075
Leave encashment	759	-	446	420	-	-	8,189	6,974
	<u>25,957</u>	<u>21,663</u>	<u>5,593</u>	<u>11,446</u>	<u>-</u>	<u>-</u>	<u>179,240</u>	<u>173,724</u>
Meeting fee	-	-	-	-	725	775	-	-
Post employment benefits								
Contribution to provident fund	1,821	324	468	757	-	-	13,932	11,328
	<u>27,778</u>	<u>21,987</u>	<u>6,061</u>	<u>12,203</u>	<u>725</u>	<u>775</u>	<u>193,172</u>	<u>185,052</u>
Number of persons	1	1	Nil*	1	5	5	55	47

\*Mr. Mehmood Akhtar is no longer an executive director from January 01, 2020.

33.2 Two non-executive directors and certain executives are provided with company maintained vehicles.

### 34. TRANSACTIONS WITH RELATED PARTIES

The related parties include the holding company, subsidiaries and associates of the holding company, subsidiary and associate of the company, related parties on the basis of common directorship, key management personnel of the company and its holding company and post employment benefit plan (Provident Fund). Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of that company. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Significant related party transactions have been disclosed in respective notes in these unconsolidated financial statements other than the following:

Relationship with the company	Nature of transactions	2020 (Rupees in thousand)	2019
(i) Holding company	Dividends paid	180,633	541,899
(ii) Other related parties	Purchase of services	200	901
	Purchase of goods	-	301
(iii) Key Management Personnel	Remuneration - note 34.1	34,564	34,965
	Dividends paid	4	12

34.1 This represents remuneration of the Chief Executive and Directors that is presented in the remuneration disclosed in note 33 to these unconsolidated financial statements.

34.2 The related parties with whom the company had entered into transactions or had arrangements/ agreements in place during the year have been disclosed below along with their basis of relationship:

Name of related party	Relationship	Aggregate % of shareholding in the company
Nishat Mills Limited	Holding company	51.01%
Security General Insurance Company Limited	Common directorship	N/A
D.G. Khan Cement Company Limited	Common directorship	N/A
Pakistan Aviators and Aviation (Private) Limited	Common directorship	N/A
Nishat (Aziz Avenue) Hotels and Properties Limited	Common directorship	N/A
Nishat Hotels and Properties Limited	Common directorship	N/A
Adamjee Insurance Company Limited	Associate of holding company	0.26%
MCB Bank Limited	Associate of holding company	N/A
Adamjee Life Assurance Company Limited	Associate of holding company	0.01%
Lalpir Solar Power (Private) Limited	Subsidiary	N/A
Nishat Energy Limited	Associate	N/A
Mr. Hassan Mansha	Director	0.0000%
Mr. Norez Abdullah	Director	0.0001%
Mr. Ahmad Aqeel	Director	0.0001%
Mr. Yousaf Bashir	Director	0.0003%
Mr. Shahzad Ahmad Malik	Director	0.0000%
Mr. Ghazanfar Hussain Mirza	Chief Executive	0.0003%
Mr. Mahmood Akhtar	Director	0.0003%

	2020 MWH	2019 MWH
35. CAPACITY AND PRODUCTION		
Installed capacity [based on 8,784 hours (2019: 8,760 hours)]	1,715,559	1,710,872
Actual energy delivered	277,541	675,103

Output produced by the plant is dependent on the load demanded by NTDC and plant availability.

	2020	2019
36. NUMBER OF EMPLOYEES		
Total number of employees as at June 30	209	218
Average number of employees during the year	214	218

### 37. DISCLOSURE RELATING TO PROVIDENT FUND

The investments by the provident fund in collective investment schemes, listed equity and debt securities have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

### 38. Financial risk management

#### 38.1 Financial risk factors

The company is exposed to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the company's finance department under policies approved by the Board of Directors ('BOD'). The company's finance department evaluates and hedges financial risks based on principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the BOD. All treasury related transactions are carried out within the parameters of these policies.

The company's overall risk management procedures to minimise the potential adverse effects of financial market on the company's performance are as follows:

#### (a) Market risk

##### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The company is not exposed to any significant currency risk.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is not exposed to equity price risk since there are no investments in equity instruments traded in the market at the reporting date. The company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company has no significant long-term interest-bearing assets. The company's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the company to cash flow interest rate risk.

At the reporting date, the interest rate profile of the company's interest bearing financial instruments was:

		2020 (Rupees in thousand)	2019
<b>Fixed rate instruments</b>			
<b>Financial assets</b>			
Bank balances - saving accounts	- note 22	3,912	19,430
<b>Financial liabilities</b>			
		-	-
<b>Net exposure</b>		3,912	19,430
<b>Floating rate instruments</b>			
<b>Financial assets</b>			
Trade debts - overdue		11,020,051	9,020,734
WPPF receivable from NTDC - overdue		-	198,076
		11,020,051	9,218,810
<b>Financial liabilities</b>			
Long term financing - secured		(73,823)	(3,040,170)
Short term borrowings - secured		(4,750,749)	(6,420,312)
		(4,824,572)	(9,460,482)
<b>Net exposure</b>		6,195,479	(241,672)

#### Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the statement of financial position date would not affect profit or loss of the company.

#### Cash flow sensitivity analysis for variable rate instruments

If interest rates on variable rate financial instruments, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, post tax profit for the year would have been Rs 61.954 million (2019: Rs 2.416 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate instruments.

#### (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from deposits with banks, trade and other receivables.

The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of these credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

#### (i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2020 (Rupees in thousand)	2019
Long term loans and advances	3,000	6
Trade debts	18,232,531	15,643,517
Short term investment	17,677	-
Advances, deposits and other receivables	555,071	439,035
Bank balances	4,613	19,979
	18,812,892	16,102,537
As of June 30, age analysis of trade debts was as follows:		
Neither past due nor impaired	3,247,110	3,513,017
Past due but not impaired:		
- 1 to 30 days	459,440	1,252,398
- 31 to 90 days	1,222,209	1,196,102
- 91 to 180 days	2,130,789	3,643,063
- 181 to 365 days	8,359,780	4,009,833
- above 365 days	2,813,203	2,029,104
	14,985,421	12,130,500
	18,232,531	15,643,517

(ii) Credit quality of financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating Agency	2020 (Rupees in thousand)	2019
	Short term	Long term			
NTDC	Not available			3,247,110	3,513,017
Treasury Bills - Government of Pakistan	Not available			17,598	-
Al-Baraka Bank (Pakistan) Limited	A-1	A	JCR-VIS	1	1
Allied Bank Limited	A-1+	AAA	PACRA	14	25
Askari Bank Limited	A-1+	AA+	PACRA	14	14
Bank Alfalah Limited	A-1+	AA+	PACRA	6	5
Bank Islami Pakistan Limited	A-1	A+	PACRA	2	1
Burj Bank Limited	A-1	A+	JCR-VIS	2	2
Dubai Islamic Bank Pakistan Limited	A-1	AA	JCR-VIS	-	1
Faysal Bank Limited	A-1+	AA	PACRA	28	3
First Women Bank Limited	A-2	A-	PACRA	-	-
Habib Bank Limited	A-1+	AAA	JCR-VIS	586	569
MCB Bank Limited	A-1+	AAA	PACRA	3,594	17,358
MCB Islamic Bank Limited	A-1+	AAA	PACRA	156	17
National Bank of Pakistan	A-1+	AAA	PACRA	15	23
The Bank of Punjab	A-1+	AA	PACRA	13	12
The Bank of Khyber	A-1	A	PACRA	-	5
United Bank Limited	A-1+	AAA	JCR-VIS	182	1,943
				3,269,321	3,532,996

Due to the company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Company's businesses, the Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Management monitors the forecasts of the Company's cash and cash equivalents (note 32) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring reporting date liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

At June 30, 2020	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term financing	73,823	18,456	55,367	-
Short term borrowings	4,750,749	4,750,749	-	-
Unclaimed dividend	20,671	20,671	-	-
Trade and other payables	78,003	78,003	-	-
Accrued mark-up	169,090	169,091	-	-
	5,092,337	5,036,970	55,367	-

At June 30, 2019	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term financing	3,040,170	2,385,532	654,638	-
Short term borrowings	6,420,312	6,420,312	-	-
Unclaimed dividend	21,666	21,666	-	-
Trade and other payables	73,124	73,124	-	-
Accrued mark-up	233,908	233,908	-	-
	9,789,180	9,134,542	654,638	-

### 38.2 Fair value estimation

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

### 38.3 Financial instruments by categories

	Financial assets at amortised cost	
	2020	2019
	(Rupees in thousand)	
Assets as per statement of financial position		
Long term loans and advances	6,606	229
Trade debts	18,232,531	15,643,517
Short term investment	17,677	-
Advances, deposits and other receivables	555,071	439,035
Cash and bank balances	4,834	20,776
	18,816,719	16,103,557



	Financial liabilities at amortised cost	
	2020 (Rupees in thousand)	2019
Liabilities as per statement of financial position		
Long term financing	73,823	3,040,170
Short term borrowings	4,750,749	6,420,312
Trade and other payables	78,003	73,124
Unclaimed dividend	20,671	21,666
Accrued mark-up	169,090	233,908
	<u>5,092,337</u>	<u>9,789,180</u>

#### 38.4 Financial assets and financial liabilities subject to offsetting

There are no significant financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

#### 38.5 Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders or issue new shares.

Consistent with others in the industry and the requirements of the lenders, the company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity (as shown in statement of financial position). Net debt is calculated as non-current borrowings as disclosed in note 8 to these financial statements less cash and cash equivalents as disclosed in note 32 to these financial statements.

The gearing ratio is as follows:

		2020 (Rupees in thousand)	2019
Non-current borrowings - note 8		73,823	3,040,170
Less: Cash and cash equivalents - note 32		(4,745,915)	(6,399,536)
Net debt		<u>4,819,738</u>	<u>9,439,706</u>
Total equity		23,697,225	19,108,719
Gearing ratio	Percentage	20%	49%

In accordance with the terms of agreement with the lenders of long term finances (as discussed in note 8 to these unconsolidated financial statements), the company is required to comply with certain financial covenants in respect of capital requirements which the company has complied with throughout the reporting period.

### 39. IMPACT OF COVID-19 (CORONA VIRUS)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID-19. The company's operations were not affected as it fell under the exemption provided by the Government of Punjab to providers of essential services. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the company continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Due to this, management has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these unconsolidated financial statements.

### 40. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on July 28, 2020 by the Board of Directors of the company.

#### 40.1 Event after the reporting date

The Board of Directors have proposed a final cash dividend for the year ended June 30, 2020 of Re 1 per share, amounting to Rs 354.089 million at their meeting held on July 28, 2020 for approval of the members at the Annual General Meeting to be held on August 22, 2020. These unconsolidated financial statements do not include the effect of the above dividend which will be accounted for in the period in which it is approved.

### 41. CORRESPONDING FIGURES

Corresponding figures have been reclassified wherever necessary to reflect better presentation of events and transactions for the purpose of comparison, however, no significant reclassifications have been made.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

# Consolidated Financial Statements

for the Year Ended June 30, 2020



# DIRECTORS' REPORT ON CONSOLIDATED ACCOUNTS

The Board of Directors of Nishat Power Limited (The Company) is pleased to present Consolidated Annual Report with the Consolidated Audited Financial Statements of the Company together with Auditors' Report thereon for the financial year ended June 30, 2020.

## PRINCIPAL ACTIVITY OF SUBSIDIARY COMPANY AND BRIEF OVER ITS OPERATIONS

In the financial year 2016, the Company incorporated a wholly owned subsidiary, Lalpir Solar Power (Private) Limited ('LSPPL'), since then the Company has taken up 100,000 shares of the LSPPL. The principal activity of LSPPL is to build, own, operate and maintain or invest in a solar power project having gross capacity upto 20 MWp with net estimated generation capacity of upto approx 19 MWp. The project site is located at Mehmood Kot, District Muzaffar Garh, Multan. The Company achieved various milestones like approval of Feasibility Study, No Objection Certificate ('NOC') from Environment Protection Agency (EPA) and approval of Grid Interconnection study from Multan Electric Power Company (MEPCO). However, the upfront solar tariff announced by National Electric Power Regulatory Authority (NEPRA) had expired on June 30, 2016. Meanwhile LSPPL had also obtained the approval from NTDCL for Grid Interconnection Study, and generation license from NEPRA in year 2018.

The LSPPL's Power Acquisition Request (PAR) to Central Power Purchasing Agency (CPPA) delayed due to the expiry of Renewable Energy Policy and tariff mechanism. During the year, keeping in view the decision taken by the Cabinet Committee on Energy (CCoE), CPPA has informed that LSPPL has not been given consent.

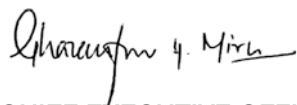
Considering the above facts, the management of LSPPL has intended to initiate process of winding up of LSPPL for which legal consultants have been approached. Therefore, financial accounts of LSPPL for year 2020 have been prepared on non-going concern basis.

## AUDITORS:

The present auditors of LSPPL M/s Riaz Ahmad & Co. Chartered Accountants retire and being eligible, offer themselves for re-appointment for the year 2020-21.

## ACKNOWLEDGEMENT:

The Board of Directors appreciates all its stakeholders for their trust and continued support to the Company.



CHIEF EXECUTIVE OFFICER



DIRECTOR

Lahore: July 28, 2020

## مجلس نظاماء کی رپورٹ consolidated مالیاتی گوشوارے

نشاط پاور لمیٹڈ (کمپنی) کی مجلس نظاماء 30 جون 2020 کو ختم ہونے والے مالی سال کے لئے کمپنی کے نظر ثانی کئے ہوئے consolidated مالیاتی گوشوارے کی سالانہ رپورٹ مع اس پر آڈیٹر کی رپورٹ پیش کرتے ہوئے خوش محسوس کرتی ہے۔

لال پیر سولر پاور (پرائیویٹ) لمیٹڈ

مالی سال 2016 سے کمپنی ایک مکمل ملکیتی ذیلی کمپنی، لال پیر سولر پاور (پرائیویٹ) لمیٹڈ ('LSPPL') رکھتی ہے، اور اس کے 100,000 حصص کی مالک ہے۔ LSPPL کی بنیادی سرگرمی ایک اندازے کے مطابق 19 MWp بجلی پیدا کرنے کی صلاحیت کے ساتھ 20 MWp تک کی مجموعی صلاحیت کے حامل شمسی توانائی کے منصوبے میں سرمایہ کاری یا ذاتی تعمیر، چلانا اور برقرار رکھنا ہوگی۔ منصوبے کی سائٹ محمود کوٹ، ضلع مظفر گڑھ، ملتان میں واقع ہے۔ کمپنی نے ممکنہ مطالعہ کی منظوری، ماحولیاتی تحفظ ایجنسی (EPA) سے کوئی اعتراض نہیں کا سرٹیفکیٹ ('این اوسی') اور ملتان الیکٹرک پاور کمپنی (مپکو) سے گرڈ انٹر کنکشن مطالعہ کی منظوری کی طرح کے مختلف سنگ میلوں کو حاصل کیا۔ دریں اثناء، ہینشل الیکٹرک پاور ریگولیٹری اتھارٹی (NEPRA) کی طرف سے اعلان کردہ اپ فرنٹ شمسی ٹیرف 30 جون 2016 کو ختم ہو چکا ہے۔ اسی اثناء میں LSPPL نے NTDCL سے گرڈ انٹر کنکشن مطالعہ کی منظوری اور سال 2018 میں، نمبر اسے جزیشن لائسنس حاصل کیا۔

LSPPL نے قابل تجدید انرجی پالیسی اور ٹیرف میکا زم کے اختتام کی وجہ سے سنٹرل پاور پراجیکٹ ایجنسی (CPPA) کو پاور ایکویزیشن ریکوسٹ (PAR) مؤخر کی ہے۔ سال کے دوران توانائی کا بینہ کمپنی (CCoE) کی طرف سے کئے گئے فیصلہ کے مد نظر، CPPC نے مطلع کیا کہ LSPPL کو منظوری نہیں دی گئی ہے۔


مذکورہ بالا حقائق پر غور کرتے ہوئے، LSPPL کی انتظامیہ نے LSPPL کی وائنڈنگ اپ کا عمل شروع کرنے کا ارادہ کیا ہے جس کے لئے قانونی مشیران سے رابطہ کیا گیا ہے۔ لہذا، سال 2020 کے لئے LSPPL کے حسابات غیر گونگ کنسرن بنیاد پر تیار کئے گئے ہیں۔

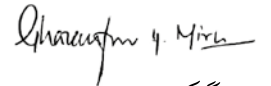
محاسب:

موجودہ محاسب میسرز Riaz Ahmad & Co چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور انہوں نے اہل ہونے کی بناء پر سال 2020-21 کے لئے دوبارہ تعیناتی کے لئے خود کو پیش کیا ہے بورڈ کی آڈٹ کمیٹی نے ریٹائر ہونے والے محاسب کی دوبارہ تقرری کی سفارش کی ہے۔

اظہار تشکر:

بورڈ آف ڈائریکٹرز کمپنی کے تمام اسٹیک ہولڈرز کے اعتماد اور مسلسل حمایت کا شکریہ ادا کرتا ہے۔

  
ڈائریکٹر

  
چیف ایگزیکٹو

لاہور: 28 جولائی 2020ء

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NISHAT POWER LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

## Opinion

We have audited the annexed consolidated financial statements of Nishat Power Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of Matter

We draw attention to notes 13.1.2 and 19.2 to the annexed consolidated financial statements, which describe matters relating to litigations with National Transmission and Despatch Company Limited on account of recoverability of delayed payment charges and capacity revenue respectively. Our opinion is not modified in respect of these matters.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

## Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than



for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



A.F.Ferguson & Co.  
Chartered Accountants

Lahore:  
Date: July 28, 2020

In case of any discrepancy on the Company's website, the auditors shall only be responsible in respect of the information contained in the hard copies of the audited financial statements available at the Company's registered office.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT JUNE 30, 2020

	Note	2020 (Rupees in thousand)	2019
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 500,000,000 (2019: 500,000,000) ordinary shares of Rs 10 each		5,000,000	5,000,000
Issued, subscribed and paid up share capital 354,088,500 (2019: 354,088,500) ordinary shares of Rs 10 each	5	3,540,885	3,540,885
Capital reserve	6	3,153,633	3,153,633
Revenue reserve: Un-appropriated profits	7	17,002,579	12,413,550
Attributable to owners of the parent		23,697,097	19,108,068
<b>NON-CURRENT LIABILITY</b>			
Long term financing - secured	8	55,367	654,638
<b>CURRENT LIABILITIES</b>			
Current portion of long term financing - secured	8	18,456	2,385,532
Short term borrowings - secured	9	4,750,749	6,420,312
Trade and other payables	10	612,613	261,684
Unclaimed dividend	11	20,671	21,666
Accrued markup	12	169,091	233,908
		5,571,580	9,323,102
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13	29,324,044	29,085,808

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

  
CHAIRMAN

  
CHIEF FINANCIAL OFFICER

	Note	2020 (Rupees in thousand)	2019
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets	14	9,392,029	10,010,358
Investment accounted for under equity method	15	-	-
Long term loans and advances	16	3,000	6
		<hr/>	<hr/>
		9,395,029	10,010,364
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	17	672,235	757,521
Inventories	18	170,349	1,719,399
Trade debts	19	18,232,531	15,643,517
Advances, deposits, prepayments and other receivables	20	792,683	900,071
Income tax receivable		38,694	34,139
Short term investment	21	17,677	-
Cash and bank balances	22	4,846	20,797
		<hr/>	<hr/>
		19,929,015	19,075,444
		<hr/>	<hr/>
		29,324,044	29,085,808
		<hr/>	<hr/>



DIRECTOR



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees in thousand)	2019
Sales	23	11,738,487	15,581,918
Cost of sales	24	(5,318,630)	(10,584,021)
<b>Gross profit</b>		6,419,857	4,997,897
Administrative expenses	25	(336,719)	(274,201)
Other expenses	26	(4,774)	(15,884)
Other income	27	7,285	7,558
Finance cost	28	(1,142,531)	(945,646)
<b>Profit before taxation</b>		4,943,118	3,769,724
Taxation	29	-	-
<b>Profit for the year</b>		4,943,118	3,769,724
Profit attributable to owners of the parent		4,943,118	3,769,724
Earnings per share - basic and diluted (in Rupees)	30	13.960	10.646

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	2020 (Rupees in thousand)	2019
Profit for the year	4,943,118	3,769,724
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 year	4,943,118	3,769,724
Attributable to owners of the parent	4,943,118	3,769,724

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees in thousand)	2019
<b>Cash flows from operating activities</b>			
Cash generated from operations	31	6,314,537	2,249,985
Finance cost paid		(1,207,348)	(894,223)
Income tax paid		(4,555)	(4,090)
Long term loans and advances - net		(2,994)	225
Retirement benefits paid		(25,761)	(21,543)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>5,073,879</b>	<b>1,330,354</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		(87,309)	(280,719)
Purchase of short term investments		(17,677)	93,395
Proceeds from disposal of operating fixed assets		3,027	-
Profit on bank deposits received		5,489	5,203
<b>Net cash outflow from investing activities</b>		<b>(96,470)</b>	<b>(182,121)</b>
<b>Cash flows from financing activities</b>			
Repayment of long term finances	8	(3,040,170)	(2,052,155)
Proceeds from long term finances	8	73,823	-
Dividend paid	11	(357,450)	(1,057,097)
<b>Net cash outflow from financing activities</b>		<b>(3,323,797)</b>	<b>(3,109,252)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,653,612</b>	<b>(1,961,019)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(6,399,515)</b>	<b>(4,438,496)</b>
<b>Cash and cash equivalents at the end of the year</b>	32	<b>(4,745,903)</b>	<b>(6,399,515)</b>

Refer notes 8 and 11 for reconciliation of liabilities arising from financing activities.

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED JUNE 30, 2020

	Attributable to owners of the parent			
	Share capital	Capital reserve: Maintenance reserve	Revenue reserve: Un-appropriated profit	Total
	(Rupees in thousand)			
Balance as on July 01, 2018	3,540,885	-	12,859,724	16,400,609
Profit for the year	-	-	3,769,724	3,769,724
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	3,769,724	3,769,724
Dividend to equity holders of the parent:				
Final dividend for the year ended June 30, 2018 @ Rupees 1.5 per share	-	-	(531,133)	(531,133)
Interim dividend for the quarter ended March 31, 2019 @ Rupees 1.5 per share	-	-	(531,133)	(531,133)
Total contributions by and distributions to owners of the parent recognised directly in equity	-	-	(1,062,266)	(1,062,266)
Transfer to maintenance reserve	-	3,153,633	(3,153,633)	-
Balance as on June 30, 2019	3,540,885	3,153,633	12,413,549	19,108,068
Profit for the year	-	-	4,943,118	4,943,118
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	4,943,118	4,943,118
Dividend to equity holders of the parent:				
Interim dividend for the half year ended December 31, 2019 @ Rupee 1 per share	-	-	(354,089)	(354,089)
Total contributions by and distributions to owners of the parent recognised directly in equity	-	-	(354,089)	(354,089)
Balance as on June 30, 2020	3,540,885	3,153,633	17,002,579	23,697,097

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

## 1. THE GROUP AND ITS ACTIVITIES

The group comprises of Nishat Power Limited (the 'parent company') and Lalpir Solar Power (Private) Limited (the 'subsidiary').

The parent company is a public company limited by shares incorporated in Pakistan on February 23, 2007 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017, hereinafter may be referred to as the 'Act'). It is a subsidiary of Nishat Mills Limited, Pakistan. The parent company's ordinary shares are listed on the Pakistan Stock Exchange Limited.

The principal activity of the parent company is to build, own, operate and maintain a fuel fired power station having gross capacity of 200 MW in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. The address of the registered office of the parent company is 53-A, Lawrence Road, Lahore. The parent company has a Power Purchase Agreement ('PPA') with its sole customer, National Transmission and Despatch Company Limited ('NTDC') for twenty five years which commenced from June 09, 2010.

The subsidiary was incorporated in Pakistan on November 19, 2015 as a private company limited by shares. It is a wholly owned subsidiary of Nishat Power Limited. The registered office of the subsidiary is situated at 53-A, Lawrence Road, Lahore. The principal activity of the subsidiary is to build, own, operate and maintain or invest in a solar power project having gross capacity upto 20 MW.

The management continuously tried its best to get Power Acquisition Request and Consent to Procure Power from Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) so that development of the solar power project can be moved forward. However, CPPA-G informed that Ministry of Energy has conveyed the Cabinet Committee on Energy (CCoE) decision to CPPA-G and further sent a list of 145 projects as approved by the Cabinet for necessary action. The CPPA-G stated that this solar power project of the subsidiary is not included in the list of 145 projects, therefore, CPPA-G is of the view that the request of the subsidiary cannot be entertained. Furthermore, during the year, Alternate Energy Development Board (AEDB) informed that project is placed under category III of the decision of the CCoE to proceed ahead subject to becoming successful in the competitive bidding process to be undertaken by AEDB, based on the quantum ascertained for each technology by Indicative Generation Capacity Expansion Plan (IGCEP) by NTDC.

The management understands that to-date, no such competitive bidding process has been undertaken. The response of CPPA-G and AEDB have made this project more complicated. Hence, voluntary winding up of the subsidiary under the Companies Act 2017, is being considered.

In the view of the aforesaid reasons, the subsidiary is not considered a going concern.

The parent company has an associate, Nishat Energy Limited ('NEL'). The parent company directly holds 25% ordinary shares in NEL, which is an unquoted public company limited by shares incorporated in Pakistan to build, own, operate and maintain a coal fired power station. The address of the registered office of NEL is 1-B, Aziz Avenue, Canal Bank, Gulberg V, Lahore.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- i) International Financial Reporting Standards ('IFRS') 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 ('Act').

Where provisions of and directives issued under the Act differ from the IFRS, the provisions of and directives issued under the Act have been followed.

### 2.2 Initial application of standards, amendments or interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the group's consolidated financial statements covering annual periods, beginning on or after the following dates:

#### 2.2.1 Standards, amendments and interpretations to existing standards that are effective in current year

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2019 but are considered not to be relevant or to have any significant effect on the group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these consolidated financial statements, except the following:

- IFRS 16, 'Leases': this standard has been notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the previous guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

SECP through SRO 986(I)/2019 dated September 2, 2019 has granted exemption from the requirements of IFRS 16 to all companies to the extent of their power purchase agreements executed before January 1, 2019. Therefore, the standard will not have any impact on the group's consolidated financial statements to the extent of the power purchase agreement of the group. For the remaining leases, the group has assessed that the application of this standard does not have any material impact on these consolidated financial statements.

Under IFRS 16, the consideration required to be made by the lessee for the right to use the asset is to be accounted for as a finance lease. The group's power plant's control due to purchase of total output by NTDC appears to fall under the scope of finance lease under IFRS 16. Consequently, if the group were to follow IFRS 16 with respect to the power purchase agreement, the effect on the consolidated financial statements would be as follows:

	2020 (Rupees in thousand)	2019
De-recognition of property, plant and equipment	(9,132,804)	(9,635,568)
De-recognition of trade debts	(6,065,265)	(5,510,129)
Recognition of lease debtor	9,738,063	11,556,096
Decrease in un-appropriated profits at the beginning of the year	(3,589,601)	(2,146,101)
Decrease in profit for the year	(1,870,405)	(1,443,500)
Decrease in un-appropriated profits at the end of the year	(5,460,006)	(3,589,601)

## 2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and/or have not been early adopted by the group

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the group's accounting periods beginning on or after July 1, 2020, but are considered not to be relevant or to have any significant effect on the group's operations and are, therefore, not detailed in these consolidated financial statements, except for the following:

### a) Definition of Material – Amendments to IAS 1 and IAS 8: (effective for periods beginning on or after July 01, 2020)

The IASB has made amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The group is yet to assess the impact of this amendment.

b) **Revised Conceptual Framework for Financial Reporting: (effective for periods beginning on or after July 01, 2020)**

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.

Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from effective date. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The group is yet to assess the impact of this amendment.

3. **BASIS OF MEASUREMENT**

3.1 These consolidated financial statements have been prepared under the historical cost convention.

3.2 **Critical accounting estimates and judgements**

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the area that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to the estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

- a) Useful lives and residual values of fixed assets - notes 4.3 and 14
- b) Impairment of financial assets - note 4.10.4
- c) Recognition of contingent asset - notes 4.27 and 13.1.2

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the group and that are believed to be reasonable under the circumstances.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### 4.1 Principles of consolidation

#### a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group. The acquisition method of accounting is used for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in consolidated statement of profit or loss or as a change to consolidated statement of comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as a bargain purchase.

Where the settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present values as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides

evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

b) **Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. A change in ownership interests results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) **Disposal of subsidiaries**

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in consolidated statement of comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in consolidated statement of comprehensive income are reclassified to consolidated statement of profit or loss.

d) **Associates**

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognized at cost. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. The group's investment includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to consolidated statement of profit or loss where appropriate.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates in the consolidated statement of profit or loss.



Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated statement of profit or loss.

## 4.2 Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated statement of profit or loss except to the extent that relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

### Current

The profits and gains of the group derived from electric power generation are exempt from tax in terms of clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the conditions and limitations provided therein.

Under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the group is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the consolidated statement of profit or loss on income from sources not covered under the above clauses at current rates of taxation after taking into account, tax credits and rebates available, if any.

### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in the consolidated statement of profit or loss, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

Deferred tax has not been provided in these consolidated financial statements as the group's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains of the group derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

## 4.3 Property, plant and equipment

### 4.3.1 Operating fixed assets

Operating fixed assets are stated at historical cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on operating fixed assets, other than identifiable capital spares in plant and machinery, is charged to the consolidated statement of profit or loss on the straight line method so as to write off the cost of an asset over its estimated useful life at the annual rates mentioned in note 14.1 after taking into account their residual values. Depreciation on identifiable capital spares in plant and machinery is charged on the basis of number of hours used.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The group's estimate of the residual value of its operating fixed assets as at June 30, 2020, has not required any adjustment as its impact is considered insignificant.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.5).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repair and maintenance costs are included in the consolidated statement of profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset, represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

### 4.3.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

### 4.3.3 Major spare parts and standby equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them for more than one year. Transfers are made to relevant operating fixed assets category as and when such items are available for use.

## 4.4 Intangible assets

Expenditure incurred to acquire computer software is capitalised as an intangible asset and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method over a period of five years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.5).

## 4.5 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 4.6 Leases

The group is the lessee:

At inception of a contract, the group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From July 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the group's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the group is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the group's estimate of the amount expected to be payable under a residual value guarantee, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

#### 4.7 Stores, spares and loose tools

Stores, spares and loose tools are valued principally at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date while items considered obsolete are carried at nil value.

#### 4.8 Inventories

Inventories except for those in transit are valued principally at lower of weighted average cost and net realizable value. Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realizable value is determined on the basis of estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. If the expected net realisable value is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value. Provision is made in the consolidated financial statements for obsolete and slow moving inventories based on management's estimate.

#### 4.9 Investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital, are included in current assets. All other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

##### 4.9.1 Investment in equity instruments of associates

Investment in equity instruments of associates are accounted for using equity method of accounting as fully explained in note 4.1 (d) to these consolidated financial statements.

#### 4.10 Financial assets

##### 4.10.1 Classification

The group classifies its financial assets other than investments in equity instruments of subsidiary and associate in the following measurement categories:

- those to be measured subsequently at fair value [either through other comprehensive income ('OCI') or through profit or loss], and
- those to be measured at amortised cost.

The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

#### 4.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

#### 4.10.3 Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

##### Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

i) Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in other income using the effective interest rate method. Impairment expenses are presented as separate line item in the consolidated statement of profit or loss.

iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

##### Equity instruments

The group subsequently measures all equity investments except for investments in equity instruments of associate at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the consolidated statement of profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### 4.10.4 Impairment of financial assets other than those due from the Government of Pakistan and investment in equity instruments

The group assesses on a forward-looking basis, the expected credit losses ('ECL') associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The group applies general 3-stage approach for loans, deposits and other receivables and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

Following are the financial assets that are subject to the ECL model:

- Long term loans
- Loans, deposits and other receivables
- Short term investment
- Bank balances.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

The group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the group compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty;
- significant increase in credit risk on other financial instruments of the same counterparty; and
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

The group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the group, in full (without taking into account any collaterals held by the group).

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
  - a breach of contract, such as a default or past due event;
  - the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
  - it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- or
- the disappearance of an active market for that financial asset because of financial difficulties.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of borrowers; and
- external credit ratings where available."

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The group recognises an impairment gain or loss in the statement of profit or loss for financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

The group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of counterparty's sources of



income or assets to generate sufficient future cash flows to repay the amount. The group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

#### 4.11 Financial liabilities

Financial liabilities are recognised at the time when the group becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

#### 4.12 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set off the recognised amount and the group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

#### 4.13 Financial assets due from the Government of Pakistan

Financial assets due from the Government of Pakistan include trade debts, contract assets and other receivables due from NTDC/Central Power Purchasing Agency (Guarantee) Limited ('CPPA-G') under the PPA that also includes accrued amounts. SECP through SRO 985(I)/2019 dated September 2, 2019 has notified that, in respect of companies holding financial assets due from the Government of Pakistan, the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method shall not be applicable till June 30, 2021 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. Accordingly, the same continue to be reported as per the following accounting policy:

A provision for impairment is established when there is objective evidence that the group will not be able to collect all the amount due according to the original terms of the receivable.

The group assesses at the end of each reporting period whether there is objective evidence that the financial asset is impaired. The financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective



interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss. When the financial asset is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

#### 4.14 Trade debts

Trade debts are amounts due from NTDC/CPPA-G in the ordinary course of business. They are generally due for settlement as referred to in note 4.23 and therefore are all classified as current. Trade debts are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade debts with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

#### 4.15 Contract asset and contract liability

A contract asset is recognised for the group's right to consideration in exchange for goods or services that it has transferred to a customer. If the company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the group presents the amount as a contract asset, excluding any amounts presented as a receivable.

A contract liability is recognised for the group's obligation to transfer goods or services to a customer for which the group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration, or the group has a right to an amount of consideration that is unconditional (i.e. a receivable), before the company transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

#### 4.16 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

#### 4.17 Employee benefits

##### (i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leaves that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

##### (ii) Post employment benefit - Defined contribution plan (Provident Fund)

There is an approved defined contributory provident fund for all employees of the parent company. Equal monthly contributions are made both by the parent company and employees of the parent company to the fund at the rate of 10 percent of the basic salary subject to completion of minimum qualifying period of service as determined under the rules of the fund.

#### 4.18 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 4.19 Provisions

Provisions for legal claims and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

#### 4.20 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. Book overdrafts are shown within trade and other payables in current liabilities.

#### 4.21 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### 4.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in consolidated statement of profit or loss in the period in which they are incurred.

#### 4.23 Revenue recognition

Revenue shall be recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset and thus has the ability to direct the use and obtain the benefits from the good or service.

Revenue from the sale of electricity to NTDC, the sole customer of the group, 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.

Delayed payment markup on amounts due under the PPA is accrued on a time proportion basis by reference to the amount outstanding and the applicable rate of return under the PPA.

Invoices are generally raised on a monthly basis and are due after 30 days from acknowledgement by NTDC.

#### 4.24 Foreign currency transactions and translation

##### a) Functional and presentation currency

Items included in the consolidated financial statements of the group are measured using the currency of the primary economic environment in which the group operates (the functional currency). The consolidated financial statements are presented in Pak Rupees, which is the group's functional and presentation currency.

##### b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within exchange gains/(losses). Non-monetary items that are measured at fair value in a foreign currency are translated using the

exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

#### 4.25 Dividend

Dividend distribution to the group's members is recognised as a liability in the period in which the dividends are approved.

#### 4.26 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the group; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

#### 4.27 Contingent assets

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognised. An asset remains contingent until such time as the inflow of economic benefits becomes virtually certain. When it becomes virtually certain that an inflow of economic benefits will arise, the asset and the related income is recognised in the financial statements in the period in which the change occurs (that is, when the future event occurs and confirms the asset's existence or, if earlier, when it becomes virtually certain that the future event will confirm the asset's existence and it is virtually certain that the asset will be realised).

### 5. Issued, subscribed and paid up share capital

This represents 354,088,500 (2019: 354,088,500) ordinary shares of Rs 10 each fully paid in cash. 180,632,955 (2019: 180,632,955) ordinary shares are held by Nishat Mills Limited, the holding company.

- 6 This represents maintenance reserve set aside from retained earnings for the purpose of meeting repair and maintenance costs associated with major maintenance of the plant in coming years. The reserve is not available for distribution of profits through dividend and will be utilized on actual occurrence of expenditure.
7. In accordance with the terms of agreement with the lenders of long term finances from the consortium of banks, there are certain restrictions on the distribution of dividends.

		2020 (Rupees in thousand)	2019
8.	<b>LONG TERM FINANCING - SECURED</b>		
	Consortium of banks - note 8.1	-	654,638
	Islamic refinance facility - note 8.2	55,367	-
		55,367	654,638
8.1	<b>Consortium of banks</b>		
	The reconciliation of the carrying amount is as follows:		
	Opening balance	3,040,170	5,092,325
	Less: Repayments during the year	3,040,170	2,052,155
		-	3,040,170
	Less: Current portion shown under current liabilities	-	2,385,532
		-	654,638

Long term financing under mark-up arrangement obtained from following banks:

	2020 (Rupees in thousand)	2019
<b>Lender</b>		
National Bank of Pakistan	-	527,628
Habib Bank Limited	-	703,568
Allied Bank Limited	-	703,568
United Bank Limited	-	691,030
Faysal Bank Limited	-	414,376
	-	3,040,170
Less: Current portion shown under current liabilities	-	2,385,532
	-	654,638

- 8.1.1 This represents long term financing obtained from a consortium of banks led by Habib Bank Limited (Agent Bank). The portion of long term financing from Faysal Bank Limited was on murabaha basis. The overall financing was secured against registered first joint pari passu charge on immovable property, mortgage of project receivables, hypothecation of all present and future assets and all properties (excluding the mortgaged immovable property and mortgaged energy revenue receivables), lien over project bank accounts and pledge of shares held by the holding company in Nishat Power Limited. It carried mark-up at the rate of three months Karachi Inter-Bank Offered Rate (KIBOR) plus three percent per annum, payable on quarterly basis. The mark-up rate charged during the year on the outstanding balance ranged from 14.22% to 16.85% (2019: 9.92% to 13.99%) per annum. This loan has been repaid during the year.

	2020 (Rupees in thousand)	2019
8.2	<b>Islamic refinance facility</b>	
	Opening balance	-
	Loan disbursements during the year	73,823
	Less: Repayments during the year	-
		73,823
	Less: Current portion shown under current liabilities	18,456
		55,367

- 8.2.1 This represents long term financing facility (running musharaka facility) availed from Faysal Bank Limited (through its Islamic Banking Division) as a Participating Financial Institution under State Bank of Pakistan's (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'). The total facility available amounts to Rs 77.67 million. The financing is secured against pari passu charge over all the present and future fuel stock/inventory and energy revenue receivables. It carries mark-up at the rate of SBP Profit Rate under the Refinance Scheme plus 0.5% per annum, payable on quarterly basis. The mark-up rate charged during the year on the outstanding balance was 0.5% (2019: Nil) per annum. The principal amount is repayable in 8 equal quarterly instalments starting from March 31, 2021.

		2020	2019
		(Rupees in thousand)	
9.	SHORT TERM BORROWINGS - SECURED		
	Short term borrowings under mark-up arrangements obtained as under:		
	Running finances - note 9.1	4,750,749	5,220,315
	Term finances - note 9.2	-	1,199,997
		<u>4,750,749</u>	<u>6,420,312</u>
9.1	Running finances		

The total running finance and running musharka main facilities obtained from various commercial banks under mark-up arrangements aggregate Rs 10,251.52 million (2019: Rs 7,201.520 million). Such facilities have been obtained at mark-up rates ranging from three months KIBOR plus 0.25% to 2% per annum, payable quarterly, on the balance outstanding. The aggregate facilities are secured against charge on present and future fuel stock/inventory and present and future energy revenue receivables. The mark-up rate charged during the year on the outstanding balance ranged from 8.86% to 15.85% (2019: 7.18% to 12.99%) per annum. Various sub facilities comprising money market loans and letters of guarantee have also been utilized under the aforementioned main facilities.

## 9.2 Term finances

The total murabaha and term finance main facilities obtained from various commercial banks under mark-up arrangements aggregate Rs 550 million (2019: Rs 2,650 million). Such facilities have been obtained at mark-up rates ranging from one week to six months KIBOR plus 0.05% to 1.25%, payable at the maturity of the respective murabaha transaction/term finance facility. The aggregate facilities are secured against first pari passu charge on current assets comprising of fuel stocks/inventory. The mark-up rate charged during the year on the outstanding balance ranged from 11% to 13.81% (2019: 6.41% to 13.75%) per annum. Various sub facilities comprising running musharka and running finance have also been utilized under the aforementioned main facilities.

## 9.3 Letters of credit and guarantee

The main facilities for opening letters of credit and guarantee aggregate Rs 500 million (2019: Rs 500 million). The amount utilised at June 30, 2020, for letters of credit was Nil (2019: Rs 19.740 million) and for letters of guarantee was Rs 113 million (2019: Rs 112.500 million). The aggregate facilities for opening letters of credit and guarantee are secured by charge on present and future current assets including fuel stocks/inventory and by lien over import documents.

		2020	2019
		(Rupees in thousand)	
10.	TRADE AND OTHER PAYABLES		
	Creditors - note 10.1	68,560	62,937
	Payable to contractors	2,521	3,457
	Workers' Profit Participation Fund - note 10.2	435,608	188,477
	Punjab Workers' Welfare Fund - note 10.3	98,852	-
	Other accrued liabilities	7,072	6,813
		612,613	261,684
10.1	Includes amounts due to the following related parties:		
	Security General Insurance Company Limited	422	552
	Adamjee Insurance Company Limited	5,542	6,291
	D.G. Khan Cement Company Limited	-	184
		5,964	7,027
10.2	Workers' Profit Participation Fund		
	Opening balance	188,477	160,571
	Provision for the year	247,131	188,477
		435,608	349,048
	Less: Payments made during the year	-	160,571
	Closing balance	435,608	188,477
10.3	Punjab Workers' Welfare Fund		
	Opening balance	-	-
	Provision for the year	98,852	-
	Closing balance	98,852	-

## 11. UNCLAIMED DIVIDEND

The disclosures required under section 244 of the Companies Act, 2017 are as follows:

	2020 (Rupees in thousand)	2019
Amounts transferred into unpaid dividend account	2,794	635
Dividend claims received and settled	302	344
Profits generated from unpaid dividend account	2,366	1,496
Profits utilised	-	-

The reconciliation of carrying amount is as follows:

Opening balance	21,666	15,001
Dividends declared	354,089	1,062,266
Interest on dividend	2,366	1,496
Less: Dividends paid	357,450	1,057,097
Closing balance	20,671	21,666

## 12. ACCRUED MARKUP

Accrued mark-up / interest on:

Long term financing - secured	30	105,994
Short term borrowings - secured	169,061	127,914
	169,091	233,908

## 13. CONTINGENCIES AND COMMITMENTS

### 13.1 Contingencies

#### 13.1.1 Contingent liabilities:

- (i) A sales tax demand of Rs 1,218.132 million was raised against the group through order dated December 11, 2013, passed by the Assistant Commissioner Inland Revenue ('ACIR') disallowing input sales tax for the tax periods of July 2010 through June 2012. The disallowance was primarily made on the grounds that since revenue derived by the group on account of 'capacity revenue' was not chargeable to sales tax, input sales tax claimed by the group was required to be apportioned with only the input sales tax attributable to other revenue stream i.e. 'energy revenue' admissible to the group. Upon appeal before Commissioner Inland Revenue (Appeals) ['CIR(A)'], such issue was decided in group's favour, however, certain other issues agitated by the group were not adjudicated. Both the group and department have filed appeals against the order of CIR(A) before Appellate Tribunal Inland Revenue ('ATIR'), which are pending adjudication.

Subsequently, the above explained issue was taken up by department for tax periods of July 2009 to June 2013 (involving input sales tax of Rs 1,722.811 million), however, the group assailed the underlying proceedings before Lahore High Court ('LHC') directly and in this respect, through order dated October 31, 2016, LHC accepted the group's stance and annulled the proceedings. The department has challenged the decision of LHC before Supreme Court of Pakistan and has also preferred an Intra Court Appeal against such order which are pending adjudication.



Similarly, for financial year 2014, group's case was selected for 'audit' and such issue again formed the core of audit proceedings (involving input sales tax of Rs 596.091 million). Group challenged the jurisdiction in respect of audit proceedings before LHC and while LHC directed the management to join the subject proceedings, department was debarred from passing the adjudication order. During the prior year, LHC dismissed the petition in favour of the department, by allowing the department to complete the audit proceedings that are pending completion.

Since the issue has already been decided in group's favour on merits by LHC and based on advice of the group's legal counsel, no provision on these accounts have been made in these consolidated financial statements.

- (ii) During the prior year, the Commissioner Inland Revenue raised a demand of Rs 179.046 million against the group through his order dated April 16, 2019, mainly on account of input tax claimed on inadmissible expenses in sales tax return for the tax periods of July 2014 to June 2017 and sales tax default on account of suppression of sales related to tax period June 2016. The group filed application for grant of stay before the ATIR against recovery of the aforesaid demand that was duly granted. Further, the group has filed appeals before CIR(A) and ATIR against the order which are pending adjudication. Management has strong grounds to believe that the case will be decided in group's favour. Therefore, no provision has been made on this account in these consolidated financial statements.
- (iii) During the prior year, National Electric Power Regulatory Authority (NEPRA) issued a show cause notice dated February 13, 2019, to the group along with other Independent Power Producers to provide rationale of abnormal profits earned since commercial operation date (COD) that eventually led to initiation of proceedings against the group by NEPRA on March 18, 2019. The company has challenged the authority of NEPRA to take suo moto action before the Islamabad High Court (IHC) wherein IHC has provided interim relief by suspending the suo moto proceedings. The case is currently pending adjudication before IHC. Management is confident that based on the facts and law, there will be no adverse implications for the group.
- (iv) The banks have issued the following on behalf of the group:
  - (a) Letter of guarantee of Rs 11.5 million (2019: Rs 11 million) in favour of Director Excise and Taxation, Karachi, under direction of Sindh High Court in respect of suit filed for levy of infrastructure cess.
  - (b) Letters of guarantee of Rs 100 million (2019: Rs 100 million) in favour of fuel supplier.
  - (c) Letter of guarantee of Rs 1.5 million (2019: Rs 1.5 million) in favour of Punjab Revenue Authority, Lahore.

#### 13.1.2 Contingent asset:

On August 07, 2017, the group instituted arbitration proceedings against NTDC/Government of Pakistan by filing a Request for Arbitration ('RFA') with the London Court of International Arbitration ('LCIA') (the 'Arbitration Proceedings') for disallowing an amount of Rs 1,084.748 million relating to delayed payment charges on outstanding delayed payment invoices. The group believes that it is entitled to claim delayed payment charges on outstanding delayed payments receivables from NTDC as per terms of the PPA. However, NTDC has denied this liability and objected on the maintainability of the Arbitration Proceedings, terming it against the PPA and refused to pay delayed payment charges on outstanding delayed payments receivables.

The LCIA appointed a sole Arbitrator who issued Partial Final Award in July 2018, where he rejected the NTDC's objection to the maintainability of the Arbitration Proceedings.

The group submitted the Partial Final Award before LHC and obtained interim relief from honourable LHC, whereby, LHC restrained NTDC from taking steps for delaying the arbitration proceedings and challenging the award in Civil Courts of Pakistan.

In April 2019, a final hearing was held and final decision was given in July 2020, in favour of the group. According to the final award, Arbitrator has accepted group's request and directed NTDC to pay (i) interest at the Delayed Payment Rate (DPR) on Delayed Payment (DP) invoices, which is estimated at Rs 1,422 million up to June 30, 2020 and may vary as per legal advice (ii) DP invoices submitted pursuant to section 9.6 of the PPA in consistent with the first-in-first-out principle (iii) pay legal costs in the sum of Rs 12,771,207 (iv) hearing expenses in the sum of GBP 17,393 and (v) Arbitration cost in the sum of GBP 44,136.

The group is in the process of filing the final award in LHC for enforcement purposes. On prudence basis, the group has not recognized the income and corresponding receivable for the abovementioned amounts in these consolidated financial statements due to its uncertainty on account of pendency of enforcement proceedings of the final award. Such amounts as per Final Award would be recognized when it attains finality and its collectability is certain.

### 13.2 Commitments

- (i) Letters of credit and contracts for other than capital expenditure aggregating Nil (2019: Rs 19.548 million).
- (ii) The amount of future payments under non-cancellable operating lease and the period in which these payments will become due are as follows:

		2020	2019
		(Rupees in thousand)	
Not later than one year		3,894	3,894
<b>14. FIXED ASSETS</b>			
<b>Property, plant and equipment:</b>			
Operating fixed assets	- note 14.1	9,259,765	9,809,491
Capital work-in-progress	- note 14.2	35,952	26,500
Major spare parts and standby equipment	- note 14.3	95,053	171,600
		9,390,770	10,007,591
<b>Intangible asset:</b>			
Computer software	- note 14.4	1,259	2,767
		9,392,029	10,010,358

## 14.1 Operating fixed assets

	Freehold land - note 14.1.2	Buildings and roads on freehold land	Plant and machinery	Improvements on leasehold property	Electric installations	Computer equipment	Furniture and fixtures	Office equipment	Vehicles	(Rupees in thousand) Total
<b>COST</b>										
Balance as at July 01, 2018	80,686	198,172	16,945,860	40,909	661	29,618	11,449	54,942	117,025	17,479,322
Additions during the year	-	17,161	172,420	-	383	3,014	522	145	97,965	291,610
Disposals during the year - note 14.1.4	-	-	(468,705)	-	-	(1,734)	-	(2,735)	-	(473,174)
Balance as at June 30, 2019	80,686	215,333	16,649,575	40,909	1,044	30,898	11,971	52,352	214,990	17,297,758
Balance as at July 01, 2019	80,686	215,333	16,649,575	40,909	1,044	30,898	11,971	52,352	214,990	17,297,758
Additions during the year	-	24,808	108,649	-	-	4,374	1,180	394	10,232	149,637
Disposals during the year - note 14.1.4	-	-	(129,946)	-	-	(1,555)	-	-	(5,323)	(136,824)
Balance as at June 30, 2020	80,686	240,141	16,628,278	40,909	1,044	33,717	13,151	52,746	219,899	17,310,571
<b>DEPRECIATION AND IMPAIRMENT</b>										
Balance as at July 01, 2018	-	62,044	6,828,229	29,155	509	25,385	5,703	26,748	51,945	7,029,718
Depreciation charge for the year	-	8,415	773,401	4,091	54	2,703	1,190	5,322	29,134	824,310
Disposals during the year	-	-	(361,940)	-	-	(1,573)	-	(2,248)	-	(365,761)
Balance as at June 30, 2019	-	70,459	7,239,690	33,246	563	26,515	6,893	29,822	81,079	7,488,267
Balance as at July 01, 2019	-	70,459	7,239,690	33,246	563	26,522	6,893	29,822	81,079	7,488,274
Depreciation charge for the year	-	8,845	634,703	4,091	89	2,639	1,182	5,226	41,219	697,994
Disposals during the year	-	-	(129,945)	-	-	(1,555)	-	-	(3,962)	(135,462)
Balance as at June 30, 2020	-	79,304	7,744,448	37,337	652	27,606	8,075	35,048	118,336	8,050,806
Book value as at June 30, 2019	80,686	144,874	9,409,885	7,663	481	4,383	5,078	22,530	133,911	9,809,491
Book value as at June 30, 2020	80,686	160,837	8,883,830	3,572	392	6,112	5,077	17,699	101,563	9,259,765
Annual depreciation rate %	-	4 to 6.63	4 to 6.25 and number of hours used	10	10	33	10	10	20	

**14.1.1** Improvements on leasehold property represents costs of improvement incurred on property owned by Nishat (Aziz Avenue) Hotels and Properties Limited, a related party.

**14.1.2** Freehold land represents 137,879 square meters of land situated at Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, out of which approximately 85,407 square meters represents covered area.

**14.1.3** The depreciation charge for the year has been allocated as follows:

		2020 (Rupees in thousand)	2019
Cost of sales	- note 24	651,161	789,939
Administrative expenses	- note 25	46,833	34,371
		<u>697,994</u>	<u>824,310</u>

**14.1.4** The aggregate book value of sale of operating fixed assets during the current and previous years was below Rs 5 million.

	2020 (Rupees in thousand)	2019
<b>14.2 Capital work-in-progress</b>		
Plant and machinery	-	3,547
Civil works	952	22,951
Advances against purchase of vehicle	35,000	-
	<u>35,952</u>	<u>26,498</u>
The reconciliation of the carrying amount is as follows:		
Opening balance	26,500	19,058
Additions during the year	45,841	39,319
	<u>72,341</u>	<u>58,377</u>
Transfers during the year	(31,505)	(22,835)
Charged to profit	(110)	(9,042)
Impairment loss - note 14.2.1	(4,774)	-
	<u>35,952</u>	<u>26,500</u>
<b>14.2.1</b> This relates to the solar power project due to the reasons mentioned in note 1 to these consolidated financial statements.		

	2020 (Rupees in thousand)	2019
<b>14.3 Major spare parts and standby equipment</b>		
Opening balance	171,600	189,932
Additions during the year	29,910	84,391
Reclassified from stores, spares and loose tools	-	70,007
	<u>201,510</u>	<u>344,330</u>
Transfers during the year	(106,457)	(172,730)
Closing balance	<u>95,053</u>	<u>171,600</u>
<b>14.4 Intangible asset</b>		
<b>Computer software</b>		
<b>Cost</b>		
Opening balance	7,542	7,542
Addition during the year	-	-
Closing balance	<u>7,542</u>	<u>7,542</u>
<b>Amortization</b>		
Opening balance	(4,775)	(3,267)
Charge for the year - note 24	(1,508)	(1,508)
Closing balance	<u>(6,283)</u>	<u>(4,775)</u>
Book value	<u>1,259</u>	<u>2,767</u>
Annual amortization rate	20%	20%

- 14.5 All property, plant and equipment and intangible asset of the group are pledged as security for long term financing as disclosed in note 8 to these consolidated financial statements.

		2020 (Rupees in thousand)	2019
15.	<b>INVESTMENT ACCOUNTED FOR UNDER EQUITY METHOD</b>		
	Investment in associate - note 15.1	-	-
15.1	Related party - Associate Unquoted: Nishat Energy Limited  250,000 (2019: 250,000) fully paid ordinary shares of Rs 10 each [Equity held 25% (2019: 25%)] - Cost	2,500	2,500

The group directly holds 25% ordinary shares in NEL. NEL is no longer considered a going concern by its management and hence, the investment is fully impaired.

		2020 (Rupees in thousand)	2019
16.	<b>LONG TERM LOANS AND ADVANCES</b>		
	Loans to employees - considered good	6,600	229
	Less: Current portion shown under current assets - note 20	(3,600)	(223)
		3,000	6

This represents interest free loans given to employees, receivable in maximum 60 monthly instalments in accordance with the group's policy. These loans are secured against registration of cars in the joint name of the parent company and their employees and against the accumulated provident fund balance of the relevant employee. These loans have not been carried at amortised cost as the effect of discounting is not considered material.

		2020 (Rupees in thousand)	2019
17.	<b>STORES, SPARES AND LOOSE TOOLS</b>		
	Stores	8,228	10,694
	Spares [including in transit Rs 0.063 million (2019: Rs 2.642 million)]	654,048	732,634
	Loose tools	9,959	14,193
		672,235	757,521

- 17.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

	2020 (Rupees in thousand)	2019
<b>18. INVENTORIES</b>		
Furnace oil	154,230	1,688,656
Diesel	5,450	4,515
Lubricating oil	10,668	26,228
	<u>170,349</u>	<u>1,719,399</u>

## 19. TRADE DEBTS

19.1 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% per annum is charged in case the amounts are not paid within due dates. The rate of delayed payment mark-up charged during the year on outstanding amounts ranges from 10.64% to 18.42% (2019: 10.57% to 17.47%) per annum. Trade debts include unbilled receivables of Rs 2,740.517 million (2019: Rs 652.678 million).

19.2 Included in trade debts is an amount of Rs 816.033 million relating to capacity revenue 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 group cannot be penalized in the form of payment deductions due to NTDC's default of making timely payments under the PPA. Hence, the group had taken up this issue at appropriate forums.

On June 28, 2013, the group 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 group 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 group applied for withdrawal of the aforesaid petition in 2013 and on January 25, 2018, the Supreme Court disposed off the petitions filed before it. During the financial year 2014, the group 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 group by NTDC. Pursuant to the Expert's determination, the group demanded the payment of the aforesaid amount of Rs 816.033 million from NTDC

that has not yet been paid by NTDC. The group 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 group 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 group'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 group 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 group'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 group challenged the LHC's order before the Division Bench of LHC, which decided the matter in favour of the group 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 group'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 group, suspended the Civil Court's order on August 12, 2017. Along with 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 his order dated July 8, 2017 set-aside the aforementioned orders of the Civil Judge, Lahore dated April 18, 2017 and accepted group's appeals but dismissed the group's revision petitions concerning the issue of jurisdiction. Aggrieved by this decision, (i) the group 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 group: i) Rs 816.033 million pursuant to Expert's determination; ii) Rs 189.385 million being Pre award interest; iii) Rs 9.203 million for breach of arbitration agreement; iv) Rs 1.684 million and USD 612,310 for the company's cost of proceedings; v) GBP 30,157 for company's LCIA cost of Arbitration and vi) Interest at KIBOR + 4.5% compounded semi-annually from the date of Final Award until payment of these amounts by NTDC ("the Final Award") that works out to Rs 347.417 million up to June 30, 2020.

On November 24, 2017, NTDC challenged the Final Award in Commercial Court of England. On November 29, 2017, group filed an application before Lahore High Court for implementation/enforcement 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 group, pertaining to Partial Final Award and Final Award respectively.

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

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

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



		2020 (Rupees in thousand)	2019
20.	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Advances - considered good:		
	- To employees	2,096	395
	- To suppliers	50,562	743
	Current portion of long term loans		
	- considered good - note 16	3,606	223
	Balances with statutory authorities:		
	- Customs duty recoverable	20	4
	- Sales tax	179,529	458,530
	Claims recoverable from NTDC for pass through items:		
	- Workers' Profit Participation Fund - notes 20.1 and 20.3	450,280	401,225
	- Workers' Welfare Fund - notes 20.2 and 20.3	98,852	-
	Interest receivable - note 20.4	759	1,654
	Security deposits and bank guarantee margins	175	7,612
	Prepayments	5,406	5,738
	Other receivables - note 20.5	1,397	23,947
		<b>792,683</b>	<b>900,071</b>
20.1	<b>Workers' Profit Participation Fund</b>		
	Opening balance	401,225	718,291
	Accrued for the year - note 10.2	247,131	188,477
		<b>648,356</b>	<b>906,768</b>
	Less: Amount received during the year	198,076	505,543
	Closing balance	<b>450,280</b>	<b>401,225</b>
20.2	<b>Workers' Welfare Fund</b>		
	Opening balance	-	-
	Accrued for the year - note 10.3	98,852	-
	Closing balance	<b>98,852</b>	<b>-</b>
20.3	Under section 9.3(a) of the PPA with NTDC, payments to Workers' Profit Participation Fund and Workers' Welfare Fund are recoverable from NTDC as a pass through item.		

20.4 Includes an amount due from MCB Bank Limited, a related party, amounting to Nil (2019: Rs 0.674 million). The maximum aggregate amount due at the end of any month during the year was Nil (2019: Rs 1.654 million).

21. This represents investment in 3 month Government Treasury Bills which bear mark-up at 7.8% (2019: Nil) per annum.

		2020 (Rupees in thousand)	2019
22.	<b>CASH AND BANK BALANCES</b>		
	Cash at bank:		
	- On saving accounts - note 22.1	3,924	19,451
	- On current accounts	701	549
	- note 22.2	4,625	20,000
	Cash in hand	221	797
		4,846	20,797

22.1 Profit on balances in saving accounts ranges from 6.29% to 11.39% (2019: 3.11% to 10.50%) per annum.

22.2 Cash at bank includes Rs 3.594 million (2019: Rs 17.359 million) in MCB Bank Limited, a related party.

		2020 (Rupees in thousand)	2019
23.	<b>SALES</b>		
	Energy Purchase Price revenue	5,137,587	11,288,239
	Less: Sales tax	749,420	1,644,765
	Capacity Purchase Price revenue	4,388,167	9,643,474
	Delayed payment mark-up	5,304,605	4,791,511
		2,045,715	1,146,933
		11,738,487	15,581,918

		2020 (Rupees in thousand)	2019
<b>24.</b>	<b>COST OF SALES</b>		
Raw materials consumed		3,839,229	8,801,876
Salaries and other benefits	- note 24.1	250,428	277,238
Repairs and maintenance		20,711	39,123
Stores, spares and loose tools consumed		171,901	357,039
Electricity consumed in-house		37,888	23,213
Insurance	- note 24.2	267,809	211,016
Travelling and conveyance		23,903	24,035
Printing and stationery		644	805
Postage and telephone		657	661
Vehicle running expenses		3,785	3,094
Entertainment		1,922	1,920
Depreciation on operating fixed assets	- note 14.1.3	651,161	789,939
Amortization of intangible asset	- note 14.4	1,508	1,508
Fee and subscription		3,805	3,923
Miscellaneous	- note 24.3	43,279	48,631
		<b>5,318,630</b>	<b>10,584,021</b>

**24.1** Salaries and other benefits include Rs 17.977 million (2019: Rs 15.573 million) in respect of provident fund contribution by the group.

**24.2** This includes insurance expense charged by the following related parties:

	2020 (Rupees in thousand)	2019
Security General Insurance Company Limited	263,495	206,873
Adamjee Insurance Company Limited	3,285	3,121
Adamjee Life Assurance Company Limited	1,029	1,022
	<b>267,809</b>	<b>211,016</b>

**24.3** This includes wages of contractual employees aggregating Rs 27.569 million (2019: Rs 30.752 million).

		2020 (Rupees in thousand)	2019
<b>25.</b>	<b>ADMINISTRATIVE EXPENSES</b>		
Salaries and other benefits	- note 25.1	126,123	124,094
Travelling and conveyance	- note 25.2	82,156	66,481
Entertainment		727	1,154
Rent, rates and taxes	- note 25.3	12,561	12,561
Printing and stationery		1,056	729
Postage and telephone		1,005	1,269
Vehicle running expenses		6,463	5,756
Legal and professional charges	- note 25.4	38,163	10,424
Insurance	- note 25.5	4,856	4,838
Advertisement		144	179
Fee and subscription		5,512	3,226
Depreciation on operating fixed assets	- note 14.1.3	46,833	34,371
Miscellaneous		11,120	9,119
		<b>336,719</b>	<b>274,201</b>

- 25.1 Salaries and other benefits include Rs 7.784 million (2019: Rs 5.970 million) in respect of provident fund contribution by the group.
- 25.2 Includes Rs 72.248 million (2019: Rs 58.403 million) in respect of aviation services from Pakistan Aviators and Aviation (Private) Limited, a related party.
- 25.3 Includes operating lease rentals of Rs 12.461 million (2019: Rs 12.461 million) in respect of property leased from Nishat (Aziz Avenue) Hotels and Properties Limited, a related party.
- 25.4 Legal and professional charges include the following in respect of auditors' remuneration (excluding sales tax) for:

	2020 (Rupees in thousand)	2019
Statutory audit fee	1,800	1,753
Half yearly review	875	875
Tax services	220	985
Certifications required by various regulations	155	264
Reimbursement of expenses	188	149
	<u>3,238</u>	<u>4,026</u>
25.5 This includes insurance expense charged by the following related parties:		
Adamjee Life Assurance Company Limited	435	432
Adamjee Insurance Company Limited	1,282	1,161
Security General Insurance Company Limited	3,139	3,245
	<u>4,856</u>	<u>4,838</u>
26. OTHER EXPENSES		
Exchange loss	-	1,366
Donations	-	500
Loss on disposal of operating fixed assets	-	14,018
Impairment loss on capital work-in-progress - note 14.2	4,774	-
	<u>4,774</u>	<u>15,884</u>
27. OTHER INCOME		
Profit on bank deposits - note 27.1	2,228	4,327
Interest on short term investment	79	-
Exchange gain	427	-
Gain on disposal of operating fixed assets	1,665	-
Scrap sales	2,886	3,231
	<u>7,285</u>	<u>7,558</u>
27.1 Includes interest income of Rs 1.380 million (2019: Rs 2.631 million) in respect of bank deposits with MCB Bank Limited, a related party.		

		2020 (Rupees in thousand)	2019
28.	<b>FINANCE COST</b>		
	Interest / mark-up on:		
	- Long term financing - secured	256,615	458,528
	- Short term borrowings - secured	882,791	482,561
	Financing fee and bank charges	3,125	4,557
		<u>1,142,531</u>	<u>945,646</u>
29.	<b>TAXATION</b>		
	Current:		
	- For the year	-	-
	- Prior years	-	-
		<u>-</u>	<u>-</u>
29.1	<b>Relationship between tax expense and accounting profit</b>		
	Profit before taxation	4,943,118	3,769,724
	Tax at the applicable rate of 29% (2019: 29%)	1,433,504	1,093,220
	Tax effect of amounts that are:		
	Exempt as referred to in note 4.2	(1,432,858)	(1,091,966)
	Allowable as tax credit	(646)	(1,254)
		<u>-</u>	<u>-</u>
29.2	For the purposes of current taxation, the tax credit available for carry forward is estimated at Rs 28.107 million (2019: Rs 25.387 million). As explained in note 4.1, management believes that the tax credit available for carry forward may not be utilized in the foreseeable future. Consequently, on prudence basis, deferred tax asset on tax credit available for carry forward has not been recognized in these consolidated financial statements. Tax credit would expire as follows:		
	Accounting year to which tax credit relates	Amount of tax credit (Rupees in thousand)	Accounting year in which tax credit will expire
	2019	17,242	2021
	2020	10,865	2022
		<u>28,107</u>	
		2020	2019
30.	<b>EARNINGS PER SHARE</b>		
30.1	<b>Basic earnings per share</b>		
	Profit for the year - attributable to equity holders of the parent	Rupees in thousand	
		4,943,118	3,769,724
	Weighted average number of ordinary shares	Number	
		354,088,500	354,088,500
	Earnings per share	Rupees	
		13.960	10.646

### 30.2 Diluted earnings per share

A diluted earnings per share has not been presented as the group does not have any convertible instruments in issue as at June 30, 2020 and June 30, 2019 which would have any effect on the earnings per share if the option to convert is exercised.

	2020 (Rupees in thousand)	2019
<b>31. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	4,943,118	3,769,724
Adjustment for non cash charges and other items:		
Depreciation on operating fixed assets - note 14.1	697,994	824,310
Impairment loss on capital work-in-progress	4,774	-
Amortization on intangible assets	1,508	1,508
Profit on bank deposits	(2,228)	(4,327)
Finance cost	1,142,531	945,646
Provision for employee retirement benefits	25,761	21,543
(Gain)/loss on disposal of operating fixed assets	(1,665)	14,018
Profit before working capital changes	6,811,793	5,572,422
Effect on cash flow due to working capital changes:		
Decrease/(increase) in current assets		
Stores, spares and loose tools	85,286	167,255
Inventories	1,549,050	(150,060)
Trade debts	(2,589,014)	(3,314,576)
Advances, deposits, prepayments and other receivables	106,493	351,174
	(848,185)	(2,946,207)
Increase/(decrease) in current liabilities		
Trade and other payables	351,924	(382,894)
Unclaimed dividend	(995)	6,665
	350,929	(376,229)
	(497,256)	(3,322,436)
	6,314,537	2,249,985

		2020 (Rupees in thousand)	2019
<b>32. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	- note 22	4,846	20,797
Short term borrowings - secured	- note 9	(4,750,749)	(6,420,312)
		<u>(4,745,903)</u>	<u>(6,399,515)</u>

### 33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

33.1 The aggregate amount charged in the consolidated financial statements for the year for remuneration, including certain benefits, to the chief executive, directors and executives of the group is as follows:

	Chief Executive		Executive Director		Non - Executive Directors		Executives	
	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in thousand)							
<b>Short term employee benefits</b>								
Managerial remuneration	20,034	15,867	5,147	7,568	-	-	153,172	113,281
Medical allowance and reimbursement	155	324	-	762	-	-	4,129	15,682
Bonus	5,009	5,472	-	2,696	-	-	11,599	34,712
Overtime	-	-	-	-	-	-	2,151	3,075
Leave encashment	759	-	446	420	-	-	8,189	6,974
	<u>25,957</u>	<u>21,663</u>	<u>5,593</u>	<u>11,446</u>	<u>-</u>	<u>-</u>	<u>179,240</u>	<u>173,724</u>
<b>Meeting fee</b>	-	-	-	-	725	775	-	-
<b>Post employment benefits</b>								
Contribution to provident fund	1,821	324	468	757	-	-	13,932	11,328
	<u>27,778</u>	<u>21,987</u>	<u>6,061</u>	<u>12,203</u>	<u>725</u>	<u>775</u>	<u>193,172</u>	<u>185,052</u>
<b>Number of persons</b>	1	1	Nil*	1	5	5	55	47

\*Mr. Mehmood Akhtar is no longer an executive director from January 01, 2020.

33.2 Two non-executive directors and certain executives are provided with company maintained vehicles.

### 34. TRANSACTIONS WITH RELATED PARTIES

The related parties include the holding company, subsidiaries and associates of the holding company, related parties on the basis of common directorship, key management personnel and post employment benefit plan (Provident Fund). Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of that group. The group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Significant related party transactions have been disclosed in respective notes in these consolidated financial statements other than the following:

Relationship with the group	Nature of transactions	2020 (Rupees in thousand)	2019
(i) Holding company	Dividends paid	180,633	541,899
(ii) Other related parties	Purchase of services	200	901
(iii) Key Management Personnel	Remuneration - note 34.1	34,564	34,965
	Dividends paid	4	12

34.1 This represents remuneration of the Chief Executive and Directors that is presented in the remuneration disclosed in note 34 to these consolidated financial statements.

34.2 The related parties with whom the group had entered into transactions or had arrangements/ agreements in place during the year have been disclosed below along with their basis of relationship:

Name of related party	Relationship	Aggregate % of shareholding in the company
Nishat Mills Limited	Holding company	51.01%
Security General Insurance Company Limited	Common directorship	N/A
D.G. Khan Cement Company Limited	Common directorship	N/A
Pakistan Aviators and Aviation (Private) Limited	Common directorship	N/A
Nishat (Aziz Avenue) Hotels and Properties Limited	Common directorship	N/A
Nishat Hotels and Properties Limited	Common directorship	N/A
Adamjee Insurance Company Limited	Associate of holding company	0.26%
MCB Bank Limited	Associate of holding company	N/A
Adamjee Life Assurance Company Limited	Associate of holding company	0.01%
Nishat Energy Limited	Associate	N/A
Mr. Hassan Mansha	Director	0.0000%
Mr. Norez Abdullah	Director	0.0001%
Mr. Ahmad Aqeel	Director	0.0001%
Mr. Yousaf Bashir	Director	0.0003%
Mr. Shahzad Ahmad Malik	Director	0.0000%
Mr. Ghazanfar Hussain Mirza	Chief Executive	0.0003%
Mr. Mahmood Akhtar	Director	0.0003%

	2020 MWH	2019 MWH
35. CAPACITY AND PRODUCTION		
Installed capacity [based on 8,784 hours (2019: 8,760 hours)]	1,715,559	1,710,872
Actual energy delivered	277,541	675,103

Output produced by the plant is dependent on the load demanded by NTDC and plant availability.



	2020	2019
<b>36. NUMBER OF EMPLOYEES</b>		
Total number of employees as at June 30	209	218
Average number of employees during the year	214	218

### 37. DISCLOSURE RELATING TO PROVIDENT FUND

The investments by the provident fund in collective investment schemes, listed equity and debt securities have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

### 38. FINANCIAL RISK MANAGEMENT

#### 38.1 Financial risk factors

The group is exposed to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the group's finance department under policies approved by the Board of Directors (BOD). The company's finance department evaluates and hedges financial risks based on principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the BOD. All treasury related transactions are carried out within the parameters of these policies.

The group's overall risk management procedures to minimise the potential adverse effects of financial market on the group's performance are as follows:

#### (a) Market risk

##### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The group is not exposed to any significant currency risk.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The group is not exposed to equity price risk since there are no investments in equity instruments traded in the market at the reporting date. The group is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The group has no significant long-term interest-bearing assets. The group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the group to cash flow interest rate risk.

At the reporting date, the interest rate profile of the group's interest bearing financial instruments was:

	2020 (Rupees in thousand)	2019
Fixed rate instruments		
Financial assets		
Bank balances - saving accounts - note 22	3,924	19,451
Financial liabilities	-	-
Net exposure	3,924	19,451
Floating rate instruments		
Financial assets		
Trade debts - overdue	11,020,051	9,020,734
WPPF receivable from NTDC - overdue	-	198,076
	11,020,051	9,218,810
Financial liabilities		
Long term financing - secured	(73,823)	(3,040,170)
Short term borrowings - secured	(4,750,749)	(6,420,312)
	(4,824,572)	(9,460,482)
Net exposure	(4,824,572)	(9,460,482)

#### Fair value sensitivity analysis for fixed rate instruments

The group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the group.

The group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the statement of financial position date would not affect profit or loss of the group.

#### Cash flow sensitivity analysis for variable rate instruments

If interest rates on variable rate financial instruments, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, post tax profit for the year would have been Rs 61.954 million (2019: Rs 2.416 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate instruments.

#### (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from deposits with banks, trade and other receivables.

The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of these credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

#### (i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2020 (Rupees in thousand)	2019
Long term loans and advances	3,000	6
Trade debts	18,232,531	15,643,517
Short term investment	17,677	-
Advances, deposits and other receivables	555,071	434,662
Bank balances	4,625	20,000
	18,812,904	16,098,185
As of June 30, age analysis of trade debts was as follows:		
Neither past due nor impaired	3,247,110	3,513,017
Past due but not impaired:		
- 1 to 30 days	459,440	1,252,398
- 31 to 90 days	1,222,209	1,196,102
- 91 to 180 days	2,130,789	3,643,063
- 181 to 365 days	8,359,780	4,009,833
- above 365 days	2,813,203	2,029,104
	14,985,421	12,130,500
	18,232,531	15,643,517

(ii) Credit quality of financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating Agency	2020 (Rupees in thousand)	2019
	Short term	Long term			
NTDC	Not available			3,247,110	3,513,017
Treasury Bills - Government of Pakistan	Not available			17,598	-
Al-Baraka Bank (Pakistan) Limited	A-1	A	JCR-VIS	1	1
Allied Bank Limited	A-1+	AAA	PACRA	14	25
Askari Bank Limited	A-1+	AA+	PACRA	14	14
Bank Alfalah Limited	A-1+	AA+	PACRA	6	5
Bank Islami Pakistan Limited	A-1	A+	PACRA	2	1
Burj Bank Limited	A-1	A+	JCR-VIS	2	2
Dubai Islamic Bank Pakistan Limited	A-1	AA	JCR-VIS	-	1
Faysal Bank Limited	A-1+	AA	PACRA	28	3
First Women Bank Limited	A-2	A-	PACRA	-	-
Habib Bank Limited	A-1+	AAA	JCR-VIS	586	569
MCB Bank Limited	A-1+	AAA	PACRA	3,594	17,379
MCB Islamic Bank Limited	A-1+	AAA	PACRA	168	17
National Bank of Pakistan	A-1+	AAA	PACRA	15	23
The Bank of Punjab	A-1+	AA	PACRA	13	12
The Bank of Khyber	A-1	A	PACRA	-	5
United Bank Limited	A-1+	AAA	JCR-VIS	182	1,943
				3,269,333	3,533,017

Due to the group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the group. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the group's businesses, the group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Management monitors the forecasts of the group's cash and cash equivalents (note 32) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the group's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring reporting date liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

At June 30, 2020	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term financing	73,823	18,456	55,367	-
Short term borrowings	4,750,749	4,750,749	-	-
Unclaimed dividend	20,671	20,671	-	-
Trade and other payables	78,003	78,003	-	-
Accrued mark-up	169,090	169,091	-	-
	5,092,337	5,036,970	55,367	-

At June 30, 2019	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term financing	3,040,170	2,385,532	654,638	-
Short term borrowings	6,420,312	6,420,312	-	-
Unclaimed dividend	21,666	21,666	-	-
Trade and other payables	73,207	73,207	-	-
Accrued mark-up	233,908	233,908	-	-
	9,789,180	9,134,625	654,638	-

### 38.2 Fair value estimation

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

### 38.3 Financial instruments by categories

	Financial assets at amortised cost	
	2020	2019
	(Rupees in thousand)	
Assets as per statement of financial position		
Long term loans and advances	6,606	229
Trade debts	18,232,531	15,643,517
Short term investment	17,677	-
Advances, deposits and other receivables	555,071	434,439
Cash and bank balances	4,834	20,797
	18,816,719	16,098,982

	Financial liabilities at amortised cost	
	2020 (Rupees in thousand)	2019
Liabilities as per statement of financial position		
Long term financing	73,823	3,040,170
Short term borrowings	4,750,749	6,420,312
Trade and other payables	78,003	73,207
Unclaimed dividend	20,671	21,666
Accrued mark-up	169,091	233,908
	<u>5,092,337</u>	<u>9,789,263</u>

#### 38.4 Financial assets and financial liabilities subject to offsetting

There are no significant financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

#### 38.5 Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders or issue new shares.

Consistent with others in the industry and the requirements of the lenders, the group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity (as shown in consolidated statement of financial position). Net debt is calculated as non-current borrowings as disclosed in note 8 to these consolidated financial statements less cash and cash equivalents as disclosed in note 32 to consolidated these financial statements.

The gearing ratio as at June 30, 2020 and June 30, 2019 is as follows:

		2020 (Rupees in thousand)	2019
Non-current borrowings - note 8		73,823	3,040,170
Less: Cash and cash equivalents - note 32		(4,745,903)	(6,399,536)
Net debt		<u>4,819,726</u>	<u>9,439,706</u>
Total equity		23,697,097	19,108,068
Gearing ratio	Percentage	20%	49%

In accordance with the terms of agreement with the lenders of long term finances (as discussed in note 8 to these consolidated financial statements), the group is required to comply with certain financial covenants in respect of capital requirements which the group has complied with throughout the reporting period.

### 39. IMPACT OF COVID-19 (CORONA VIRUS)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID-19. The group's operations were not affected as it fell under the exemption provided by the Government of Punjab to providers of essential services. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the group continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Due to this, management has assessed the accounting implications of these developments on these consolidated financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these consolidated financial statements.

### 40. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on July 28, 2020 by the Board of Directors.

#### 40.1 Event after the reporting date

The Board of Directors have proposed a final cash dividend for the year ended June 30, 2020 of Rupee 1 per share amounting to Rs 354,088,500 at their meeting held on July 28, 2020 for approval of the members at the Annual General Meeting to be held on August 22, 2020. These consolidated financial statements do not include the effect of the above dividend which will be accounted for in the period in which it is approved.

### 41. CORRESPONDING FIGURES

Corresponding figures have been reclassified wherever necessary to reflect better presentation of events and transactions for the purpose of comparison, however, no significant reclassifications have been made.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

## FORM OF PROXY

I/We, \_\_\_\_\_

of \_\_\_\_\_ CDC A/C NO. / FOLIO NO. \_\_\_\_\_

being a shareholder of the Nishat Power Limited (The Company) do hereby appoint.

Mr./Miss/Ms. \_\_\_\_\_

of \_\_\_\_\_ CDC A/C NO. / FOLIO NO. \_\_\_\_\_

and or failing him/her \_\_\_\_\_ of \_\_\_\_\_

who is/are also a shareholder of the said Company, as my/our proxy in my/our absence and to vote for me/us at the Annual General Meeting of the Company to be held on August 22, 2020 (Saturday) at 11:00 A.M. at The Nishat House, 53-A, Lawrence Road, Lahore, and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.

As witness my/our hands in this day of \_\_\_\_\_ 2020.

Signature \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

CNIC No. \_\_\_\_\_

No. of shares held \_\_\_\_\_

Witness:-

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

CNIC No. \_\_\_\_\_

Revenue  
Stamp  
of Rs. 50/-

### IMPORTANT:

- This instrument appointing a proxy, duly completed, must be received at the registered Office of the Company at Nishat House, 53-A, Lawrence Road, Lahore not later than 48 hours before the time of holding the Annual General Meeting. For Appointing Proxies.
- Attested copies of the CNIC or the passport of beneficial owners shall be furnished with the proxy form.
- The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished along with proxy form to the Company.





The Company Secretary

**NISHAT POWER LIMITED**

Nishat House,  
53 - A, Lawrence Road, Lahore.

AFFIX  
CORRECT  
POSTAGE

# پراکسی فارم (مختار نامہ)

میں/ہم \_\_\_\_\_  
کا/کے \_\_\_\_\_  
بحیثیت رکن نشاط پاور لمیٹڈ (دی کمپنی) سی ڈی سی اکاؤنٹ نمبر/فولیو نمبر \_\_\_\_\_ بذریعہ ہذا  
محترم/محترمہ \_\_\_\_\_ کا/کی \_\_\_\_\_ سی ڈی سی اکاؤنٹ نمبر/فولیو نمبر \_\_\_\_\_  
یا اسکی غیر موجودگی میں \_\_\_\_\_ کا/کے \_\_\_\_\_  
جو مذکورہ کمپنی کا حصص دار بھی ہے  
مورخہ 22 اگست 2020ء بروز ہفتہ صبح 11:00 بجے  
کو اپنے/ہمارے ایما پر \_\_\_\_\_  
نشاط ہاؤس، 53-اے، لارنس روڈ، لاہور پر \_\_\_\_\_  
بمقام: \_\_\_\_\_  
منعقد ہونے والے سالانہ اجلاس عام میں حق رائے وہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور مختار (پراکسی) مقرر کرتا  
ہوں/کرتے ہیں۔  
آج بروز ..... بتاریخ ..... 2020ء کو میرے/ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔

## گواہان

1-	دستخط: _____	2-	دستخط: _____
نام: _____		نام: _____	
پتہ: _____		پتہ: _____	
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: _____		کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: _____	

## اہم نوٹ:

- پراکسی کی تقرری کے آلات، باقاعدہ مکمل شدہ، کمپنی کے رجسٹرڈ دفتر، نشاط ہاؤس، 53-A، لارنس روڈ لاہور میں سالانہ اجلاس منعقد ہونے سے کم از کم 48 (اڑتالیس) گھنٹے قبل پراکسیز مقرر کرنے کے لئے لازماً وصول ہو جانے چاہئیں۔
- ٹینیفشل اونرز کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول، پراکسی فارم (مختار نامہ) کے ہمراہ جمع کرانا ہوگی۔
- پراکسی اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ مہیا کرے گا۔
- بصورت کارپوریٹ ایجنٹ، بورڈ کی قرارداد/مختار نامہ معہ پراکسی ہولڈر کے دستخط پراکسی فارم (مختار نامہ) کے ہمراہ کمپنی میں جمع کرانا ہوگا۔

The Company Secretary

**NISHAT POWER LIMITED**

Nishat House,  
53 - A, Lawrence Road, Lahore.

AFFIX  
CORRECT  
POSTAGE



N I S H A T

## **NISHAT POWER LIMITED**

53-A, Lawrence Road, Lahore.

Fax: 042-36367414 UAN: 042-111-11-33-33