



NISHAT
CHUNIAN
POWER LTD.

**Condensed Interim Financial Information
For the Quarter and Nine Month
Ended March 31,
(Unaudited)**

20
21

Contents

Company Information	02
Directors' Report	03
Condensed Interim Statement of Financial Position	08
Condensed Interim Statement of Profit or Loss Account	10
Condensed Interim Statement of Comprehensive Income	11
Condensed Interim Statement of Changes in Equity	12
Condensed Interim Statement of Cash Flows	13
Selected Notes to the Condensed Interim Financial Statements	14

Company Information

Board of Directors:

Mrs. Farhat Saleem
Chairperson
Mrs. Ayesha Shahzad
Director
Mr. Farrukh Ifzal
Chief Executive Officer
Mr. Aftab Ahmad Khan
Director
Mr. Muhammad Azam
Director
Mr. Muhammad Ashraf
Director
Mr. Babar Ali Khan
Director
Mr. Rehmat Naveed Elahi
Director

AUDIT COMMITTEE AND HR & R COMMITTEE:

Mr. Muhammad Azam
Chairman
Mr. Aftab Ahmad Khan
Member
Mr. Rehmat Naveed Elahi
Member

CHIEF EXECUTIVE OFFICER:

Mr. Farrukh Ifzal

CHIEF FINANCIAL OFFICER:

Mr. Muhammad Bilal

COMPANY SECRETARY:

Mr. Syed Tasawar Hussain

BANKERS TO THE COMPANY:

Al Baraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
BankIslami Pakistan Limited
Dubai Islamic Bank Pakistan Limited

Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Pak Oman Investment Company
Limited
Pak Libya Holding Company Limited
Sindh Bank Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited

AUDITORS:

Riaz Ahmad & Company
Chartered Accountants

LEGAL ADVISERS:

Ahmad & Pansota
Advocates & Solicitors

REGISTERED & HEAD OFFICE:

31-Q, Gulberg-II, Lahore, Pakistan.
Phone : 042-35761730-37
Fax : 042-35878696-97
Web : www.nishat.net

SHARE REGISTRAR:

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

PLANT:

66-Km, Multan Road, Pattoki
Kasur.

Directors' Report

DIRECTORS' REPORT

Dear Shareholders,

The Board is pleased to present condensed interim un-audited financial information of the company for the quarter and nine-month ended March 31, 2021. For the nine-month, turnover was PKR 8.39 billion (2020: PKR 10.59 billion) with profit after-tax of PKR 2.06 billion (2020: PKR 3.40 billion) and an Earning Per Share (EPS) of PKR 5.62 (2020: PKR 9.26). Interest on delay payments of invoices by the Power Purchaser contributed 35% (2020: 11%) to the net profit during the current period.

The tariff component of long-term loan ceased from July 21, 2020 after completing 10 years from Commercial Operation Date (Jul 21, 2010) as long-term loan of the company was completely paid off during the current period. Since, the tariff structure was such that principal payments were being received as part of the revenue therefore, our profits for the first ten years were overstated in compliance with the accounting standards. Consequently, we anticipate a drop in the profits from current financial year and onwards.

Plant Performance

During the period ended March 31, 2021, the capacity factor of the plant was 30.51% (2020: 24.02%) with the availability factor of 98.16% (2020: 90.20%). During the period Company dispatched 392,737 MWH (2020: 310,322 MWH) to the Power Purchaser.

Significant Development

The Company, in the larger national interest, voluntarily agreed to alter its existing certain contractual arrangement and signed a Memorandum of Understanding ('MOU') with Government of Pakistan ('GOP') on August 13, 2020 in this regard. Thereafter, GOP constituted the Implementation Committee to, inter-alia, convert the MoU into a binding agreement between the parties. The Company and the Implementation Committee made detailed deliberations to convert the MoU into binding agreement. Therefore, on February 11, 2021, the Company and the Central Power Purchasing Agency (Guarantee) Limited ('CPPA-G') signed "Master Agreement" and "PPA Amendment Agreement" to alter certain contractual arrangements for sale and purchase of electricity. The payment of receivables is an integral part of the Master & PPA Amendment Agreement and that the total outstanding overdue amount as on November 30, 2020 will be paid in two instalments, of 40% and 60%. Each instalment will comprise one third each of, cash, PIBs and Ijara Sukuks. Under these agreements, the Company and CPPA-G have agreed on the following matters majorly:

- Mechanism of settlement of long outstanding receivables
- Discounts and sharing of saving, in tariff components
- Reduction in the delay payment rate
- Resolution of disputes mentioned in notes 6.1.1(iv), 6.1.2(i), and note 8 of condensed interim financial statement for nine-month ended March 31, 2021.

Along with signing of the above agreements, the Company, National Transmission and

Directors' Report

Dispatch Company Limited ('NTDC') and CPPA-G have entered into a "Novation Agreement to the Power Purchase Agreement" to transfer the rights, obligations and liabilities of NTDC under the Power Purchase Agreement ('PPA') in favour of CPPA-G whereby making CPPA-G the Power Purchaser under the PPA. The Company's Implementation Agreement with GOP through Private Power Infrastructure Board ('PPIB') and GOP's Guarantee has also been amended to effect the PPA novation.

Circular Debt

Circular debt has always been a major issue for companies operating in the power sector. Liquidity management remained challenging during the period. As of March 31, 2021, our total receivables from Power Purchaser have amplified to PKR 20.56 billion, out of which PKR 16.53 billion were overdue.

In order to resolve the issue of overdue receivable the Company and CPPA-G have agreed a payment mechanism in Master Agreement whereby the total overdue receivables as on November 30, 2020 will be paid to company in two instalments as agreed in the Master Agreement. National Electric Power Regulatory Authority ('NEPRA') has issued its determination on revision in tariff as required by the Master Agreement paving the way for the payment of first installment, however its execution is pending at the GOP end.

Agreed Mechanism for Solution of Pending Issues

- i. Trade debts include an amount of Rs 748.113 million (originally amount under dispute was 966.166 million, however rupees 182.054 million has been acknowledged by CPPA-G pursuant to 'PPA Amendment Agreement') relating to capacity purchase price not acknowledged by Power Purchaser. The Company and CPPA-G have signed 'PPA Amendment Agreement' wherein settlement of this matter has been agreed. Under the agreed settlement the company will be able to recover disputed capacity revenue by invoking Force Majeure event under the PPA whereby the term of the PPA will be extended by the disputed time period, but will have to forego other amounts awarded such as Arbitration costs, pre and post award interests.

Please refer to note 8 of Condensed Interim Financial Statements for the nine-month ended March 31, 2021, for further details.

- ii. London Court of International Arbitration ('LCIA') has made an award in favour of the company, where it has entitled the company to claim delayed payment charges on delay payments receivables and the other deductions made by Power Purchaser under the terms of the PPA.

Pursuant to the 'Master Agreement' signed between CPPA-G and the Company, the CPPA-G shall ensure that all payments of the invoices shall follow the PPA mandated First In First Out ('FIFO') principle. As long as FIFO is followed by CPPA-G in relation to past and future payments, the Company in consideration thereof has agreed to forego and waive all of its claims of delayed payment charges on delayed payment invoices and it shall withdraw all such invoices.

Directors' Report

Please refer to note 6.1.2 (i) of Condensed Interim Financial Statements for the nine-month ended March 31, 2021 for further details.

- iii. In March 2020, Committee for the Power Sector Audit, Circular Debt Resolution and Future Roadmap constituted by Ministry of Energy vide its notification No. IPP-01(12)/2017 dated 07 August 2019 prepared a report, through which, it was alleged that savings were made by the Independent Power Producers ('IPPs'), including the Company, in the tariff components in violation of applicable Power Policies, tariff determined by NEPRA and the relevant project agreements. The Company along with the other IPPs rejected such claims and discussions were made with the GOP to resolve the dispute. Therefore, in the Master Agreement signed between the company and CPPA-G, it has been agreed that this matter will be resolved through arbitration under the Arbitration Submission Agreement finalised between the Company and GOP that is yet to be signed.

Please refer to note 6.1.1(iv), of Condensed Interim Financial Statements for the nine-month ended March 31, 2021 for further details.

Acknowledgement

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

Dated: April 30, 2021
Lahore

Chief Executive Officer

Director

مجلس نفعاء کی جائزہ رپورٹ

محترم حصص داران،

بورڈ 31 مارچ، 2021 کو ختم ہونے والی سہ ماہی اور نو ماہی کے لئے غیر محاسب شدہ عبوری مالیاتی گوشوارے پیش کرنے پر خوش ہے۔ نو ماہی کے دوران، وصولی 8.39 ارب (2020: 10.59 ارب)، ٹیکس کے بعد منافع 2.06 ارب (2020: 3.40 ارب) اور فی شیئر آمدنی 5.62 روپے (2020: 9.26 روپے) ہے۔ نو ماہی کے دوران، پاور خریدار کی جانب سے تاخیر سے ادائیگی کی انوائسز پر منافع ہمارے ٹیکس کے بعد منافع کا 35% ہے (2020: 11%)۔

کمرشل آپریشن کی تاریخ (21 جولائی، 2010) سے 10 سال مکمل کرنے کے بعد 21 جولائی 2020 سے ٹیرف میں طویل مدتی قرض کا جزو ختم ہو گیا کیوں کہ موجودہ مدت کے دوران کمپنی کا طویل مدتی قرض مکمل طور پر ادا کر دیا گیا ہے۔ چونکہ، ہمارا ٹیرف کا ڈھانچہ اس طرح کا تھا کہ طویل مدتی قرض کی اصل ادائیگی وصولی کے ایک حصے کے طور پر وصول کیا جا رہی تھی، لہذا پہلے دس سالوں میں ہمارا منافع کا ڈھنگ معیارات کی تعمیل میں بڑھا ہوا تھا۔ چونکہ ٹیرف میں طویل مدتی قرض کا جزو ختم ہو گیا اسلئے ہم موجودہ مالی سال اور اس کے بعد کے منافع میں کمی کی توقع کرتے ہیں۔

پلانٹ کی کارکردگی

31 مارچ، 2021 کو اختتام پذیر مدت کے دوران، پلانٹ کا صلاحیتی عنصر 30.51% (2020: 24.02%) تھا جبکہ موجودگی کا عنصر 98.16% (2020: 90.20%) تھا۔ اس مدت کے دوران کمپنی نے 392,737 میگا واٹ (2020: 310,322) میگا واٹ بجلی پاور خرید رکھ لی۔

اہم پیشرفت

13 اگست، 2020 کو، کمپنی وسیع تر قومی مفاد میں، رضا کارانہ طور پر اپنے موجودہ پاور پریچر معاہدے کے کچھ انتظامات میں ردوبدل کرنے پر رضامند ہو گئی اور اس سلسلے میں مفاہمت کی بادداشت ("ایم او پی") پر حکومت پاکستان ("جی او پی") کے ساتھ دستخط کیے۔ اس کے بعد، حکومت پاکستان ("جی او پی") نے مفاہمت نامے کو فریقین کے مابین ایک لازمی معاہدے میں تبدیل کئے جانے کے لئے عمل درآمد کی تکمیل دی۔ کمپنی اور عملدرآمد کمپنی نے مفاہمت نامہ کو ایک پابند معاہدے میں تبدیل کرنے کے لئے تفصیلی تبادلہ خیال کیا۔ لہذا، 11 فروری 2021 کو، کمپنی اور سنٹرل پاور پریچرنگ ایجنسی (گارنٹی) لمیٹڈ ("سی پی پی اے-جی") نے "ماسٹر ایگریمنٹ" اور "پی پی اے ترمیمی معاہدہ" پر دستخط کیے تاکہ بجلی کی خرید و فروخت کے لئے کئے گئے موجودہ پاور پریچر معاہدے کے کچھ معاملات میں ردوبدل کیا جاسکے۔ وصول کنندگان کی ادائیگی ماسٹر ایگریمنٹ پی پی اے ترمیمی معاہدے کا لازمی جزو ہے اور یہ کہ 30 نومبر 2020 کو باقی واجب الادا رقم دستخطوں میں ادا کی جائے گی جو کہ 40% اور 60% ہوگی۔ ہر نقطہ میں ایک تہائی نقد، ایک تہائی پی آئی بی اور ایک تہائی ایچ آر اسکو س شامل ہوں گے۔ ان معاہدوں کے تحت، کمپنی اور سی پی پی اے-جی نے مندرجہ ذیل اہم امور پر اتفاق کیا ہے:

(1) طویل مدتی بقایا وصولیوں کے تصفیہ کا طریقہ کار۔

(2) ٹیرف کے اجزاء میں چھوٹ اور بچت کی تقسیم۔

(3) تاخیر سے ادائیگی میں شرح سود میں کمی۔

(4) جن تنازعات کا ذکر عبوری مالیاتی گوشواروں پر اے نو ماہی 31 مارچ، 2021 کے نوٹ نمبر (i) 6.1.1، (ii) 6.1.2 اور نمبر 8 میں کیا گیا ہے ان کا تصفیہ۔ مذکورہ معاہدوں پر دستخط کرنے کے ساتھ ساتھ، کمپنی، بینٹیل ٹرانسمیشن اینڈ ڈسٹری بیوٹن کمپنی لمیٹڈ ("این ڈی سی") اور سی پی پی اے-جی نے "بجلی کی خریداری کے معاہدے میں نو وٹن معاہدہ" کیا ہے۔ نو وٹن معاہدہ کا مقصد سی پی پی اے کے تحت این ڈی سی کے حقوق اور ذمہ داریاں سی پی پی اے-جی کو منتقل کرنا اور سی پی پی اے-جی کو پاور خریدار بنانا ہے۔ اسی نو وٹن معاہدے کے تحت کمپنی کے پی پی آئی بی کے ذریعے حکومت پاکستان کے ساتھ کئے گئے عمل درآمدی معاہدے اور حکومت پاکستان کی گارنٹی میں بھی ترمیمی کی گئی ہے۔

گردشی خرچے

گردشی خرچے بجلی کے شعبے میں کام کرنے والی کمپنیوں کے لئے ہمیشہ ایک اہم مسئلہ رہا ہے۔ اس مدت کے دوران ایکویٹی ٹیکنیٹ چیلنج رہا۔ 31 مارچ، 2021

تک، پاور خریدار سے ہمارے وصول کردہ قابل وصولات 20.56 ارب ہو چکے ہیں، جن میں سے 16.53 ارب واجب الادا ہے۔ طویل مدتی بقایا وصولیوں کے مسئلہ کو حل کرنے کے لئے کمپنی اور سی پی پی اے نے "ماسٹر ایگریمنٹ" کے تحت ادائیگیوں کے طریقہ کار پر اتفاق کیا ہے جس کے تحت 30 نومبر 2020 کو باقی واجب الادا رقم دو قسطوں میں ادا کی جائے گی۔ ماسٹر ایگریمنٹ کے مطابق پھر انے ترمیم شدہ ٹیرف جاری کر دیا ہے جس سے واجب الادا رقم کی پہلی قسط کی ادائیگی کی راہ ہموار ہو گئی ہے لیکن اُس پر عملدرآمد حکومت پاکستان کی طرف سے زیر التوا ہے۔

زیر التوا مسائل کے حل کا متفقہ طریقہ کار

(1) تجارتی وصولیوں میں 748.113 ملین روپے کی رقم شامل ہے (اصل میں تنازعہ کی رقم 966.166 ملین تھی، تاہم سی پی پی اے نے پی پی اے ترمیمی معاہدہ کے تحت 182.054 کی رقم تسلیم کر لی ہے) جو کے بجلی خریدار نے تسلیم نہیں کی ہے۔ کمپنی اور سی پی پی اے نے پی پی اے ترمیمی معاہدہ "پر دستخط کیے ہیں جس میں اس معاملے کو حل کرنے پر اتفاق کیا گیا ہے۔ معاہدہ طے پانے کے تحت، کمپنی پی پی اے کے تحت فورس مجبور اپونٹ کی درخواست کے ذریعے تنازعہ رقم وصول کر سکے گی جس کے تحت پی پی اے کی مدت تنازعہ مدت سے بڑھادی جائے گی، لیکن کمپنی کو باقی ابواڈ کردہ رقم سے پیچھے ہٹنا پڑے گا، جیسا کہ ثالثی اخراجات اور ایوارڈ سے پہلے اور بعد کا سود۔ مزید تفصیلات کے لئے براہ کرم 31 مارچ 2021 کو ختم ہونی نوامی کے عبوری مالیاتی گوشوارے کے 8 نمبر نوٹ کو دیکھیں۔

(2) لندن کورٹ آف انٹرنیشنل ثالثی ('ایل سی آئی اے') نے کمپنی کے حق میں ایک ایوارڈ دیا ہے، جہاں اس نے کمپنی کو پی پی اے کی شرائط کے تحت تاخیر سے ادائیگی کی وصولیوں اور پاور خریدار کے ذریعہ کی جانے والی دیگر کٹوتیوں پر دعویٰ کرنے کا حق دیا ہے۔ سی پی پی اے نے پی پی اے اور کمپنی کے مابین دستخط شدہ "ماسٹر ایگریمنٹ" کے مطابق، سی پی پی اے نے جی ٹی بی بنائے گا کہ انوائس کی تمام ادائیگی پی پی اے کے لازمی "فرسٹ ان فرسٹ آؤٹ" ('فیفو') اصول پر کرے گی۔ جب تک کہ فیفو کی بیرونی ماضی اور آئندہ ادائیگیوں کے سلسلے میں سی پی پی اے نے جی کرے گی، کمپنی مؤخر ادائیگی کے انوائس پر ادائیگی کے تاخیر سے متعلق اپنے تمام دعوؤں کو ترک، اور ان سے متعلقہ تمام رسیدوں کو واپس لے لے گی۔ مزید تفصیلات کے لئے براہ کرم 31 مارچ 2021 کو ختم ہونی نوامی کے عبوری مالیاتی گوشوارے کے (i) 6.1.2 نمبر نوٹ کو دیکھیں۔

(3) مارچ 2020 میں، وزارت توانائی کی کمیٹی برائے پاور لیٹر آڈٹ، سرکلر ڈیپٹ ریزولوشن اور آئندہ روڈ میپ نے اپنے نوٹیفکیشن نمبر آئی پی پی (12)/01(12) 2017 مورخہ 07 اگست 2019 کو ایک رپورٹ تیار کی، جس کے ذریعے یہ الزام لگایا گیا کہ قابل اطلاق پاور پالیسی، کے ذریعہ "پھر" کے طے شدہ ٹیرف اور اس سے متعلقہ معاہدوں کی خلاف ورزی کرتے ہوئے ٹیرف میں کمپنی سمیت آزاد بجلی پروڈیوسرز ('آئی پی پی') نے پخت کی ہے۔ کمپنی نے دوسرے آئی پی پی کے ساتھ مل کر اس طرح کے دعوؤں کو مسترد کر دیا ہے اور تنازعہ کو حل کرنے کے لئے جی او پی کے ساتھ بات چیت کی گئی ہے۔ لہذا، کمپنی اور سی پی پی اے نے جی کے مابین حتمی شدہ ماسٹر معاہدے میں، اس بات پر اتفاق کیا گیا ہے کہ کمپنی اور جی او پی کے مابین ہونے والے ثالثی کے معاہدے کے تحت اس معاملے کو ثالثی کے ذریعے حل کیا جائے گا۔ اس پر ابھی دستخط ہونا باقی ہیں۔

مزید تفصیلات کے لئے براہ کرم 31 مارچ 2021 کو ختم ہونی نوامی کے عبوری مالیاتی گوشوارے کے (iv) 6.1.1 نمبر نوٹ کو دیکھیں۔

اظہار تشکر

ڈائریکٹرز اس موقع پر ہمارے قابل قدر سٹیر ولڈرز کا شکریہ ادا کرتے ہیں جو ہماری کمپنی پر بھروسہ رکھتے ہیں اور کمپنی کے ملازمین کی خدمات، وفاداری، اور کوششوں کے لیے ان سے اظہار تشکر کرنا چاہتے ہیں اور امید کرتے ہیں کہ وہ اس کام کو مستقبل میں جاری رکھیں گے۔

بتاریخ: 130 اپریل، 2021

ڈائریکٹر

چیف ایگزیکٹو

Condensed Interim Statement of Financial Position

AS AT MARCH 31, 2021 (UN-AUDITED)

	Note	Un-audited March 31, 2021 (Rupees in thousand)	Audited June 30, 2020
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
385,000,000 (2020: 385,000,000)			
ordinary shares of Rs 10 each		3,850,000	3,850,000
Issued, subscribed and paid-up share capital			
367,346,939 (2020: 367,346,939)			
ordinary shares of Rs 10 each		3,673,469	3,673,469
Revenue reserve - un-appropriated profit		17,355,544	15,292,471
TOTAL EQUITY		21,029,013	18,965,940
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing-secured	5	25,419	728,548
Deferred Income		532	637
		25,951	729,185
CURRENT LIABILITIES			
Trade and other payables		683,084	593,183
Accrued mark-up/profit		201,776	377,662
Short term loan from holding company - unsecured		767,622	-
Short term borrowings - secured		10,255,621	9,705,011
Current portion of non-current liabilities		34,602	560,785
Unclaimed dividend		18,513	18,940
		11,961,218	11,255,581
CONTINGENCIES AND COMMITMENTS	6	-	-
TOTAL EQUITY AND LIABILITIES		33,016,182	30,950,706

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Financial Position

AS AT MARCH 31, 2021 (UN-AUDITED)

	Note	Un-audited March 31, 2021 (Rupees in thousand)	Audited June 30, 2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	9,961,008	10,567,872
Intangible assets		1,272	4,217
Long term loans to employees		1,846	2,447
Long term security deposits		100	100
		9,964,226	10,574,636
CURRENT ASSETS			
Stores and spares		482,501	468,803
Inventories		768,561	153,368
Trade debts	8	20,560,348	19,006,151
Loans, advances, deposits, prepayments and other receivables		872,280	697,322
Income tax receivable		52,145	48,080
Short term investments		310,613	-
Bank balances		5,508	2,346
		23,051,956	20,376,070
TOTAL ASSETS		33,016,182	30,950,706

DIRECTOR

Condensed Interim Statement of Profit or Loss

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

	Note	Quarter Ended		Nine Month Ended	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
		(Rupees in thousand)			
Sales		2,590,011	2,806,611	8,393,602	10,588,940
Cost of sales	9	(1,693,899)	(965,404)	(5,537,806)	(5,461,792)
Gross profit		896,112	1,841,207	2,855,796	5,127,148
Administrative expenses		(34,293)	(33,705)	(98,194)	(109,874)
Other operating expenses		-	(226)	-	(825)
Other operating income		10,706	6,854	27,520	29,516
Profit from operations		872,525	1,814,130	2,785,122	5,045,965
Finance cost		(234,827)	(510,046)	(722,049)	(1,644,029)
Profit before taxation		637,698	1,304,084	2,063,073	3,401,936
Taxation		-	-	-	-
Profit after taxation		637,698	1,304,084	2,063,073	3,401,936
Earnings per share - basic and diluted (Rupees)		1.74	3.55	5.62	9.26

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

Condensed Interim Statement of Comprehensive Income

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

	Quarter Ended		Nine Month Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Rupees in thousand)			
Profit after taxation	637,698	1,304,084	2,063,073	3,401,936
Other comprehensive income for the period				
Items that will not be reclassified to profit or loss	-	-	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Total comprehensive income for the period	637,698	1,304,084	2,063,073	3,401,936

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

Condensed Interim Statement of Changes in Equity

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

	Share Capital	Revenue Reserve: Un-appropriated Profit	Total
	(Rupees in thousand)		
Balance as on July 1, 2019 (audited)	3,673,469	10,686,700	14,360,169
Profit for the period	-	3,401,936	3,401,936
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	3,673,469	14,088,636	17,762,105
Balance as on March 31, 2020 (un-audited)	3,673,469	14,088,636	17,762,105
Balance as on July 1, 2020 (audited)	3,673,469	15,292,471	18,965,940
Profit for the period	-	2,063,073	2,063,073
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	2,063,073	2,063,073
Balance as on March 31, 2021 (un-audited)	3,673,469	17,355,544	21,029,013

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

Condensed Interim Statement of Cash Flows

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

		Nine Month Ended	
		March 31, 2021	March 31, 2020
	Note	(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	10	1,124,062	1,878,646
Finance cost paid		(894,073)	(1,558,472)
Net decrease in long term loans to employees		602	486
Income tax paid		(4,065)	(4,300)
Retirement benefits paid		(5,852)	(6,458)
Decrease in long term security deposits		-	5
Profit on bank deposit received		2,445	8,226
Net cash inflow from operating activities		223,119	318,133
Cash flows from investing activities			
Capital expenditure on property, plant and equipment		(3,992)	(51,582)
Proceeds from disposal of property, plant and equipment		3,844	276,397
Short term investment		(307,260)	-
Net cash (outflow) / inflow from investing activities		(307,408)	224,815
Cash flows from financing activities			
Proceeds from long term financing		51,641	-
Repayment of long term financing		(1,281,995)	(1,920,769)
Short term loans obtained from holding company		3,560,977	7,619,618
Repayment of short term loans from holding company		(2,793,355)	(6,619,618)
Dividend paid		(427)	(299,506)
Net cash outflow from financing activities		(463,159)	(1,220,275)
Net decrease in cash and cash equivalents		(547,448)	(677,327)
Cash and cash equivalents at the beginning of the period		(9,702,665)	(10,621,245)
Cash and cash equivalents at the end of the period		(10,250,113)	(11,298,572)
Cash and cash equivalents			
Cash and bank balances		5,508	7,978
Short term borrowings - secured		(10,255,621)	(11,306,550)
		(10,250,113)	(11,298,572)

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

Selected Notes to the Condensed Interim Financial Statements

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

1 THE COMPANY AND ITS OPERATIONS

Nishat Chunian 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 Companies Act, 2017). The Company is a subsidiary of Nishat (Chunian) Limited. The Company's ordinary shares are listed on the Pakistan Stock Exchange Limited.

The principal activity of the Company is to build, own, operate and maintain a fuel fired power station having gross capacity of 200 MW and net capacity of 195.722 MW at Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. The address of the registered office of the Company is 31-Q, Gulberg II, Lahore. On November 13, 2007, the Company entered into a Power Purchase Agreement ('PPA') with its sole customer, National Transmission and Dispatch Company Limited ('NTDC') for twenty five years which commenced from July 21, 2010. During the current financial year, the Company, NTDC and Central Power Purchasing Agency (Guarantee) Limited ('CPPA-G') have entered into a 'Novation Agreement' to transfer the rights, obligations and liabilities of NTDC under the PPA (as amended by the 'PPA Amendment Agreement') in favour of CPPA-G.

2 BASIS OF PREPARATION

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

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

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

These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2020. These condensed interim financial statements are un-audited.

Selected Notes to the Condensed Interim Financial Statements

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

3. ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of these condensed interim financial statements are same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended June 30, 2020.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended June 30, 2020.

	Note	Un-audited March 31, 2021 (Rupees in thousand)	Audited June 30, 2020
5. LONG TERM FINANCING-SECURED			
Senior facility	5.1	-	1,126,820
Term finance facility	5.2	-	145,874
Loan under SBP Refinance Scheme	5.3	57,106	15,557
		57,106	1,288,251
Less: Current portion shown under current liabilities		(31,687)	(559,703)
		25,419	728,548

Selected Notes to the Condensed Interim Financial Statements

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

	Un-audited March 31, 2021 (Rupees in thousand)	Audited June 30, 2020
5.1. The reconciliation of carrying amounts is as follows:		
Opening balance	1,126,820	2,676,418
Less: Repaid during the period / year	(1,126,820)	(1,549,598)
	-	1,126,820
Less: Current portion shown under current liabilities	-	(556,510)
	-	570,310
5.2. The reconciliation of carrying amounts is as follows:		
Opening balance	145,874	650,351
Less: Repaid during the period / year	(145,874)	(504,477)
	-	145,874
Less: Current portion shown under current liabilities	-	-
	-	145,874
5.3. The reconciliation of carrying amounts is as follows:		
Opening balance	15,557	-
Add: Amount received during the period / year	51,641	17,225
Less: Effect of discounting during the period / year	(4,653)	(1,827)
Present value of loan obtained during the period / year	46,988	15,398
Add: Unwinding of discount during the period / year	3,862	158
Less: Payments made during the period / year	(9,301)	-
	57,106	15,557
Less: Current portion shown under current liabilities	(31,687)	(3,193)
	25,419	12,364

Selected Notes to the Condensed Interim Financial Statements

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

6. CONTINGENCIES AND COMMITMENTS

6.1. Contingencies

There are no changes in contingencies from the preceding annual published financial statements of the company for the year ended June 30, 2020 except for the following:

6.1.1 Contingent liabilities:

- i) For the period July 2013 to June 2014, Company's case was selected for audit by the Federal Board of Revenue ('tax department'), which selection was objected to, on jurisdictional basis, by Company by way of filing a writ petition before the Honourable Lahore High Court on November 20, 2015. While, the Honourable Lahore High Court has allowed the tax department to proceed with audit proceedings, it has been directed that no adjudication order, consequent to conduct of audit, shall be passed after confronting the audit report.

The audit proceedings were completed by the tax department during the financial year 2016 and audit report thereof was submitted to the Company seeking explanations in regard to the issues raised therein. In the subject audit report, an aggregate amount of Rupees 631.769 million primarily including a disallowance of input sales tax of Rupees 622.263 million has been confronted on the grounds that the revenue derived by the Company on account of 'capacity purchase price' was against a non-taxable supply. The Honourable Lahore High Court through its order dated January 9, 2017 has allowed initiation of adjudication proceedings after issuance of audit report.

On May 17, 2017, the Deputy Commissioner Inland Revenue ('DCIR') issued a show cause notice as to why sales tax of the aforesaid amount of Rupees 631.769 million along with default surcharge should not be recovered from the Company. The Company filed a representation in this regard with the Chairman, Federal Board of Revenue. The Chairman, Federal Board of Revenue disposed of the case on the grounds that it did not invoke any provision of section 7 of the Federal Board of Revenue Act, 2007 as no issue of misadministration is involved therein. The Company then challenged the show cause notice before the Honourable Lahore High Court, Lahore. The Honourable Lahore High Court, Lahore declared on November 9, 2018 that the show cause notice was issued without having jurisdiction. The tax department filed appeal before Supreme Court of Pakistan. During the current period, Honourable Supreme Court of Pakistan has decided the appeal in favour of tax department.

On January 21, 2021, Assistant Commissioner Inland Revenue - Audit ('ACIR - Audit') has issued notice to the Company requiring to submit reply of the show cause notice. The Company has complied with the requirements of show cause notice. Management believes that there are strong grounds to believe that the case will be decided in favour of the Company. Therefore, no provision has been made in these condensed interim financial statements.

Selected Notes to the Condensed Interim Financial Statements

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

- ii) During the year ended June 30, 2019, the Commissioner Inland Revenue ('CIR') has raised a demand of Rupees 104.977 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 various tax periods and sales tax default on account of suppression of sales related to various tax periods. The Company filed application for grant of stay before the Appellate Tribunal Inland Revenue ('ATIR') against recovery of the aforesaid demand that was duly granted. Further, the Company filed appeals before Commissioner Inland Revenue (Appeals) ['CIR(A)'] and ATIR against the order. ATIR decided the case against the Company vide its order dated May 6, 2020. The Company, being aggrieved by the ATIR's decision, filed sales tax reference before the Honourable Lahore High Court, Lahore. The Honourable Lahore High Court, Lahore vide its order dated January 26, 2021 provided interim relief to the Company by restricting tax department from taking any coercive action against the Company subject to furnishing of the bank guarantee of disputed amount, which was duly provided and the case is pending adjudication. Management has strong grounds to believe that the case will be decided in favour of the Company. Therefore, no provision has been made in these condensed interim financial statements.
- iii) An amendment order dated August 31, 2017 was issued by the DCIR under section 122 of the Income Tax Ordinance, 2001 for tax year 2014 whereby income tax of Rupees 191.536 million was levied on other income, interest on delayed payments from CPPA-G, minimum tax on capacity sales, scrap sales, sale proceeds of fixed assets' disposal and WWF was also levied of Rupees 12.946 million. Against the aforesaid order, the Company filed an appeal on September 25, 2017 before the CIR(A) and the learned CIR(A) passed an order on February 2, 2018, declaring that the levy of income tax on interest on delayed payments from CPPA-G and minimum tax on capacity sales is not justified, while directing the Company to pay income tax aggregating to Rupees 1.466 million on profit on debt, miscellaneous income, capital gain on disposal of securities, minimum tax on scrap sales and fixed assets' disposal and WWF of Rupees 4.552 million. The Company and tax department both filed appeals on March 8, 2018 and March 26, 2018 respectively, before the ATIR against the order of CIR(A). During the current period, ATIR decided the case in favour of tax department and dismissed Company's appeal to grant relief. Further, all relieves granted by CIR(A) have been vacated and original order of DCIR has been upheld. The Company, being aggrieved by the ATIR's decision, filed income tax reference before the Honourable Lahore High Court, Lahore. The Honourable Lahore High Court, Lahore vide its order dated January 25, 2021 provided interim relief to the Company by suspending the order of ATIR subject to furnishing of the bank guarantee of disputed amount, which was duly provided and the case is pending adjudication. Management has strong grounds to believe that the case will be decided in favour of the Company. Therefore, no provision has been made in these condensed interim financial statements.
- iv) In March 2020, Committee for the Power Sector Audit, Circular Debt Resolution and Future Roadmap constituted by Ministry of Energy vide its notification No. IPP-01(12)/2017 dated August 7, 2019 finalised a report, through which, it was alleged

Selected Notes to the Condensed Interim Financial Statements

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

that savings were made by the Independent Power Producers ('IPPs'), including the Company, in the tariff components in violation of applicable Power Policies, tariff determined by National Electric Power Regulatory Authority ('NEPRA') and the relevant project agreements.

The Company along with other concerned IPP's rejected such claims and discussions were made with the Government of Pakistan ('GoP') to resolve the dispute. As mentioned in Note 14, Company and CPPA-G have signed 'Master Agreement' and 'PPA Amendment Agreement' wherein it has been agreed that the abovementioned dispute will be resolved through arbitration under the Arbitration Submission Agreement between the Company and GoP that is yet to be signed. Management believes that there are strong grounds that the matter will ultimately be decided in Company's favour. Furthermore, its financial impact cannot be reasonably estimated at this stage, hence, no provision in this respect has been made in these condensed interim financial statements.

- v) Guarantees of Rupees 20.967 million (June 30, 2020: Rupees 19.152 million) are given by the banks of the Company to Director, Excise and Taxation, Karachi under direction of Sindh High Court in respect of suit filed for levy of infrastructure cess.

6.1.2 Contingent Assets:

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

The LCIA appointed a sole Arbitrator and hearings were also held on February 19 and 20, 2018. On April 16, 2018, the Arbitrator has issued Final Partial Award in which he has rejected the Power Purchaser objection to the maintainability of the Arbitration Proceedings. Aggrieved of the decision, Power Purchaser filed a civil suit against the Final Partial Award in the Court of Senior Civil Judge, Lahore. The civil suit is pending adjudication. Hearings on merits were held in London and Final Partial Award dated April 22, 2019 was issued on July 25, 2019 in favour of the Company. The Company filed an application seeking interest on the amount awarded to the Company and costs of the arbitration.

However, on August 23, 2019, Power Purchaser filed another civil suit in the Court of the Senior Civil Judge, Lahore against the Final Partial Award. The second civil suit is also

Selected Notes to the Condensed Interim Financial Statements

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

pending adjudication. On September 12, 2019, the Memorandum of Corrections to the Final Partial Award has been issued which corrected the Final Partial Award to the amount of Rupees 1,518.767 million. On October 28, 2019, the Arbitrator declared his Final Award whereby he ordered Power Purchaser to pay to the Company in addition to the amount determined in Final Partial Award: i) Rupees 332.402 million being interest on Final Partial Award; ii) Rupees 27.302 million as the costs awarded in the Award; iii) Rupees 7.675 million as the amount of the costs awarded in respect of Interim Award; and iv) Interest at KIBOR plus 4.5% per annum compounded semi-annually from the date of Final Award until payment of these amounts by Power Purchaser that works out to Rupees 974.032 million upto March 31, 2021. On December 09, 2020 the Company filed for enforcement of Final Partial Award and Final Award before Honorable Islamabad High Court, Islamabad that is pending adjudication.

As mentioned in Note 14, The Company and Power Purchaser have signed 'Master Agreement'. Under this agreement, Power Purchaser shall ensure that all invoices shall follow the power purchase agreement's mandated 'First In First Out' ('FIFO') payment principle at the time of payment by the Power Purchaser. As long as this principle is followed by Power Purchaser in relation to past and future payments, the Company in consideration thereof has agreed to forego and waive all of its claims of delayed payment charges on delayed payment invoices and it shall withdraw all such invoices. However, this will have no impact on the existing revenue and receivables of the Company, as the Company has not recognized the income and corresponding receivable for the said amount on the prudence basis.

	Un-audited March 31, 2021	Audited June 30, 2020
Note	(Rupees in thousand)	
6.2. Commitments		
Commitments in respect of other than capital expenditure	9,686	-
7. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets	9,814,332	10,364,069
Capital work-in-progress	1,844	1,907
Major spare parts and standby equipment	144,832	201,896
	9,961,008	10,567,872

Selected Notes to the Condensed Interim Financial Statements

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

	Un-audited March 31, 2021 (Rupees in thousand)	Audited June 30, 2020
7.1. Operating fixed assets		
Opening written down value	10,364,069	11,188,998
Add: Additions during the period/year	61,121	182,416
	10,425,190	11,371,414
Less: Written down value of disposals during the period/year	-	269,450
	10,425,190	11,101,964
Less: Depreciation charged during the period/year	610,858	737,895
	9,814,332	10,364,069
7.1.1 Following is the detail of additions during the period/year		
Plant & machinery	60,326	178,046
Computer equipment	795	766
Vehicles	-	3,604
	61,121	182,416

8. TRADE DEBTS

Refer to note 18.2 to the company's financial statements for the year ended June 30, 2020, included in trade debts is an amount of Rupees 784.113 million (originally amount under dispute was Rupees 966.166 million however Rupees 182.054 million has been acknowledged by the CPPA-G pursuant to 'PPA Amendment Agreement' signed as mentioned in note 14) relating to capacity revenue that was previously not acknowledged by NTDC/CPPA and the company had contested it at various forums including arbitration in the London Court of International Arbitration ('LCIA') as per the Power Purchase Agreement. On October 29, 2017, the Arbitrator declared his Final Award whereby he ordered Power Purchaser to pay to the Company: i) Rupees 966.166 million pursuant to Expert's determination; ii) Rupees 224.229 million being Pre-award interest; iii) Rupees 9.203 million for breach of arbitration agreement; iv) Rupees 1.684 million and USD 612,311 for the Company's cost of proceedings; v) GBP 30,157 for Company's LCIA cost of arbitration and vi) Interest at KIBOR + 4.5% compounded semi-annually from the date of Final Award until payment of these amounts by Power Purchaser ("the Final Award") that works out to Rupees 557.214 million upto 31 March 2021.

Selected Notes to the Condensed Interim Financial Statements

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

As mentioned in Note 14, during the current period the Company and CPPA-G have signed 'PPA Amendment Agreement' and the Company is in the process of settlement of this matter under which it will be able to recover disputed capacity revenue by invoking Force Majeure event under the PPA whereby the term of the PPA will be extended by the disputed time period, but will have to forego other amounts awarded such as Arbitration costs, pre and post award interests. Such agreement will not have any material impact on Company's existing capacity receivables, as the amounts to be forgone had not been recognized by the Company on prudence basis. As per the term of the 'PPA Amendment Agreement' an amount of Rupees 182.054 million has been acknowledged by the Power Purchaser.

	Un-audited Quarter Ended		Un-audited Nine Month Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Rupees in thousand)			
9. COST OF SALES				
Raw material consumed	1,369,658	626,626	4,521,431	4,388,286
Salaries and other benefits	31,242	42,004	103,355	112,095
Store, spares and loose tools consumed	16,860	31,507	66,430	131,841
Electricity consumed in - house	5,741	6,537	15,052	14,152
Insurance	58,682	62,650	179,466	187,281
Travelling and conveyance	4,801	5,214	14,242	15,554
Postage and telephone	861	875	2,653	2,697
Repair & Maintenance	6,224	5,405	11,336	23,791
Entertainment	9	9	53	82
Depreciation on operating fixed assets	195,324	178,899	608,819	569,821
Amortization on Intangible	903	903	2,710	2,710
Fee & Subscription	942	1,646	3,028	3,375
Miscellaneous	2,652	3,129	9,231	10,107
	1,693,899	965,404	5,537,806	5,461,792

Selected Notes to the Condensed Interim Financial Statements

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

Un-audited
Nine Month Ended
March 31, March 31,
2021 2020
(Rupees in thousand)

10. CASH GENERATED FROM OPERATIONS

Profit before taxation	2,063,073	3,401,936
Adjustments for non-cash charges and other items:		
- Depreciation on operating fixed assets	610,858	572,416
- Amortization of intangible assets	2,943	3,235
- Amortization of deferred grant	(2,924)	-
- Gain on disposal of operating fixed assets	(3,844)	(6,581)
- Profit on bank deposits	(5,798)	(8,226)
- Provision for employee retirement benefits	5,852	6,458
- Finance cost	722,048	1,644,029
Cash flows generated from operating activities before working capital changes	3,392,208	5,613,267
Effect on cash flow due to working capital changes:		
(Increase)/ decrease in current assets:		
- Stores and spares	(13,698)	76,603
- Inventories	(615,193)	564,701
- Trade debts	(1,554,197)	(4,714,282)
- Loans, advances, deposits, prepayments and other receivables	(174,959)	179,754
	(2,358,047)	(3,893,224)
Increase in current liabilities:		
Trade and other payables	89,901	158,603
	(2,268,146)	(3,734,621)
	1,124,062	1,878,646

Selected Notes to the Condensed Interim Financial Statements

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

11. TRANSACTIONS WITH RELATED PARTIES

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

	Un-audited Quarter Ended		Un-audited Nine Month Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Rupees in thousand)			
i) Transactions:				
Holding company				
Common facilities cost	4,950	4,950	14,850	13,950
Reimbursement of expenses	384	189	1,009	856
Disbursement of loans	2,133,977	3,099,860	3,560,977	7,619,618
Repayment of loans	1,976,355	2,099,860	2,793,355	6,619,618
Mark up on loans	2,112	4,083	2,466	21,355
Associated undertaking				
Donations	-	-	-	445
Key management personnel				
Remuneration	12,447	13,520	46,087	67,593
Long term loan repayment	145	184	542	702
Mark up on loans	31	65	108	187
Post employment benefit plan				
Company's contribution to provident fund trust	2,013	2,083	5,850	6,458

Selected Notes to the Condensed Interim Financial Statements

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

	Un-audited March 31, 2021 (Rupees in thousand)	Audited June 30, 2020
ii) Period end balances:		
Holding company		
Short term loans from holding company - unsecured	767,622	-
Accrued mark-up	195	5,322
Other related parties		
Loan to key management personnel	2,575	3,177

12. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

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

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

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

Level 3: If one or more of the significant inputs is not based on observable market data,

Selected Notes to the Condensed Interim Financial Statements

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

the instrument is included in level 3. This is the case for unlisted equity securities.

13. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended June 30, 2020.

14. SIGNIFICANT MATTERS DURING THE PERIOD

The Committee for negotiations with Independent Private Power Producers ('IPPs'), notified by Government of Pakistan vide notification number F.No.IPPs-1(12)/2019-20 dated June 03, 2020 (the 'Committee') and the IPPs representing the 2002 Power Policy projects, including the Company had several rounds of discussions. Thereafter, on August 13, 2020, the Company in the larger national interest signed a Memorandum of Understanding ('MoU').

Thereafter, Government of Pakistan through notification number F.No.IPPs-1(12)/2020 (Vol-II) dated October 07, 2020 constituted the Implementation Committee to, inter-alia, convert the MoU into a binding agreement between the parties. The Company and the Implementation Committee made detailed deliberations to convert the MoU into binding agreement and therefore, the Company and the CPPA-G signed 'Master Agreement' and 'PPA Amendment Agreement' to alter certain contractual arrangements for sale and purchase of electricity. Under these agreements, the Company and CPPA-G have agreed on the following matters majorly:

- Mechanism of settlement of long outstanding receivables;
- Discounts and sharing of saving, in tariff components;
- Reduction in the delay payment rate;
- Resolution of disputes mentioned in notes 6.1.1(iv), 6.1.2(i), and note 8;

Based on the above, management has assessed the accounting implications of these developments on these condensed interim financial statements, including the impairment of tangible and intangible assets under IAS 36, 'Impairment of assets'. However, according to management's assessment, there is no significant impact of the abovementioned agreements on these condensed interim financial statements.

15. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34

Selected Notes to the Condensed Interim Financial Statements

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2021 (UN-AUDITED)

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

16. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements was authorized for issue on April 30, 2021 by the Board of Directors of the company.

17. GENERAL

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



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