



NISHAT POWER LIMITED

# Annual Report 2015





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## CORPORATE PROFILE

### BOARD OF DIRECTORS

Mian Hassan Mansha	Chief Executive/Director
Mr. Khalid Qadeer Qureshi	Chairman
Mr. Ahmad Aqeel	
Mr. Asad Farooq	
Mr. Saeed Ahmed Alvi	
Mr. Mahmood Akthar	
Mr. Shahzad Ahmad Malik	

### AUDIT COMMITTEE

Mr. Khalid Qadeer Qureshi	Member
Mr. Shahzad Ahmad Malik	Member / Chairman
Mr. Ahmad Aqeel	Member

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Saeed Ahmad Alvi	Member/Chairman
Mian Hassan Mansha	Member
Mr. Khalid Qadeer Qureshi	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  
BankIslami Pakistan Limited  
Meezan Bank Limited  
HSBC Bank Middle East Limited  
Dubai Islamic Bank Pakistan Limited  
Burj Bank Limited  
Albaraka Bank Pakistan Limited  
First Women Bank Limited  
The Bank of Punjab  
MCB Bank Limited  
Pak Kuwait Investment Co. Limited  
Pak Brunei Investment Co. Limited

**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**

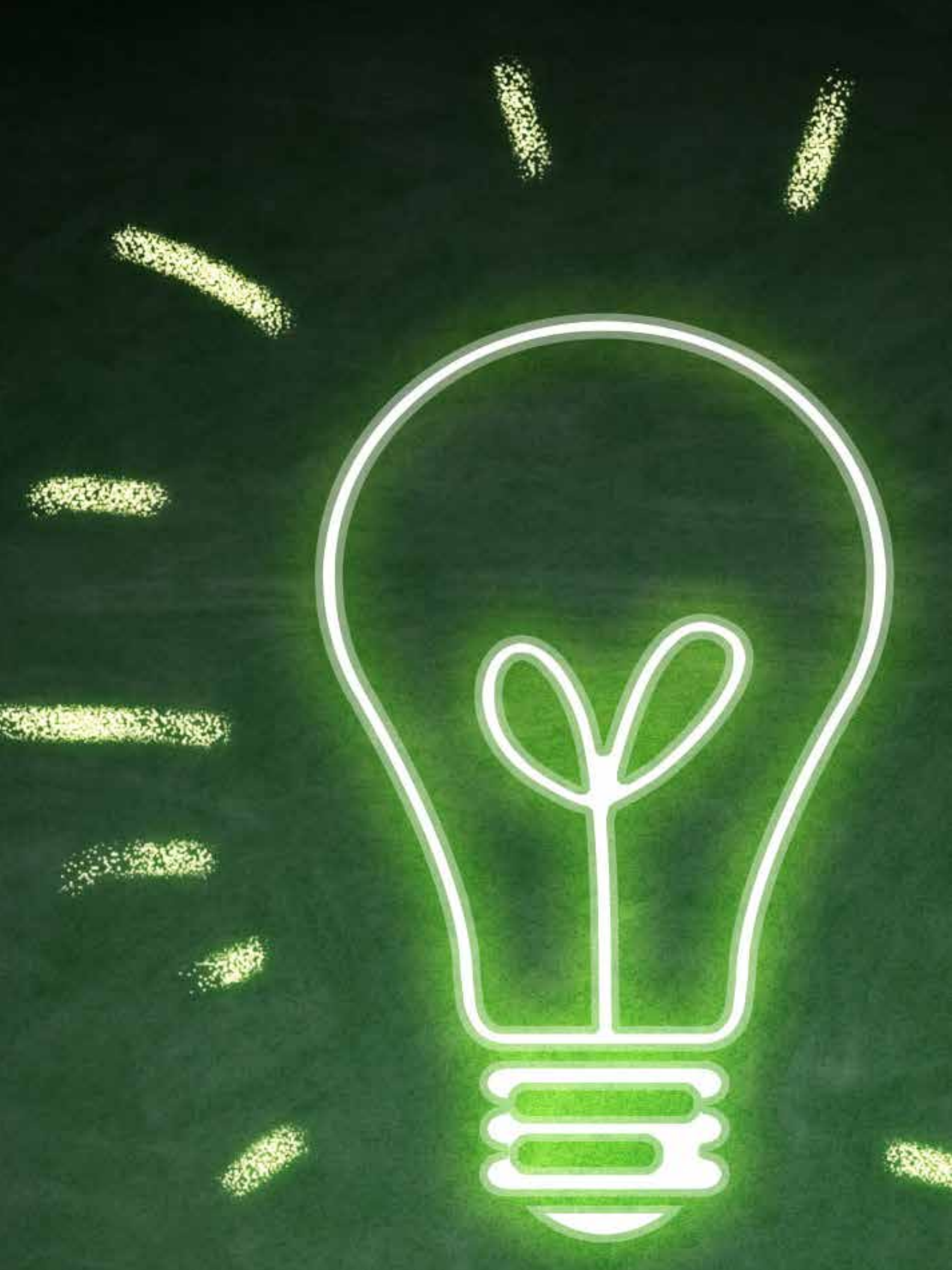
1-B, Aziz Avenue, Canal Bank,  
Gulberg-V, Lahore - Pakistan  
Tel: +92-42-35717090-96, 35717159-63  
Fax: +92-42-35717239  
Website: [www.nishatpower.com](http://www.nishatpower.com)

**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

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Notice is hereby given that Annual General Meeting of the Shareholders of Nishat Power Limited ("the Company") will be held on October 30, 2015 (Friday) at 11:00 A.M. at Nishat Hotel, 9-A, Gulberg III, Mian Mahmood Ali Kasuri Road, Lahore to transact the following business:

1. To receive and adopt the Audited Financial Statements of the Company for the year ended June 30, 2015 together with the Directors' and Auditors' reports thereon.
2. To approve Final Cash Dividend @ 17.50% [i.e. Rs. 1.75 Only (Rupee One and Paisas Seventy Five Only) Per Ordinary Share] as recommended by the Board of Directors, in addition to the 42.50% interim dividends already paid.
3. To appoint statutory Auditors for the year ending June 30, 2016 and fix their remuneration.
4. **Special Business:**

To consider and if deemed fit, to recommend the following resolutions as special resolutions under Section 208 of the Companies Ordinance, 1984, with or without modification, addition(s) or deletion(s), for approval of the shareholders:

RESOLVED, "pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, and subject to the shareholders' approval and subject to the compliance with all statutory and legal requirements, Nishat Power Limited ("the Company") be and is hereby authorized to invest up to Rs. 278,460,000 (Rupees Two Hundred Seventy Eight Million Four Hundred Sixty Thousand Only) by way of acquisition, from time to time, of 27,846,000 ordinary shares of the face value of PKR 10 of Lalpir Solar Power (Private) Limited (Proposed)."

FURTHER RESOLVED that the above said resolution of investment shall be valid for 3 years and any two of Mian Hassan Mansha, Chief Executive/Director and/or Mr. Tanvir Khalid, Chief Financial Officer and/or Mr. Khalid Mahmood Chohan, Company Secretary of the Company be and are hereby jointly empowered and authorized to undertake the decision of said investment of shares as and when deemed appropriate and necessary in the best interest of the Company and its shareholders.

FURTHER RESOLVED that Mian Hassan Mansha, Chief Executive/Director and/or Mr. Tanvir Khalid, Chief Financial Officer and/or Mr. Khalid Mahmood Chohan, Company Secretary of the Company be and are hereby singly authorized to take all steps and actions necessary, incidental and ancillary for the acquisition of shares of Lalpir Solar Power (Private) Limited (Proposed) including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things as may be necessary or expedient for the purpose of giving effect to the spirit and intent of the special resolution for making investment from time to time.

FURTHER RESOLVED that any two of Mian Hassan Mansha, Chief Executive/Director and/or Mr. Tanvir Khalid, Chief Financial Officer and/or Mr. Khalid Mahmood Chohan, Company Secretary of the Company be and are hereby authorized jointly to dispose off through any mode, a part or all of equity investments made by the Company from time to time as and when deemed appropriate and necessary in the best interest of the Company and its shareholders.

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ALSO RESOLVED, “ a certified true copy of these resolutions duly signed by the Chief Executive Officer or any of the Director or the Company Secretary be issued to whom it may concern and shall remain enforced until notice in writing to the contrary duly signed by the Chief Executive Officer or any of the Directors or Company Secretary”.

**BY ORDER OF THE BOARD**



**KHALID MAHMOOD CHOCHAN**  
(Company Secretary)

**LAHORE**  
**September 14, 2015**

**NOTES: -**

**1. BOOK CLOSURE NOTICE:-**

The Share Transfer Books of the Company shall remain closed for entitlement of Final Cash Dividend @ Rs.1.75 (Rupee One and Paisas Seventy Five Only) per share i.e. 17.50% and attending of AGM from 23-10-2015 to 30-10-2015 (both days inclusive). Physical transfers/CDS transactions/IDs, received in order at Share Registrar, Hameed Majeed Associates (Pvt) Ltd, HM House, 7-Bank Square, Lahore upto 1:00 p.m. on 22-10-2015 will be considered in time for the entitlement of said 17.50 % Final Cash Dividend and attending of AGM.

- 2.** 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 shareholder through CDC are requested to bring original CNIC, Account Number and Participant Account Number to produce at the time of attending the meeting.

- 3.** Shareholders are requested to immediately notify the change in address, if any.

**4. Submission of copy of CNIC (Mandatory):**

The Securities and Exchange Commission of Pakistan (SECP) vide their S.R.O. 779 (i) 2011 dated August 18, 2011 has directed the company to print your Computerized National Identity Card (CNIC) number on your dividend warrants and if your CNIC number is not available in our records, your dividend warrant will not be issued / dispatched to you. In order to comply with this regulatory requirement, you are requested to kindly send photocopy of your CNIC to your Participant / Investor Account Services or to us (in case of physical shareholding) immediately to Company's Share Registrar, Hameed Majeed Associates (Pvt) Limited, 7-Bank Square, Lahore.

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## 5. Dividend Mandate (Optional):

Under Section 250 of the Companies Ordinance, 1984 a shareholder may, if so desires, direct the Company to pay dividend through his/ her/its bank account. In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide Circular Number 18 of 2012 dated June 05, 2012, kindly authorize the company for direct credit of your cash dividend in your bank account (please note that giving bank mandate for dividend payments is optional, in case you do not wish to avail this facility please ignore this notice, dividend will be paid to you through dividend warrant at your registered address). If you want to avail the facility of direct credit of dividend amount in your bank account, please provide following information to Company's Share Registrar, Hameed Majeed Associates (Pvt) Limited, 7-Bank Square, Lahore.

Bank Account Details of Shareholder	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
Cell Number of shareholder	
Landline number of shareholder, if any	
It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate to the company and the concerned share registrar. .	
Name, signature, folio # and CNIC number of shareholder	
<b>Notes:</b>	
(1) Those shareholders, who hold shares in book entry form in their CDS accounts, will provide the above dividend mandate information directly to their respective Participant / CDC Investor Account Services Department.	
(2) If dividend mandate information has already been provided by you, ignore this request.	

## 6. 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 said form duly signed by the shareholder along with copy of his CNIC to the Company's Share Registrar, M/s Hameed Majeed Associates, 7-Bank Square, Lahore. Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice, Financial Statements will be sent to you at your registered address.

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## **STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984.**

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on October 30, 2015.

Lalpir Solar Power (Pvt.) Limited (“Lalpir Solar”) (Proposed) will be incorporated to set up or invest in a solar power project as an Independent Power Producer (IPP) under the Punjab Power Generation Policy 2006 (Revised 2009) (the “Provincial Policy”), promulgated by Government of Punjab (GoPb) in line with the stipulations of Federal Policy for Development of Renewable Energy for Power Generation 2006, (the “Federal Policies”) and (collectively the “Policies”) and Alternate Energy Development Board (AEDB) and the prevailing NEPRA Act and Rules and NEPRA Upfront Tariff with review determination dated May 25, 2015.

The principal activity of Lalpir Solar will be 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 approx 19 MWp with photovoltaic technology which uses PV Modules, Inverters, Combiner Boxes, Switchgear Cabinets, Transformer(s), High Voltage Switchyard, Cables, Metering, Cable Trays, Communication System, Earthing System, Lighting System, Protection Relays, Fire Protection/Prevention System, Monitoring and Control System and civil infrastructure etc. The project site is located at Mehmood Kot, Dist. Muzaffar Garh.

Nishat Group Companies & Associates (Nishat) has submitted Expression of Interest (EOI) to Punjab Power Development Board (PPDB)/ AEDB to conduct feasibility study and then develop, construct, own, operate and maintain Solar Power Project (“the Project”) for grid-connected photovoltaic (PV) modules solar power plant for project site at Mehmood Kot, Dist. Muzaffar Garh, Province of Punjab, Pakistan (the “Site”).

Subsequent to approval from Punjab Power Development Board (PPDB) and/or Alternate Energy Development Board (AEDB) Nishat will submit a performance guarantee in favour of PPDB/AEDB to show the commitment and agree to complete the feasibility study within stipulated time frame.

Based on proposed plant capacity i.e., upto 20 MWp and notional project cost i.e. US \$ 1.56 Million / MW, the total project cost is estimated around US\$ 31.20 Million. The Project financing is based on 75 % Debt and 25% Equity. The equity will be apportioned in terms of joint venture agreement executed among consortium members.

NPL shall be the main sponsor of the project with equity stake of 34% finally. The purposed new company may be wholly owned subsidiary of NPL for the time being during the process of incorporation of Lalpir Solar Power (Pvt.) Limited (Proposed) whereas, other Sponsors/Consortium members (Lalpir Power Limited, and Pakgen Power Limited and any other appropriate investor) can share the equity stake subsequently, subject to their applicable approvals. NPL shall hold, until the sixth (6th) anniversary of successful commissioning of the Project, not less than 20% (twenty percent) of the total issued and paid up share capital of the Lalpir Solar.

The consortium members shall collectively hold at least 51% (fifty-one percent) of the total issued and paid up share capital of Lalpir Solar, until the sixth (6th) anniversary of successful commissioning of the Project.

After issuance of LOI, Lalpir Solar will complete the feasibility study considering the validity of upfront tariff upto 31-12-2015 and forecasting the timeline of project as stated in terms and conditions of NEPRA upfront tariff, subject to any delay on the part of any Government department which would not be counted towards the delay in completion of feasibility study, since few parts of feasibility study would require proper feedback/response from Government departments, including but not limited to;

1. Environmental Impact Assessment with the help of EPA
2. Interconnection study is complete with timely feedback from NTDC.
3. Assistance from Government providing necessary information regarding load on national grid relevant to renewable projects.

The directors have carried out their due diligence for the proposed investment and duly signed recommendation of due diligence report shall be available for inspection of members in the general meeting. As Lalpir Solar Power (Pvt.) Ltd. (Proposed) will be newly incorporated Company, its audited accounts are not available.

Information for making equity investment in Lalpir Solar Power (Private) Limited (Proposed) as required under Clause (a) of sub-regulation (1) of regulation 3 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012.

Ref. No.	Requirement	Information
i	Name of associated company	<b>Lalpir Solar Power (Private) Limited (Proposed)</b>
	Criteria of associated relationship	<b>Equity Share holding above 20%</b>
ii	Purpose	<b>To earn dividend income as well as prospective capital gains</b>
	Benefits	<b>Dividend income as well as prospective capital gains</b>
	Period of investment	<b>Long term investment</b>
iii	Maximum amount of investment	<b>Rupees 278.46 Million</b>
iv	Maximum price/share	<b>Rs.10/- share.</b>
v	Maximum number of shares to be acquired	<b>27.8 Million ordinary shares</b>
vi	Shareholding before investment	<b>Nil No. of shares: Shareholding percentage: N/A</b>
	Shareholding after investment	<b>No. of shares: 27.8 Million Shares Shareholding percentage: upto 34% Max</b>

<b>Ref. No.</b>	<b>Requirement</b>	<b>Information</b>
vii	Requirement in case of investment in listed associated company	<b>Not Applicable</b>
viii	Fair market value of shares	<b>Since the project is green field project, the Par value of its share is the fair value</b>
ix	Break-up value of shares	<b>Rs. 10 per share</b>
x	Earnings per share for the last three years	<b>Not Applicable</b>
xi	Sources of fund from which shares will be acquired	<b>Own funds of the Company</b>
xii	Requirements if shares are intended to be acquired using borrowed funds	<b>Not Applicable</b>
xiii	Salient features of agreement(s) entered into with the associated company	<b>A Joint Venture Agreement will be executed to invest in associated company.</b>
xiv	Direct/Indirect interest of directors in the associated company	<b>The Directors have no interest in proposed associated company.</b>
xv	Any other important detail	<b>NIL</b>
xvi	Description of the project	<b>As stated above Paragraph</b>
	Starting date of work	<b>The Letter of Interest (LoI) to be awarded and feasibility consultant yet to be appointed. The Project Company is required to conduct feasibility study as stated above and subsequently the Construction &amp; Development Works will start based on feasibility study.</b>
	Completion of work	<b>Based on Project feasibility i.e 08 Months from Letter of Support (LoS) which will be awarded after approval of feasibility study.</b>
	Commercial operations date	<b>To be decided subsequent to approval of feasibility study and approval of upfront tariff</b>
	Expected time by which the project shall start paying return on investment	<b>ROI will starts right from Commercial Operation Date “COD”</b>

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## Statement Under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Name of Investee Company	:	Nishat Energy Limited
Total Investment Approved	:	Equity investment of Rs 4,875,000,000 (Rupees Four Billion Eight Hundred Seventy Five Million Only) was approved by members in EOGM held on August 22, 2014 for the period of (3) years.
Amount of Investment Made to date	:	PKR 2,500,000/-
Reason for not having made complete Investment so far where resolution Required to be implemented in Specified time.	:	The NPL investment in Nishat Energy is based on certain milestones which have not yet been accomplished. The first such milestone is conducting Feasibility Study. Nishat Energy has submitted its partial feasibility report to Punjab Power Development Board. Remaining portion of Feasibility Report shall be submitted soon.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	:	Nishat Energy Limited has issued paid-up share capital of 1,000,000 shares of Rs 10 each amounting to Rs 10,000,000 (Rupees ten million).





Inspire

Goals

Lead by  
example

**SUCCESS**

Teamwork

Teach



## 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, 2015.

The directors' report is prepared under section 236 of the Companies Ordinance, 1984 and clause (xvi) of the Code of Corporate Governance.

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## 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 ISO in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan.

## FINANCIAL RESULTS:

The Company had turnover of Rs 22,314 million (2014: Rs 27,479 million) during the year against operating cost of Rs 17,622 million (2014: Rs 22,823 million) resulting in a gross profit of Rs 4,692 million (2014: Rs 4,657 million). The current year's net profit after tax amounts to Rs 3,117 million resulting earnings per share of Rs 8.802 compared to previous year's profit after tax of Rs 2,917 million and earnings per share of Rs 8.239.

We would like to draw your attention to the last paragraph of the auditors' report to the members which refers to an amount of Rs 816 million (2014: Rs 816 million) relating to capacity purchase price, included in trade debts, not acknowledged by National Transmission and Despatch Company Limited ('NTDCL'). In this regard, with the consent of NTDCL, the Company has taken up this matter to the Expert as per dispute resolution mechanism envisaged in the Power Purchase Agreement (PPA). Subsequent to the year end, in August 2015, the Expert has given his determination whereby the aforesaid amount has been determined to be payable to the company by NTDC. Pursuant to the Expert's determination, the company has demanded the payment of the aforesaid amount of Rs 816 million from NTDC. Further details are mentioned in note 17.2 of the annexed financial statements. Based on the advice of the company's legal counsel and Expert's determination, management feels that 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.

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.

Total receivables from NTDCL on June 30, 2015 stand at Rs 8,050 million, out of which overdue receivables are Rs 5,584 million.

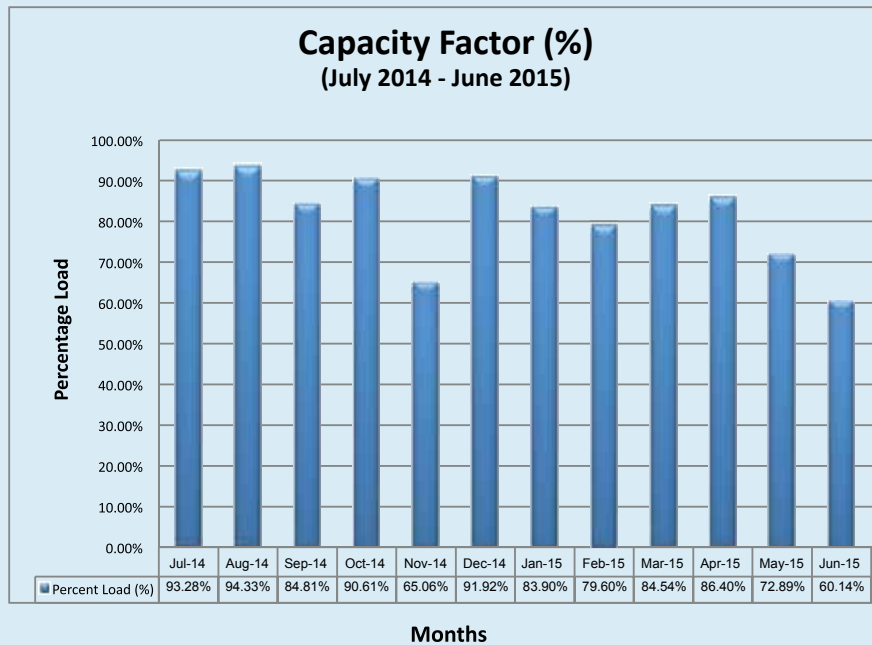
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## OPERATIONS AND SIGNIFICANT EVENTS:

### Operational results:

The plant operated at an optimal efficiency with 82.40% (2014: 85.58%) average capacity factor and dispatched 1,410 GWh (2014: 1,464 GWh) of electricity to NTDCL during the year.



During the year, the Company extended Operations & Maintenance Agreement with Wartsila Pakistan (Pvt) Ltd for another year i.e. upto 31st Dec 2015. Please refer to note 11.2 (iv) for further details.

### Nishat Energy Limited:

During last year Punjab Power Development Board (PPDB) advertised for pre-qualification of sponsors for the development of Coal Power Projects having cumulative generation capacity of approximately 6,000 MW at six different raw sites in Punjab Province. The Company participated in the pre-qualification process, as a member of a Consortium with the name of “Nishat Group Companies & Associates”, alongwith other members, comprising of Nishat Mills Limited, Lalpir Power Limited and Pakgen Power Limited. The Consortium successfully pre-qualified and got the letter of interest (LOI) for a 660 MW Coal Power Project.

For this purpose a Special Purpose Vehicle (SPV), has been incorporated namely Nishat Energy Limited (“Nishat Energy”), to set up a coal power project under the Power Policy 2002 and Punjab Power Generation Policy 2006 (revised in 2009) as an Independent Power Producer (IPP). As per

requirement for pre-qualification and aforementioned Power Policies, the Company would hold at least 20% equity in Nishat Energy for six years from Commercial Operations Date (COD). The Consortium would hold at least 51% equity in Nishat Energy for six year from COD.

The members of the Company in an Extra Ordinary General Meeting held on August 22, 2014 have authorized the Company to make long term equity investment up to PKR. 4,875 million by way of acquisition, from time to time, of 487,575,000 ordinary shares in Nishat Energy at face value of Rs.10/- each.

Subsequent to year end, Nishat Energy submitted partial feasibility report to PPDB within the time stipulated in LOI on July 13, 2015. Remaining portion of Feasibility Report shall be submitted soon, as Project Site has now been finalized by PPDB and Geo Tech and Interconnection studies are underway.

#### KEY OPERATING AND FINANCIAL DATA:

Financial year ending June 30,	2015 (Rupees in Millions)	2014
Turnover	22,314	27,479
Net Profit	3,117	2,917
Total non-current assets	12,321	13,259
Issued, subscribed and paid up capital	3,541	3,541
Long term financing	9,683	10,807
Short term financing	932	3,042
Generation (MWh)	1,409,785	1,464,106
Earnings per share-basic and diluted (Rs.)	8.802	8.239
Share prices (Market value rupees per share)	58.54	35.58

#### 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.

#### 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).

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## COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE 2012:

### Composition of the Board:

During election of directors held on August 22, 2014 in Extra Ordinary General Meeting, compliance with clause (i) of CCG 2012 relating to composition of the board was ensured. Detail is provided in forthcoming headings.

### CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

The Company Management is fully cognizant of its responsibility as recognized by the formulated Companies Ordinance 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 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, 2015 is Rs 31.260 million (Cost basis: Rs 29.767 million).

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

<b>Sr. #</b>	<b>Name of Directors</b>	<b>No. of Meetings Attended</b>
1	Mian Hassan Mansha (Chief Executive /Director)	5
2	Mr. Khalid Qadeer Qureshi (Chairman)	7
3	Mr. Mahmood Akhtar	5
4	Mr. Shahzad Ahmad Malik	7
5	Mr. Shahid Zulfiqar Khan	1*
6	Mr. Badar UI Hassan	0*
7	Mr. Saeed Ahmad Alvi	6
8	Mr. Ahmad Aqeel	6**
9	Mr. Asad Farooq	6**

\* Mr. Shahid Zulfiqar Khan and Mr. Badar UI Hassan retired on August 22, 2014.

\*\* Mr. Ahmed Aqeel and Mr. Asad Farooq elected as Director on August 22, 2014.

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

<b>Sr. #</b>	<b>Name of Members</b>	<b>No. of Meetings Attended</b>
1	Mr. Khalid Qadeer Qureshi (Member)	4
2	Mr. Shahzad Ahmad Malik (Member/Chairman)	4
3	Mr. Ahmad Aqeel (Member)	4

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

<b>Sr. #</b>	<b>Name of Members</b>	<b>No. of Meetings Attended</b>
1	Mian Hassan Mansha (Member)	1
2	Mr. Khalid Qadeer Qureshi (Member)	1
3	Mr. Saeed Ahmad Alvi (Member/Chairman)	1

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#### **PATTERN OF SHAREHOLDING:**

The statement of pattern of shareholding as on June 30, 2015 is attached.

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

All trades 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, 2015 is annexed to this report.

#### **RELATED PARTIES:**

The transactions between the related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method. The Company has fully complied with the best practices on transfer pricing as contained in the Listing Regulations of Stock Exchanges in Pakistan.

#### **DISCLOSURE UNDER SECTION 218(1) OF THE COMPANIES ORDINANCE, 1984**

The Board of Directors of the Company in their meeting held on September 14, 2015 has approved the revision in the monthly remuneration of Mr. Hassan Mansha, Chief Executive Officer of the Company, by 15% with effect from July 01, 2015 and annual bonus as per service rules of the company. There is no change in other terms and conditions of his appointment.

#### **APPROPRIATIONS:**

The Directors are pleased to recommend a final cash dividend of Rs 1.75 per share. This will be paid to the shareholders on the Company's Register of Members at the close of business on October 23, 2015. The total dividend to be approved by the shareholders at the Annual General Meeting on October 30, 2015 will be Rs 6 per share i.e. 60% amounting to Rs 2,124.531 million for the year ended June 30, 2015.

#### **AUDITORS:**

The present auditors M/s A. F. Ferguson, Chartered Accountants retire and being eligible, offer themselves for re-appointment for the year 2015-16. The Audit Committee of the Board has recommended the reappointment of the retiring auditors.

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## 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: September 14, 2015

**PATTERN OF HOLDINGS  
OF THE SHARES HELD BY THE SHAREHOLDERS  
OF NISHAT POWER LIMITED AS AT JUNE 30, 2015**

<b>NUMBER OF SHAREHOLDERS</b>	<b>SHAREHOLDING FROM</b>	<b>TO</b>	<b>TOTAL NUMBER OF SHARES HELD</b>	<b>PERCENTAGE OF TOTAL CAPITAL</b>
190	1 -	100	5,029	0.00
1292	101 -	500	629,569	0.18
396	501 -	1000	386,509	0.11
551	1001 -	5000	1,620,856	0.46
165	5001 -	10000	1,385,941	0.39
67	10001 -	15000	867,897	0.25
45	15001 -	20000	848,300	0.24
31	20001 -	25000	747,032	0.21
21	25001 -	30000	608,600	0.17
16	30001 -	35000	534,272	0.15
7	35001 -	40000	272,150	0.08
8	40001 -	45000	348,704	0.10
19	45001 -	50000	941,800	0.27
6	50001 -	55000	315,500	0.09
11	55001 -	60000	628,500	0.18
5	60001 -	65000	313,127	0.09
6	65001 -	70000	411,500	0.12
14	70001 -	75000	1,031,340	0.29
2	75001 -	80000	159,500	0.05
3	80001 -	85000	246,501	0.07
5	85001 -	90000	445,500	0.13
2	90001 -	95000	188,894	0.05
18	95001 -	100000	1,800,000	0.51
2	100001 -	105000	205,382	0.06
1	105001 -	110000	110,000	0.03
1	110001 -	115000	111,500	0.03
1	115001 -	120000	120,000	0.03
3	120001 -	125000	373,500	0.11
1	130001 -	135000	135,000	0.04
1	135001 -	140000	140,000	0.04
2	140001 -	145000	286,997	0.08
5	145001 -	150000	744,180	0.21
2	150001 -	155000	306,119	0.09
4	155001 -	160000	636,500	0.18
2	160001 -	165000	326,153	0.09
1	165001 -	170000	170,000	0.05
2	170001 -	175000	350,000	0.10
4	175001 -	180000	710,500	0.20
7	195001 -	200000	1,400,000	0.40
2	200001 -	205000	405,001	0.11
1	220001 -	225000	225,000	0.06
1	225001 -	230000	226,054	0.06
1	235001 -	240000	235,700	0.07
1	240001 -	245000	242,500	0.07
3	245001 -	250000	749,000	0.21
1	255001 -	260000	260,000	0.07
1	270001 -	275000	275,000	0.08
2	285001 -	290000	580,000	0.16
12	295001 -	300000	3,598,000	1.02
1	315001 -	320000	320,000	0.09
1	345001 -	350000	350,000	0.10
1	355001 -	360000	355,137	0.10
1	395001 -	400000	400,000	0.11
1	405001 -	410000	405,500	0.11

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL NUMBER OF SHARES HELD	PERCENTAGE OF TOTAL CAPITAL
1	430001	435000	433,500	0.12
1	450001	455000	450,500	0.13
1	455001	460000	460,000	0.13
1	480001	485000	482,500	0.14
3	495001	500000	1,500,000	0.42
1	530001	535000	534,000	0.15
1	535001	540000	537,747	0.15
1	555001	560000	555,500	0.16
1	640001	645000	643,500	0.18
1	670001	675000	675,000	0.19
1	675001	680000	676,500	0.19
1	715001	720000	717,000	0.20
1	730001	735000	731,500	0.21
1	750001	755000	751,000	0.21
1	960001	965000	965,000	0.27
1	995001	1000000	1,000,000	0.28
1	1030001	1035000	1,035,000	0.29
1	1110001	1115000	1,110,047	0.31
1	1195001	1200000	1,200,000	0.34
2	1245001	1250000	2,500,000	0.71
1	1300001	1305000	1,304,500	0.37
1	1320001	1325000	1,321,627	0.37
1	1370001	1375000	1,374,000	0.39
1	1425001	1430000	1,425,500	0.40
1	1600001	1605000	1,604,500	0.45
1	1610001	1615000	1,614,500	0.46
1	1635001	1640000	1,638,925	0.46
1	1915001	1920000	1,918,000	0.54
1	1970001	1975000	1,973,000	0.56
1	1995001	2000000	1,998,397	0.56
1	2100001	2105000	2,100,500	0.59
1	2295001	2300000	2,300,000	0.65
1	2470001	2475000	2,474,000	0.70
1	2795001	2800000	2,798,168	0.79
1	2995001	3000000	3,000,000	0.85
2	3495001	3500000	7,000,000	1.98
1	3530001	3535000	3,530,500	1.00
1	3825001	3830000	3,826,488	1.08
1	4155001	4160000	4,158,245	1.17
1	4505001	4510000	4,507,000	1.27
1	4995001	5000000	5,000,000	1.41
1	5975001	5980000	5,976,000	1.69
1	6330001	6335000	6,332,957	1.79
1	7420001	7425000	7,420,500	2.10
1	8475001	8480000	8,479,500	2.39
1	11975001	11980000	11,978,500	3.38
1	29995001	30000000	30,000,000	8.47
1	180585001	180590000	180,585,155	51.00
<b>3,001</b>			<b>354,088,500</b>	<b>100.00</b>

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### Categories of Shareholders as at June 30, 2015

Sr. #	Categories	Shares Held	Percentage
1	Directors, Chief Executive Officer, and their spouse and Minor Children	3,502	0.001
2	Associates Companies, Undertakings and related parties	210,632,95	59.486
3	NIT and ICP	Nil	Nil
4	Bank Development Financial Institutions, Non Banking Financial Institutions	61,597,000	17.3959
5	Insurance Companies	8,734,988	2.4669
6	Modarabas and Mutual Funds	5,470,130	1.5448
7	Shareholders holding 10% or more	180,632,955	51.0135
8	General Public		
	a. Local	82,348,441	23.2565
	b. Foreign	Nil	Nil
9	Others	15,301,484	4.3214

## INFORMATION UNDER CLAUSE (J)

OF SUB-REGULATION (XVI) OF REGULATION 35 OF CHAPTER (XI)

OF LISTING REGULATIONS OF THE STOCK EXCHANGE(S) AS AT JUNE 30, 2015

I	Categories of Shareholders	Shares Held	Percentage
	<b>Associated Companies, Undertaking and Related Parties</b>		
	Nishat Mills Limited	180,632,955	51.0135
II	<b>Mutual Funds</b>		
	CDC - TRUSTEE KASB ASSET ALLOCATION FUND	242,500	0.0685
	CDC - TRUSTEE ALFALAH GHP STOCK FUND	482,500	0.1363
	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	298,000	0.0842
	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	51,000	0.0144
	CDC - TRUSTEE CROSBY DRAGON FUND	155,000	0.0438
	CDC - TRUSTEE FIRST HABIB STOCK FUND	40,000	0.0113
	CDC - TRUSTEE AKD INDEX TRACKER FUND	34,130	0.0096
	CDC - TRUSTEE PICIC ENERGY FUND	2,100,500	0.5932
	CDC - TRUSTEE ALFALAH GHP VALUE FUND	148,500	0.0419
	EVLI EMERGING FRONTIER FUND [000911900247]	1,918,000	0.5417
		5,470,130	1.5448
III	<b>Directors and their spouses and Minor Children</b>		
	MIAN HASSAN MANSHA	1	0
	MR. KHALID QADEER QURESHI	1	0
	MR. SHAHZAD AHMAD MALIK	500	0.0001
	MR. SAEED AHMAD ALVI	1,000	0.0003
	MR. MAHMOOD AKHTAR	1,000	0.0003
	MR. AHMAD AQEEL	500	0.0001
	MR. ASAD FAROOQ	500	0.0001
		3,502	0.001
IV	<b>Executives</b>	Nil	Nil
V	<b>Public Sector Companies and Corporations</b>		
	Joint Stock Companies	11,598,484	3.2756
VI	<b>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds</b>		
	Banks, DFIs and NBFIs	61,597,000	17.3959
	Insurance Companies	8,734,988	2.4669
	Pension Funds/ Providend Funds etc.	1,513,000	0.4273
	Trusts	197,500	0.0558
		72,042,488	20.3459
VII	<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	59.486

## **INFORMATION UNDER CLAUSE ( L )**

OF SUB-REGULATION (XVI) OF REGULATION 35 OF CHAPTER (XI)  
OF LISTING REGULATIONS OF THE STOCK EXCHANGE(S) AS AT JUNE 30, 2015

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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 period July 01, 2014 to June 30, 2015.

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 THE CODE OF CORPORATE GOVERNANCE (CCG) [See Clause (XL)]  
FOR THE YEAR ENDED JUNE 30, 2015

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This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director	Mr. Ahmad Aqeel
Executive Directors	Mian Hassan Mansha Mr. Mahmood Akhtar
Non-Executive Directors	Mr. Asad Farooq Mr. Khalid Qadeer Qureshi Mr. Saeed Ahmad Alvi Mr. Shahzad Ahmad Malik

The independent director meets the criteria of independence under clause i(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on the Board of more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. The directors have confirmed that they are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs and not a member of a stock exchange and none of them has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. 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.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

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8. 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 and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
  9. The board arranged followings for its directors during the year.  
  
Orientation Course: -  
  
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.  
  
Directors' Training Program: -
    - (i) One (1) Director of the Company is exempt due to 14 years of education and 15 years of experience on the board of a listed company.
    - (ii) Four directors Mr. Ahmad Aqeel, Mr. Saeed Ahmad Alvi, Mr. Mahmood Akhtar and Mr. Shahzad Ahmad Malik have completed the directors training program.
  10. No new appointments of Chief Financial Officer, Company Secretary and Head of Internal Audit, has been approved by the Board. The remuneration of CFO was revised during the year after due approval of the Board.
  11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
  12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
  13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
  14. The company has complied with all the corporate and financial reporting requirements of the CCG.
  15. The board has formed an Audit Committee. It comprises of 3 members, of whom 2 are non-executive directors and one is independent director.
  16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
  17. The board has formed an Human Resource and Remuneration Committee. It comprises of 3 members, of whom 2 are non-executive directors and the chairman of the committee is a Non-Executive director.

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18. 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.
  19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Instituted of Chartered Accountants (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
  20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
  21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
  22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
  23. We confirm that all other material principles enshrined in the CCG have been complied with.

Lahore  
Dated: September 14, 2015



**(MIAN HASSAN MANSHA)**  
**CHIEF EXECUTIVE OFFICER**

NIC Number: 35202-1479111-5

## REVIEW REPORT TO THE MEMBERS

### ON STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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We have reviewed the annexed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the 'Code') prepared by the Board of Directors of Nishat Power Limited (the 'company') for the year ended June 30, 2015 to comply with the requirements of the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges, where the company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As part of our audit of 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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 best practices contained in the Code as applicable to the company for the year ended June 30, 2015.



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

**Lahore:** September 14, 2015

**Engagement Partner:** Amer Raza Mir



NISHAT POWER LIMITED

## AUDITORS' REPORT TO THE MEMBERS

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We have audited the annexed balance sheet of Nishat Power Limited (the 'company') as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2015 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended;
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance; and

We draw attention to note 17.2 to the annexed financial statements, which describes the matter regarding recoverability of certain trade debts. Our opinion is not qualified in respect of this matter.

Lahore: September 14, 2015

Engagement Partner: Amer Raza Mir



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

## BALANCE SHEET

### AS AT JUNE 30, 2015

	Note	2015 (Rupees in thousand)	2014
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 500,000,000 (2014: 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 (2014: 354,088,500) ordinary shares of Rs 10 each	5	3,540,885	3,540,885
Revenue reserve: Un-appropriated profit	6	8,072,183	6,814,438
		11,613,068	10,355,323
<b>NON-CURRENT LIABILITY</b>			
Long term financing - secured	7	8,376,351	9,682,778
<b>CURRENT LIABILITIES</b>			
Current portion of long term financing - secured	7	1,306,427	1,123,854
Short term borrowings - secured	8	932,163	3,042,030
Trade and other payables	9	531,198	1,917,757
Accrued finance cost	10	270,493	400,826
		3,040,281	6,484,467
<b>CONTINGENCIES AND COMMITMENTS</b>			
	11	23,029,700	26,522,568

The annexed notes 1 to 37 form an integral part of these financial statements.

	Note	2015 (Rupees in thousand)	2014
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	12,318,559	13,259,224
Long term investment	13	1,299	-
Long term loans and advances	14	1,264	-
		<u>12,321,122</u>	<u>13,259,224</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	15	605,756	528,731
Inventories	16	1,268,908	968,978
Trade debts	17	8,049,605	10,348,174
Advances, deposits, prepayments and other receivables	18	671,874	349,638
Income tax receivable		8,954	28,397
Cash and bank balances	19	103,481	1,039,426
		<u>10,708,578</u>	<u>13,263,344</u>
		<u>23,029,700</u>	<u>26,522,568</u>

  
CHIEF EXECUTIVE

  
DIRECTOR

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in thousand)	2014
Sales	20	22,313,634	27,479,286
Cost of sales	21	(17,622,108)	(22,822,609)
<b>Gross profit</b>		4,691,526	4,656,677
Administrative expenses	22	(177,942)	(124,080)
Other expenses	23	-	(33,514)
Other income	24	33,920	29,932
Finance cost	25	(1,429,594)	(1,611,685)
Share of loss of associate	13	(1,201)	-
<b>Profit before taxation</b>		3,116,709	2,917,330
Taxation	26	-	-
<b>Profit for the year</b>		3,116,709	2,917,330
Earnings per share - basic and diluted (in Rupees)	27	8.802	8.239

The annexed notes 1 to 37 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in thousand)	2014
Profit for the year	3,116,709	2,917,330
<b>Other comprehensive income:</b>		
Items that may be reclassified subsequently to profit or loss	-	-
Items that will not be reclassified subsequently to profit or loss	-	-
<b>Total comprehensive income for the year</b>	<b>3,116,709</b>	<b>2,917,330</b>

The annexed notes 1 to 37 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

	Share capital	Revenue reserve: Un-appropriated profit (Rupees in thousand)	Total
<b>Balance as on July 01, 2013</b>	3,540,885	5,667,550	9,208,435
Profit for the year	-	2,917,330	2,917,330
Other comprehensive income for the year	-	-	-
<b>Total comprehensive income for the year</b>	-	2,917,330	2,917,330
Dividend to equity holders of the company:			
Final dividend for the year ended June 30, 2013 @ Rupee 2 per share	-	(708,177)	(708,177)
Interim dividend for the first quarter ended September 30, 2013 @ Rupee 1 per share	-	(354,088)	(354,088)
Interim dividend for the half year ended December 31, 2013 @ Rupee 1 per share	-	(354,088)	(354,088)
Interim dividend for the third quarter ended March 31, 2014 @ Rupee 1 per share	-	(354,089)	(354,089)
<b>Total contributions by and distributions to owners of the company recognised directly in equity</b>	-	(1,770,442)	(1,770,442)
<b>Balance as on June 30, 2014</b>	3,540,885	6,814,438	10,355,323
Profit for the year	-	3,116,709	3,116,709
Other comprehensive income for the year	-	-	-
<b>Total comprehensive income for the year</b>	-	3,116,709	3,116,709
Dividend to equity holders of the company:			
Final dividend for the year ended June 30, 2014 @ Rupees 1 per share	-	(354,088)	(354,088)
Interim dividend for the first quarter ended September 30, 2014 @ Rupee 1 per share	-	(354,088)	(354,088)
Interim dividend for the half year ended December 31, 2014 @ Rupee 1.75 per share	-	(619,655)	(619,655)
Interim dividend for the third quarter ended March 31, 2015 @ Rupee 1.5 per share	-	(531,133)	(531,133)
<b>Total contributions by and distributions to owners of the company recognised directly in equity</b>	-	(1,858,964)	(1,858,964)
<b>Balance as on June 30, 2015</b>	3,540,885	8,072,183	11,613,068

The annexed notes 1 to 37 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in thousand)	2014
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	6,058,704	947,259
Finance cost paid		(1,559,927)	(1,689,927)
Income tax refunded/(paid)		19,565	(3,779)
Long term loans and advances - net		(1,264)	-
Retirement benefits paid		(6,732)	(3,367)
<b>Net cash inflow / (outflow) from operating activities</b>		<b>4,510,346</b>	<b>(749,814)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(73,863)	(346,927)
Proceeds from disposal of operating fixed assets		616	17,927
Long term investment purchased		(2,500)	-
Profit on bank deposits received		11,880	25,218
<b>Net cash outflow from investing activities</b>		<b>(63,867)</b>	<b>(303,782)</b>
<b>Cash flows from financing activities</b>			
Repayment of long term financing		(1,123,854)	(966,796)
Dividend paid		(2,148,703)	(1,471,101)
<b>Net cash outflow from financing activities</b>		<b>(3,272,557)</b>	<b>(2,437,897)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,173,922</b>	<b>(3,491,493)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(2,002,604)</b>	<b>1,488,889</b>
<b>Cash and cash equivalents at the end of the year</b>	29	<b>(828,682)</b>	<b>(2,002,604)</b>

The annexed notes 1 to 37 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2015

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### 1. THE COMPANY AND ITS ACTIVITIES

Nishat Power Limited (the 'company') is a public limited company incorporated in Pakistan. The company is a subsidiary of Nishat Mills Limited. The company's ordinary shares are listed on the Karachi Stock Exchange Limited and Lahore 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 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.

### 2. BASIS OF PREPARATION

**2.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan ('SECP') differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

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

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

##### **2.2.1 Standards, amendments and interpretations to approved accounting standards that are effective in current year**

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 1, 2014, 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 financial statements.

##### **2.2.2 Exemption from applicability of certain interpretations to standards**

SECP through SRO 24(I)/2012 dated January 16, 2012, has exempted the application of International Financial Reporting Interpretations Committee (IFRIC) 4 'Determining whether an Arrangement contains a Lease' to all companies. However, the SECP made it mandatory to disclose the impact of the application of IFRIC 4 on the results of the companies. This interpretation provides guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for as a lease in accordance with IAS 17, 'Leases'.

Consequently, the company is not required to account for a portion of its PPA with NTDC as a lease under IAS - 17. If the company were to follow IFRIC - 4 and IAS - 17, the effect on the financial statements would be as follows:

	2015 (Rupees in thousand)	2014
De-recognition of property, plant and equipment	(12,176,596)	(13,168,838)
Recognition of lease debtor	12,683,125	13,645,903
Increase in un-appropriated profit at the beginning of the year	477,065	831,801
Increase / (decrease) in profit for the year	29,464	(354,736)
Increase in un-appropriated profit at the end of the year	506,529	477,065

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

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the company's accounting periods beginning on or after July 1, 2015 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 financial statements.

## 3. BASIS OF MEASUREMENT

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

3.2 The company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment and estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates which have been explained as follows:

### a) Provision for taxation

The company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its views on items of material nature is in accordance with the law, the amounts are shown as contingent liabilities.

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## b) Useful lives and residual values of property, plant and equipment

The company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Taxation

#### 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 profit and loss account 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 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 balance sheet date. Deferred tax is charged or credited in the profit and loss account, 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 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.

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## **4.2 Property, plant and equipment**

### **4.2.1 Operating fixed assets**

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss.

Depreciation on operating fixed assets is charged to profit and loss account 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 12.1 after taking into account their residual values.

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, 2015 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 4.3).

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 profit and loss account 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 Impairment of non-financial assets**

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready to use - are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 to sell and value in use. For the purposes of assessing

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impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **4.4 Leases**

The company is the lessee:

##### **4.4.1 Operating leases**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight line basis over the lease term.

#### **4.5 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 balance sheet date while items considered obsolete are carried at nil value.

#### **4.6 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 signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving inventories based on management's estimate.

#### **4.7 Investments**

Investments intended to be held for less than twelve months from the balance sheet 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.

##### **4.7.1 Investment in equity instruments of associates**

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 profit and loss account, 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

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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 balance sheet 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 profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

## **4.8 Financial assets**

### **4.8.1 Classification**

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

#### **a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise, they are classified as non-current.

#### **b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

#### **c) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

#### **d) Held to maturity**

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortised cost.

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#### 4.8.2 Recognition and measurement

All financial assets are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date – the date on which the company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the company’s right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the company’s right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the company measures the investments at cost less impairment in value, if any.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.11.

#### 4.9 Financial liabilities

All financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or 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 the profit and loss account.

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#### **4.10 Offsetting of financial assets and financial liabilities**

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

#### **4.11 Trade debts and other receivables**

Trade debts and other receivables are recognised initially at invoice value, which approximates fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade debts and other receivables 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognised in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

#### **4.12 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.

#### **4.13 Employees' retirement benefits - Defined contribution plan**

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. Retirement benefits are payable to staff on completion of prescribed qualifying period of service under the scheme.

#### **4.14 Trade and other payables**

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

#### **4.15 Provisions**

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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#### **4.16 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown in current liabilities on the balance sheet.

#### **4.17 Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance cost to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

#### **4.18 Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of the asset up to the date of commissioning of the related asset.

#### **4.19 Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

Revenue on account of energy is recognised on transmission of electricity to NTDC, whereas on account of capacity is recognised when due. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

#### **4.20 Foreign currency transactions and translation**

##### **a) Functional and presentation currency**

Items included in the 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 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 profit and loss account.

### 4.21 Dividend

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

## 5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

This represents 354,088,500 (2014: 354,088,500) ordinary shares of Rs 10 each fully paid in cash. 180,632,955 (2014: 180,632,955) ordinary shares of the company are held by Nishat Mills Limited, the holding company.

6. In accordance with the terms of agreement with the lenders of long term finances, there are certain restrictions on the distribution of dividends by the company.

2015  
2014  
(Rupees in thousand)

## 7. LONG TERM FINANCING - SECURED

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

### Lender

National Bank of Pakistan	1,680,468	1,875,515
Habib Bank Limited	2,240,826	2,500,913
Allied Bank Limited	2,240,826	2,500,913
United Bank Limited	2,200,895	2,456,347
Faysal Bank Limited	1,319,763	1,472,944
	9,682,778	10,806,632
Less: Current portion shown under current liabilities	1,306,427	1,123,854
	8,376,351	9,682,778

- 7.1 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 is on murabaha basis. The overall financing is secured against registered first joint parri 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), lien over project bank accounts and pledge of shares held by the holding company in Nishat Power Limited. It carries 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 10.99% to 13.18% (2014: 12.08% to 13.18%) per annum. The finance is repayable in twenty one quarterly installments ending on July 01, 2020.

		2015	2014
		(Rupees in thousand)	
<b>8.</b>	<b>SHORT TERM BORROWINGS - SECURED</b>		
	Short term borrowings under mark-up arrangements obtained as under:		
	Running finances - note 8.1	901,445	210,027
	Term finances - note 8.2	30,718	2,832,003
		932,163	3,042,029
<b>8.1</b>	<b>Running finances</b>		

Running finance and running musharka facilities available from various commercial banks under mark-up arrangements amount to Rs 4,701.52 million (2014: Rs 4,217.88 million) at mark-up rates ranging from one month to three months KIBOR plus 0.50% 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 purchase price receivables. The mark-up rate charged during the year on the outstanding balance ranges from 7.28% to 12.18% (2014: 9.78% to 12.18%) per annum.

#### **8.2 Term finances**

This represents murabaha and term finance facilities aggregating Rs 3,450 million (2014: Rs 4,250 million) under mark-up arrangements from commercial banks at mark-up rates of three months KIBOR plus 0.5% to 1.5% per annum, to finance the procurement of multiple oils from the fuel suppliers. Mark-up is 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 and assignment of energy payment receivables from NTDC. The mark-up rate charged during the year on the outstanding balance ranges from 7.28% to 11.04% (2014: 10.06% to 11.61%) per annum.

#### **8.3 Letters of credit and guarantees**

Of the aggregate facilities of Rs 750 million (2014: Rs 750 million) for opening letters of credit and guarantees, the amount utilised at June 30, 2015 was Rs 658.24 million (2014: Rs 279.52 million). The aggregate facilities for opening letters of credit and guarantees are secured by charge on present and future current assets including fuel stocks/inventory of the company and by lien over import documents.

		2015	2014
		(Rupees in thousand)	
<b>9.</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Creditors - note 9.1	250,960	1,238,271
	Payable to contractors	106,896	194,795
	Retention money	-	152
	Unclaimed dividend	13,408	303,147
	Workers' profit participation fund - note 9.2	155,835	145,866
	Withholding tax payable	147	22,818
	Other accrued liabilities - note 9.4	3,952	12,708
		531,198	1,917,757
<b>9.1</b>	Includes the following amounts due to related parties (associated companies):		
	Nishat (Aziz Avenue) Hotels and Properties Limited	3,115	3,115
	Security General Insurance Company Limited	3	-
		3,118	3,115
<b>9.2</b>	<b>Workers' Profit Participation Fund</b>		
	Opening balance	145,866	135,115
	Provision for the year - note 18.3	155,835	145,866
	Interest for the year - note 25	7	56
		301,708	281,037
	Less: Payments made during the year	145,873	135,171
	Closing balance	155,835	145,866
<b>9.3</b>	Workers' Welfare Fund has not been provided for in the financial statements on the advice of the company's legal consultant.		
<b>9.4</b>	Includes an amount of Nil (2014: Rs 0.667 million) payable to the employees' provident fund.		
		2015	2014
		(Rupees in thousand)	
<b>10.</b>	<b>ACCRUED FINANCE COST</b>		
	Accrued mark-up / interest on:		
	Long term financing - secured	265,305	355,103
	Short term borrowings - secured	5,188	45,723
		270,493	400,826

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## 11. CONTINGENCIES AND COMMITMENTS

### 11.1 Contingencies

- (i) National Electric Power Regulatory Authority ('NEPRA') issued an order dated 8th February, 2013 through which it raised a demand of Rs 290.423 million payable by the company to NTDC for the period up to June 30, 2011 in respect of Calorific Value ('CV') adjustment on fuel consumed for power generation as per the terms of the PPA and various CV adjustment mechanisms prescribed by NEPRA. The first such CV adjustment mechanism was announced by NEPRA in March 2009 and as per this mechanism, the company has already made a provision of Rs 20.332 million in its financial statements for the above CV adjustment. In July 2011, NEPRA revised its CV adjustment mechanism and directed all Independent Power Producers ('IPPs') to maintain consignment-wise CV record of the fuel received and consumed for power generation. Consequently, the company started maintaining such CV record after such direction was received from NEPRA.

NEPRA directed the company to submit consignment-wise record of CV for the period up to June 30, 2011. The company disputed such direction as it was not required to maintain consignment-wise record prior to July 2011. However, NEPRA computed retrospectively and determined Rs 290.423 million payable by the company to NTDC for the period up to June 30, 2011 in respect of CV adjustment on the basis of the mechanism directed by it in July 2011. The company filed a Motion for Leave for Review before NEPRA requesting it to reconsider its decision, which was decided against the company. Consequently, the company filed a writ petition before the Islamabad High Court against NEPRA's decision on the grounds that change in CV adjustment mechanism in July 2011 cannot be applied retrospectively and credible information is also not available from any source upon which CV adjustment computations can be made. The case is pending adjudication before Islamabad High Court.

Based on the advice of the company's legal counsel, management feels that there are meritorious grounds to support the company's stance and the aforesaid NEPRA's decision is likely to be revoked. Under these circumstances, no provision of the balance amount of Rs 270.092 million has been made in these financial statements.

- (ii) During the previous year, a sales tax demand of Rs 1,218.132 million was raised against the company through order dated December 11, 2013 by the Assistant Commissioner Inland Revenue ('ACIR') by disallowing input sales tax for the tax periods from July 2010 to June 2012. Such amount was disallowed on the grounds that the revenue derived by the company on account of 'capacity purchase price' was against a non-taxable supply and thus, the entire amount of input sales tax claimed by the company was required to be apportioned with only the input sales tax attributable to other revenue stream i.e. 'energy purchase price' admissible to the company. Against the aforesaid order, the company preferred an appeal before the Commissioner Inland Revenue (Appeals) ('CIR(A)') who vacated the ACIR's order on the issue regarding apportionment of input sales tax. However, the CIR(A) did not adjudicate upon the company's other grounds of appeal. Consequently, the company preferred an appeal before the Appellate Tribunal Inland Revenue ('ATIR') on the issues not adjudicated upon by the CIR(A) and the Department also preferred a second appeal before the ATIR against the CIR(A)'s order, which are both pending adjudication.

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Furthermore, during the current year, the Deputy Commissioner Inland Revenue ('DCIR') has issued a show cause notice dated August 19, 2014 whereby intentions have been shown to raise a sales tax demand of Rs 1,722.811 million by disallowing input sales tax claimed by the company for the tax periods from July 2009 to June 2013 on the above mentioned grounds of the ACIR. Aggrieved by this show cause notice, the company filed a writ petition before the Lahore High Court ('LHC'), whereby the LHC through its latest order dated July 23, 2015 has provided interim relief to the company to the extent that no final order shall be passed by the DCIR until the next hearing.

Based on the advice of the company's legal counsel, management believes that there are meritorious grounds to defend the company's stance in respect of the above mentioned input sales tax claimed by the company. Consequently, no provision has been made in these financial statements.

- (iii) The banks have issued the following on behalf of the company:
  - (a) Irrevocable standby letter of credit in favour of Wartsila Pakistan (Private) Limited for Rs 45 million (2014: Rs 45 million) as required under the terms of the Operation and Maintenance Agreement.
  - (b) Letter of guarantee of Rs 5.5 million (2014: Rs 3.5 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.
  - (c) Irrevocable standby letter of credit in favour of a fuel supplier for Nil (2014: Rs 781.358 million).
  - (d) Letter of guarantee of Rs 350 million (2014: Nil) in favor of a fuel supplier.
  - (iv) A post dated cheque has been furnished by the company in favour of the Collector of Customs to cover import levies against imports aggregating to Nil (2014: 8.220 million).

## **11.2 Commitments**

- (i) Letters of credit and contracts for capital expenditure aggregating Rs 78.998 million (2014: Nil).
- (ii) Letters of credit and contracts other than for capital expenditure aggregating Rs 178.745 million (2014: Rs 279.517 million).

- (iii) The amount of future payments under operating lease and the period in which these payments will become due are as follows:

	2015 (Rupees in thousand)	2014
Not later than one year	15,577	15,577
Later than one year and not later than five years	77,640	71,718
	93,217	87,295

- (iv) The company has extended the agreement with Wartsila Pakistan (Private) Limited for the operations and maintenance ('O&M') of the power station, effective from November 01, 2014, until the earlier of December 31, 2015 or the last day of the month in which running hours of the first Generator Set reach 42,500 hours. Under the terms of the O&M agreement, the company is required to pay a monthly fixed O&M fee and a variable O&M fee depending on the net electrical output, both of which are adjustable according to the Consumer Price Index.

2015  
(Rupees in thousand)                      2014

## 12. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	- note 12.1	12,292,319	13,239,574
Capital work-in-progress	- note 12.2	5,227	-
Major spare parts and standby equipment	- note 12.3	21,013	19,650
		12,318,559	13,259,224

## 12.1 Operating fixed assets

	Freehold land	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, 2013	80,686	192,071	16,702,652	40,909	661	2,273	6,293	34,077	19,433	17,079,055
Additions during the year	-	-	490,791	-	-	691	365	427	4,796	497,070
Disposal during the year	-	-	(264,099)	-	-	(77)	-	-	(4,504)	(268,680)
Balance as at June 30, 2014	80,686	192,071	16,929,344	40,909	661	2,887	6,658	34,504	19,725	17,307,445
Balance as at July 01, 2014	80,686	192,071	16,929,344	40,909	661	2,887	6,658	34,504	19,725	17,307,445
Additions during the year	-	-	6,755	-	-	19,840	1,887	594	38,197	67,273
Disposal during the year	-	-	(5,532)	-	-	(266)	-	-	(950)	(6,748)
Balance as at June 30, 2015	80,686	192,071	16,930,567	40,909	661	22,461	8,545	35,098	56,972	17,367,970
<b>DEPRECIATION AND IMPAIRMENT</b>										
Balance as at July 01, 2013	-	22,976	3,188,841	8,695	198	1,799	1,637	7,082	6,607	3,237,835
Depreciation charge for the year	-	7,894	1,051,326	4,096	54	466	540	3,093	3,901	1,071,370
Disposal during the year	-	-	(237,774)	-	-	(77)	-	-	(3,483)	(241,334)
Balance as at June 30, 2014	-	30,870	4,002,393	12,791	252	2,188	2,177	10,175	7,025	4,067,871
Balance as at July 01, 2014	-	30,870	4,002,393	12,791	252	2,188	2,177	10,175	7,025	4,067,871
Depreciation charge for the year	-	7,707	991,290	4,091	66	1,079	777	3,463	5,464	1,013,937
Disposal during the year	-	-	(5,532)	-	-	(134)	-	-	(491)	(6,157)
Balance as at June 30, 2015	-	38,577	4,988,151	16,882	318	3,133	2,954	13,638	11,998	5,075,651
<b>Book value as at June 30, 2014</b>	80,686	161,201	12,926,951	28,118	409	699	4,481	24,329	12,700	13,239,574
<b>Book value as at June 30, 2015</b>	80,686	153,494	11,942,416	24,027	343	19,328	5,591	21,460	44,974	12,292,319
<b>Annual depreciation rate %</b>	-	4 to 4.3	4 to 31.07	10	10	33	10	10	20	

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

**2015**                      **2014**  
(Rupees in thousand)

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

Cost of sales	- note 21	1,002,263	1,062,371
Administrative expenses	- note 22	11,674	8,999
		<b>1,013,937</b>	<b>1,071,370</b>

### 12.1.3 Disposal of operating fixed assets

Particulars	2015 (Rupees in thousand)				Mode of disposal
	Cost	Accumulated depreciation	Book value	Sale proceeds	
<b>Plant and machinery</b> Assets written off	5,532	5,532	-	-	Write off
<b>Vehicles sold to: Outside party</b> Muhammad Iqbal	950	491	459	458	Bid
<b>Computer equipment sold to: Company employee</b> Muhammad Waseem	50	50	-	-	As per company policy
<b>Related party</b> Lalpir Power Limited - related party (associated company)	85	11	74	74	As per company policy
<b>Theft</b>	131	73	58	84	Insurance claim
	<u>6,748</u>	<u>6,157</u>	<u>591</u>	<u>616</u>	
Particulars	2014 (Rupees in thousand)				Mode of disposal
	Cost	Accumulated depreciation	Book value	Sale proceeds	
<b>Plant and machinery</b> Assets written off	214,392	214,392	-	-	Write off
Security General Insurance Company Limited - related party	30,446	11,164	19,282	9,492	Insurance claim
Wartsila Pakistan (Private) Limited	19,261	12,218	7,042	7,414	Premature failure parts claim
<b>Vehicles sold to: Company employees</b> Tanvir Khalid	1,330	1,186	144	144	As per company policy
Imran Ullah Wazir	1,374	1,151	223	223	-do-
Mahmood Akhtar (Director)	1,800	1,146	654	654	-do-
<b>Computer equipment sold to: Company employee</b> Tanvir Khalid	77	77	-	-	As per company policy
	<u>268,680</u>	<u>241,334</u>	<u>27,346</u>	<u>17,927</u>	

		2015	2014
		(Rupees in thousand)	
<b>12.2</b>	<b>Capital work-in-progress</b>		
	This represents advances to suppliers.		
	The reconciliation of the carrying amount is as follows:		
	Opening balance	-	149,632
	Additions during the year	5,227	32,470
		5,227	182,102
	Transfers during the year	-	(182,102)
	Closing balance	5,227	-
<b>12.3</b>	<b>Major spare parts and standby equipment</b>		
	Opening balance	19,650	20,160
	Additions during the year	4,206	8,256
		23,856	28,416
	Transfers during the year	(2,843)	(8,766)
	Closing balance	21,013	19,650
<b>13.</b>	<b>LONG TERM INVESTMENT</b>		
	<b>Related party - Associate</b>		
	<b>Unquoted:</b>		
	<b>Nishat Energy Limited</b>		
	250,000 (2014: Nil) fully paid ordinary shares of Rs 10 each [Equity held 25% (2014 : Nil)] - Cost	2,500	-
	Add: Share of loss for the period	(1,201)	-
		1,299	-

The company directly holds 25% ordinary shares in Nishat Energy Limited ('NEL'). NEL is an unquoted public limited company incorporated in Pakistan to build, own, operate and maintain a coal fired power station. The investment in NEL is accounted for using equity method. Share of loss of associate is based on the un-audited financial statements of NEL for the period ended June 30, 2015.

**13.1** The company's share of the result of its associate, and its share of the assets, liabilities and revenue is as follows:

Name	Percentage interest held	(Rupees in thousand)			
		Assets	Liabilities	Revenues	Profit/(loss)
Nishat Energy Limited	25%	1,304	6	-	(1,201)

		2015	2014
		(Rupees in thousand)	
<b>14.</b>	<b>LONG TERM LOANS AND ADVANCES</b>		
	Loans to employees - considered good		
	- Executives	1,277	-
	- Others	330	-
	- note 14.1	1,606	-
	Current portion shown under current assets		
	- Executives	(271)	-
	- Others	(71)	-
	- note 18	(342)	-
		1,264	-

**14.1** This represents interest free motor vehicle loans given to employees, receivable in maximum 60 monthly instalments in accordance with the company's policy. Such 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.

		2015	2014
		(Rupees in thousand)	
<b>14.2</b>	<b>Reconciliation of carrying amount of loans to executives</b>		
	Opening balance	-	-
	Disbursements made during the year	1,354	-
		1,354	-
	Repayments made during the year	(78)	-
	Closing balance	1,276	-

**14.3** The maximum aggregate amount due from executives at the end of any month during the year was Rs 1.341 million (2014: Nil).

		2015	2014
		(Rupees in thousand)	
<b>15.</b>	<b>STORES, SPARES AND LOOSE TOOLS</b>		
	Stores	7,620	7,408
	Spares [including in transit Rs 21.372 million (2014: Rs 2.124 million)]	594,077	513,740
	Loose tools	4,059	7,583
		605,756	528,731

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

		2015	2014
		(Rupees in thousand)	
<b>16.</b>	<b>INVENTORIES</b>		
	Furnace oil	1,248,649	952,823
	Diesel	1,880	3,696
	Lubricating oil	18,379	12,459
		1,268,908	968,978

**17. TRADE DEBTS**

**17.1** 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 11.24% to 14.71% (2014: 13.51% to 14.69%) per annum.

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

Since management considers that the primary reason for claiming these payments is that plant was available, however, could not generate electricity due to non-payment by NTDC, therefore, management believes that company cannot be penalized in the form of payment deductions due to NTDC's default of making timely payments under the PPA. Hence, the company had taken up this issue at appropriate forums. On June 28, 2013, the company entered into a Memorandum of Understanding ('MoU') for cooperation on extension of credit terms with NTDC whereby it was agreed that the constitutional petition filed by the company before the Supreme Court of Pakistan on the abovementioned issue would be withdrawn unconditionally and it would be resolved through the dispute resolution mechanism under the PPA. Accordingly, as per terms of the MoU, the company applied for withdrawal of the aforesaid petition which is pending adjudication before Supreme Court of Pakistan. During the previous year, the company in consultation with NTDC, appointed an Expert for dispute resolution under the PPA.

Subsequent to the year end, in August 2015, the Expert has given his determination whereby the aforesaid amount has been determined to be payable to the company by NTDC. Pursuant to the Expert's determination, the company has demanded the payment of the aforesaid amount of Rs 816.033 million from NTDC.

Based on the advice of the company's legal counsel and Expert's determination, management feels that 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.

		2015	2014
		(Rupees in thousand)	
<b>18.</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Advances - considered good:		
	- To employees - note 18.1	1,330	1,869
	- To suppliers - note 18.2	1,286	46,627
	Current portion of long term loans - note 14	342	-
	Balances with statutory authorities:		
	- Customs duty recoverable	-	16
	- Sales tax	210,961	3,914
	Claims recoverable from NTDC for pass through items:		
	- Workers' Profit Participation Fund - note 18.3	436,816	280,982
	Interest receivable	11,535	2,688
	Security deposits	175	3,675
	Prepayments	464	467
	Other receivables - note 18.4	8,965	9,400
		671,874	349,638

**18.1** Included in advances to employees are amounts due from executives aggregating Rs 0.700 million (2014: Rs 0.832 million).

**18.2** Includes an amount of Nil (2014: Rs 0.066 million) due from Security General Insurance Company Limited, a related party (associated company). It is in the normal course of business and is interest free.

		2015	2014
		(Rupees in thousand)	
<b>18.3</b>	<b>Workers' Profit Participation Fund</b>		
	Opening balance	280,981	135,115
	Accrued for the year - note 9.2	155,835	145,866
		436,816	280,981
	Less: Amount received during the year	-	-
	Closing balance	436,816	280,981

Under section 9.3(a) of the PPA with NTDC, payments to Workers' Profit Participation Fund are recoverable from NTDC as a pass through item.

- 18.4** Includes amounts due from the following related parties. These are in the normal course of business and are interest free:

	<b>2015</b>	<b>2014</b>
	<b>(Rupees in thousand)</b>	
Security General Insurance Company Limited (associated company)	8,340	8,340
Nishat Energy Limited (associated company)	-	335
	8,340	8,675
<b>19. CASH AND BANK BALANCES</b>		
Cash at bank:		
- On saving accounts - note 19.1	102,333	872,667
- On current accounts	886	166,742
	103,219	1,039,409
Cash in hand	262	17
	103,481	1,039,426

- 19.1** Profit on balances in saving accounts ranges from 3.62% to 8.50% (2014: 4.77% to 8.15%) per annum.

	<b>2015</b>	<b>2014</b>
	<b>(Rupees in thousand)</b>	
<b>20. SALES</b>		
Energy purchase price	20,768,762	26,914,694
Less: Sales tax	2,965,515	3,885,463
	17,803,247	23,029,231
Capacity purchase price	4,510,387	4,450,055
	22,313,634	27,479,286

		2015	2014
		(Rupees in thousand)	
<b>21.</b>	<b>COST OF SALES</b>		
	Raw materials consumed	15,602,217	20,750,027
	Salaries and other benefits - note 21.1	39,589	32,990
	Operation and maintenance	233,242	407,658
	Stores, spares and loose tools consumed	569,312	384,959
	Electricity consumed in-house	1,216	556
	Insurance - note 21.2	163,271	168,737
	Travelling and conveyance	503	2,602
	Printing and stationery	514	463
	Postage and telephone	462	278
	Vehicle running expenses	2,036	2,804
	Entertainment	571	344
	Depreciation on operating fixed assets - note 12.1.2	1,002,263	1,062,371
	Fee and subscription	3,574	5,206
	Miscellaneous	3,338	3,614
		17,622,108	22,822,609

**21.1** Salaries and other benefits include Rs 2.372 million (2014: Rs 1.813 million) in respect of provident fund contribution by the company.

**21.2** This represents amount charged by Security General Insurance Company Limited, a related party (associated company), in respect of insurance of the company's assets.

		2015	2014
		(Rupees in thousand)	
<b>22.</b>	<b>ADMINISTRATIVE EXPENSES</b>		
	Salaries and other benefits - note 22.1	78,743	49,515
	Travelling and conveyance - note 22.2	47,584	23,313
	Entertainment	762	588
	Rent, rates and taxes - note 22.3	12,561	12,734
	Printing and stationery	1,026	894
	Postage and telephone	1,500	1,290
	Vehicle running expenses	3,807	2,853
	Legal and professional charges - note 22.4	10,445	17,388
	Advertisement	2,164	212
	Fee and subscription	1,582	2,188
	Depreciation on operating fixed assets - note 12.1.2	11,674	8,999
	Miscellaneous	6,094	4,106
		177,942	124,080

**22.1** Salaries and other benefits include Rs 3.684 million (2014: Rs 2.231 million) in respect of provident fund contribution by the company.

**22.2** Includes Rs 42.893 million (2014: Rs 19.428 million) in respect of aviation services from Pakistan Aviators and Aviation Limited, a related party (associated company).

**22.3** Includes rent expense of Rs 12.461 million (2014: Rs 12.461 million) charged by a related party (associated company), Nishat (Aziz Avenue) Hotels and Properties Limited for lease of property to the company.

**22.4** Legal and professional charges include the following in respect of auditor's services for:

	<b>2015</b>	<b>2014</b>
	<b>(Rupees in thousand)</b>	
Statutory audit	1,300	1,200
Half yearly review	770	715
Tax services	1,100	1,869
Other assurance services	135	90
Reimbursement of expenses	204	231
	<b>3,509</b>	<b>4,105</b>
<b>23. OTHER EXPENSES</b>		
Loss on disposal of operating fixed assets	-	9,419
Delayed payment charges - note 23.1	-	21,595
Donations - note 23.2	-	2,500
	<b>-</b>	<b>33,514</b>

**23.1** This represents delayed payment charges by Wartsila Pakistan (Private) Limited as per the terms of the Operations and Maintenance Agreement.

**23.2** None of the directors and their spouses had any interest in the donee.

	<b>2015</b>	<b>2014</b>
	<b>(Rupees in thousand)</b>	
<b>24. OTHER INCOME</b>		
<b>Income from financial assets:</b>		
Profit on bank deposits	20,727	26,714
<b>Income from non-financial assets:</b>		
Gain on disposal of operating fixed assets	25	-
Scrap sales	1,039	1,112
Exchange gain	12,129	2,106
	<b>33,920</b>	<b>29,932</b>

		2015	2014
		(Rupees in thousand)	
<b>25.</b>	<b>FINANCE COST</b>		
	Interest / mark-up on:		
	- Long term financing - secured	1,267,261	1,418,138
	- Short term borrowings - secured	160,316	185,065
	- Workers' Profit Participation Fund - note 9.2	7	56
	Bank charges and commission	-	6,229
	Financing fee and charges	2,010	2,197
		1,429,594	1,611,685
<b>26.</b>	<b>TAXATION</b>		
	Current	-	-
<b>26.1</b>	<b>Relationship between tax expense and accounting profit</b>		
	Profit before taxation	3,116,709	2,917,330
	Tax at the applicable rate of 33% (2014: 34%)	1,028,514	991,892
	Tax effect of amounts that are:		
	Exempt as referred to in note 4.1	(1,021,674)	(982,809)
	Not taxable under the law	(6,840)	-
	Adjustable against tax credit	-	(9,083)
		-	-
<b>26.2</b>	For the purposes of current taxation, the tax credit available for carry forward is estimated at Rs 45.813 million (2014: Rs 57.081 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, based on the prudence principle, deferred tax asset has not been recognized in these financial statements.		
<b>27.</b>	<b>EARNINGS PER SHARE</b>	<b>2015</b>	<b>2014</b>
<b>27.1</b>	<b>Basic earnings per share</b>		
	Net profit for the year	3,116,709	2,917,330
	Weighted average number of ordinary shares	354,089	354,089
	Earnings per share	8.802	8.239
<b>27.2</b>	<b>Diluted earnings per share</b>		
	A diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at June 30, 2015 and June 30, 2014 which would have any effect on the earnings per share if the option to convert is exercised.		

	2015 (Rupees in thousand)	2014
<b>28. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	3,116,709	2,917,330
Adjustment for non cash charges and other items:		
Depreciation on operating fixed assets	1,013,937	1,071,370
Profit on bank deposits	(20,727)	(26,714)
Finance cost	1,429,594	1,611,685
Provision for employee retirement benefits	6,055	4,044
Share of loss of associate	1,201	-
(Gain) / loss on disposal of operating fixed assets	(25)	9,419
Profit before working capital changes	5,546,744	5,587,134
Effect on cash flow due to working capital changes:		
<b>(Increase) / decrease in current assets</b>		
Stores, spares and loose tools	(77,025)	(20,367)
Inventories	(299,930)	(250,283)
Trade debts	2,298,569	(4,553,792)
Advances, deposits, prepayments and other receivables	(313,511)	156,317
	1,608,103	(4,668,125)
<b>(Decrease) / increase in current liabilities</b>		
Trade and other payables	(1,096,143)	28,250
	511,960	(4,639,875)
	6,058,704	947,259
<b>29. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	103,481	1,039,426
Short term borrowings - secured	(932,163)	(3,042,030)
	(828,682)	(2,002,604)

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

30.1 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	
	2015	2014	2015	2014	2015	2014	2015	2014
	( Rupees in thousand )							
<b>Short term employee benefits</b>								
Managerial remuneration	12,000	12,000	5,866	5,285	-	-	51,320	27,183
Housing rent	-	-	-	-	-	-	540	540
Medical allowance and reimbursement	1,200	1,200	602	813	-	-	4,431	2,997
Bonus	2,200	2,000	969	969	-	-	3,882	3,459
Leave encashment	-	-	326	176	-	-	1,284	1,624
	15,400	15,200	7,763	7,243	-	-	61,457	35,803
<b>Meeting fee</b>	-	-	-	-	825	-	-	-
<b>Post employment benefits</b>								
Contribution to provident fund	-	-	587	502	-	-	5,077	2,505
	15,400	15,200	8,350	7,745	825	-	66,534	38,308
<b>Number of persons</b>	1	1	1	1	5	5	21	22

30.2 The chief executive, executive director and certain executives are provided with company maintained vehicles.

### 31. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise the holding company, subsidiaries and associates of holding company, associated undertakings, directors and key management personnel of the company and its holding company and post employment benefit plan (provident fund). 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 and remuneration of directors and key management personnel is disclosed in note 30. Significant related party transactions have been disclosed in respective notes in these financial statements other than the following:

Relationship with the company	Nature of transactions	2015	2014
		(Rupees in thousand)	
<b>i. Holding company</b>	Dividends paid	948,323	903,165
<b>ii. Associated undertakings</b>	Purchases of goods and services	160	68
	Insurance premium	979	1,253
		<b>2015</b>	<b>2014</b>
		<b>MWH</b>	<b>MWH</b>
<b>32. CAPACITY AND PRODUCTION</b>			
	Installed capacity [based on 8,760 hours (2014: 8,760 hours)]	1,710,872	1,710,872
	Actual energy delivered	1,409,785	1,464,106
	Output produced by the plant is dependent on the load demanded by NTDC and plant availability.		
		<b>2015</b>	<b>2014</b>
<b>33. NUMBER OF EMPLOYEES</b>			
	Total number of employees as at June 30	94	84
	Average number of employees during the year	89	82
		<b>2015</b>	<b>2014</b>
		<b>(Rupees in thousand)</b>	
<b>34. DISCLOSURES RELATING TO PROVIDENT FUND</b>			
(i)	Size of the Fund - net assets	38,800	27,305
(ii)	Cost of investments made	29,767	21,902
(iii)	Percentage of investments made	80.57%	82.96%
(iv)	Fair value of investments	31,260	22,654
	<b>Break up of fair value of investments</b>		
	Balance with bank - savings account	7,046	4,770
	Unit Trust Schemes- Mutual Funds	19,687	13,905
	Listed shares	1,572	-
	Government securities - Treasury Bills	2,955	3,979
		31,260	22,654
		<b>2015</b>	<b>2014</b>
		<b>% age of size of the Fund</b>	
	<b>Break up of fair value of investments</b>		
	Balance with bank - savings account	18.16%	17.47%
	Unit Trust Schemes- Mutual Funds	50.74%	50.92%
	Listed shares	4.05%	0.00%
	Government securities - Treasury Bills	7.62%	14.57%

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The figures for 2015 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## **35. FINANCIAL RISK MANAGEMENT**

### **35.1 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 Board of Directors (the Board). The Board provides 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. All treasury related transactions are carried out within the parameters of these policies.

#### **(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 balance sheet date, the interest rate profile of the company's interest bearing financial instruments was:

	2015 (Rupees in thousand)	2014
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Bank balances - savings accounts	102,333	872,667
<b>Financial liabilities</b>		
	-	-
<b>Net exposure</b>	<b>102,333</b>	<b>872,667</b>
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Trade debts - overdue	4,743,145	3,961,944
<b>Financial liabilities</b>		
Long term financing	(9,682,778)	(10,806,632)
Short term borrowings	(932,163)	(3,042,030)
	(10,614,941)	(13,848,662)
<b>Net exposure</b>	<b>(5,871,796)</b>	<b>(9,886,718)</b>

#### 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 balance sheet 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 68.854 million (2014: Rs 88.421 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 arises from deposits with banks, trade and other receivables.

#### (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:

	2015 (Rupees in thousand)	2014
Long term loans and advances	1,264	-
Trade debts	8,049,605	10,348,174
Advances, deposits and other receivables	460,449	345,241
Bank balances	103,219	1,039,409
	8,614,537	11,732,824
As of June 30, age analysis of trade debts was as follows:		
Neither past due nor impaired	2,465,597	4,652,600
Past due but not impaired:		
- 1 to 30 days	1,425,337	2,577,118
- 31 to 90 days	1,674,378	843,246
- 91 to 180 days	360,331	822,256
- 181 to 365 days	353,480	735,217
- above 365 days	1,770,482	717,737
	5,584,008	5,695,574
	8,049,605	10,348,174

**(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	2015 (Rupees in thousand)	2014
	Short term	Long term			
NTDC		Not available		2,465,596	4,652,600
Al Baraka Bank (Pakistan) Limited	A-1	A	JCR-VIS	3	1
Allied Bank Limited	A1+	AA+	PACRA	262	385
Askari Bank Limited	A-1+	AA	PACRA	12	8
Bank Alfalah Limited	A1+	AA	PACRA	262	12
Bank Islami Pakistan Limited	A1	A+	PACRA	4	1
Burj Bank Limited	A-2	A-	JCR-VIS	2	3
Dubai Islamic Bank Pakistan Limited	A-1	A+	JCR-VIS	66	1
Faysal Bank Limited	A1+	AA	JCR-VIS	-	-
First Women Bank Limited	A2	BBB+	PACRA	0	1
Habib Bank Limited	A-1+	AAA	JCR-VIS	585	496
Alfalah Sovereign (Formerly IGI Funds Limited)	Not available	AA-(f)	PACRA	6	5
MCB Bank Limited	A1+	AAA	PACRA	6,259	166,303
Meezan Bank Limited	A-1+	AA	JCR-VIS	-	27
National Bank of Pakistan	A-1+	AAA	JCR-VIS	222	716,076
The Bank of Punjab	A1+	AA-	PACRA	95,491	89
United Bank Limited	A-1+	AA+	JCR-VIS	45	156,002
				2,568,816	5,692,010

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.

The company's approach to managing liquidity is to ensure that, as far as possible, it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable loss or risking damage to the company's reputation.

The following are the contractual maturities of financial liabilities as at June 30, 2015.

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term financing	9,682,778	1,306,427	8,376,351	-
Short term borrowings	932,163	932,163	-	-
Trade and other payables	375,216	375,216	-	-
Accrued finance cost	270,493	270,493	-	-
	11,260,650	2,884,299	8,376,351	-

The following are the contractual maturities of financial liabilities as at June 30, 2014.

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term financing	10,806,632	1,123,854	6,642,609	3,040,169
Short term borrowings	3,042,029	3,042,029	-	-
Trade and other payables	1,749,073	1,749,073	-	-
Accrued finance cost	400,826	400,826	-	-
	15,998,560	6,315,782	6,642,609	3,040,169

**35.2 Fair value estimation**

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

### 35.3 Financial instruments by categories

	Loans and receivables	
	2015	2014
	(Rupees in thousand)	
<b>Assets as per balance sheet</b>		
Long term loans and advances	1,264	-
Trade debts	8,049,605	10,348,174
Advances, deposits and other receivables	460,449	345,241
Cash and bank balances	103,481	1,039,426
	<b>8,614,799</b>	<b>11,732,841</b>
<b>Financial liabilities at amortised cost</b>		
	2015	2014
	(Rupees in thousand)	
<b>Liabilities as per balance sheet</b>		
Long term financing	9,682,778	10,806,632
Short term borrowings	932,163	3,042,029
Trade and other payables	375,216	1,749,073
Accrued finance cost	270,493	400,826
	<b>11,260,650</b>	<b>15,998,560</b>

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

There are no significant financial assets and financial liabilities that are subject to offsetting.

### 35.5 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. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. 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 capital. Net debt is calculated as total borrowings including current and non-current borrowings, as disclosed in note 7, less cash and cash equivalents as disclosed in note 29. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratio as at June 30, 2015 and June 30, 2014 is as follows:

	<b>2015</b>	<b>2014</b>
	<b>(Rupees in thousand)</b>	
Borrowings - note 7	9,682,778	10,806,632
Less: Cash and cash equivalents - note 29	(828,682)	(2,002,604)
Net debt	10,511,460	12,809,236
Total equity	11,613,068	10,355,323
Total capital	22,124,528	23,164,559
Gearing ratio	47.51	55.30
	Percentage	

### **36. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on September 14, 2015 by the Board of Directors of the company.

### **37. EVENTS AFTER THE BALANCE SHEET DATE**

The Board of Directors have proposed a final cash dividend for the year ended June 30, 2015 of Rupees 1.75 (2014: Rupee 1) per share, amounting to Rs 619.655 million (2014: Rs 354.089 million) at their meeting held on September 14, 2015 for approval of the members at the Annual General Meeting to be held on October 30, 2015. These financial statements do not include the effect of the above dividend which will be accounted for in the period in which it is approved.

  
CHIEF EXECUTIVE

  
DIRECTOR



## FORM OF PROXY

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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 October 30, 2015 (Friday) at 11:00 A.M. at Nishat Hotel, 9-A, Gulberg III, Mian Mahmood Ali Kasuri 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 \_\_\_\_\_ 2015.

Revenue  
Stamp  
of Rs. 5/-

Signature \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

CNIC No. \_\_\_\_\_

No. of shares held \_\_\_\_\_

Witness:-

Name \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

CNIC No. \_\_\_\_\_

### IMPORTANT:

- a. 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.
- b. Attested copies of the CNIC or the passport of beneficial owners shall be furnished with the proxy form.
- c. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- d. 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



53-A, Lawrence Road, Lahore.  
Te: 042-6367812-16 Fax: 042-6367414  
UAN: 042-111-11-33-33