

Annual Report  
For The Year Ended  
June 30, 2013



NISHAT POWER LIMITED

## CONTENTS

Corporate Profile	2
Vision & Mission Statement	4
Notice of Annual General Meeting	6
Directors' Report	9
Pattern of Holding of the Shares	16
Statement of Compliance with the Code of Corporate Governance	21
Statement of Compliance with the Best Practices on Transfer Pricing for the Year Ended: June 30, 2013	24
Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance	25
Auditors' Report To The Members	27
Balance Sheet	28
Profit and Loss Account	30
Statement of Comprehensive Income	31
Statement of Changes in Equity	32
Cash Flow Statement	33
Notes to and Forming Part of the Financial Statements	34
Form of Proxy	

## CORPORATE PROFILE

### BOARD OF DIRECTORS

Mian Hassan Mansha	Chairman /Chief Executive
Mr. Khalid Qadeer Qureshi	
Mr. Shahid Zulfiqar Khan	
Mr. Mahmood Akhtar	
Mr. Shahzad Ahmad Malik	
Mr. Saeed Ahmed Alvi	
Mr. Badar-ul-Hassan	

### AUDIT COMMITTEE

Mr. Khalid Qadeer Qureshi	Member / Chairman
Mr. Shahzad Ahmad Malik	Member
Mr. Saeed Ahmed Alvi	Member

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Mian Hassan Mansha	Member
Mr. Shahid Zulfiqar Khan	Member / Chairman
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. (Pvt) 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.



# VISION

## STATEMENT

ENLIGHTEN THE FUTURE  
THROUGH EXCELLENCE,  
COMMITMENT, INTEGRITY  
AND HONESTY

# MISSION STATEMENT

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

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that Annual General Meeting (AGM) of the members of **Nishat Power Limited** ( the "Company" ) will be held on October 30, 2013 (Wednesday) at 3:00 p.m. at Registered Office, Nishat House, 53-A, Lawrence Road, Lahore, to transact the following ordinary business:-

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2013 together with Directors' and Auditors' reports thereon.
2. To approve the payment of Final Cash Dividend @ 20 % [i.e. Rs. 2/- per share (Rupees Two Only)], as recommended by the Board of Directors, in addition to the 10% interim cash dividend already paid, thus making a total of 30% cash dividend for the year ended June 30, 2013.
3. To appoint auditors of the Company for the year ending June 30, 2014 till the conclusion of next AGM for the year 2014 and fix their remuneration. The present auditors M/s. A. F. Ferguson & Company, Chartered Accountants retired and being eligible offered themselves for re-appointment.

**BY ORDER OF THE BOARD**



**KHALID MAHMOOD CHOCHAN**  
(Company Secretary)

**LAHORE**  
**September 20, 2013**



**NOTES: -**

**1. BOOK CLOSURE NOTICE FOR ENTITLEMENT OF FINAL CASH DIVIDEND @ 20% AND ATTENDING OF ANNUAL GENERAL MEETING (AGM) :-**

2. The Share Transfer Books of the Company will remain closed for entitlement of Final Cash Dividend @ Rs.2/- (Rupees Two Only) per share i.e. 20% and attending of AGM from 23-10-2013 to 30-10-2013 (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 22-10-2013 will be considered in time for the entitlement of said 20% final cash dividend and attending of AGM.
3. A member eligible to attend and vote at this meeting may appoint another member as 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 later than 48 hours before the time for holding the meeting. Proxies of the Members through CDS 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 (unless it has been provided earlier) along with proxy form to the Company. The shareholders through CDC are requested to bring original CNIC, Account Number and Participant Account Number to produce at the time of attending the meeting.

4. Shareholders are requested to immediately notify the change of address, if any.
5. Members who have not yet submitted photocopies of their CNICs to the Company are requested once again to submit the same at the earliest to mention it on dividend warrants in compliance with the directive of the Securities and Exchange Commission of Pakistan vide SRO No. 831(1)/2012 dated 05 July 2012, it is mandatory for the listed companies to print the CNIC Numbers of the registered shareholder(s) or authorized persons on the Dividend Warrants.





# 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, 2013.

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

#### **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 25,055.26 million (2012: Rs 21,090.20 million) during the year against operating cost of Rs 20,031.22 million (2012: Rs 16,152.20 million) resulting in a gross profit of Rs 5,024.04 million (2012: Rs 4,938.01 million). The current year's net profit after tax amounts to Rs 2,739.47 million resulting earnings per share of Rs 7.737 compared to previous year's profit after tax of Rs 2,036.89 million and earnings per share of Rs 5.752.

As per initiative taken by the Government of Pakistan (GOP) to settle the circular debt dues to Independent Power Producers (IPPs), the Company has signed a Memorandum of Understanding (MoU) with National Transmission & Dispatch Company Limited (NTDCL) on June 28, 2013, after which the Company has received Rs 7.08 billion out of total Rs 480 billion paid by GOP/ NTDCL to clear circular debt. This major payment has cleared 55% of total receivables and 87% of overdue receivables of the Company as at year end.

Salient features of aforementioned MoU includes extending due dates for payment of Energy Purchase Price (EPP) invoices from current thirty (30) days to sixty (60) days, subject to approval of National Electric Power Regulatory Authority (NEPRA) for revised working capital cost component. Further, the Company has withdrawn constitutional petition filed against GOP and NTDCL, and it is agreed that disputed matters shall be resolved by the Parties through the mechanism for resolution of disputes under the terms of the Power Purchase Agreement (PPA).

We would like to draw your attention to note (e) of the auditors' report to the members which refers to an amount of Rs 816.041 million (2012: Rs 599.749 million) relating to capacity purchase price, included in trade debts, not acknowledged by NTDCL, 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 NTDCL, therefore, management believes that company cannot be penalized in the form of payment deductions due to NTDCL's default of making timely payments under the PPA. Hence, the company had taken up this issue at appropriate forums i.e. referring this

matter to the Expert as per dispute resolution mechanism envisaged in PPA. Based on the advice of the Company's legal counsel, management feels that there are meritorious grounds to support the company's stance and such amounts are likely to be recovered. Consequently, no provision for the abovementioned amount has been made in these financial statements.

During the third quarter, NEPRA has issued orders to the Company and has imposed an amount of Rs 290.423 million payable by the Company to NTDCL for the period upto June 30, 2011 in respect of Calorific Value ('CV') adjustment on fuel consumed for power generation. 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. Against the order issued by NEPRA, 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. Please refer to Note 12.1(i) of the financial statements for details.

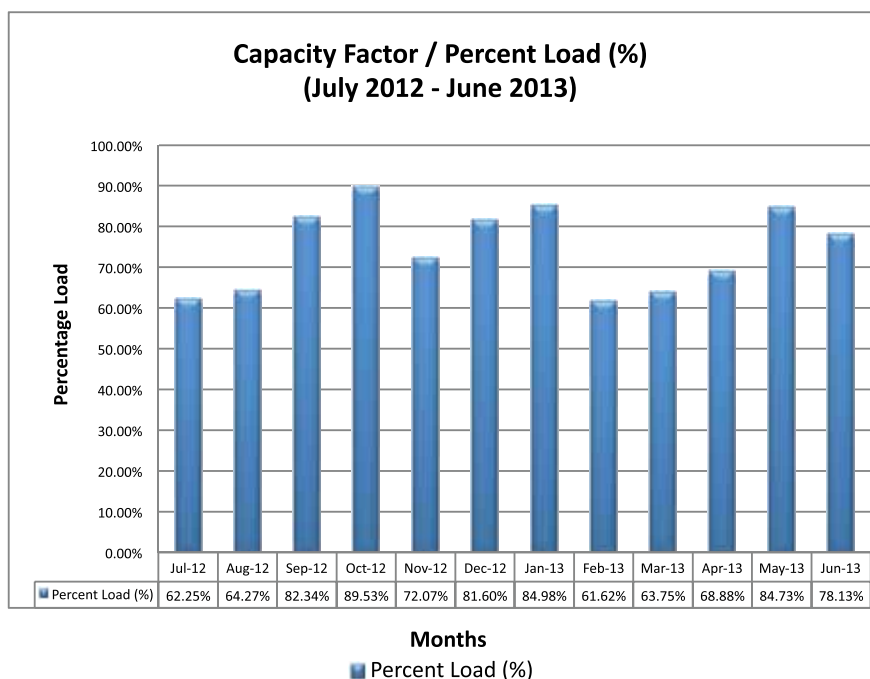
Based on the advice of the company's legal counsel, management feels that there are meritorious grounds to support the Company's stance and the aforesaid NEPRA's decision is likely to be revoked. Under these circumstances, no provision of the balance amount of Rs 270.092 million has been made in these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

Total receivables from NTDCL on June 30, 2013 stand at Rs 5,794.38 million, out of which overdue receivables are Rs 1,042.94 million.

## **OPERATIONS AND SIGNIFICANT EVENTS:**

### **Operational results:**

The plant operated at an optimal efficiency at 74.61% (2012: 61.95%) average capacity factor and dispatched 1,276.47 GW (2012: 1,062.84 GW) of electricity to NTDCL during the year.



## KEY OPERATING AND FINANCIAL DATA:

Financial year ending June 30,

**2013**      **2012**  
*(Rupees in Millions)*

Turnover	25,055.26	21,090.20
Net Profit	2,739.47	2,036.89
Total non-current assets	13,990.85	14,930.59
Issued, subscribed and paid up capital	3,540.89	3,540.89
Long term financing	11,773.43	12,823.34
Short term financing	2,458.29	6,623.68
Generation (MW)	1,276,473	1,062,844
Earnings per share-basic and diluted (Rs.)	7.737	5.752
Share prices (Market value rupees per share)	33.49	14.70

## 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).

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

The Company's 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.
- 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, 2013 is Rs 18,252,430.

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

Sr. #	Name of Directors	No. of Meetings Attended
1	Mian Hassan Mansha (Chief Executive/Director)	4
2	Mr. Khalid Qadeer Qureshi	5
3	Mr. Mahmood Akhtar	3
4	Mr. Shahzad Ahmad Malik	5
5	Mr. Shahid Zulfiqar Khan	2
6	Mr. Badar UI Hassan	2
7	Ms. Nabiha Shahnawaz Cheema	5*
8	Mr. Saeed Ahmed Alvi	0**

\* Ms. Nabiha Shahnawaz Cheema resigned on July 08, 2013.

\*\* Mr. Saeed Ahmed Alvi appointed in place of Ms. Nabiha Shahnawaz Cheema on July 08, 2013.

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

<b>Sr. #</b>	<b>Name of Directors</b>		<b>No. of Meetings Attended</b>
1	Mr. Khalid Qadeer Qureshi	(Member/Chairman)	5
2	Mr. Shahzad Ahmad Malik	(Member)	4
3	Ms. Nabiha Shahnawaz Cheema	(Member)	5*
4	Mr. Saeed Ahmed Alvi	(Member)	0**

\* Ms. Nabiha Shahnawaz Cheema resigned on July 08, 2013.

\*\* Mr. Saeed Ahmed Alvi appointed in place of Ms. Nabiha Shahnawaz Cheema on July 08, 2013.

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

<b>Sr. #</b>	<b>Name of Directors</b>		<b>No. of Meetings Attended</b>
1	Mr. Shahid Zulfiqar Khan	(Member/Chairman)	1
2	Mian Hassan Mansha	(Member)	1
3	Mr. Khalid Qadeer Qureshi	(Member)	1

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

The statement of pattern of shareholding as on June 30, 2013 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, 2013 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.

#### APPROPRIATIONS:

The directors are pleased to recommend a final cash dividend of Rs 2 per share. This will be paid to the shareholders on the Company's Register of Members at the close of business on October 22, 2013. An Interim Cash Dividend of Re. 1 per share has already been paid as approved by the Board of Directors on February 18, 2013. The total dividend to be approved by the shareholders at the Annual General Meeting on October 30, 2013 will be Rs 3 per share i.e. 30% amounting to Rs 1,062.266 million for the year ended June 30, 2013.

#### AUDITORS:

The present auditors M/s A. F. Ferguson, Chartered Accountants retire and being eligible, offer themselves for re-appointment for the year 2013-14. The Audit Committee of the Board has recommended the reappointment of the retiring auditors.

#### ACKNOWLEDGEMENT:

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



**Director**



**Director**

Lahore: September 20, 2013

#### STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

These financial statements have been signed by two directors instead of chief executive and one director, as the chief executive is for the time being not in Pakistan.



**PATTERN OF HOLDINGS  
OF THE SHARES HELD BY THE SHAREHOLDERS  
OF NISHAT POWER LIMITED AS AT JUNE 30, 2013**

<b>NUMBER OF SHAREHOLDERS</b>	<b>SHAREHOLDING</b>		<b>TOTAL NUMBER OF SHARES HELD</b>	<b>PERCENTAGE OF TOTAL CAPITAL</b>
	<b>FROM</b>	<b>TO</b>		
188	1 -	100	7,152	0.00
1620	101 -	500	787,927	0.22
481	501 -	1000	471,644	0.13
652	1001 -	5000	1,868,376	0.53
206	5001 -	10000	1,748,901	0.49
62	10001 -	15000	825,993	0.23
44	15001 -	20000	821,761	0.23
52	20001 -	25000	1,257,299	0.36
20	25001 -	30000	570,099	0.16
13	30001 -	35000	427,400	0.12
11	35001 -	40000	427,102	0.12
6	40001 -	45000	261,515	0.07
20	45001 -	50000	993,800	0.28
3	50001 -	55000	163,000	0.05
9	55001 -	60000	513,857	0.15
4	60001 -	65000	253,500	0.07
2	65001 -	70000	140,000	0.04
5	70001 -	75000	373,894	0.11
2	80001 -	85000	166,500	0.05
3	85001 -	90000	262,001	0.07
23	95001 -	100000	2,293,800	0.65
1	100001 -	105000	100,500	0.03
1	105001 -	110000	110,000	0.03
1	110001 -	115000	110,701	0.03
1	115001 -	120000	120,000	0.03
2	120001 -	125000	246,000	0.07
1	125001 -	130000	130,000	0.04
1	130001 -	135000	135,000	0.04
1	135001 -	140000	140,000	0.04
1	140001 -	145000	141,997	0.04
3	145001 -	150000	445,500	0.13
1	150001 -	155000	151,119	0.04
2	155001 -	160000	317,500	0.09
1	160001 -	165000	162,153	0.05
3	165001 -	170000	502,054	0.14
3	170001 -	175000	525,000	0.15
1	190001 -	195000	192,247	0.05
5	195001 -	200000	1,000,000	0.28
2	200001 -	205000	405,382	0.11
2	205001 -	210000	416,000	0.12
3	215001 -	220000	655,840	0.19
1	230001 -	235000	232,500	0.07
1	235001 -	240000	235,700	0.07
2	240001 -	245000	483,786	0.14
1	270001 -	275000	275,000	0.08
1	275001 -	280000	279,500	0.08
1	280001 -	285000	282,500	0.08
2	285001 -	290000	580,000	0.16
3	295001 -	300000	900,000	0.25
1	300001 -	305000	305,000	0.09
1	310001 -	315000	314,000	0.09
1	315001 -	320000	316,000	0.09
1	320001 -	325000	325,000	0.09
1	395001 -	400000	400,000	0.11

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	TOTAL NUMBER OF SHARES HELD	PERCENTAGE OF TOTAL CAPITAL
1	400001 -	405000	405,000	0.11
1	420001 -	425000	425,000	0.12
1	450001 -	455000	453,500	0.13
1	490001 -	495000	492,000	0.14
4	495001 -	500000	2,000,000	0.56
1	525001 -	530000	526,500	0.15
1	545001 -	550000	550,000	0.16
1	555001 -	560000	555,500	0.16
1	560001 -	565000	565,000	0.16
1	680001 -	685000	684,000	0.19
1	695001 -	700000	700,000	0.20
1	715001 -	720000	719,000	0.20
1	730001 -	735000	731,500	0.21
1	745001 -	750000	750,000	0.21
1	750001 -	755000	751,000	0.21
1	765001 -	770000	770,000	0.22
1	800001 -	805000	800,786	0.23
1	825001 -	830000	828,137	0.23
1	890001 -	895000	895,000	0.25
1	935001 -	940000	940,000	0.27
1	945001 -	950000	948,000	0.27
1	970001 -	975000	973,500	0.27
4	995001 -	1000000	4,000,000	1.13
1	1055001 -	1060000	1,056,000	0.30
1	1070001 -	1075000	1,075,000	0.30
1	1110001 -	1115000	1,110,047	0.31
1	1195001 -	1200000	1,200,000	0.34
1	1320001 -	1325000	1,321,627	0.37
1	1460001 -	1465000	1,465,000	0.41
1	1670001 -	1675000	1,673,397	0.47
1	1895001 -	1900000	1,900,000	0.54
1	2615001 -	2620000	2,616,598	0.74
1	2705001 -	2710000	2,705,425	0.76
1	2740001 -	2745000	2,742,000	0.77
1	2745001 -	2750000	2,750,000	0.78
1	2795001 -	2800000	2,798,168	0.79
1	3195001 -	3200000	3,200,000	0.90
1	3615001 -	3620000	3,617,500	1.02
1	3770001 -	3775000	3,772,156	1.07
1	3825001 -	3830000	3,826,488	1.08
1	4150001 -	4155000	4,153,500	1.17
1	4155001 -	4160000	4,158,245	1.17
1	4300001 -	4305000	4,302,649	1.22
1	4340001 -	4345000	4,342,652	1.23
2	4495001 -	4500000	9,000,000	2.54
1	4810001 -	4815000	4,813,894	1.36
1	5495001 -	5500000	5,500,000	1.55
1	7720001 -	7725000	7,720,457	2.18
1	14645001 -	14650000	14,647,619	4.14
1	29995001 -	30000000	30,000,000	8.47
1	180585001 -	180590000	180,585,155	51.00
<b>3,537</b>			<b>354,088,500</b>	<b>100.00</b>

### Categories of Shareholders as at June 30, 2013

Sr. #	Categories	Shares Held	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	3,502	0.0010
2	Associated Companies, undertakings and related parties	210,632,955	59.4860
3	NIT and ICP	Nil	Nil
4	Bank Development Financial Institutions, Non Banking Financial Institutions	49,787,385	14.0607
5	Insurance Companies	7,593,488	2.1445
6	Modarabas and Mutual Funds	28,939,129	8.1729
7	Shareholders holding 10% or more	180,632,955	51.0135
8	General Public		
	a. Local	68,666,197	19.3924
	b. Foreign	Nil	Nil
9	Others	18,465,844	5.2150

**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, 2013

<b>I</b>	<b>Categories of Shareholders</b>	<b>Shares Held</b>	<b>Percentage</b>
	<b>Associated Companies, Undertaking and Related Parties</b>		
	Nishat Mills Limited	180,632,955	51.0135
<b>II</b>	<b>Mutual Funds</b>		
	CDC - Trustee IGI Stock Fund	973,500	0.2749
	First Capital Mutual Fund Limited	100,000	0.0282
	CDC - Trustee HBL Multi - Asset Fund	328	0.0001
	CDC - Trustee JS Pension Savings FUND - Equity ACC	97,300	0.0275
	MC FSL - Trustee JS Growth Fund	14,647,619	4.1367
	CDC - Trustee NAFA Stock Fund	96,500	0.0273
	CDC - Trustee UBL Stock Advantage Fund	500,000	0.1412
	CDC - Trustee PICIC Income Fund - MT	207,500	0.0586
	MCBFSL - Trustee Namco Balanced Fund - MT	550,000	0.1553
	CDC - Trustee ABL Stock Fund	770,000	0.2175
	CDC - Trustee Pak Strategic Alloc. Fund	100	0.0000
	MCBFSL - Trustee JS Value Fund	4,342,652	1.2264
	CDC - Trustee JS Large Cap. Fund	4,500,000	1.2709
	CDC - Trustee Unit Trust of Pakistan	1,900,000	0.5366
	CDC - Trustee JS Aggressive Asset Allocation Fund	220,000	0.0621
	CDC - Trustee AKD Index Tracker Fund	33,630	0.0095
		28,939,129	8.1729
<b>III</b>	<b>Directors and their spouses and Minor Children</b>		
	Mian Hassan Mansha	1	0.0000
	Mr. Khalid Qadeer Qureshi	1	0.0000
	Mr. Shahzad Ahmad Malik	500	0.0001
	Ms. Nabiha Shahnawaz Cheema	500	0.0001
	Mr. Mahmood Akhtar	1,000	0.0003
	Mr. Shahid Zulfiqar Khan	1,000	0.0003
	Mr. Badar-ul-Hassan	500	0.0001
		3,502	0.0010
<b>IV</b>	<b>Executives</b>	Nil	Nil
<b>V</b>	<b>Public Sector Companies and Corporations</b>		
	Joint Stock Companies	17,082,255	4.8243
<b>VI</b>	<b>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds</b>		
	Banks, DFIs and NBFIs	49,787,385	14.0607
	Insurance Companies	7,593,488	2.1445
	Pension Funds/ Providend Funds etc.	1,260,589	0.3560
	Trusts	123,000	0.0347
		58,764,462	16.5960
<b>VII</b>	<b>Shareholders holding 5% or more voting rights:</b>		
	Nishat Mills Limited	180,632,955	51.0135
	Allied Bank Limited	30,000,000	8.4725
		210,632,955	59.4860

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

OF SUB-REGULATION (XVI) OF REGULATION 35 OF CHAPTER (XI)  
OF LISTING REGULATIONS OF THE STOCK EXCHANGE(S) AS AT JUNE 30, 2013

There is no trading in the 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 1, 2012 to June 30, 2013.

**STATEMENT OF COMPLIANCE**  
WITH THE CODE OF CORPORATE GOVERNANCE (CCG)  
FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of listing regulations of Karachi Stock Exchange (Gurantee) Ltd and Lahore Stock Exchange (Gurantee) Ltd 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 Directors	N/A
Executive Directors	Mian Hassan Mansha Mr. Mahmood Akhtar
Non Executive Directors	Mr. Khalid Qadeer Qureshi Mr. Shahid Zulfiqar Khan Mr. Shahzad Ahmad Malik Mr. Badar Ul Hassan Ms. Nabiha Shahnawaz Cheema

The requirement of Independent Directors in composition of Board under CCG will be made at the time of next election of directors.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, 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.
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. 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 Programme: -  
  
(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) Two directors Mr. Mahmood Akhtar and Ms. Nabihah Shahnawaz Cheema has completed the directors' training.
10. No new appointment of CFO, 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 non-executive directors, whereas the chairman of the committee will be changed on next election of Directors.
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 a Human Resource and Remuneration Committee comprising of 3 directors, of whom 2 are non-executive directors. The chairman of the committee is a non executive director.
18. The board has engaged internal audit staff of holding company as 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 Institute of Chartered Accountants of Pakistan (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.



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

NIC Number: 35202-1479111-5



**STATEMENT OF COMPLIANCE**  
WITH THE BEST PRACTICES ON TRANSFER PRICING  
FOR THE YEAR ENDED JUNE 30, 2013

The Company has fully complied with the best practices on Transfer Pricing as contained in the related Listing Regulations of the Karachi and Lahore Stock Exchanges.



**(MIAN HASSAN MANSHA)**  
CHIEF EXECUTIVE

NIC Number: 35202-1479111-5

## REVIEW REPORT TO THE MEMBERS

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

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

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company 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's 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.

Further, Sub-Regulation (x) of Listing Regulation No. 35 of Karachi and Lahore Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 of Corporate Governance as applicable to the company for the year ended June 30, 2013.



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

**Lahore:** September 20, 2013

**Engagement Partner:** Muhammad Masood



NISHAT POWER LIMITED

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Nishat Power Limited ('the company') as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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, statement of changes in equity and cash flow statement 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, 2013 and of the profit, total comprehensive income, changes in equity and its cash flows 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
- (e) We draw attention to note 16.2 to the financial statements, which describes the matter regarding recoverability of certain trade debts. Our opinion is not qualified in respect of this matter.

Lahore: September 20, 2013

Engagement Partner: Muhammad Masood



A. F. Ferguson & Co.  
Chartered Accountants

## BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 500,000,000 (2012: 500,000,000) ordinary shares of Rs 10 each		<b>5,000,000,000</b>	5,000,000,000
Issued, subscribed and paid up share capital 354,088,500 (2012: 354,088,500) ordinary shares of Rs 10 each	5	<b>3,540,885,000</b>	3,540,885,000
Revenue reserve: Un-appropriated profit	6	<b>5,667,550,334</b>	3,636,260,004
		<b>9,208,435,334</b>	7,177,145,004
<b>NON-CURRENT LIABILITIES</b>			
Long term financing - secured	7	<b>10,806,632,070</b>	11,773,428,241
Subordinated loans - unsecured	8	-	218,220,000
		<b>10,806,632,070</b>	11,991,648,241
<b>CURRENT LIABILITIES</b>			
Current portion of long term financing - secured	7	<b>966,796,170</b>	831,686,882
Short term borrowings - secured	9	<b>2,458,285,347</b>	6,623,680,369
Trade and other payables	10	<b>1,589,487,875</b>	861,822,586
Accrued finance cost	11	<b>479,067,116</b>	646,875,211
Provision for taxation		-	18,872,706
		<b>5,493,636,508</b>	8,982,937,754
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		
		<b>25,508,703,912</b>	28,151,730,999

The annexed notes 1 to 36 form an integral part of these financial statements.

	Note	2013 Rupees	2012 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	<b>13,990,852,039</b>	14,930,587,851
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	14	<b>528,523,805</b>	405,774,356
Inventories	15	<b>718,694,960</b>	710,143,863
Trade debts	16	<b>5,794,382,448</b>	10,723,457,000
Advances, deposits, prepayments and other receivables	17	<b>504,285,754</b>	1,320,362,050
Income tax receivable		<b>24,791,049</b>	-
Cash and bank balances	18	<b>3,947,173,857</b>	61,405,879
		<b>11,517,851,873</b>	13,221,143,148
		<b>25,508,703,912</b>	28,151,730,999

  
DIRECTOR

  
DIRECTOR

**STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984**

These financial statements have been signed by two directors instead of chief executive and one director, as the chief executive is for the time being not in Pakistan.

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
Sales	19	<b>25,055,257,303</b>	21,090,204,683
Cost of sales	20	<b>(20,031,221,647)</b>	(16,152,199,440)
<b>Gross profit</b>		<b>5,024,035,656</b>	4,938,005,243
Administrative expenses	21	<b>(91,805,116)</b>	(75,869,086)
Other expenses	22	<b>(38,035,164)</b>	(14,353,649)
Other income	23	<b>48,687,410</b>	67,063,334
Finance cost	24	<b>(2,240,582,282)</b>	(2,879,508,985)
<b>Profit before taxation</b>		<b>2,702,300,504</b>	2,035,336,857
Taxation	25	<b>37,166,826</b>	1,551,153
<b>Profit for the year</b>		<b>2,739,467,330</b>	2,036,888,010
Earnings per share - basic and diluted	26	<b>7.737</b>	5.752

The annexed notes 1 to 36 form an integral part of these financial statements.



**DIRECTOR**



**DIRECTOR**

**STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984**

These financial statements have been signed by two directors instead of chief executive and one director, as the chief executive is for the time being not in Pakistan.

**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED JUNE 30, 2013

	<b>2013 Rupees</b>	<b>2012 Rupees</b>
Profit for the year	<b>2,739,467,330</b>	2,036,888,010
Other comprehensive income	-	-
Total comprehensive income for the year	<b>2,739,467,330</b>	2,036,888,010

The annexed notes 1 to 36 form an integral part of these financial statements.

  
**DIRECTOR**

  
**DIRECTOR**

**STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984**

These financial statements have been signed by two directors instead of chief executive and one director, as the chief executive is for the time being not in Pakistan.



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2013

	Share capital	Revenue reserve: Un-appropriated profit Rupees	Total
<b>Balance as on July 01, 2011</b>	3,540,885,000	1,953,460,494	5,494,345,494
Profit for the year	-	2,036,888,010	2,036,888,010
Other comprehensive income for the year	-	-	-
<b>Total comprehensive income for the year</b>	-	2,036,888,010	2,036,888,010
Dividend to equity holders of the company: Interim dividend @ Rupee 1 per share	-	(354,088,500)	(354,088,500)
<b>Total distributions to owners of the company recognised directly in equity</b>	-	(354,088,500)	(354,088,500)
<b>Balance as on June 30, 2012</b>	3,540,885,000	3,636,260,004	7,177,145,004
Profit for the year	-	2,739,467,330	2,739,467,330
Other comprehensive income for the year	-	-	-
<b>Total comprehensive income for the year</b>	-	2,739,467,330	2,739,467,330
Dividend to equity holders of the company: Final dividend for the year ended June 30, 2012 @ Rupee 1 per share	-	(354,088,500)	(354,088,500)
Interim dividend @ Rupee 1 per share	-	(354,088,500)	(354,088,500)
<b>Total distributions to owners of the company recognised directly in equity</b>	-	(708,177,000)	(708,177,000)
<b>Balance as on June 30, 2013</b>	<b>3,540,885,000</b>	<b>5,667,550,334</b>	<b>9,208,435,334</b>

The annexed notes 1 to 36 form an integral part of these financial statements.

  
DIRECTOR

  
DIRECTOR

### STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

These financial statements have been signed by two directors instead of chief executive and one director, as the chief executive is for the time being not in Pakistan.

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	<b>12,465,333,539</b>	1,094,302,247
Finance cost paid		<b>(2,408,390,377)</b>	(2,877,253,459)
Taxes paid		<b>(6,496,929)</b>	(7,144,674)
Retirement benefits paid		<b>(3,350,022)</b>	(2,494,372)
<b>Net cash inflow / (outflow) from operating activities</b>		<b>10,047,096,211</b>	(1,792,590,258)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(289,122,971)</b>	(58,792,302)
Proceeds from disposal of operating fixed assets		<b>1,194,620</b>	1,764,683
Profit on bank deposits received		<b>48,728,469</b>	37,954,354
<b>Net cash outflow from investing activities</b>		<b>(239,199,882)</b>	(19,073,265)
<b>Cash flows from financing activities</b>			
Repayment of long term financing		<b>(831,686,883)</b>	(616,988,098)
Repayment of subordinated loans		<b>(218,220,000)</b>	(600,000,000)
Dividend paid		<b>(706,826,446)</b>	(351,633,968)
<b>Net cash outflow from financing activities</b>		<b>(1,756,733,329)</b>	(1,568,622,066)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>8,051,163,000</b>	(3,380,285,589)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(6,562,274,490)</b>	(3,181,988,901)
<b>Cash and cash equivalents at the end of the year</b>	28	<b>1,488,888,510</b>	(6,562,274,490)

The annexed notes 1 to 36 form an integral part of these financial statements.

  
**DIRECTOR**

  
**DIRECTOR**

**STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984**

These financial statements have been signed by two directors instead of chief executive and one director, as the chief executive is for the time being not in Pakistan.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

## 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 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 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 01, 2012 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 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 International Accounting Standard (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:

	<b>2013 Rupees</b>	<b>2012 Rupees</b>
De-recognition of property, plant and equipment	<b>(13,763,591,986)</b>	(14,848,898,492)
Recognition of lease debtor	<b>14,595,392,584</b>	15,405,792,826
Increase in un-appropriated profit at the beginning of the year	<b>556,894,334</b>	320,503,354
Increase in profit for the year	<b>274,906,264</b>	236,390,980
Increase in un-appropriated profit at the end of the year	<b>831,800,598</b>	556,894,334

### **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 January 01, 2013 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. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are 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.

## **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, unless otherwise stated.

### **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.

## **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 13.1 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, 2013 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.

## **4.3 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 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 Financial assets**

##### **4.7.1 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.

**4.7.2 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 4.10.

#### **4.8 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.

#### **4.9 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.

#### **4.10 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.

#### **4.11 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.

#### **4.12 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 9.5 percent of the basic salary. Retirement benefits are payable to staff on completion of prescribed qualifying period of service under the scheme.

#### **4.13 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.

#### **4.14 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.

#### **4.15 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 within borrowings in current liabilities on the balance sheet.

#### **4.16 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.

#### **4.17 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.

#### **4.18 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.

#### **4.19 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.

#### **4.20 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 (2012: 354,088,500) ordinary shares of Rs 10 each fully paid in cash. 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.

	2013 Rupees	2012 Rupees
<b>7. LONG TERM FINANCING - SECURED</b>		
Long term financing under mark-up arrangement obtained from following banks:		
<b>Lender</b>		
National Bank of Pakistan	<b>2,043,304,512</b>	2,187,645,609
Habib Bank Limited	<b>2,724,652,608</b>	2,917,124,826
Allied Bank Limited	<b>2,724,652,609</b>	2,917,124,826
United Bank Limited	<b>2,676,100,243</b>	2,865,142,671
Faysal Bank Limited	<b>1,604,718,268</b>	1,718,077,191
	<b>11,773,428,240</b>	12,605,115,123
Less: Current portion shown under current liabilities	<b>966,796,170</b>	831,686,882
	<b>10,806,632,070</b>	11,773,428,241

**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 pari passu charge on immovable property, mortgage of project receivables, hypothecation of all present and future assets and all properties of the company (excluding the mortgaged immovable property), 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 effective mark-up rate charged during the year on the outstanding balance ranged from 12.31% to 14.99% (2012: 14.91% to 16.53%) per annum. The finance is repayable in twenty nine quarterly installments ending on July 01, 2020.

**8.** This has been fully repaid during the year to the holding company, Nishat Mills Limited, with the approval of the lenders mentioned in the Subordinated Loan Agreements. The effective mark-up rate charged on the outstanding balance during the year ranged from 12.20% to 13.99% (2012: 13.91% to 15.53%) per annum.

		2013 Rupees	2012 Rupees
<b>9.</b>	<b>SHORT TERM BORROWINGS - SECURED</b>		
	Short term borrowings under mark-up arrangements obtained as under:		
	Running finances - note 9.1	<b>158,282,050</b>	3,713,638,258
	Term finances - note 9.2	<b>2,300,003,297</b>	2,910,042,111
		<b>2,458,285,347</b>	6,623,680,369
<b>9.1</b>	<b>Running finances</b>		

Running finance facilities available from various commercial banks under mark-up arrangements amount to Rs 3,672.88 million (2012: Rs 3,722.88 million) at mark-up rates ranging from three months KIBOR plus 1.5% to 2% per annum, payable quarterly, on the balance outstanding. The aggregate running finances are secured against first pari passu assignment of the present or future energy payment price of the tariff, first pari passu hypothecation charge on the fuel stock and inventory, ranking charge over all present and future project assets (including moveable/immoveable assets) of the company. The effective mark-up rate charged during the year on the outstanding balance ranges from 10.78% to 13.99% (2012: 13.91% to 15.53%) per annum.

### 9.2 Term finances

This represents murabaha and term finance facilities aggregating Rs 3,850 million (2012: Rs 3,450 million) under mark-up arrangements from commercial banks at mark-up rates ranging from three to six months KIBOR plus 1.5% to 2% 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, inventories and assignment of energy payment receivables from NTDC. The effective mark-up rate charged during the year on the outstanding balance ranges from 10.74% to 14.04% (2012: 13.25% to 15.81%) per annum.

### 9.3 Letters of credit and guarantees

Of the aggregate facilities of Rs 1,345 million (2012: Rs 1,845 million) for opening letters of credit and guarantees, the amount utilised at June 30, 2013 was Rs 261.34 million (2012: Rs 246.16 million). The aggregate facilities for opening letters of credit and guarantees are secured by ranking charge on current assets comprising of fuel stocks and inventories of the company.

		<b>2013 Rupees</b>	<b>2012 Rupees</b>
<b>10. TRADE AND OTHER PAYABLES</b>			
Creditors		<b>1,246,155,695</b>	558,265,165
Payable to contractors		<b>184,115,317</b>	127,776,239
Retention money		<b>151,631</b>	151,631
Unclaimed dividend		<b>3,805,086</b>	2,454,532
Workers' profit participation fund	- note 10.1	<b>135,115,025</b>	101,801,876
Withholding tax payable		<b>667,130</b>	-
Sales tax payable		<b>-</b>	53,425,628
Other accrued liabilities	- note 10.3	<b>19,477,991</b>	17,947,515
		<b>1,589,487,875</b>	861,822,586
<b>10.1 Workers' Profit Participation Fund</b>			
Opening balance		<b>101,801,876</b>	94,668,941
Provision for the year	- note 17.2	<b>135,115,025</b>	101,766,843
Interest for the year	- note 24	<b>10,166</b>	35,333
		<b>236,927,067</b>	196,471,117
Less: Payments made during the year		<b>101,812,042</b>	94,669,241
Closing balance		<b>135,115,025</b>	101,801,876
<b>10.2</b>	Workers' Welfare Fund has not been provided for in the financial statements on the advice of the company's legal consultant.		
<b>10.3</b>	Includes an amount of Rs 3,115,349 (2012: Rs 3,115,349) due to Nishat Hotels and Properties Limited, a related party.		
		<b>2013 Rupees</b>	<b>2012 Rupees</b>
<b>11. ACCRUED FINANCE COST</b>			
Accrued mark-up / interest on:			
Long term financing - secured		<b>367,792,223</b>	474,052,415
Subordinated loans - unsecured	- note 11.1	<b>-</b>	7,588,591
Short term borrowings - secured		<b>111,274,893</b>	165,234,205
		<b>479,067,116</b>	646,875,211
<b>11.1</b>	This amount is payable to the holding company, Nishat Mills Limited.		

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 Contingencies

- (i) National Electric Power Regulatory Authority ('NEPRA') issued an order dated 8th February, 2013 through which it has raised a demand of Rs 290.423 million payable by the company to NTDC for the period upto 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 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 upto 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 upto 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) 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 45,000,000 (2012: Rs 45,000,000) as required under the terms of the Operation and Maintenance Agreement.
  - (b) Letter of guarantee of Rs 1,500,000 (2012: Rs 500,000) in favour of Director, Excise and Taxation, Karachi under direction of Sindh High Court in respect of suit filed for levy of infrastructure cess.

### 12.2 Commitments in respect of

- (i) Letters of credit and contracts for capital expenditure Rs 16,015,799 (2012: Nil).
- (ii) Letters of credit and contracts other than for capital expenditure Rs 200,327,496 (2012: Rs 1,156,993).

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

	2013 Rupees	2012 Rupees
Not later than one year	13,499,850	12,461,400
Later than one year and not later than five years	67,499,250	49,845,600
	<b>80,999,100</b>	62,307,000

- (iv) The company has a contract for purchase of fuel oil from Shell Pakistan Limited ('SPL') for a period of ten years starting from the Commercial Operations Date of the power station i.e. June 09, 2010. Under the terms of the Fuel Supply Agreement, the company is not required to buy any minimum quantity of oil from SPL.

- (v) The company also has an agreement with Wartsila Pakistan (Private) Limited for the operations and maintenance ('O&M') of the power station for a five years period starting from the Commercial Operations Date of the power station i.e. June 09, 2010. 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 Wholesale Price Index.

		2013 Rupees	2012 Rupees
<b>13. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	- note 13.1	13,841,219,695	14,930,587,851
Capital work-in-progress	- note 13.2	149,632,344	-
		<b>13,990,852,039</b>	14,930,587,851



## 13.1 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) Total
<b>COST</b>										
Balance as at July 01, 2011	80,685,850	185,227,210	16,744,535,791	35,405,743	661,000	1,934,387	5,793,824	23,799,519	13,098,837	17,091,142,161
Additions during the year	-	6,844,098	33,726,673	5,503,601	-	260,838	486,050	10,063,041	3,587,000	60,471,301
Disposal during the year	-	-	(37,319,428)	-	-	(119,626)	-	-	(2,756,485)	(40,195,539)
Balance as at June 30, 2012	80,685,850	192,071,308	16,740,943,036	40,909,344	661,000	2,075,599	6,279,874	33,862,560	13,929,352	17,111,417,923
Balance as at July 01, 2012	80,685,850	192,071,308	16,740,943,036	40,909,344	661,000	2,075,599	6,279,874	33,862,560	13,929,352	17,111,417,923
Additions during the year	-	-	131,294,585	-	-	196,600	13,000	214,804	7,771,638	139,490,627
Disposal during the year	-	-	(169,585,153)	-	-	-	-	-	(2,267,718)	(171,852,871)
Balance as at June 30, 2013	80,685,850	192,071,308	16,702,652,468	40,909,344	661,000	2,272,199	6,292,874	34,077,364	19,433,272	17,079,055,679
<b>DEPRECIATION AND IMPAIRMENT</b>										
Balance as at July 01, 2011	-	7,770,459	1,233,394,193	881,994	66,121	986,948	401,289	937,409	3,638,702	1,248,077,115
Depreciation charge for the year	-	7,499,248	953,457,231	3,721,631	66,118	523,919	606,446	2,734,471	2,601,335	971,210,399
Disposal during the year	-	-	(37,319,429)	-	-	(102,014)	-	-	(1,035,999)	(38,457,442)
Balance as at June 30, 2012	-	15,269,707	2,149,531,995	4,603,625	132,239	1,408,853	1,007,735	3,671,880	5,204,038	2,180,830,072
Balance as at July 01, 2012	-	15,269,707	2,149,531,995	4,603,625	132,239	1,408,853	1,007,735	3,671,880	5,204,038	2,180,830,072
Depreciation charge for the year	-	7,706,964	1,046,292,875	4,090,934	66,119	390,442	629,278	3,410,654	3,215,386	1,065,802,652
Impairment charge - note 13.1.2	-	-	162,601,252	-	-	-	-	-	-	162,601,252
Disposal during the year	-	-	(169,585,153)	-	-	-	-	-	(1,812,839)	(171,397,992)
Balance as at June 30, 2013	-	22,976,671	3,188,840,969	8,694,559	198,358	1,799,295	1,637,013	7,082,534	6,606,585	3,237,835,984
<b>Book value as at June 30, 2012</b>	80,685,850	176,801,601	14,591,411,041	36,305,719	528,761	666,746	5,272,139	30,190,680	8,725,314	14,930,587,851
<b>Book value as at June 30, 2013</b>	80,685,850	169,094,637	13,513,811,499	32,214,785	462,642	472,904	4,655,861	26,994,830	12,826,687	13,841,219,695
<b>Annual depreciation rate %</b>	-	4 to 4.30	4 to 29.30	10	10	33	10	10	20	

**13.1.1** Improvements on leasehold property represents costs of improvement incurred on property owned by Nishat Hotels and Properties Limited, a related party.

**13.1.2** The impairment charge has been included in 'other expenses' as referred to in note 22 to these financial statements.

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

		2013 Rupees	2012 Rupees
Cost of sales	- note 20	1,056,635,081	962,904,592
Administrative expenses	- note 21	9,167,571	8,305,807
		<b>1,065,802,652</b>	<b>971,210,399</b>

### 13.1.4 Disposal of operating fixed assets

Particulars	2013 (Rupees)				Mode of disposal
	Cost	Accumulated depreciation	Book value	Sale proceeds	
<b>Plant and machinery</b> Assets written off	169,585,153	169,585,153	-	-	Write off
<b>Vehicles sold to:</b> <b>Outside party,</b> Asim Mumtaz	1,695,810	1,254,501	441,309	1,125,000	Bid
<b>Company employees,</b> Muhammad Asif	35,308	22,342	12,966	12,966	As per company policy -do-
Raheel Samuel	536,600	535,996	604	56,654	
	<b>171,852,871</b>	<b>171,397,992</b>	<b>454,879</b>	<b>1,194,620</b>	

Particulars	2012 (Rupees)				Mode of disposal
	Cost	Accumulated depreciation	Book value	Sale proceeds	
<b>Plant and machinery</b> Assets written off	37,319,428	37,319,428	-	-	Write off
<b>Vehicles sold to:</b> <b>Outside party,</b> Nadeem Ahmed	978,748	176,979	801,769	856,100	Bid
<b>Company employees,</b> Ahmad Salman	701,102	509,665	191,437	191,437	As per company policy -do-
Khurram Khan	452,448	289,499	162,949	162,949	
Mushtaq Ahmed	557,187	57,623	499,564	487,197	-do-
<b>Vehicle theft</b>	67,000	2,233	64,767	67,000	Insurance claim
<b>Computer equipments:</b> Laptops theft	119,626	102,016	17,612	-	Theft
	<b>40,195,539</b>	<b>38,457,443</b>	<b>1,738,098</b>	<b>1,764,683</b>	

13.2 This represents advance to supplier against purchase of plant and machinery.

	2013 Rupees	2012 Rupees
<b>14. STORES, SPARES AND LOOSE TOOLS</b>		
Stores	5,481,365	4,848,014
Spares [including in transit Rs 0.835 million (2012: Rs 0.848 million)]	516,888,249	394,634,963
Loose tools	6,154,191	6,291,379
	<b>528,523,805</b>	<b>405,774,356</b>

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

	2013 Rupees	2012 Rupees
<b>15. INVENTORIES</b>		
Furnace oil	<b>702,858,062</b>	687,635,316
Diesel	<b>5,085,871</b>	5,963,947
Lubricating oil	<b>10,751,027</b>	16,544,600
	<b>718,694,960</b>	710,143,863
<b>16. TRADE DEBTS</b>		

**16.1** 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 effective rate of delayed payment mark-up charged during the year on outstanding amounts ranges from 13.76% to 17.80% (2012: 16.28% to 18.06%) per annum.

**16.2** Included in trade debts is an amount of Rs 816.041 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, subsequent to year end, the company applied for withdrawal of the aforesaid petition which is pending adjudication before Supreme Court of Pakistan, and initiated the process of appointment of Expert for dispute resolution under the PPA. Based on the advice of the company's legal counsel, management feels that there are meritorious grounds to support the company's stance and such amounts are likely to be recovered. Consequently, no provision for the above mentioned amount has been made in these financial statements.

		2013 Rupees	2012 Rupees
<b>17.</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Advances - considered good:		
	- To employees - note 17.1	1,477,234	14,375
	- To suppliers	257,999,890	1,082,345,748
	Balances with statutory authorities:		
	- Customs duty recoverable	16,410	16,410
	- Sales tax	4,052,783	-
	Claims recoverable from NTDC for pass through items:		
	- Workers' Profit Participation Fund - note 17.2	135,115,025	200,017,982
	Interest receivable	1,191,538	27,894,414
	Security deposits	1,675,000	675,000
	Prepayments	331,676	3,265,346
	Insurance claim receivable	102,216,366	-
	Other receivables	209,832	6,132,775
		<b>504,285,754</b>	<b>1,320,362,050</b>

**17.1** Included in advances to employees are amounts due from executives aggregating to Rs 285,000 (2012: Rs 14,375).

		2013 Rupees	2012 Rupees
<b>17.2</b>	<b>Workers' Profit Participation Fund</b>		
	Opening balance	200,017,982	98,251,139
	Provision for the year - note 10.1	135,115,025	101,766,843
		<b>335,133,007</b>	200,017,982
	Less: Amount received during the year	200,017,982	-
	Closing balance	<b>135,115,025</b>	200,017,982

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.

<b>18. CASH AND BANK BALANCES</b>	<b>2013 Rupees</b>	<b>2012 Rupees</b>
Cash at bank:		
- On saving accounts - note 18.1	<b>3,945,676,543</b>	60,771,114
- On current accounts	<b>1,251,174</b>	390,853
	<b>3,946,927,717</b>	61,161,967
Cash in hand	<b>246,140</b>	243,912
	<b>3,947,173,857</b>	61,405,879

**18.1** Profit on balances in saving accounts ranges from 5% to 10% (2012: 5% to 10%) per annum.

<b>19. SALES</b>	<b>2013 Rupees</b>	<b>2012 Rupees</b>
Energy purchase price	<b>23,816,812,639</b>	18,963,097,958
Less: Sales tax	<b>3,235,538,163</b>	2,535,808,921
	<b>20,581,274,476</b>	16,427,289,037
Capacity purchase price	<b>4,473,982,827</b>	4,662,915,646
	<b>25,055,257,303</b>	21,090,204,683

## **20. COST OF SALES**

Raw materials consumed	<b>18,262,484,447</b>	14,501,855,379
Salaries and other benefits - note 20.1	<b>26,914,523</b>	23,182,094
Operation and maintenance	<b>288,437,892</b>	307,850,288
Stores, spares and loose tools consumed	<b>226,665,224</b>	187,464,994
Electricity consumed in-house	<b>272,281</b>	3,218,165
Insurance	<b>152,865,444</b>	155,441,771
Travelling and conveyance	<b>2,422,756</b>	1,493,601
Printing and stationery	<b>356,996</b>	390,756
Postage and telephone	<b>285,160</b>	374,204
Vehicle running expenses	<b>2,094,020</b>	1,349,533
Entertainment	<b>855,170</b>	206,402
Depreciation on operating fixed assets - note 13.1.3	<b>1,056,635,081</b>	962,904,592
Fee and subscription	<b>6,388,601</b>	3,267,489
Miscellaneous	<b>4,544,052</b>	3,200,172
	<b>20,031,221,647</b>	16,152,199,440

**20.1** Salaries and other benefits include Rs 1,498,562 (2012: Rs 1,274,072) in respect of provident fund contribution by the company.

		2013 Rupees	2012 Rupees
<b>21.</b>	<b>ADMINISTRATIVE EXPENSES</b>		
	Salaries and other benefits - note 21.1	<b>41,167,890</b>	28,232,161
	Travelling and conveyance	<b>7,106,884</b>	7,594,364
	Entertainment	<b>787,242</b>	624,434
	Rent, rates and taxes	<b>12,570,748</b>	12,561,400
	Printing and stationery	<b>544,113</b>	494,049
	Postage and telephone	<b>1,108,764</b>	971,328
	Vehicle running expenses	<b>1,993,594</b>	1,702,733
	Legal and professional charges - note 21.2	<b>9,855,552</b>	8,837,991
	Advertisement	<b>312,593</b>	275,719
	Fee and subscription	<b>2,978,281</b>	3,079,296
	Depreciation on operating fixed assets - note 13.1.3	<b>9,167,571</b>	8,305,807
	Miscellaneous	<b>4,211,884</b>	3,189,804
		<b>91,805,116</b>	75,869,086

**21.1** Salaries and other benefits include Rs 1,851,460 (2012: Rs 1,220,300) in respect of provident fund contribution by the company.

**21.2** Legal and professional charges include the following in respect of auditors' services for:

	2013 Rupees	2012 Rupees
Statutory audit	<b>1,100,000</b>	1,000,000
Half yearly review	<b>650,000</b>	600,000
Tax services	<b>125,000</b>	615,000
Other assurance services	<b>165,000</b>	100,000
Reimbursement of expenses	<b>233,285</b>	168,758
	<b>2,273,285</b>	2,483,758

**22. OTHER EXPENSES**

Bad debts written off	<b>8,967,528</b>	13,759,064
Exchange loss	-	594,585
Impairment on operating fixed assets - note 22.1	<b>29,067,636</b>	-
	<b>38,035,164</b>	14,353,649

**22.1** This is net of insurance claim of Rs 133,533,616. The impairment loss has been recognized in respect of damage to rotor and diaphragm which are part of the steam turbine at the power plant. The recoverable amount of the aforesaid assets has been determined as being equal to the salvage value at which the assets can be sold in an active market.

	2013 Rupees	2012 Rupees
<b>23. OTHER INCOME</b>		
<b>Income from financial assets:</b>		
Profit on bank deposits	<b>22,025,593</b>	65,758,962
<b>Income from non-financial assets:</b>		
Gain on disposal of operating fixed assets	<b>739,741</b>	26,585
Scrap sales	-	1,277,787
Business interruption loss receivable from insurance company	<b>21,605,427</b>	-
Exchange gain	<b>4,316,649</b>	-
	<b>48,687,410</b>	67,063,334
<b>24. FINANCE COST</b>		
Interest / mark-up on:		
- Long term financing - secured	<b>1,608,022,297</b>	2,035,101,194
- Subordinated loans - unsecured - note 24.1	<b>11,925,453</b>	68,701,343
- Short term borrowings - secured	<b>613,457,991</b>	770,341,406
- Workers' Profit Participation Fund - note 10.1	<b>10,166</b>	35,333
Bank charges and commission	<b>4,930,875</b>	3,202,876
Financing fee and charges	<b>2,235,500</b>	2,126,833
	<b>2,240,582,282</b>	2,879,508,985

**24.1** This represents mark-up on subordinated loans from the holding company, Nishat Mills Limited.

	2013 Rupees	2012 Rupees
<b>25. TAXATION</b>		
Current:		
- for the year	-	23,472,167
- prior years	<b>(37,166,826)</b>	(25,023,320)
	<b>(37,166,826)</b>	(1,551,153)

	2013 Rupees	2012 Rupees
<b>25.1 Relationship between tax income and accounting profit</b>		
Profit before taxation	<b>2,702,300,504</b>	2,035,336,857
Tax at the applicable rate of 35% (2012: 35%)	<b>945,805,176</b>	712,367,900
Tax effect of:		
Exempt income as referred to in note 4.1	<b>(945,805,176)</b>	(688,895,733)
Effect of change in prior years' tax	<b>(37,166,826)</b>	(25,023,320)
	<b>(37,166,826)</b>	(1,551,153)

**25.2** For the purposes of current taxation, the tax losses and tax credit available for carry forward as at June 30, 2013 are estimated at Rs 2,645.654 million (2012: Rs 5,558.120 million) and Rs 17.508 million (2012: Rs 6.574 million) respectively. As explained in note 4.1, management believes that the deductible temporary differences will not reverse in the foreseeable future. Consequently, based on the prudence principle, deferred tax asset has not been recognized in these financial statements.

		2013	2012
<b>26. EARNINGS PER SHARE</b>			
<b>26.1 Basic earnings per share</b>			
Net profit for the year	Rupees	<b>2,739,467,330</b>	2,036,888,010
Weighted average number of ordinary shares	Number	<b>354,088,500</b>	354,088,500
Earnings per share	Rupees	<b>7.737</b>	5.752

**26.2 Diluted earnings per share**

A diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at June 30, 2013 and June 30, 2012 which would have any effect on the earnings per share if the option to convert is exercised.



	2013 Rupees	2012 Rupees
<b>27. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	<b>2,702,300,504</b>	2,035,336,857
Adjustment for non cash charges and other items:		
Depreciation on operating fixed assets	<b>1,065,802,652</b>	971,210,399
Profit on bank deposits	<b>(22,025,593)</b>	(65,758,962)
Finance cost	<b>2,240,582,282</b>	2,879,508,985
Provision for employee retirement benefits	<b>3,350,022</b>	2,494,372
Impairment on operating fixed assets	<b>29,067,636</b>	-
Profit on disposal of operating fixed assets	<b>(739,741)</b>	(26,585)
Profit before working capital changes	<b>6,018,337,762</b>	5,822,765,066
Effect on cash flow due to working capital changes:		
(Increase) / decrease in stores, spares and loose tools	<b>(122,749,449)</b>	16,879,476
(Increase) / decrease in inventories	<b>(8,551,097)</b>	302,203,019
Decrease / (increase) in trade debts	<b>4,929,074,552</b>	(4,349,248,901)
Decrease / (increase) in advances, deposits, prepayments and other receivables	<b>922,907,036</b>	(1,187,654,330)
Increase in trade and other payables	<b>726,314,735</b>	489,357,917
	<b>6,446,995,777</b>	(4,728,462,819)
	<b>12,465,333,539</b>	1,094,302,247
<b>28. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	- note 18 <b>3,947,173,857</b>	61,405,879
Short term borrowings - secured	- note 9 <b>(2,458,285,347)</b>	(6,623,680,369)
	<b>1,488,888,510</b>	(6,562,274,490)

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

29.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, full time working Directors and Executives of the company is as follows:

	Chief Executive		Director		Executives	
	2013	2012	2013	2012	2013	2012
	( R u p e e s )					
<b>Short term employee benefits</b>						
Managerial remuneration	12,000,000	7,526,400	4,697,607	2,850,753	21,861,900	15,537,172
Housing rent	-	-	-	-	540,000	540,000
Medical expenses	-	-	469,761	285,075	2,185,957	1,553,718
Bonus	1,254,400	-	522,738	436,070	2,985,606	2,353,498
Leave encashment	-	-	260,978	158,375	1,168,799	882,036
	13,254,400	7,526,400	5,951,084	3,730,273	28,742,262	20,866,424
<b>Post employment benefits</b>						
Contribution to provident fund	-	-	446,273	157,979	2,014,447	1,436,176
	13,254,400	7,526,400	6,397,357	3,888,252	30,756,709	22,302,600
Number of persons	1	1	1	1	18	14

29.2 The executive director and certain executives are provided with company maintained vehicles.

29.3 No remuneration has been given to non-executive directors of the company.

### 30. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise the holding company, subsidiaries and associates of holding company, associated undertakings, directors, key management personnel and post employment benefit plan. 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 29. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2013 Rupees	2012 Rupees
i. Holding company	Subordinated loan repaid	218,220,000	600,000,000
	Mark-up paid on subordinated loan	19,514,044	92,772,711
	Sale of goods	-	2,785,253
ii. Associated undertakings	Purchases of goods and services	2,462,562	4,727,263
	Sale of goods	-	1,246,505
	Rental expense	12,461,400	12,474,777
	Insurance premium	609,465	454,569
iii. Post employment benefit plan	Expense charged in respect of retirement benefit plan	3,350,022	2,494,372
		2013 MW	2012 MW

### 31. CAPACITY AND PRODUCTION

Installed capacity [based on 8,760 hours (2012: 8,784 hours)]	1,710,872	1,715,559
Actual energy delivered	1,276,473	1,062,844

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

	2013	2012
32. NUMBER OF EMPLOYEES		
Total number of employees as at June 30	79	73
Average number of employees during the year	76	72

<b>33. DISCLOSURES RELATING TO PROVIDENT FUND</b>		<b>2013 Rupees</b>	<b>2012 Rupees</b>
(i)	Size of the Fund - total assets	<b>18,252,430</b>	11,021,076
(ii)	Cost of investments made	<b>13,478,205</b>	8,411,826
(iii)	Percentage of investments made	<b>73.84%</b>	76.32%
(iv)	Fair value of investments	<b>14,258,357</b>	8,700,455
<b>Break up of investments</b>			
	Special accounts in a scheduled bank	<b>1,202,469</b>	1,707,808
	Certificates of investment - unlisted securities - note 33.1	<b>6,500,000</b>	-
	Mutual funds - listed	<b>6,555,888</b>	6,992,647
		<b>2013</b>	<b>2012</b>
		<b>% age of size of the Fund</b>	
<b>Break up of investments</b>			
	Special accounts in a scheduled bank	<b>6.59%</b>	15.50%
	Certificates of investment - unlisted securities	<b>35.61%</b>	0.00%
	Mutual funds - listed	<b>35.92%</b>	63.45%

**33.1** These certificates of investment carry profit rate of 9.3% per annum and are issued by Pak-Kuwait Investment Company (Private) Limited ('PKIC'). PKIC is a Development Financial Institution ('DFI'), jointly owned (50:50) by Government of Pakistan and Government of Kuwait and has a credit rating of 'AAA' by The Pakistan Credit Rating Agency Limited ('PACRA').

The above figures are based on the audited financial statements of the Provident Fund. For 2013, 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 other than investment in unlisted securities. The management is taking steps to dispose of such investment.

## **34. FINANCIAL RISK MANAGEMENT**

### **34.1 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 minimise 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:

	<b>2013</b> <b>Rupees</b>	<b>2012</b> <b>Rupees</b>
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Bank balances - savings accounts	<b>3,945,676,543</b>	60,771,114
<b>Financial liabilities</b>		
	-	-
<b>Net exposure</b>	<b>3,945,676,543</b>	60,771,114
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Trade debts - overdue	<b>140,692,452</b>	6,263,383,775
<b>Financial liabilities</b>		
Long term financing	<b>(11,773,428,240)</b>	(12,605,115,123)
Subordinated loans	-	(218,220,000)
Short term borrowings	<b>(2,458,285,347)</b>	(6,623,680,369)
	<b>(14,231,713,587)</b>	(19,447,015,492)
<b>Net exposure</b>	<b>(14,091,021,135)</b>	(13,183,631,717)

### 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 107.473 million (2012: Rs 128.564 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:

	2013 Rupees	2012 Rupees
Trade debts	5,794,382,448	10,723,457,000
Advances, deposits and other receivables	241,884,995	234,734,546
Bank balances	3,946,927,717	61,161,967
	<b>9,983,195,160</b>	<b>11,019,353,513</b>
As of June 30, age analysis of trade debts was as follows:		
Neither past due nor impaired	4,751,440,334	3,830,148,918
Past due but not impaired:		
- 31 to 90 days	227,923,352	4,524,386,205
- 91 to 180 days	2,361,951	1,165,560,343
- 181 to 365 days	318,408,667	1,203,356,152
- above 365 days	494,248,144	5,382
	<b>1,042,942,114</b>	<b>6,893,308,082</b>
	<b>5,794,382,448</b>	<b>10,723,457,000</b>

(ii) **Credit quality of major 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	2013 Rupees	2012 Rupees
	Short term	Long term			
NTDC	Not available			<b>4,751,440,334</b>	3,830,148,918
Al Baraka Bank (Pakistan) Limited	A-1	A	JCR-VIS	<b>847</b>	16,668
Askari Bank Limited	A1+	AA	PACRA	<b>58,281</b>	335,418
Bank Alfalah Limited	A1+	AA	PACRA	<b>10,054</b>	3,443,950
Bank Islami Pakistan Limited	A1	A	PACRA	<b>4,929</b>	6,095
Burj Bank Limited	A-1	A	JCR-VIS	<b>399,834</b>	14,121
Dubai Islamic Bank Pakistan Limited	A-1	A	JCR-VIS	<b>44</b>	761
Faysal Bank Limited	A-1+	AA	JCR-VIS	-	804
First Women Bank Limited	A2	A-	PACRA	<b>465</b>	950
Habib Bank Limited	A-1+	AAA	JCR-VIS	<b>1,206,344</b>	6,478,618
MCB Bank Limited	A1+	AAA	PACRA	<b>3,698,337,988</b>	50,344,417
Meezan Bank Limited	A-1+	AA	JCR-VIS	<b>2,828</b>	1,170
National Bank of Pakistan	A-1+	AAA	JCR-VIS	<b>506,370</b>	34,976
The Bank of Punjab	A1+	AA-	PACRA	<b>180,395,113</b>	374,660
United Bank Limited	A-1+	AA+	JCR-VIS	<b>66,004,620</b>	109,359
				<b>8,698,368,051</b>	3,891,310,885

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, 2013.

	Carrying amount	Less than one year	One to five years	More than five years
( Rupees )				
Long term financing	11,773,428,240	966,796,170	5,714,307,271	5,092,324,799
Short term borrowings	2,458,285,347	2,458,285,347	-	-
Trade and other payables	1,453,705,720	1,453,705,720	-	-
Accrued finance cost	479,067,116	479,067,116	-	-
	<b>16,164,486,423</b>	<b>5,357,854,353</b>	<b>5,714,307,271</b>	<b>5,092,324,799</b>

The following are the contractual maturities of financial liabilities as at June 30, 2012.

	Carrying amount	Less than one year	One to five years	More than five years
( Rupees )				
Long term financing	12,605,115,123	831,686,882	4,915,735,658	6,857,692,583
Subordinated loans	218,220,000	-	218,220,000	-
Short term borrowings	6,623,680,369	6,623,680,369	-	-
Trade and other payables	760,020,710	760,020,710	-	-
Accrued finance cost	646,875,211	646,875,211	-	-
	<b>20,853,911,413</b>	<b>8,862,263,172</b>	<b>5,133,955,658</b>	<b>6,857,692,583</b>

### 34.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. No quoted financial instrument is held by the company.

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39 'Financial Instruments: Recognition and Measurement'.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

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.



### 34.3 Financial instruments by categories

	<b>Loans and receivables</b>	
	<b>2013</b>	<b>2012</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Assets as per balance sheet</b>		
Trade debts	<b>5,794,382,448</b>	10,723,457,000
Advances, deposits and other receivables	<b>241,884,995</b>	234,734,546
Cash and bank balances	<b>3,947,173,857</b>	61,405,879
	<b>9,983,441,300</b>	11,019,597,425
<b>Financial liabilities at amortised cost</b>		
	<b>2013</b>	<b>2012</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Liabilities as per balance sheet</b>		
Long term financing	<b>11,773,428,240</b>	12,605,115,123
Subordinated loans	-	218,220,000
Short term borrowings	<b>2,458,285,347</b>	6,623,680,369
Trade and other payables	<b>1,453,705,720</b>	760,020,710
Accrued finance cost	<b>479,067,116</b>	646,875,211
	<b>16,164,486,423</b>	20,853,911,413

### 34.4 Capital risk 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 notes 7 and 8, less cash and cash equivalents as disclosed in note 28. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The company's strategy, which was unchanged from last year, was to maintain a gearing ratio of 80% debt and 20% equity. The gearing ratio as at June 30, 2013 and June 30, 2012 is as follows:

	<b>2013 Rupees</b>	<b>2012 Rupees</b>
Borrowings - notes 7 and 8	<b>11,773,428,240</b>	12,823,335,123
Less: Cash and cash equivalents - note 28	<b>1,488,888,510</b>	(6,562,274,490)
Net debt	<b>10,284,539,730</b>	19,385,609,613
Total equity	<b>9,208,435,334</b>	7,177,145,004
Total capital	<b>19,492,975,064</b>	26,562,754,617
Gearing ratio	<b>Percentage</b>	
	<b>52.76</b>	72.98

### 35. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 20, 2013 by the Board of Directors of the company.

### 36. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed a final cash dividend for the year ended June 30, 2013 of Rs 2 (2012: Rs 1) per share, amounting to Rs 708,177,000 (2012: Rs 354,088,500) at their meeting held on September 20, 2013 for approval of the members at the Annual General Meeting to be held on October 30, 2013. 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.

  
DIRECTOR

  
DIRECTOR

### STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

These financial statements have been signed by two directors instead of chief executive and one director, as the chief executive is for the time being not in Pakistan.



## FORM OF PROXY

I/We, \_\_\_\_\_  
of \_\_\_\_\_ CDC A/C NO. / FOLIO NO. \_\_\_\_\_  
being a shareholder of the Nishat Power Limited (The Company) do hereby appoint.

Mr./Miss/Ms. \_\_\_\_\_  
of \_\_\_\_\_ CDC A/C NO. / FOLIO NO. \_\_\_\_\_ and  
or failing him/her \_\_\_\_\_ of \_\_\_\_\_

who is/are also a shareholder of the said Company, as my/our proxy in my/our absence and to vote for me/us at the Annual General Meeting of the Company to be held on 30 October 2013 (Wednesday) at 3:00 PM. at Nishat House, 53-A, Lawrence Road, Lahore and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.

As witness my/our hands in this day of \_\_\_\_\_ 2013.

Revenue  
Stamp  
of Rs. 5/-

Signature \_\_\_\_\_

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

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

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

Witness:-

Name \_\_\_\_\_

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

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

### IMPORTANT:

- This instrument appointing a proxy, duly completed, must be received at the registered Office of the Company at Nishat House, 53-A, Lawrence Road, Lahore not later than 48 hours before the time of holding the Annual General Meeting. For Appointing Proxies
- Attested copies of the CNIC or the passport of beneficial owners shall be furnished with the proxy form.
- The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished along with proxy form to the Company.

The Company Secretary

**NISHAT POWER LIMITED**

Nishat House,  
53 - A, Lawrence Road, Lahore.

AFFIX  
CORRECT  
POSTAGE



N I S H A T

53-A, Lawrence Road, Lahore.

Te: 042-6367812-16

Fax: 042-6367414

UAN: 042-111-11-33-33